



OKLAHOMA TEACHERS

RETIREMENT SYSTEM

BOARD OF TRUSTEES

REGULARLY SCHEDULED
MEETING

NOVEMBER 20, 2013

MEETING MATERIALS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, November 20, 2013 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. ROLL CALL FOR QUORUM**
- 2. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES**
 - a. October 23, 2013 Regular Board Meeting**
- 3. DISCUSSION AND POSSIBLE ACTION ON RECOGNITION OF FORMER TRUSTEE DR. MICHAEL SIMPSON**
- 4. PRESENTING MANAGERS OVERVIEW**
- 5. PRESENTATION BY INVESTMENT MANAGER(S):**
 - a. Causeway Capital Management**
 - b. Thornburg**
- 6. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT REPORTS**
 - a. Monthly Report**
 - b. Quarterly Report**
- 7. 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
- 8. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT**
- 9. DISCUSSION AND POSSIBLE ACTION ON AUDIT COMMITTEE REPORT AND THE FOLLOWING ITEMS:**
 - a. Independent Auditor's Report – June 30, 2013 (Cole + Reed)**
 - b. OTRS Purchase Card Audit, dated October 29, 2013 conducted by the State of Oklahoma Office of Management and Enterprise Services**
- 10. DISCUSSION AND POSSIBLE ACTION ON GOVERNANCE COMMITTEE REPORT**
- 11. DISCUSSION AND POSSIBLE ACTION ON CLIENT SERVICES REPORT**
 - a. Performance Metrics**
 - b. Client Status Update**
- 12. DISCUSSION AND POSSIBLE ACTION ON FINANCE REPORT**
 - a. Cash Flow Report**
- 13. DISCUSSION AND POSSIBLE ACTION ON DATA MIGRATION REPORT**

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AGENDA (cont.)

- 14. DISCUSSION AND POSSIBLE ACTION ON ASSISTANT EXECUTIVE DIRECTOR'S REPORT**
- 15. DISCUSSION AND POSSIBLE ACTION ON TRUSTEE STATUS UPDATE**
 - a. Resignation of Trustee Sherrie Barnes**
- 16. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR SEARCH**
- 17. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 18. NEW BUSINESS**
- 19. ADJOURNMENT**

**MEETING MINUTES
OCTOBER 23, 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 were posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:

James Dickson, <i>Chair</i>	Jill Geiger
Bill Peacher, <i>Vice Chair</i>	Philip Lewis*
Beth Kerr, <i>Secretary</i>	Stewart Meyers, Jr.
Vernon Florence	Billie Stephenson
Roger Gaddis	Gary Trennepohl

TRUSTEES ABSENT:

Sherrie Barnes	Greg Winters
Jonathan Small	

TRS STAFF PRESENT:

Joe Ezzell, *Asst. Executive Director*
Dixie Moody, *Director of Client Services*
Josh Richardson, *Director of Strategic Initiatives*
Riley Shaull, *Comptroller*
Rocky Cooper, *Director of Information Technology*
Grant Soderberg, *Investment Analyst*
Susan Yingling, *Executive Assistant*

LEGAL COUNSEL PRESENT:

Julie Ezell, *Assistant Attorney General*

OTHERS PRESENT:

Shawn Ashley, *eCapitol*
Norman Cooper, *OREA*
Chancen Flick, *OEA*
Danna Foreman, *POE*
Gene Hopper, *Hopper & Associates*
Jan Preslar, *OAG*

*Denotes late arrival or early departure.

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, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

ITEM 2 – MEETING MINUTES: A motion was made by Dr. Trennepohl with a second made by Mr. Florence to approve the September 25, 2013 Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

A motion was made by Mr. Florence with a second made by Mr. Gaddis to approve the October 2, 2013 special Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

A motion was made by Mr. Gaddis with a second made by Mr. Florence to approve the October 10, 2013 special Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

ITEM 3 – OVERVIEW OF PRESENTING MANAGERS: Investment Consultants to the Board, Greg Weaver and Douglas Anderson of Gregory W. Group, gave the Board an overview of Franklin Park and Hoisington Investment, presenting managers to the Board. No action was necessary.

Dr. Lewis arrived at 9:15 a.m.

ITEM 4 – PRESENTATIONS BY INVESTMENT MANAGERS: Franklin Park, Investment Managers for the Private Equity portfolio; and Hoisington Investments, Investment Managers for the Domestic Fixed Income portfolio, gave the Board their monthly reports. No action was necessary.

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

ITEM 6 – MANAGER STATUS SUMMARY REPORT: Investment Consultants to the Board, Greg Weaver and Douglas Anderson of Gregory W. Group, gave the Board their Manager Status Summary Report. No action was necessary.

ITEM 7 – INVESTMENT COMMITTEE REPORT: Bill Peacher, Chairman of the Investment Committee, gave the Board an overview of the October 22, 2013 Investment Committee Meeting. Mr. Peacher advised the Board that the Investment Committee had two recommendations for consideration. The first recommendation was to increase the allocation for the PIMCO Bravo II fund from \$75 million to \$150 million. The second recommendation was to approve Loomis Sayles' request for two policy exceptions to the OKTRS Investment Policy. There was a brief discussion about both recommendations.

A motion was made by Mr. Gaddis with a second made by Dr. Trennepohl to increase the allocation for PIMCO's Bravo II fund from \$75 million to \$150 million. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

A motion was made by Dr. Trennepohl with a second was made by Mr. Florence to approve Loomis Sayles' request to 1) increase the limit from 10% to 15% in instruments issued by a developing or emerging market issuer and 2) to use the highest rating if the ratings assigned to a security by Standard & Poor's or Moody's are not the same. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

ITEM 9 – APPROVAL OF CONTRACT WITH ADMINISTRATIVE LAW JUDGE DOUG

PRICE: Julie Ezell explained to the Board that a contract between OTRS and an Administrative Law Judge was necessary for Administrative Hearings. After a brief discussion, a motion was made by Mr. Florence with a second made by Ms. Stephenson to approve the contract with Administrative Law Judge Doug Price. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

A break was taken from 10:45 a.m. to 10:55 a.m.

ITEM 10 – LEGAL REPORT: Julie Ezell, Legal Counsel to the Board, presented her Monthly Legal Report to the Board. No action was necessary.

ITEM 12 – FINANCE REPORT: Riley Shaull, OTRS Comptroller, and Josh Richardson, OTRS Director of Strategic Initiatives, gave the Board a brief presentation regarding the Cash Flow Report and the FY 2014 Quarterly Budget Reports. No action was necessary.

ITEM 11 – CLIENT SERVICES REPORT: Dixie Moody, Director of Client Services, presented her report to the Board. A motion was made by Mr. Florence with a second made by Mr. Gaddis to approve the Client Services Report. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

ITEM 13 – MIGRATION REPORT AND SOFTWARE DEVELOPMENT PROPOSAL: Josh Richardson gave a brief presentation on the status of the OTRS data migration and the software development proposal to renew a contract with MYConsulting Group (MYCG). After some discussion, a motion was made by Dr. Lewis with a second made by Mr. Florence to renew the contract with MYCG starting November 15, 2013, and ending on September 15, 2015. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

ITEM 14 – ASSISTANT EXECUTIVE DIRECTOR’S REPORT: OTRS Assistant Executive Director, Joe Ezzell, gave his report to the Board. No action was necessary.

ITEM 15 – PROPOSED 2014 BOARD OF TRUSTEES MEETING CALENDAR: A motion was made by Mr. Peacher with a second made by Mr. Florence to approve the proposed 2014 Board of Trustees Meeting Calendar. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

A break for lunch was taken from 12:02 p.m. to 12:16 p.m.

ITEM 8 – ACTUARIAL REPORT: Mark Randall and Ryan Falls, Actuarial Consultants from Gabriel Roeder Smith & Company, gave their presentation of the June 30, 2013 Actuarial Report. After some discussion, a motion was made by Dr. Trennepohl with a second made by Ms. Geiger to approve the FY 2013 Actuarial Valuation Report. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson. Dr. Lewis left before the vote was taken.

Dr. Lewis left at 12:50 p.m.

ITEM 16 – EXECUTIVE SESSION REGARDING THE BOND OF THE EXECUTIVE DIRECTOR

ITEM 17 – EXECUTIVE SESSION CONCERNING THE APPOINTMENT OF AN INTERIM EXECUTIVE DIRECTOR

On the advice of legal counsel, the Board made one motion to resolve into Executive Session to discuss both items 16 and 17. A motion was made by Mr. Florence with a second made by Mr. Meyers to resolve into Executive Session at 2:03 p.m. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

After extensive discussion regarding the bond of the Executive Director and the appointment of an Interim Executive Director, no action was taken during the Executive Session.

A motion was made by Dr. Trennepohl with a second made by Mr. Florence to adjourn from Executive Session return to open session at 3:10 p.m. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, and Chairman Dickson.

Open Session reconvened at 3:11 p.m.

ITEM 18 – ACTIONS ON ITEMS DISCUSSED IN EXECUTIVE SESSION:

ITEM 19 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Board.

ITEM 20 – NEW BUSINESS: There was no further business from the Board.

ITEM 21 – ADJOURNMENT: There being no further business, a motion was made by Ms. Geiger with a second made by Ms. Stephenson to adjourn. The meeting was adjourned at 3:15 p.m. Trustees present at adjournment were: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl and Chairman Dickson.

BOARD OF TRUSTEES, TEACHERS’ RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
James Dickson, Chairman

ATTEST:

BY: _____
Beth Kerr, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers’ Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on November 20, 2013.

BY: _____
Susan Yingling, Executive Assistant to the Executive Director

MICHAEL SIMPSON

WHEREAS, Dr. Michael Simpson served as a member of the Board of Trustees of the Teachers' Retirement System of Oklahoma from August 2005 through April 2013, distinguishing himself as an outstanding and dedicated leader and an authority on pension fund management in Oklahoma; and

WHEREAS, Dr. Michael Simpson served as a member of the Investment Committee, during which time he discharged the responsibilities of those offices in a most excellent manner; and

WHEREAS, Dr. Michael Simpson 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 Dr. Michael Simpson 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 Dr. Michael Simpson 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

RESOLVED, That a copy of this Resolution be forwarded to Dr. Michael Simpson 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 20th DAY OF NOVEMBER, 2013.

Manager Profile - Causeway Capital Management



Asset Class:	International Large Cap Equity
Status:	In Compliance
Portfolio Size:	\$527,889,629
Inception Date:	5/1/2003
Actual Allocation:	4.1%
Annual Management Fee:	0.37%
Location:	Los Angeles, CA
Structure:	Privately Held
Portfolio Management Team:	Sarah H. Ketterer Harry W. Hartford

Notes:

Causeway employs a team of fundamental analysis to develop expected returns for undervalued securities. Portfolios are constructed using quantitative measures to control risk and optimize performance characteristics.

Represented by:	Harry W. Hartford Eric Crabtree
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Founded: 2001

Return Profile	Since Inception	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Causeway	11.4	9.6	15.9	10.1	25.7	9.3	3.6
MSCI ACWI Ex US	10.5	8.5	12.5	6.0	20.3	9.4	3.7

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Causeway	188	\$54,558	2.9%	11.1	1.7
MSCI ACWI Ex US	1,823	\$46,669	2.9%	12.6	1.7

Manager Profile - Thornburg Investment Management



Asset Class:	International Large Cap Equity
Status:	In Compliance
Portfolio Size:	\$476,939,468
Inception Date:	12/1/2005
Actual Allocation:	3.7%
Annual Management Fee:	0.51%
Location:	Santa Fe, NM
Structure:	Privately Held
Portfolio Management Team:	Lei Wang, CFA Bill Fries, CFA Wendy Trevisani
Represented by:	Rolf Kelly, CFA Christa Maxwell, CFA Eric Edmond, CFA

Notes:

Thornburg uses a bottom-up approach to build portfolios. Their portfolios are constructed of holdings in three groups: Basic Value, Consistent Earners, and Emerging Franchises. The portfolio management team allocates to the segments according to their market outlook. The three basket approach allow the strategy to participate in a variety of market environments.

Founded: 1982

Return Profile		Since Inception	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Thornburg		7.3	-	12.4	6.4	18.6	6.0	1.1
	MSCI ACWI Ex US	10.5	8.5	12.5	6.0	20.3	9.4	3.7

Risk Characteristics		Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Thornburg		70	\$70,658	2.2%	15.7	2.1
	MSCI ACWI Ex US	1,823	\$46,669	2.9%	12.6	1.7

Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,853,023,846	22.3%	17.0%	5.3%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	1,784,782,335	14.0%	13.0%	1.0%	
Small Cap	1,307,833,707	10.2%	10.0%	0.2%	
Total Domestic Equity	5,945,639,887	46.5%	40.0%	6.5%	
Large Cap International Equity	1,471,322,675	11.5%	11.5%	0.0%	
Small Cap International Equity	805,274,575	6.3%	6.0%	0.3%	
Total International Equity	2,276,597,250	17.8%	17.5%	0.3%	
Core Fixed Income	1,989,318,027	15.6%	17.5%	-1.9%	
High Yield Bonds	729,681,739	5.7%	6.0%	-0.3%	
MLPs	776,075,467	6.1%	7.0%	-0.9%	
Private Equity	261,836,979	2.0%	5.0%	-3.0%	
Real Estate	546,204,481	4.3%	7.0%	-2.7%	
Opportunistic Assets	159,280,743	1.2%	0.0%	1.2%	
Total Non-Core Assets	2,473,079,409	19.4%	25.0%	-5.6%	
Cash	90,212,843	0.7%	0.0%	0.7%	
Composite	12,774,887,049	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of October 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)	12,774,887,049	12/1/1991	21.9	9.7	8.8	15.0	12.8	22.3	9.5	5.1	3.1
Total Fund (Net of Fees)				9.3	8.4	14.6	12.4	21.9	9.1	5.0	3.0
<i>Allocation Index</i>				9.3	7.9	9.3	11.8	14.9	5.1	5.1	3.5
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	5,945,639,887	4/1/1990	23.6	10.9	9.1	17.9	17.3	35.3	12.3	5.6	3.8
<i>S&P 500</i>	46.5%			9.5	7.5	15.2	16.6	27.2	10.1	4.8	4.6
Total All Cap Equity	833,179,451	9/1/2006	7.2	6.9	-	15.6	16.1	30.1	10.2	4.7	3.5
<i>Russell 3000</i>	6.5%			6.9	-	15.9	16.9	29.0	10.9	5.1	4.3
Total Large Cap Active Equity	976,021,919	1/1/1995	18.8	10.3	7.8	16.3	18.0	32.4	10.8	4.6	4.1
<i>S&P 500</i>	7.6%			9.4	7.5	15.2	16.6	27.2	10.1	4.8	4.6
Total Mid Cap Equity	1,784,782,335	11/1/1998	15.0	10.3	11.3	21.3	18.8	39.7	13.1	5.3	3.3
<i>Russell Mid Cap</i>	14.0%			9.6	10.4	19.7	17.4	33.8	11.5	5.4	3.5
Total Small Cap Equity	1,307,833,707	2/1/1998	15.8	9.6	9.8	18.3	15.8	40.7	15.0	7.7	4.1
<i>Russell 2000</i>	10.2%			7.5	9.0	17.0	17.7	36.3	13.0	5.6	2.5
Total International Equity	2,276,597,250	2/1/1998	15.8	9.5	9.0	13.5	9.3	27.2	15.3	9.4	2.7
<i>MSCI ACWI ex-US</i>	17.8%			-	9.0	13.0	6.5	20.8	14.2	9.4	3.7
Core Fixed Income (ex- High Yield)	1,989,318,027	4/1/1990	23.6	7.3	6.4	9.4	5.7	-0.6	2.0	1.9	1.5
<i>Barclays Aggregate</i>	15.6%			6.8	4.8	6.1	3.0	-1.1	1.4	1.2	0.8
Master Limited Partnerships	776,075,467	2/28/2011	2.7	18.6	-	-	-	29.7	3.8	3.0	3.4
<i>Alerian MLP Index</i>	6.1%			14.2	-	-	-	19.6	1.9	2.4	2.7
High Yield Fixed Income	729,681,739	2/1/2009	4.7	16.6	-	-	9.2	8.5	4.6	3.0	2.3
<i>ML High Yield II</i>	5.7%			18.2	-	-	8.9	8.8	4.8	2.8	2.5
Core Real Estate	546,204,481	4/1/2011	2.6	-	-	-	-	-	-	-	-
<i>NCREIF</i>	4.3%			-	-	-	-	-	-	-	-
Cash	90,212,843	4/1/1990	23.6	-	-	-	-	-	-	-	-
<i>91 Day T-bill</i>	0.7%			-	1.7	0.1	0.1	0.1	0.0	0.0	0.0

Equity Portfolios Summary

As of October 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	505,637,524	4/1/1990	23.6	11.0	7.8	18.8	18.4	36.2	9.7	3.4	3.2
Russell 1000 Value	4.0%			10.1	7.8	14.1	16.8	28.3	8.5	2.9	4.4
Sawgrass	470,384,395	7/1/2006	7.3	8.1	-	16.3	18.1	28.5	12.0	5.9	5.0
Russell 1000 Growth	3.7%			8.4	-	17.5	16.8	28.3	8.5	2.9	4.4
ARI All Cap	416,979,226	9/1/2006	7.2	6.0	-	15.0	16.2	29.0	9.3	3.9	3.4
Russell 3000 Value	3.3%			6.9	-	15.9	16.9	29.0	10.9	5.1	4.3
EPOCH All Cap	416,200,225	9/1/2006	7.2	7.6	-	16.0	16.0	31.4	11.0	5.5	3.6
Russell 3000 Value	3.3%			6.9	-	15.9	16.9	29.0	10.9	5.1	4.3
NT Cap Weighted Passive	522,345,507	4/1/2012	1.6	18.2	-	-	-	27.1	10.1	4.7	4.6
S&P 500 Cap Weighted	4.1%			17.5	7.5	15.2	16.6	27.2	10.1	4.8	4.6
SSGA Eq Weighted Passive	521,476,969	4/1/2012	1.6	22.0	-	-	-	33.8	11.2	5.4	4.2
S&P 500 Equal Weighted	4.1%			-	10.1	20.3	18.0	33.9	-	5.5	4.3
Frontier Capital	457,022,132	6/1/2002	11.4	10.3	11.4	18.1	16.6	32.5	13.2	5.6	3.1
Russell Mid Cap Growth	3.6%			9.3	9.6	20.3	17.2	33.9	12.2	5.6	2.6
Wellington Management	417,123,223	9/1/1998	15.2	10.7	10.0	19.7	15.4	44.8	16.6	8.4	3.9
Russell Mid Cap Growth	3.3%			8.9	9.6	20.3	17.2	33.9	12.2	5.6	2.6
AJO Partners	463,510,506	8/1/1998	15.3	11.0	10.7	20.8	19.6	37.7	13.2	5.8	4.9
Russell MidCap	3.6%			9.2	10.4	19.7	17.4	33.8	11.5	5.4	3.5
Hotchkis & Wiley Mid Cap	447,126,474	8/1/2002	11.3	14.5	12.7	27.5	23.6	43.9	10.1	1.8	1.3
Russell MidCap Value	3.5%			11.6	10.6	18.9	17.5	33.5	10.7	5.1	4.6
Shapiro Capital Management	585,484,233	2/1/1998	15.8	10.6	13.0	22.8	18.3	39.9	15.0	8.1	4.3
Russell 2000	4.6%			-	9.0	17.0	17.7	36.3	13.0	5.6	2.5
Geneva Capital	190,896,486	6/1/2013	0.4	19.9	-	-	-	-	19.7	12.1	4.7
Russell 2000 Growth	1.5%			14.1	-	-	-	-	14.9	6.8	1.8
Wasatch Advisors	177,573,436	6/1/2013	0.4	10.0	-	-	-	-	12.6	5.6	2.3
Russell 2000 Growth	1.4%			14.1	-	-	-	-	14.9	6.8	1.8
Cove Street Capital	103,810,032	6/1/2013	0.4	14.6	-	-	-	-	16.3	8.3	6.2
Russell 2000 Value	0.8%			10.6	-	-	-	-	11.1	4.4	3.3
Frontier Capital	144,902,097	6/1/2013	0.4	8.4	-	-	-	-	12.5	4.7	4.0
Russell 2000 Value	1.1%			10.6	-	-	-	-	11.1	4.4	3.3
Neumeier Poma	105,167,422	6/1/2013	0.4	13.8	-	-	-	-	13.0	5.2	3.5
Russell 2000 Value	0.8%			10.6	-	-	-	-	11.1	4.4	3.3
Causeway Capital	527,889,629	5/1/2003	10.5	11.4	9.6	15.9	10.1	25.7	15.3	9.3	3.6
MSCI ACWI Ex US	4.1%			10.5	8.5	12.5	6.0	20.3	14.1	9.4	3.7
International Transition Account	50,732,370	-	-	-	-	-	-	-	-	-	-
MSCI ACWI Ex US	0.4%			-	8.5	12.5	6.0	20.3	14.1	9.4	3.7
Northern Trust Passive	415,376,060	9/1/2013	0.2	3.8	-	-	-	-	-	-	3.4
MSCI EAFE	3.3%			3.4	7.7	12.0	8.4	26.9	15.3	9.5	3.4
Thornburg	476,939,468	12/1/2005	7.9	7.3	-	12.4	6.4	18.6	11.5	6.0	1.1
MSCI ACWI Ex US	3.7%			5.5	8.5	12.5	6.0	20.3	14.1	9.4	3.7
ARI Small Cap International	201,711,469	12/1/2011	1.9	23.2	-	-	-	29.8	16.2	11.9	3.9
MSCI EAFE Small Cap	1.6%			22.7	9.8	18.3	11.0	32.2	19.0	12.2	3.0
Epoch Small Cap International	202,217,309	12/1/2011	1.9	22.5	-	-	-	31.4	19.4	12.0	4.9
MSCI EAFE Small Cap	1.6%			22.7	9.8	18.3	11.0	32.2	19.0	12.2	3.0
Wasatch Small Cap International	198,904,538	12/1/2011	1.9	31.8	-	-	-	34.1	15.3	8.7	1.6
MSCI EAFE Small Cap	1.6%			22.7	9.8	18.3	11.0	32.2	19.0	12.2	3.0
Wellington Small Cap International	202,441,260	12/1/2011	1.9	29.9	-	-	-	38.5	18.6	12.3	2.8
MSCI EAFE Small Cap	1.6%			22.7	9.8	18.3	11.0	32.2	19.0	12.2	3.0

Fixed Income Portfolios Summary

As of October 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	579,071,754	8/1/1999	14.3	7.2	7.7	12.2	6.3	1.1	3.0	2.5	2.1
<i>Barclays Aggregate</i>	<i>4.5%</i>			5.7	4.8	6.1	3.0	-1.1	1.4	1.2	0.8
Lord Abbett	576,627,696	11/1/2004	9.0	6.2	-	9.5	5.0	0.5	1.8	1.6	1.1
<i>Barclays Aggregate</i>	<i>4.5%</i>			4.7	-	6.1	3.0	-1.1	1.4	1.2	0.8
Mackay Shields	574,466,424	11/1/2004	9.0	6.5	-	9.2	6.0	1.5	2.1	1.4	1.4
<i>Barclays Aggregate</i>	<i>4.5%</i>			4.7	-	6.1	3.0	-1.1	1.4	1.2	0.8
Hoisington	259,152,152	11/1/2004	9.0	7.4	-	8.2	6.8	-12.6	-1.7	1.0	1.6
<i>Barclays Aggregate</i>	<i>2.0%</i>			4.7	-	6.1	3.0	-1.1	1.4	1.2	0.8
Loomis Sayles High Yield	242,670,290	2/1/2009	4.7	16.7	-	-	7.9	6.6	4.2	3.3	2.3
<i>Merrill Lynch High Yield II</i>	<i>1.9%</i>			18.2	-	-	8.9	8.8	4.8	2.8	2.5
Lord Abbett High Yield	242,189,995	2/1/2009	4.7	17.6	-	-	10.3	11.0	5.2	3.0	2.4
<i>Merrill Lynch High Yield II</i>	<i>1.9%</i>			18.2	-	-	8.9	8.8	4.8	2.8	2.5
Mackay Shields High Yield	244,821,454	2/1/2009	4.7	15.6	-	-	9.2	7.8	4.2	2.5	2.2
<i>Merrill Lynch High Yield II</i>	<i>1.9%</i>			18.2	-	-	8.9	8.8	4.8	2.8	2.5

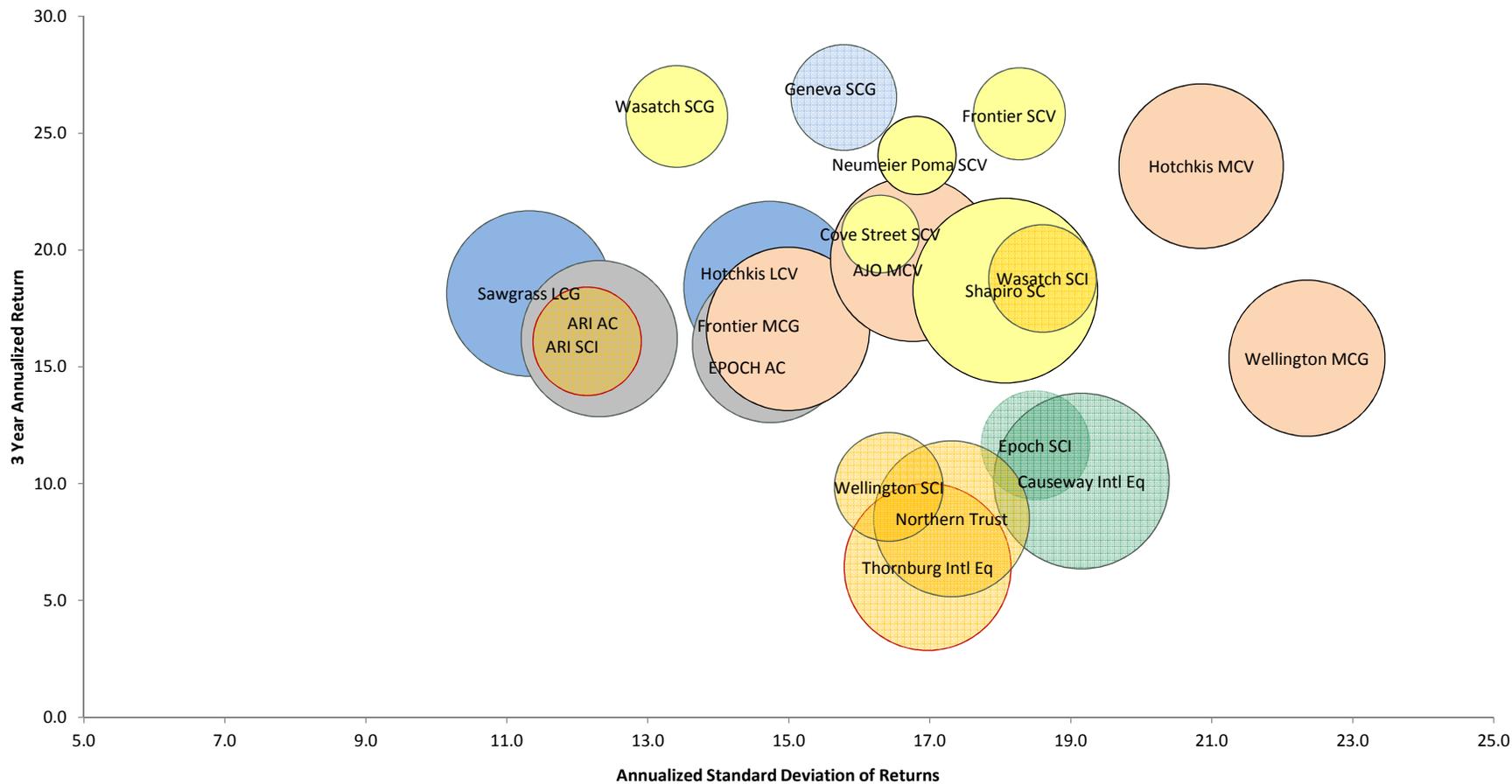
Non-Traditional Portfolios Summary

As of October 31, 2013



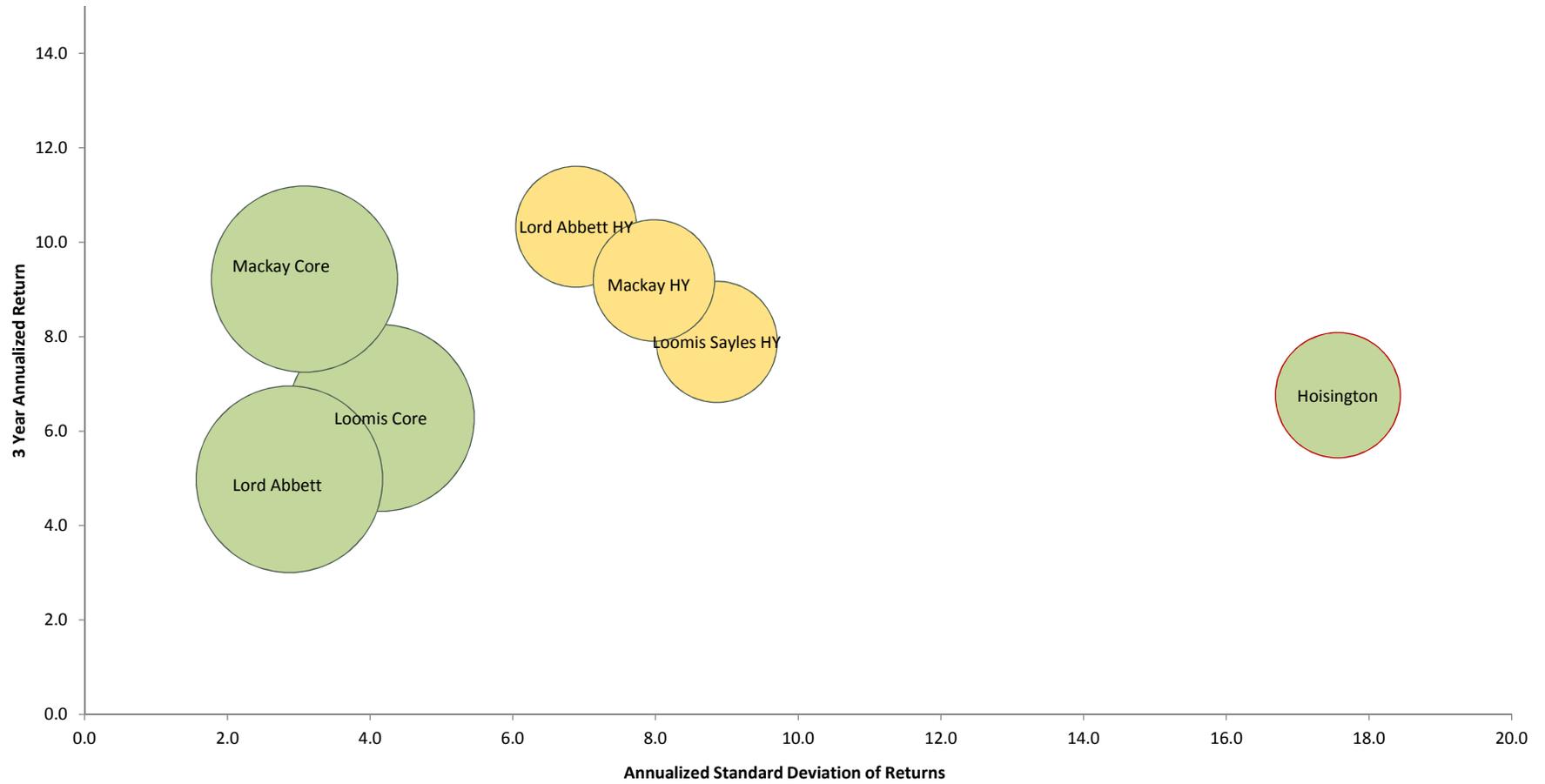
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Chickasaw Capital MLP	228,945,776	2/28/2011	2.7	26.2	-	-	-	40.5	7.3	7.0	5.5
<i>Alerian MLP Index</i>	1.8%			14.2	-	-	-	19.6	1.9	2.4	2.7
Cushing MLP Management	197,766,037	2/28/2011	2.7	19.0	-	-	-	32.8	5.4	4.5	3.9
<i>Alerian MLP Index</i>	1.5%			14.2	-	-	-	19.6	1.9	2.4	2.7
FAMCO MLP	349,363,653	2/28/2011	2.7	13.8	-	-	-	22.0	0.8	-0.4	1.8
<i>Alerian MLP Index</i>	2.7%			14.2	-	-	-	19.6	1.9	2.4	2.7
Legacy Private Equity Portfolio	71,835,241	10/1/2008	5.1	-	-	-	-	-	-	-	-
Franklin Park Private Equity	190,001,738	4/1/2010	3.6	-	-	-	-	-	-	-	-
	2.0%										
AEW Real Estate	182,265,413	5/1/2011	2.5	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Heitman Real Estate	192,671,534	5/1/2011	2.5	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	171,267,534	4/1/2011	2.6	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.3%			-	-	-	-	-	-	-	-
PIMCO BRAVO	144,763,263	3/31/2011	2.6	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.1%			-	-	-	-	-	-	-	-
PIMCO BRAVO II	7,774,143	3/31/2013	0.6	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.1%			-	-	-	-	-	-	-	-

Three Year Risk/Return Review - Equity Portfolios



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

Three Year Risk/Return Review - Fixed Income Portfolios



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



OKLAHOMA TEACHERS RETIREMENT SYSTEM

**executive summary report
third quarter, 2013**

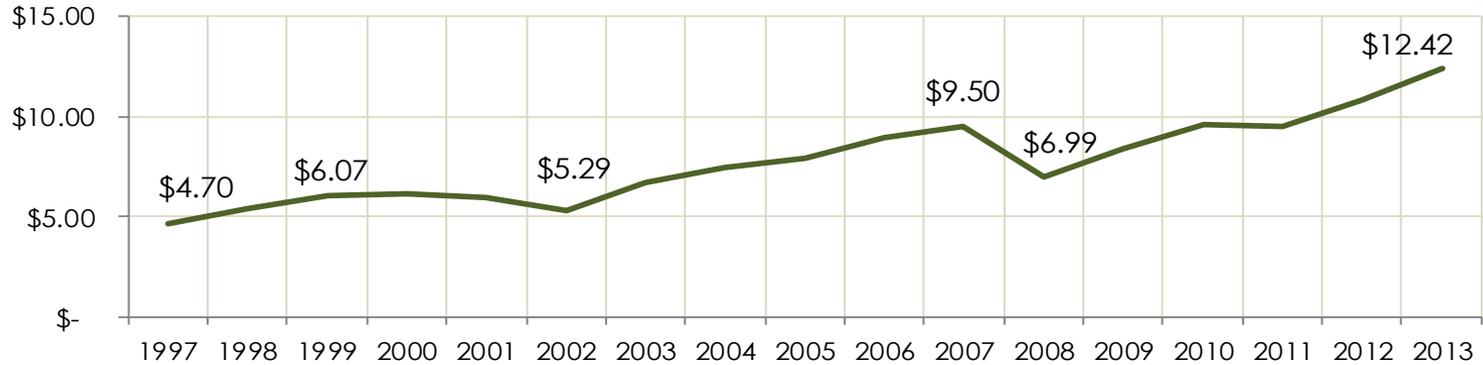


Trailing Year Total Fund Return

+18.7%

Plan History

Market Value History (\$Billions)



Funded Status History



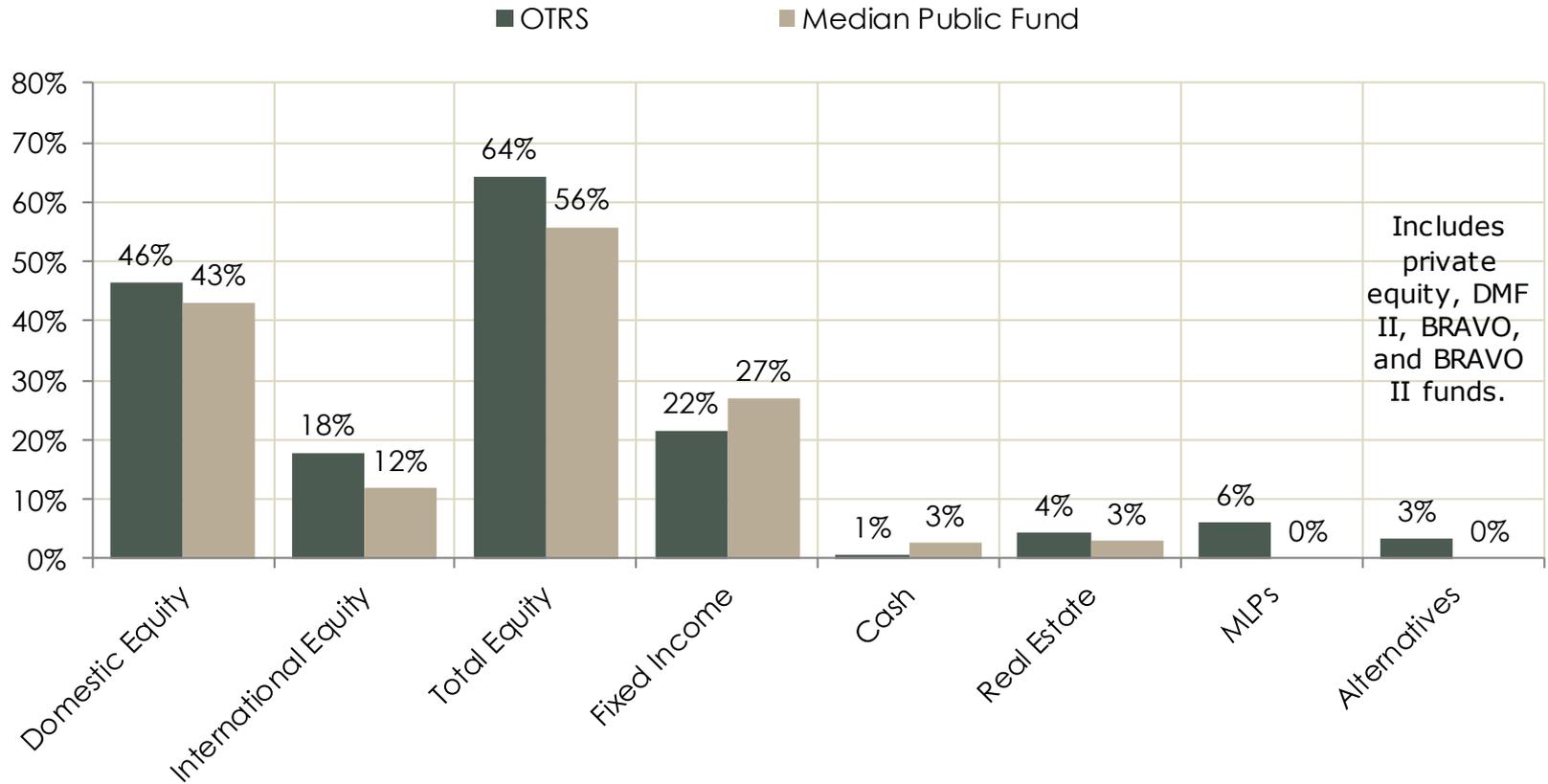
Observations – third quarter, 2013

- **INVESTMENT PERFORMANCE:** Total fund returns were positive during the quarter. The total fund earned a 6.2% return. Equity results were strongly positive. Core and High Yield fixed income results were also positive, although more modest. The total fund's trailing returns were exceptional. The trailing year return was well above the actuarial assumption, above the allocation index and ranked in the top 1 percent 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 (+9.0%) 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 prior quarter. An international equity index fund was added earlier this year.
- **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.

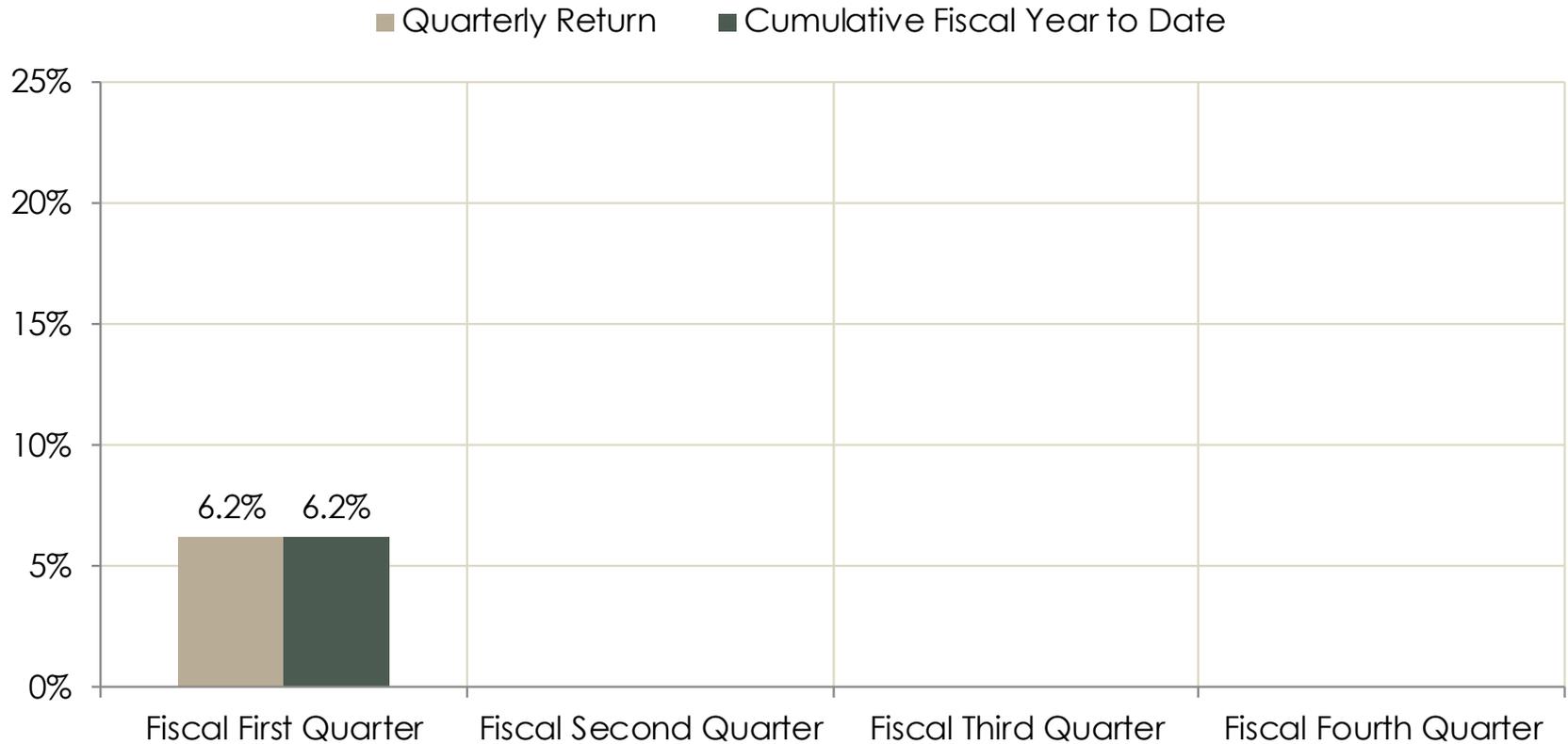
Asset Allocation Summary – Total Fund

	Current Allocation	New Target Allocation	Difference
Domestic Equity	46.37%	40.00%	6.37%
International Equity	17.82%	17.50%	0.32%
Core Fixed Income	15.77%	17.50%	-1.73%
Opportunistic Assets	1.23%	0.00%	1.23%
High Yield Fixed Income	5.74%	6.00%	-0.26%
Real Estate	4.27%	7.00%	-2.73%
Private Equity	2.10%	5.00%	-2.90%
MLPs	6.04%	7.00%	-0.96%
Cash	0.65%	0.00%	0.65%
Total	100.00%	100.00%	0.00%

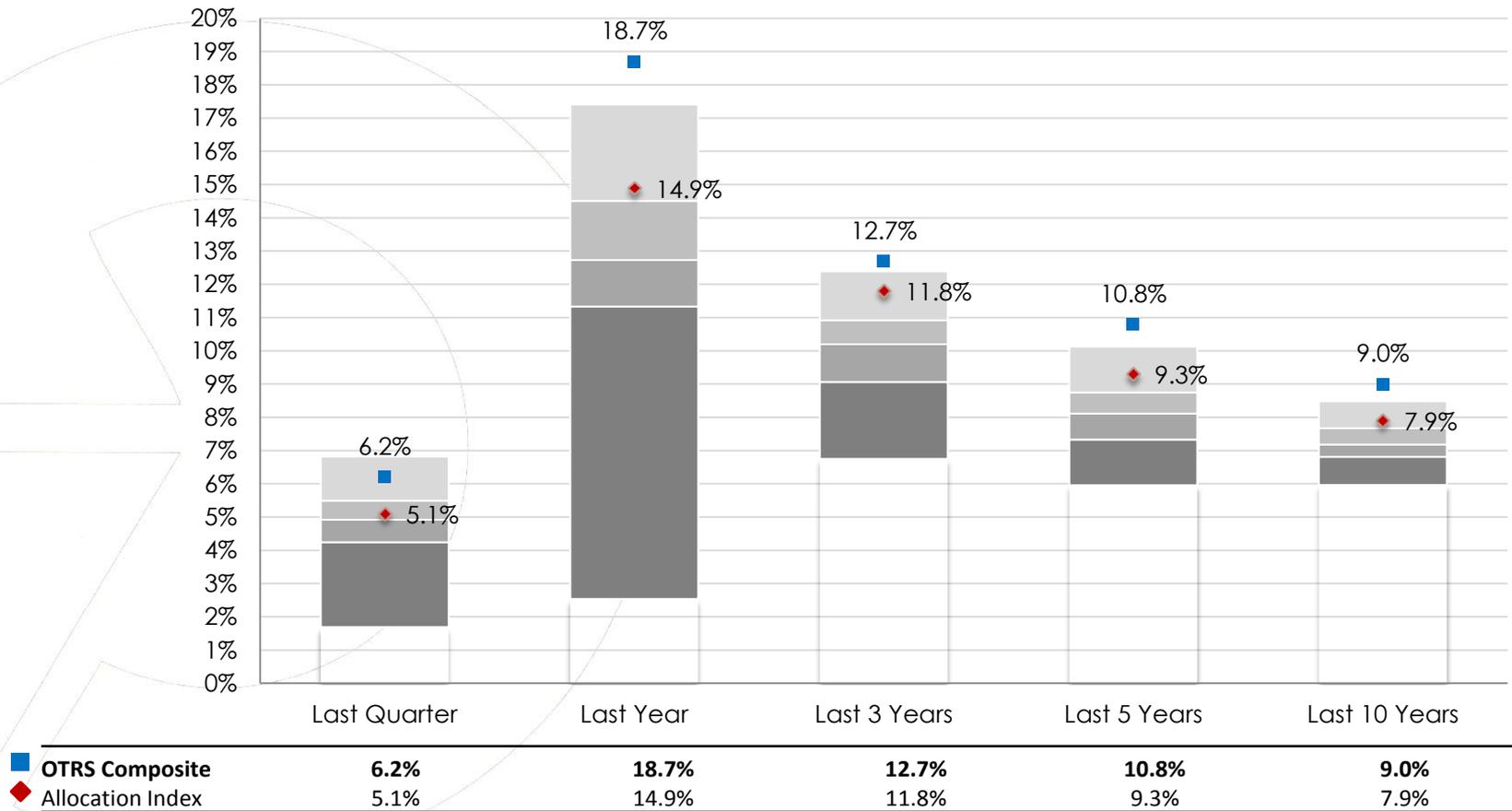
Total Fund Allocation vs. Median Public Fund



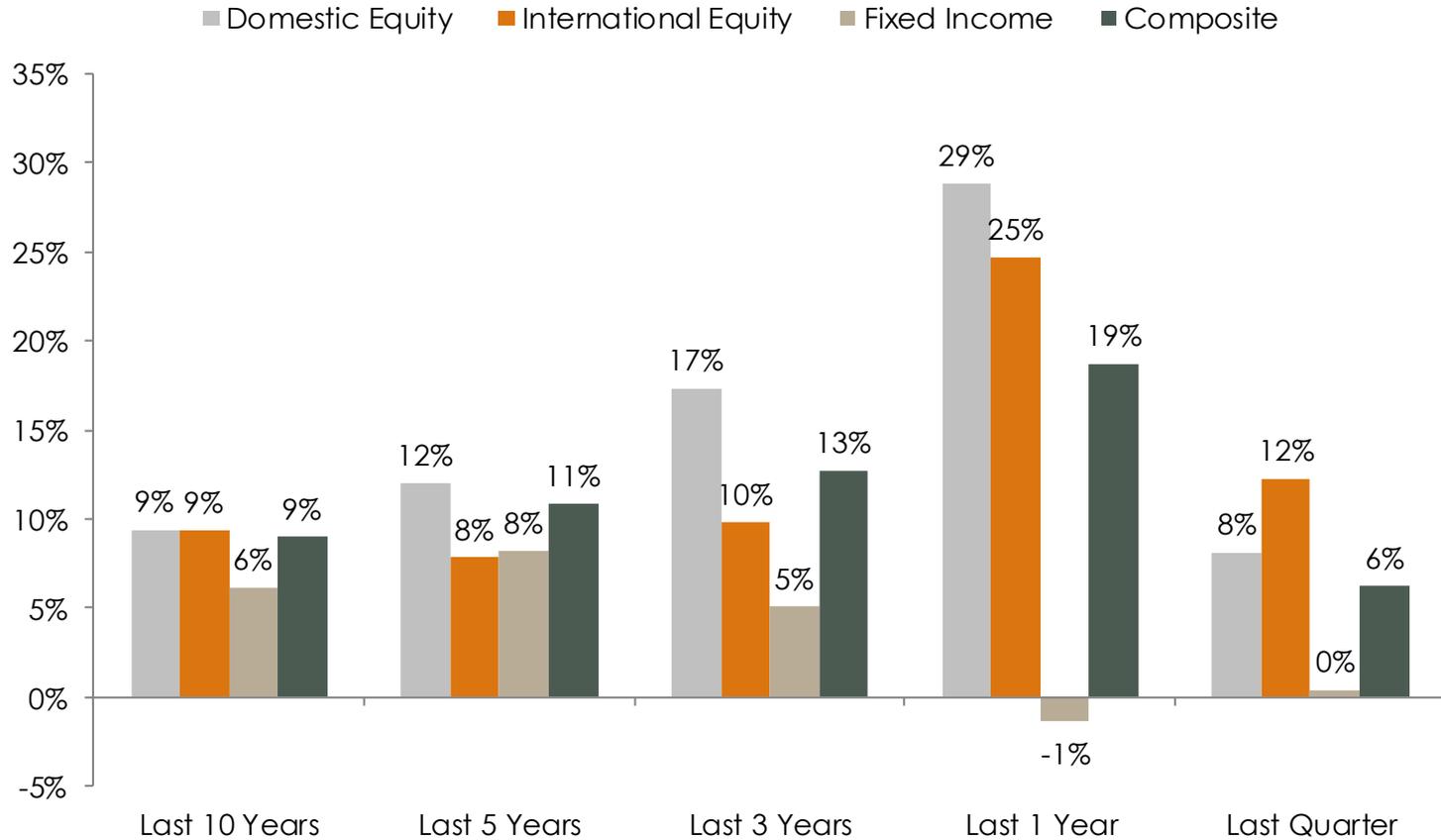
Composite Performance Summary as of September 30, 2013



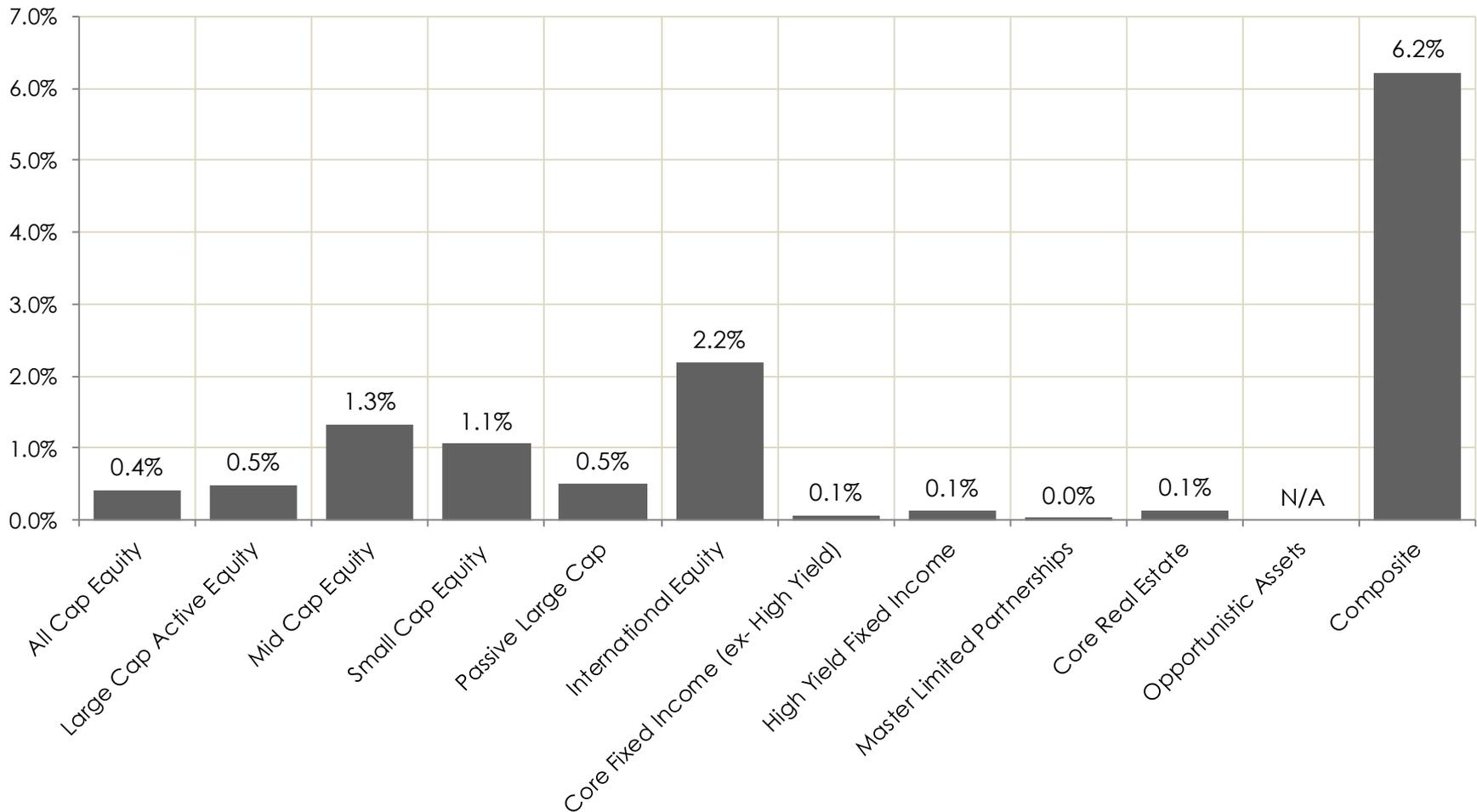
Total Fund vs. Public Fund Peer Universe



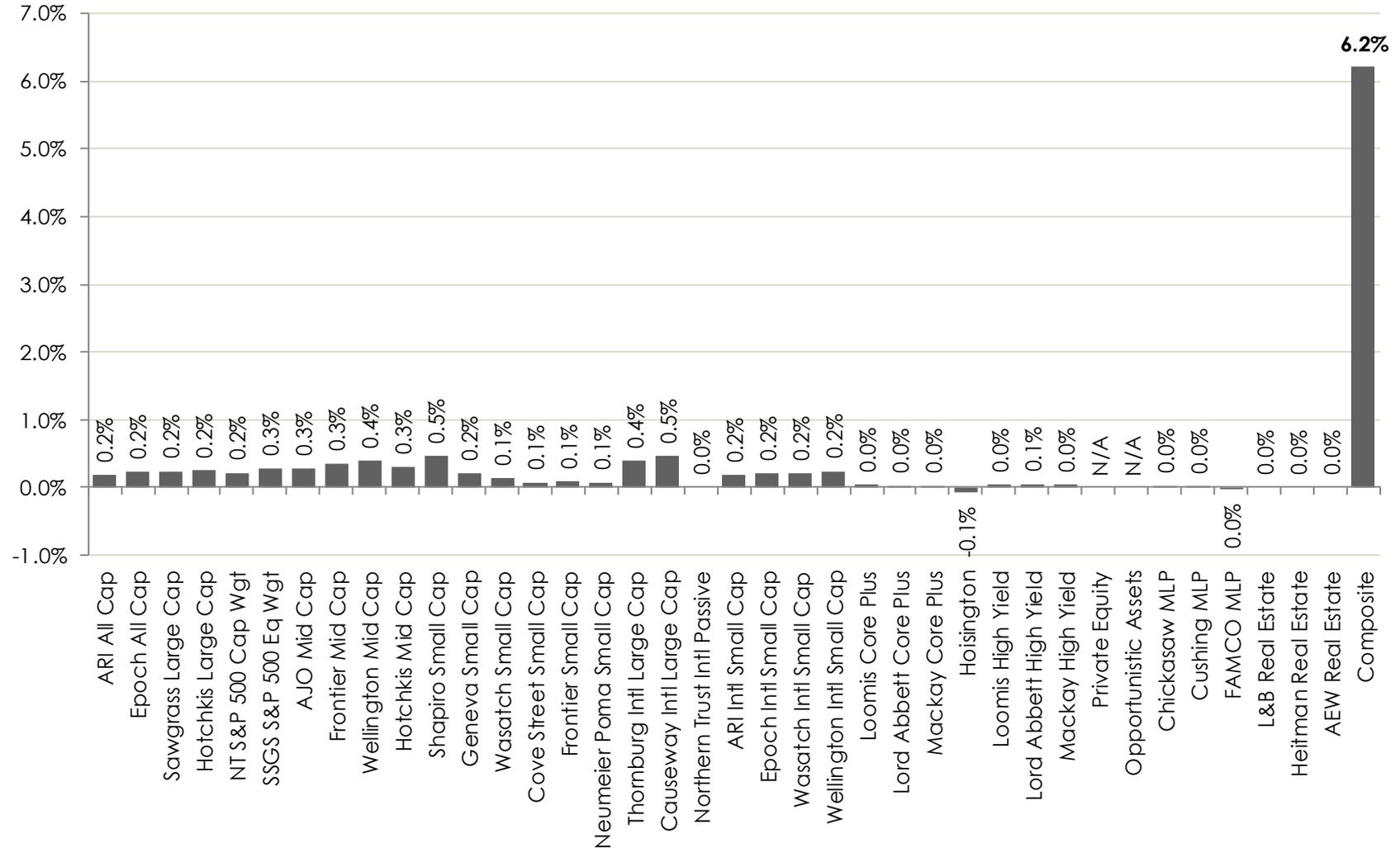
Composite Performance Summary as of September 30, 2013



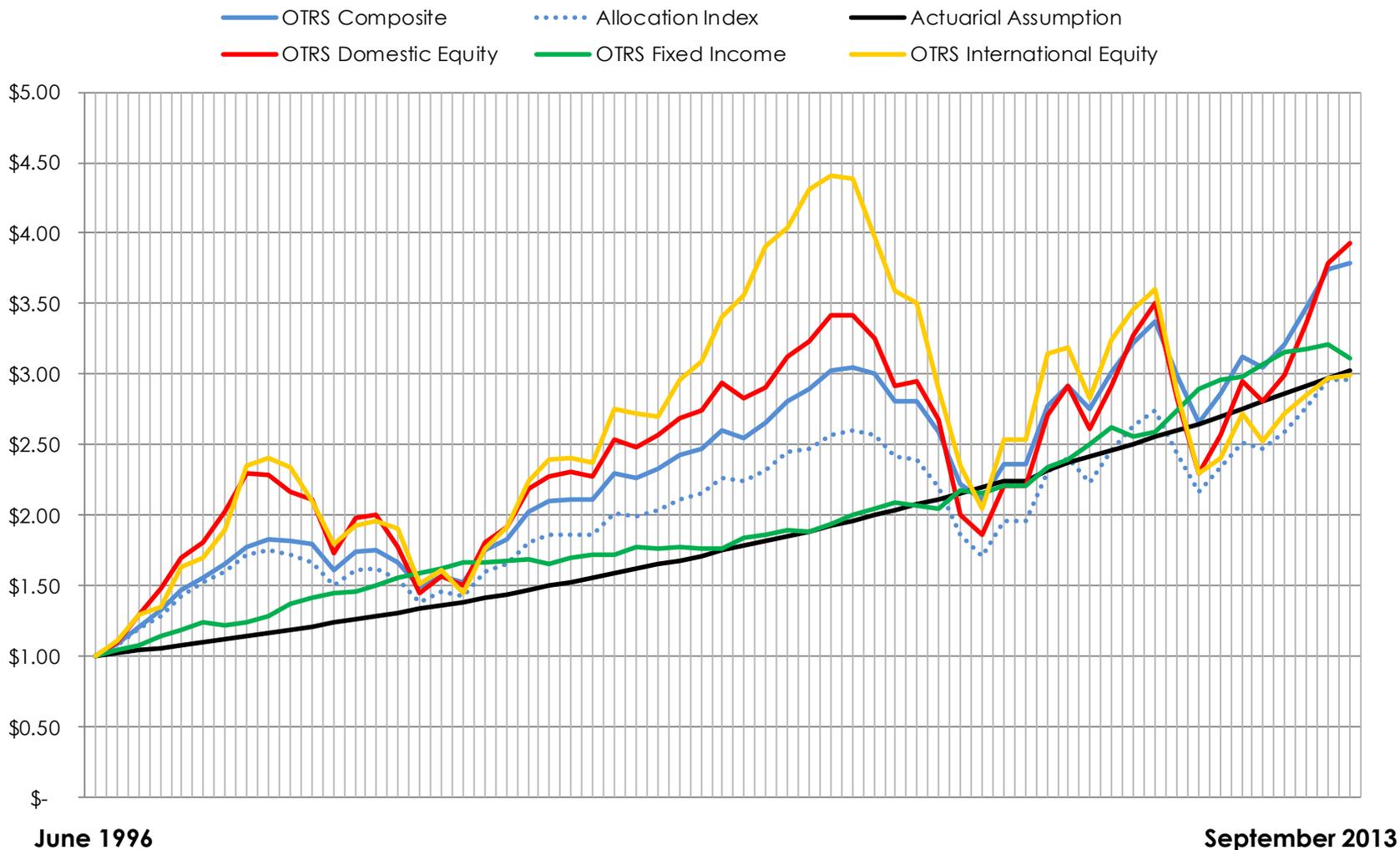
Composition of Quarterly Return by Asset Class



Composition of Quarterly Return by Portfolio



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



Performance – Total Fund

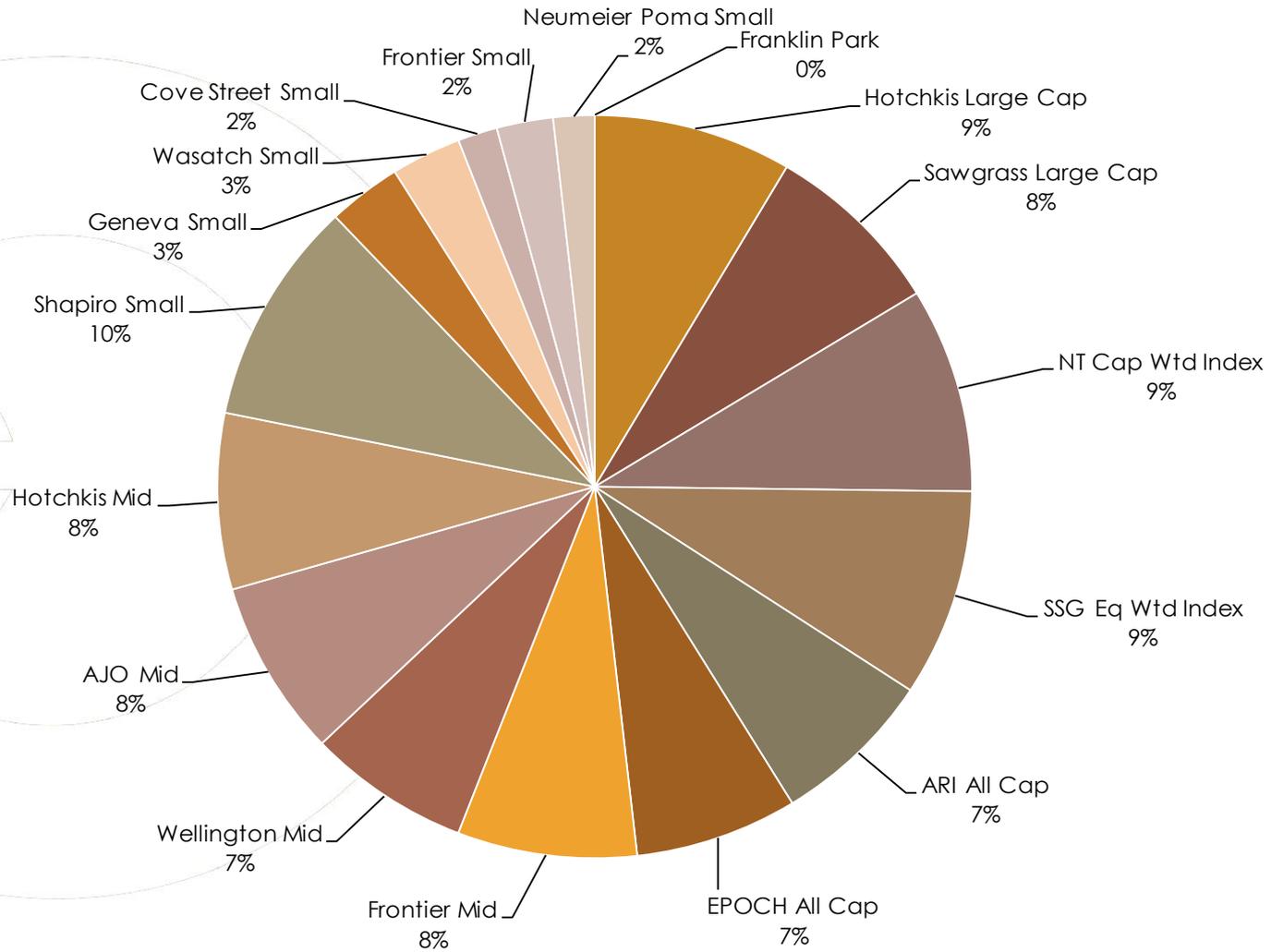
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Years	% Rank	Last Quarter	% Rank
Total Fund	9.0	2	10.8	2	12.7	3	18.7	1	6.2	14
<i>Allocation Index</i>	7.9		9.3		11.8		14.9		5.1	
<i>Actuarial Assumption</i>	8.0		8.0		8.0		8.0		1.9	
Total Domestic Equity	9.4	20	12.0	22	17.3	24	28.8	3	8.1	18
<i>S&P 500</i>	7.6		10.0		16.3		19.3		5.2	
Total International Equity	9.4	37	7.8	38	9.8	23	24.7	16	12.3	12
<i>MSCI ACWI ex-US</i>	8.8		6.3		6.0		16.5		10.1	
Total Core Fixed Income	6.2	24	8.2	25	5.1	23	-1.4	67	0.4	76
<i>Barclays Aggregate</i>	4.6		5.4		2.9		-1.7		0.6	

Composite Peer Ranking History

Periods Ended	Trailing 5 Years	Trailing 3 Years	Trailing Year	Last Quarter
3q2013	2	3	1	14
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	22	29	36	39
% of Observations in Top Quartile	72%	48%	48%	45%
% of Observations Above Median	100%	90%	66%	69%

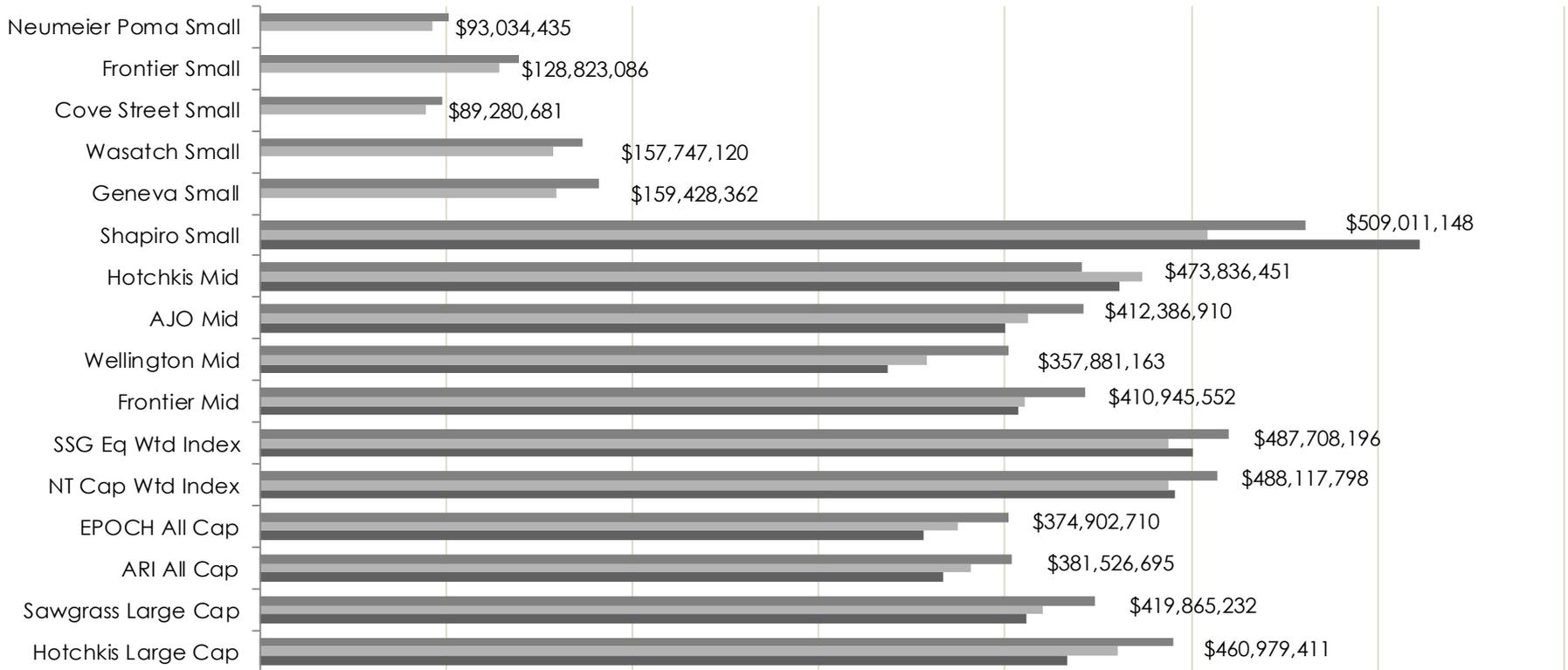
third quarter, 2013

Asset Allocation Summary – Domestic Equity Allocation

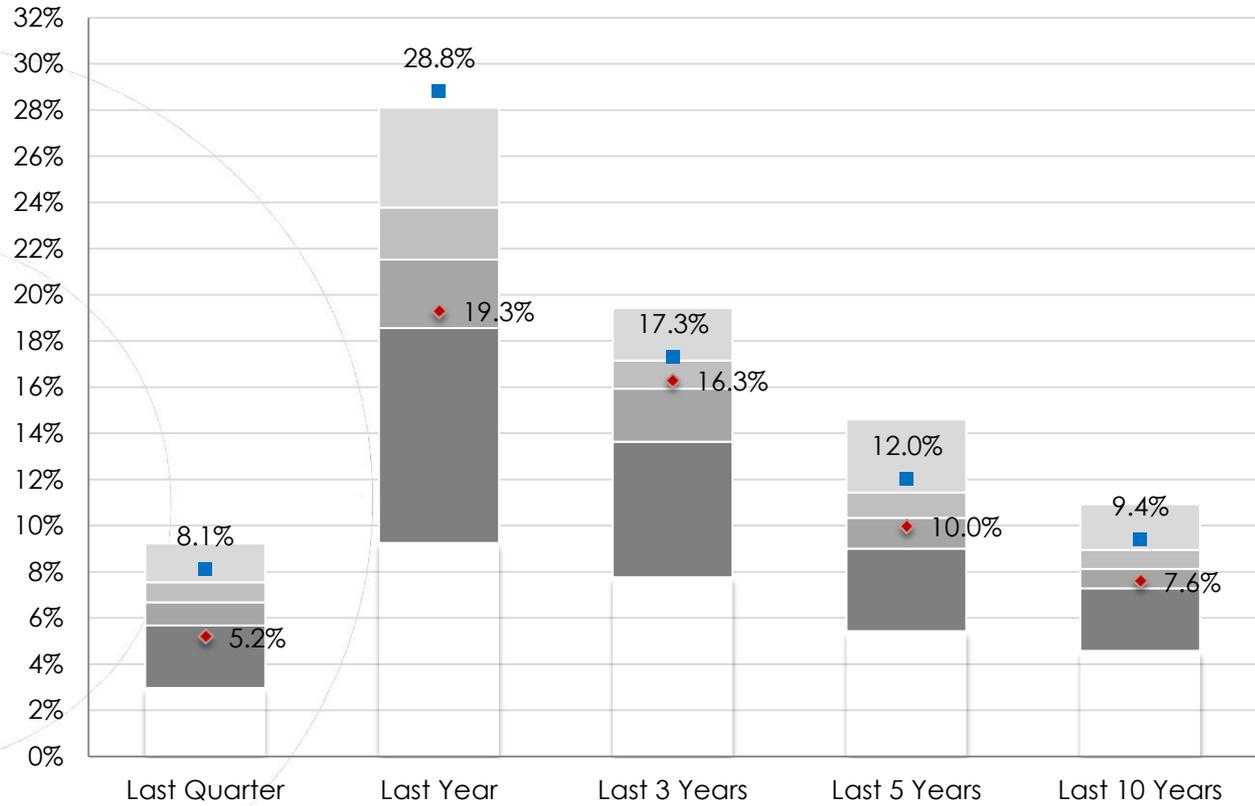


Asset Allocation Summary – Domestic Equity Allocation

■ 9/30/2013 ■ 6/30/2013 ■ 3/31/2013



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

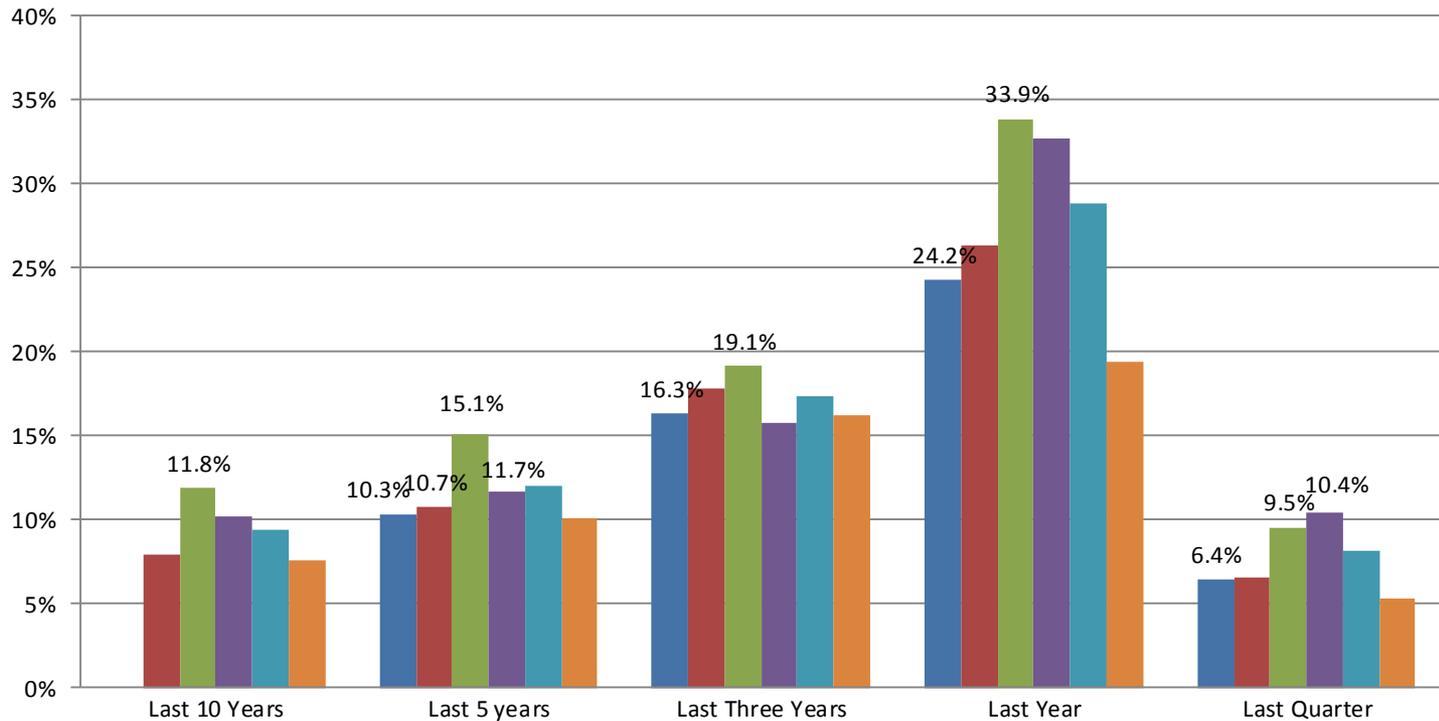


■ OTRS Equity Composite

◆ S&P 500

8.1%	28.8%	17.3%	12.0%	9.4%
5.2%	19.3%	16.3%	10.0%	7.6%

Domestic Equity Performance: Capitalization Composites



■ All Cap	10.3%	16.3%	24.2%	6.4%
■ Large Cap Active	7.9%	10.7%	17.8%	6.5%
■ Mid Cap	11.8%	15.1%	19.1%	9.5%
■ Small Cap	10.1%	11.7%	15.8%	10.4%
■ All Domestic Equity	9.4%	12.0%	17.3%	8.1%
■ S&P 500	7.6%	10.0%	16.3%	5.2%

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	-	-	10.0	60	16.2	53	22.8	24	5.7	40
EPOCH	-	-	10.4	46	16.3	50	25.8	13	7.1	17
<i>Russell 3000 Value</i>	-		8.9		16.3		22.7		4.2	
<i>Russell 3000</i>	-		10.6		16.3		21.6		6.3	
Hotchkis LCV	8.1	N/A	13.6	3	18.4	20	32.8	2	6.3	13
Sawgrass LCG	-		11.1	60	17.8	30	20.0	57	6.7	76
<i>S&P 500</i>	7.6		10.0		16.3		19.3		5.2	
<i>Russell 1000 Value</i>	8.0		8.9		16.2		22.3		3.9	
<i>Russell 1000 Growth</i>	-		12.1		16.9		19.3		8.1	
NT Cap Weighted	-	-	-	-	-	-	19.3	69	5.2	63
SSGA Equal Weighted	-	-	-	-	-	-	27.3	7	6.7	21
<i>S&P 500 Cap Weighted</i>	7.6		10.0		16.3		19.3		5.2	
<i>S&P 500 Equal Weighted</i>	10.4		13.8		17.7		27.4		6.8	

Performance – Mid Cap and Small Cap Equity Managers

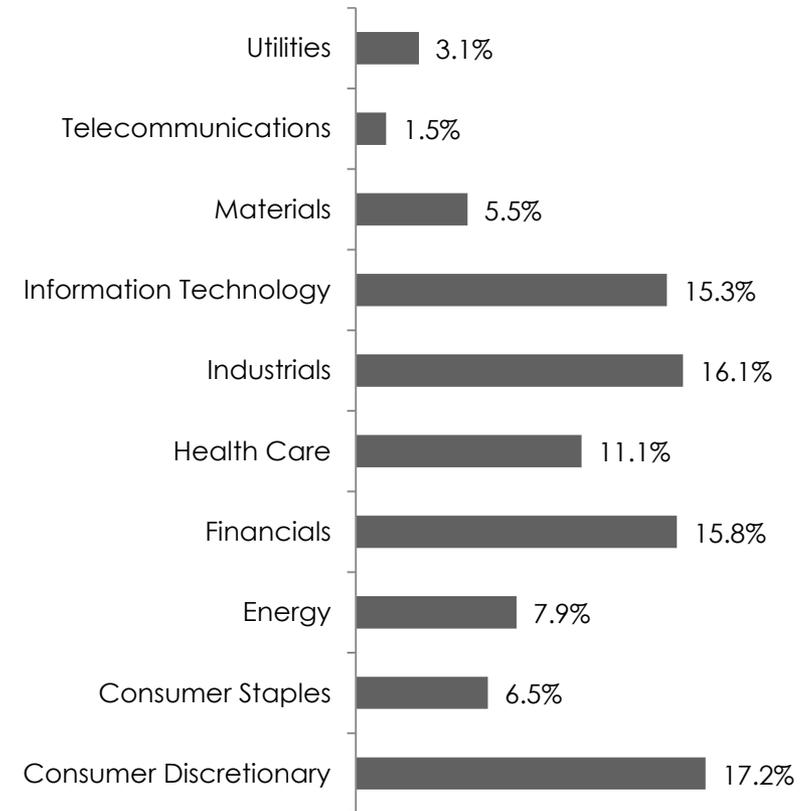
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
AJO MCC	11.0	74	14.0	33	19.5	21	29.5	49	7.9	55
Frontier MCG	12.1	58	13.0	73	17.3	62	26.3	67	9.8	46
Hotchkis MCV	13.3	N/A	22.0	4	24.4	5	42.8	3	8.7	48
Wellington MCG	10.6	77	12.2	80	15.3	86	36.8	2	12.2	20
<i>Russell MC</i>	<i>10.8</i>		<i>13.0</i>		<i>17.5</i>		<i>27.9</i>		<i>7.7</i>	
<i>Russell MC Growth</i>	<i>10.2</i>		<i>13.9</i>		<i>17.7</i>		<i>27.5</i>		<i>9.3</i>	
<i>Russell MC Value</i>	<i>10.9</i>		<i>11.9</i>		<i>17.3</i>		<i>27.8</i>		<i>5.9</i>	
Shapiro	13.3	10	15.3	14	18.2	56	32.4	33	10.3	24
Geneva	-	-	-	-	-	-	-	-	14.4	25
Wasatch	-	-	-	-	-	-	-	-	10.0	82
Cove Street	-	-	-	-	-	-	-	-	9.5	18
Frontier	-	-	-	-	-	-	-	-	8.2	64
Neumeier Poma	-	-	-	-	-	-	-	-	9.2	23
<i>Russell 2000</i>	<i>9.6</i>		<i>11.2</i>		<i>18.3</i>		<i>30.1</i>		<i>10.2</i>	
<i>Russell 2000 Value</i>	<i>9.3</i>		<i>9.1</i>		<i>16.6</i>		<i>27.0</i>		<i>7.6</i>	

Total Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
General Electric	0.45%
Whitewave Foods	0.42%
Xylem	0.41%
Live Nation Entertainment	0.41%
Exelis	0.38%
Babcock & Wilcox	0.37%
Apple	0.37%
Bill Barrett	0.36%
Axiall	0.34%
WPX Energy	0.33%
Top Ten Total Weight	3.84%

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	\$104.53 billion	2.06%	4.92%	2.40	0.96	0.72	18.99
Mid Cap Equity	\$8.25 billion	1.11%	6.08%	1.73	0.95	0.73	23.17
Small Cap Equity	\$12.25 billion	1.04%	3.64%	2.88	0.40	0.31	11.14
International Equity	\$37.86 billion	2.36%	2.55%	1.02	0.52	0.26	12.05
Total Equity	\$42.45 billion	1.69%	3.58%	1.40	0.63	0.44	14.47

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	13.6%	0.97	-0.37
Sawgrass	Large Cap Growth	90.0	86.4	11.1%	0.98	-0.19
Advisory Research	All Cap	101.5	100.1	10.0%	0.98	0.07
EPOCH	All Cap	112.9	106.8	10.4%	0.98	0.02
AJO	Mid Cap Core	138.7	106.4	14.0%	0.97	0.06
Frontier	Mid Cap Growth	155.2	97.8	13.0%	0.94	-0.03
Hotchkis & Wiley	Mid Cap Value	216.9	110.4	22.0%	0.95	-0.41
Wellington	Mid Cap Growth	176.6	128.9	12.2%	0.93	-0.03
Shapiro	Small Cap Value/Core	182.0	114.8	15.3%	0.91	-0.37
Cove Street	Small Cap Value	159.1	94.4	19.0%	0.90	0.13
Neumeier Poma	Small Cap Value	140.1	103.8	14.6%	0.89	-0.31
Frontier	Small Cap Value	155.2	97.8	17.8%	0.95	0.00
Geneva	Small Cap Growth	140.7	97.6	16.1%	0.85	-0.04
Wasatch	Small Cap Growth	125.5	80.0	18.8%	0.91	-0.03

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

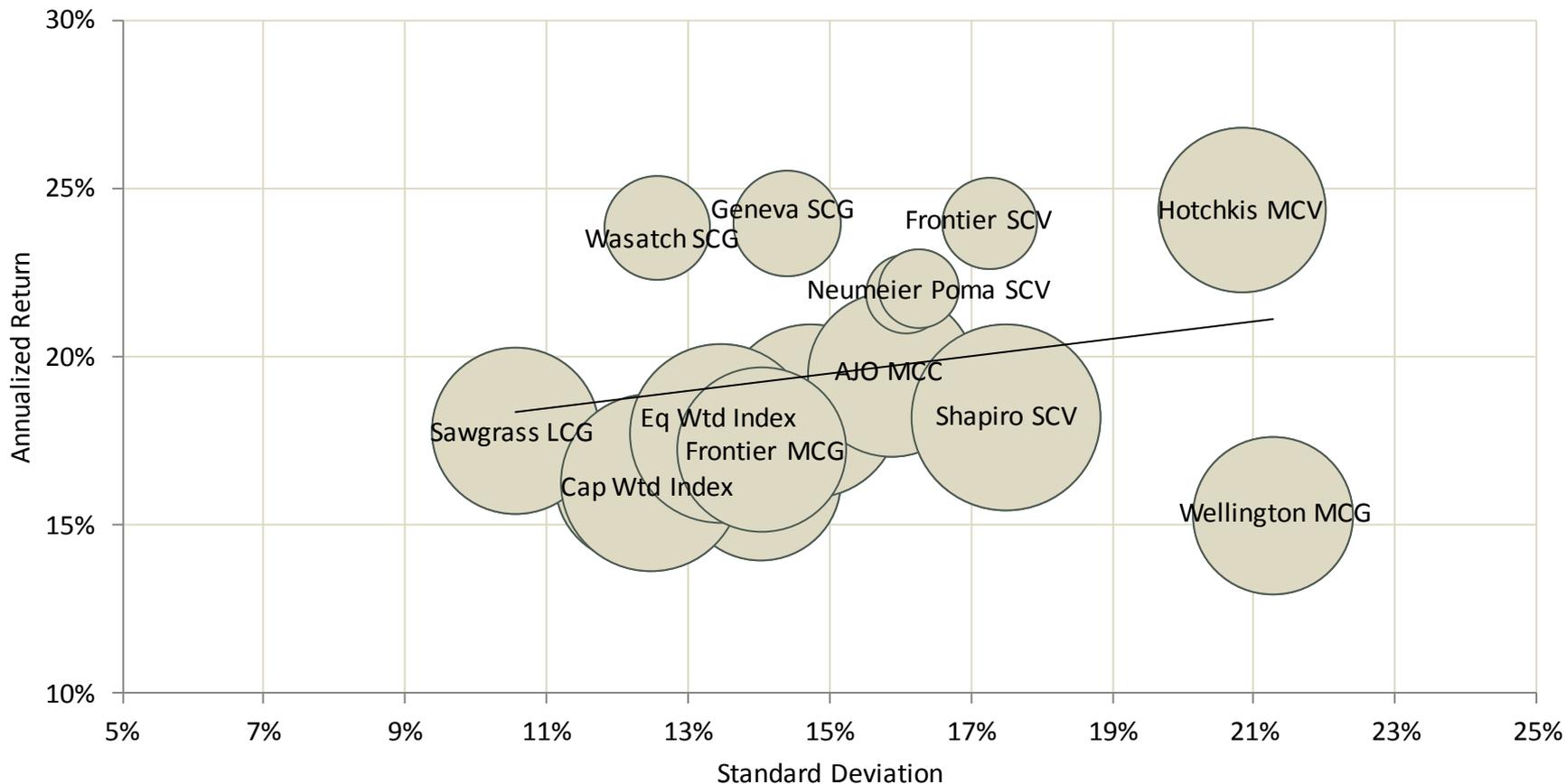
third quarter, 2013

Domestic Equity Portfolios: 5 Year 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	0.97	-												
Cove Street SCV	0.94	0.91	-											
Epoch AC	0.98	0.96	0.91	-										
Frontier MCG	0.97	0.92	0.89	0.96	-									
Frontier SCV	0.97	0.95	0.94	0.95	0.95	-								
Geneva SCG	0.94	0.93	0.90	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	0.96	0.94	0.92	0.94	0.92	0.96	0.92	0.87	0.91	-				
Sawgrass LCG	0.96	0.95	0.90	0.97	0.95	0.93	0.90	0.93	0.91	0.91	-			
Shapiro SCC	0.96	0.94	0.94	0.94	0.94	0.95	0.92	-	-	0.94	0.92	-		
Wasatch SCG	0.94	0.91	0.92	0.93	0.94	0.95	0.97	0.89	0.93	0.92	0.91	0.94	-	
Wellington MCG	0.97	0.93	0.92	0.95	0.95	0.95	0.92	0.92	0.95	0.94	0.92	0.97	0.94	-

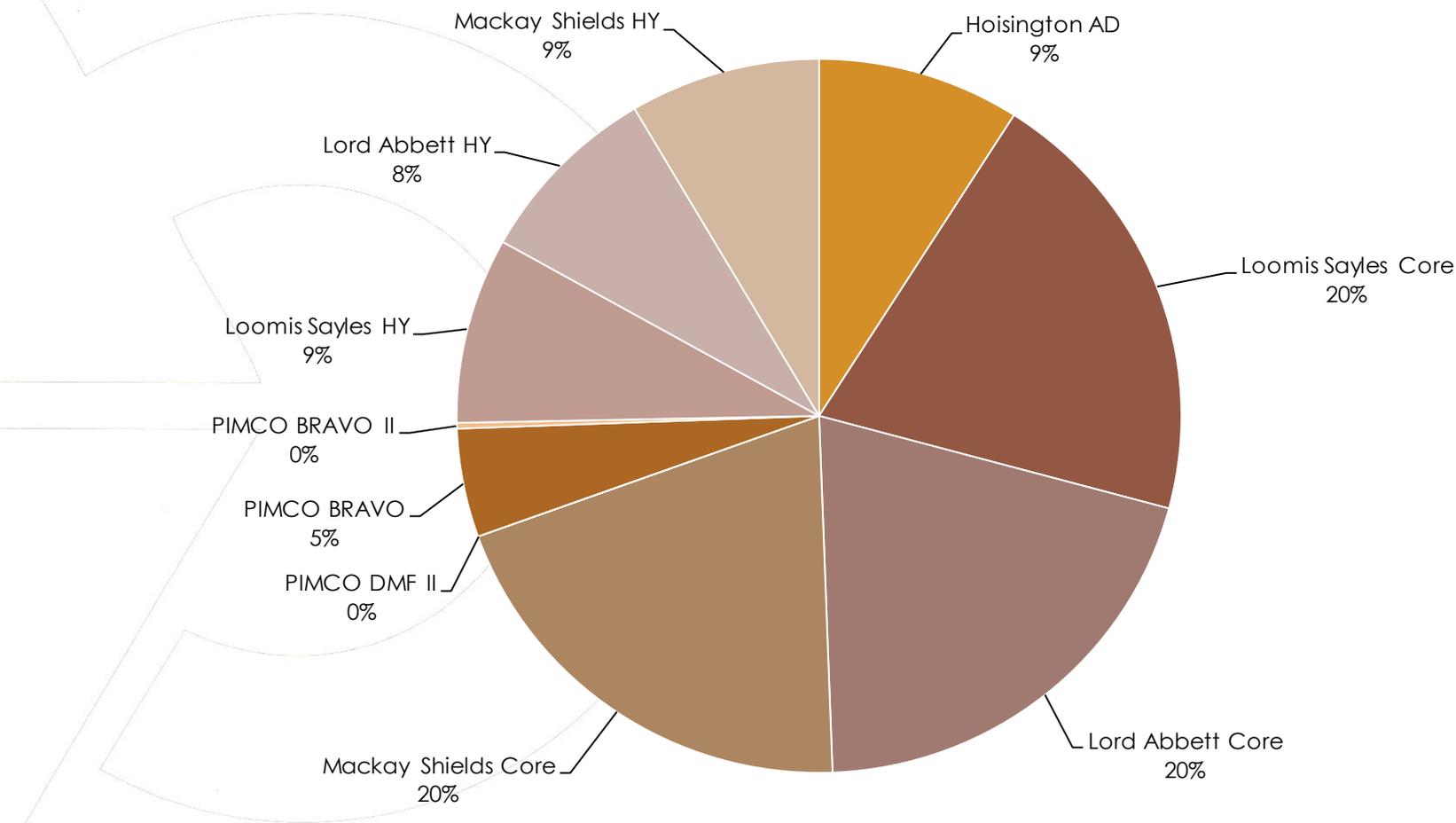
Domestic Equity Risk Return Comparison

Composite Data Used – Three Years Ended September 30, 2013

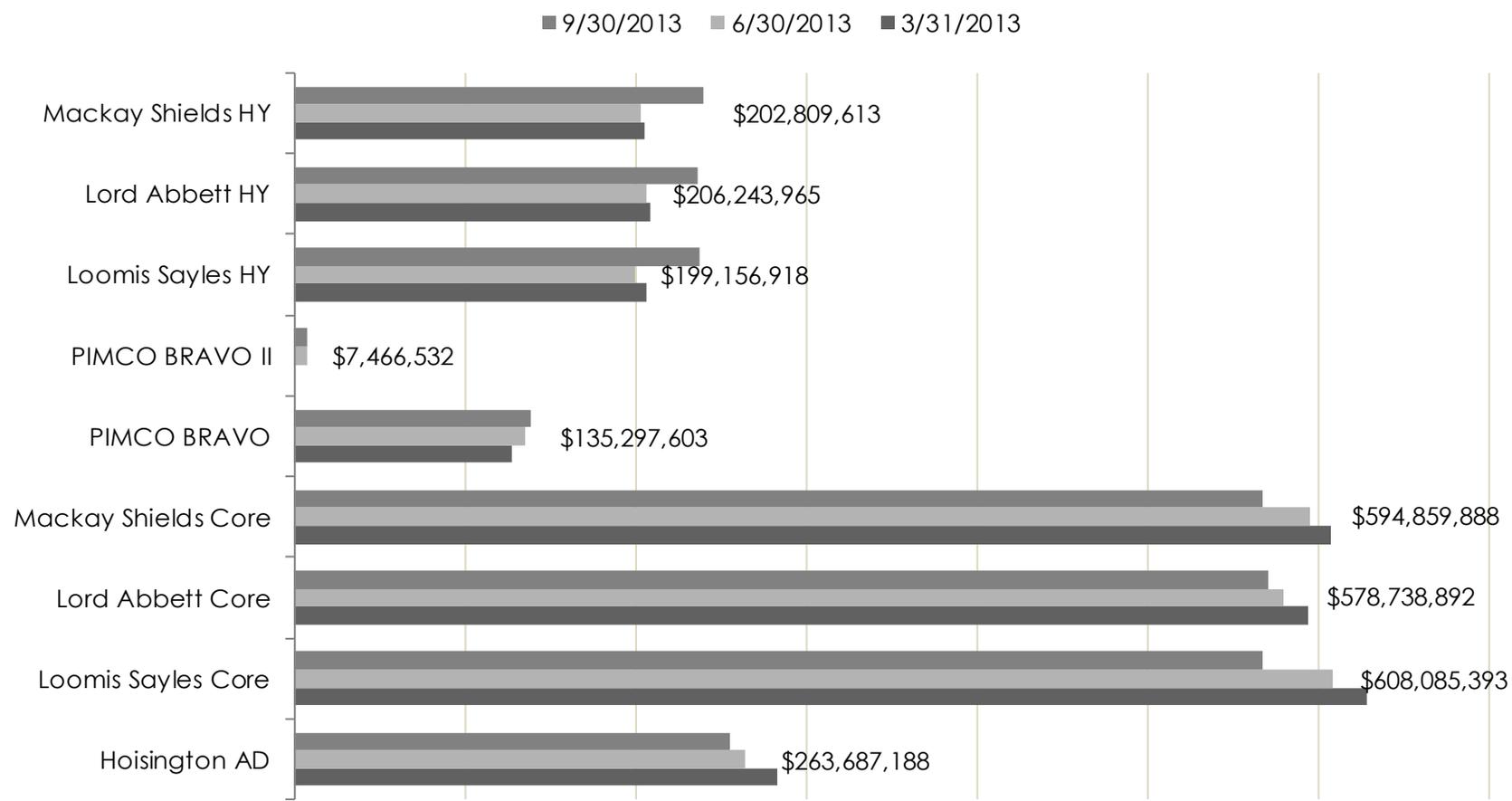


*Composite performance used when necessary.

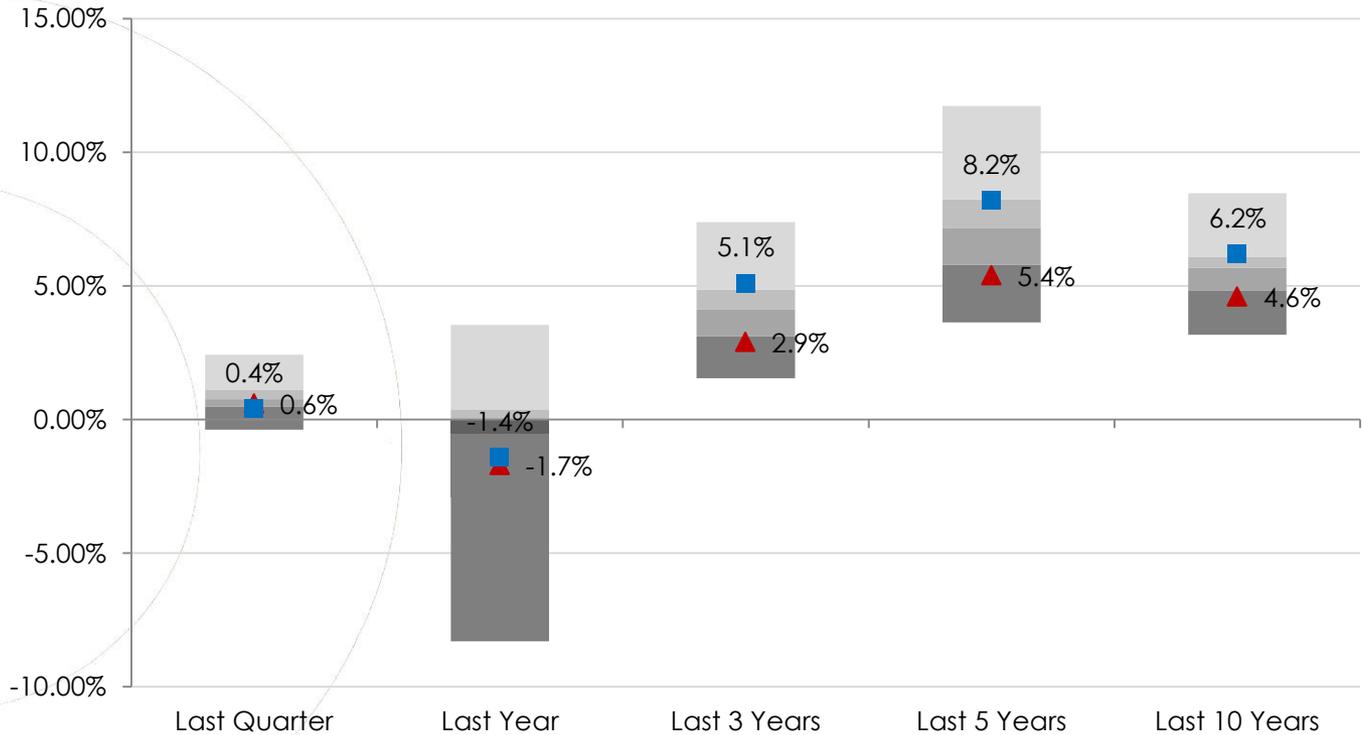
Asset Allocation Summary – Fixed Income Allocation



Asset Allocation Summary – Fixed Income Allocation



Fixed Income Composite vs. Core Fixed Income Peer Universe



■ OTRS Fixed Income Composite	0.4%	-1.4%	5.1%	8.2%	6.2%
◆ Barclays Capital Aggregate	0.6%	-1.7%	2.9%	5.4%	4.6%

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	10.7	12	5.9	3	-0.1	4	0.9	24
Lord Abbett	-	-	8.0	23	4.8	16	0.0	3	0.7	39
Mackay Shields	-	-	8.3	21	5.9	3	1.3	1	0.7	39
Hoisington	-	-	7.1	47	4.0	52	-14.1	98	-3.3	99
<i>BC Aggregate</i>	4.6		5.4		2.9		-1.7		0.6	
Loomis HY	-	-	-		8.0	5	7.3	7	1.9	5
Lord Abbett HY	-	-	-		10.5	2	9.6	1	2.7	1
Mackay HY	-	-	-		9.2	3	6.4	9	2.0	3
<i>ML High Yield II</i>	-		-		8.9		7.1		2.3	

Fixed Income Portfolio Characteristics – Trailing Five Years

	Asset Class	Credit Quality	Modified Duration	Maturity	Yield to Maturity
Loomis Sayles	Core Plus	A	6.3	9.5	4.10%
Lord Abbett	Core Plus	A	5.1	7.2	3.31%
Mackay Shields	Core Plus	A+	3.2	6.9	3.21%
Hoisington	Active Duration	Govt	19.8	24.3	3.46%
Core Fixed Income Composite	Core Plus	A	6.5	9.8	4.17%
Loomis Sayles	High Yield	B	5.3	8.8	6.3%
Lord Abbett	High Yield	B	5.2	6.7	N/A
Mackay Shields	High Yield	B+	3.5	6.2	5.7%
High Yield Composite	High Yield	B	4.7	7.2	6.0%

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	216.69%	46.73%	10.7%	0.64	0.62
Lord Abbett	Core Plus	144.67%	72.64%	8.0%	0.82	0.43
Mackay Shields	Core Plus	136.84%	58.64%	8.3%	0.89	0.36
Hoisington	Active Duration	216.93%	537.27%	7.1%	0.75	-0.33
Loomis Sayles	High Yield	248.79%	-166.64%	14.8%	0.24	0.75
Lord Abbett	High Yield	228.47%	-193.79%	14.1%	0.22	0.71
Mackay Shields	High Yield	186.85%	-127.14%	11.6%	0.23	0.69

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

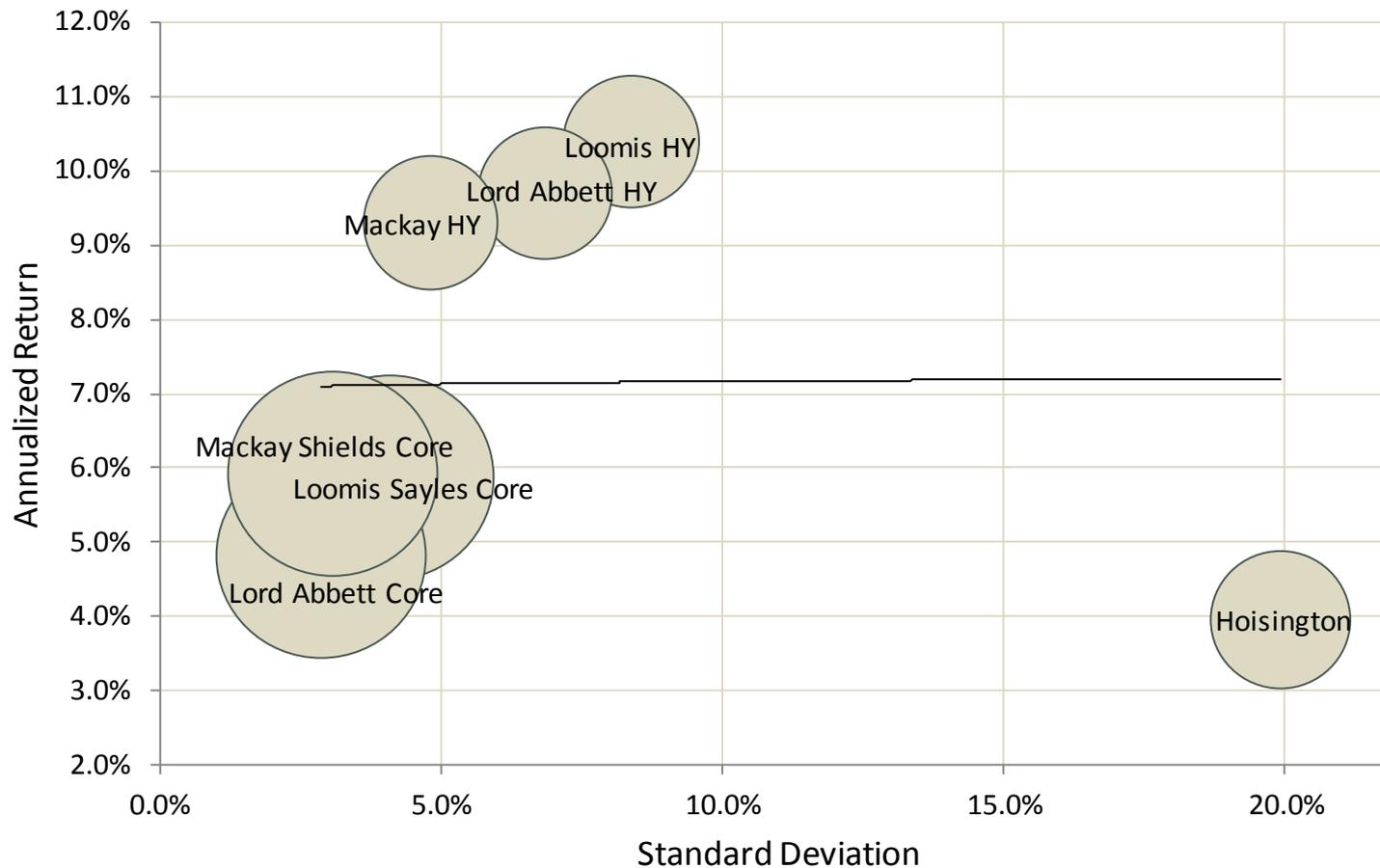
Fixed Income Portfolios: 5 Year Correlation Matrix

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	0.11	-					
Loomis High Yield	-0.32	0.86	-				
Lord Abbett Core	0.36	0.89	0.71	-			
Lord Abbett High Yield	-0.33	0.84	0.98	0.69	-		
Mackay Shields Core	0.48	0.83	0.55	0.89	0.53	-	
Mackay Shields High Yield	-0.30	0.81	0.97	0.71	0.98	0.52	-

*Composite performance used when necessary.

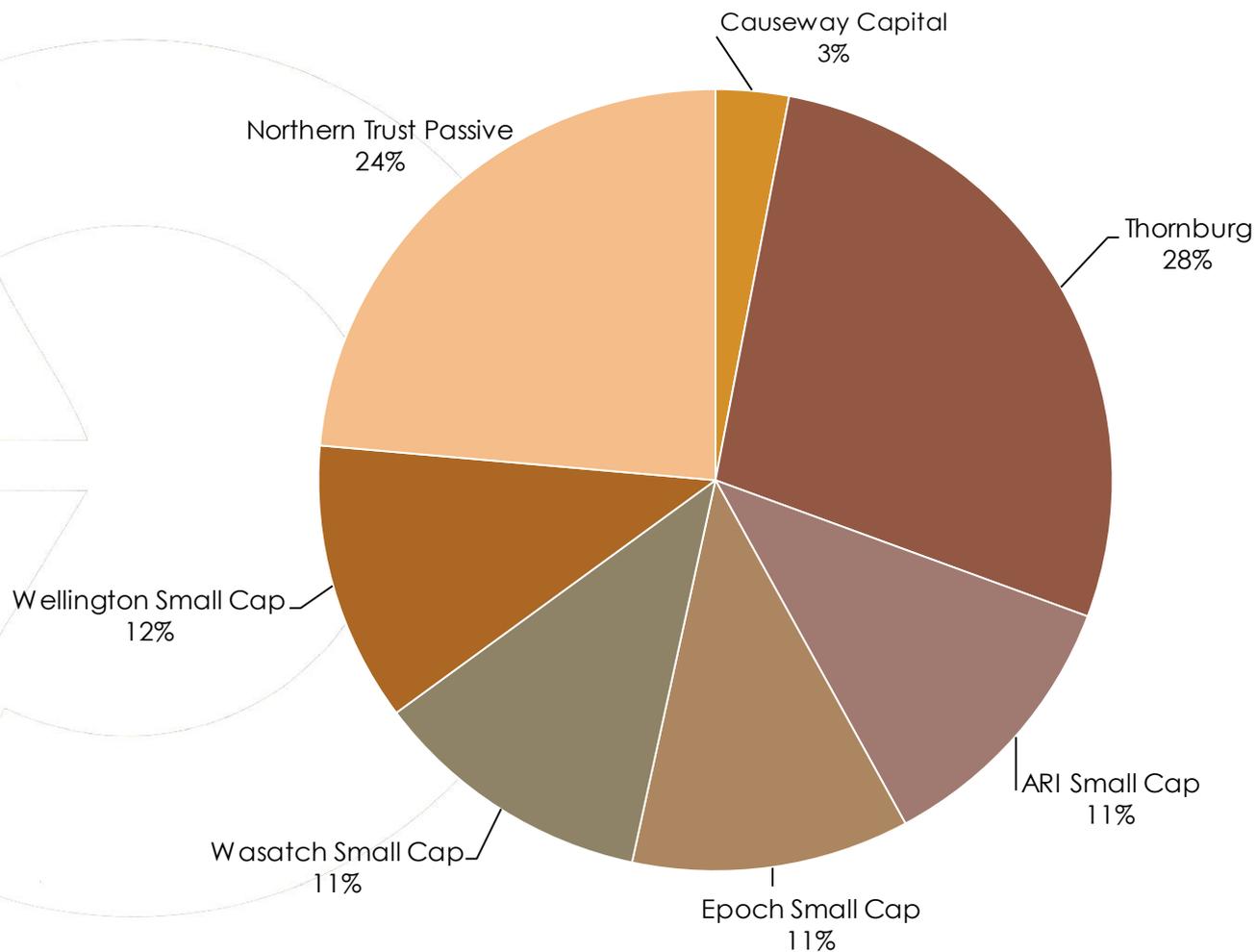
Fixed Income Risk Return Comparison

Composite Data Used – Three Years Ended September 30, 2013



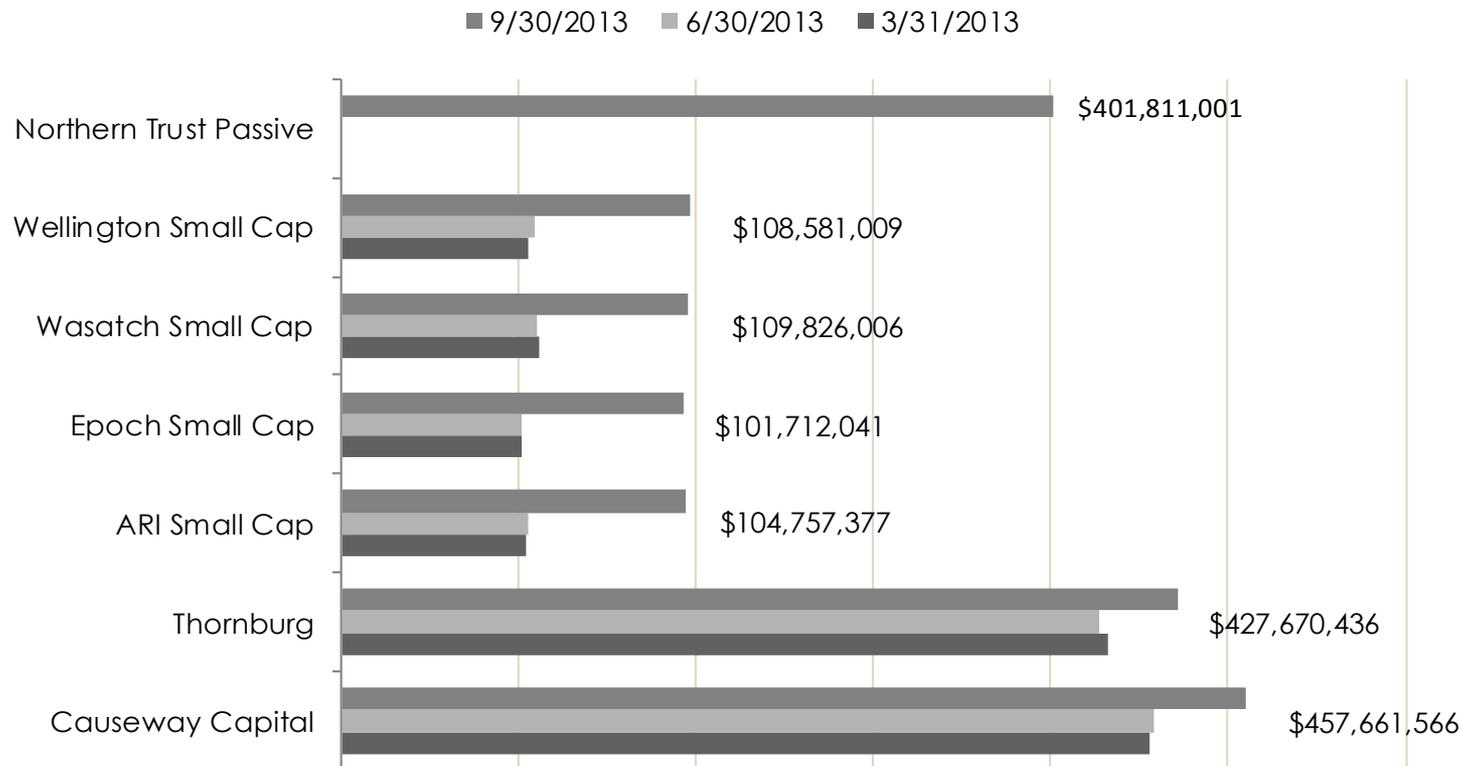
*Composite performance used when necessary to calculate figures.

Asset Allocation Summary – International Equity Allocation

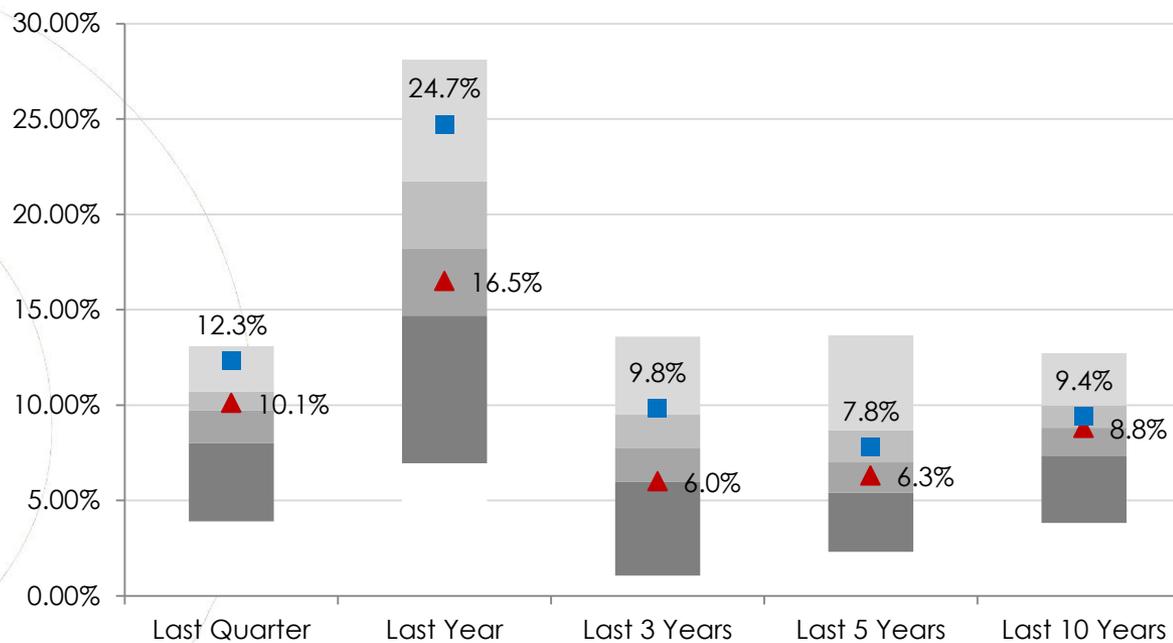


third quarter, 2013

Asset Allocation Summary – International Equity Allocation



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



■ OTRS International Equity Composite

◆ MSCI ACWI Ex-US

12.3%

10.1%

24.7 %

16.5%

9.8%

6.0%

7.8%

6.3%

9.4%

8.8%

Performance – International Equity Managers

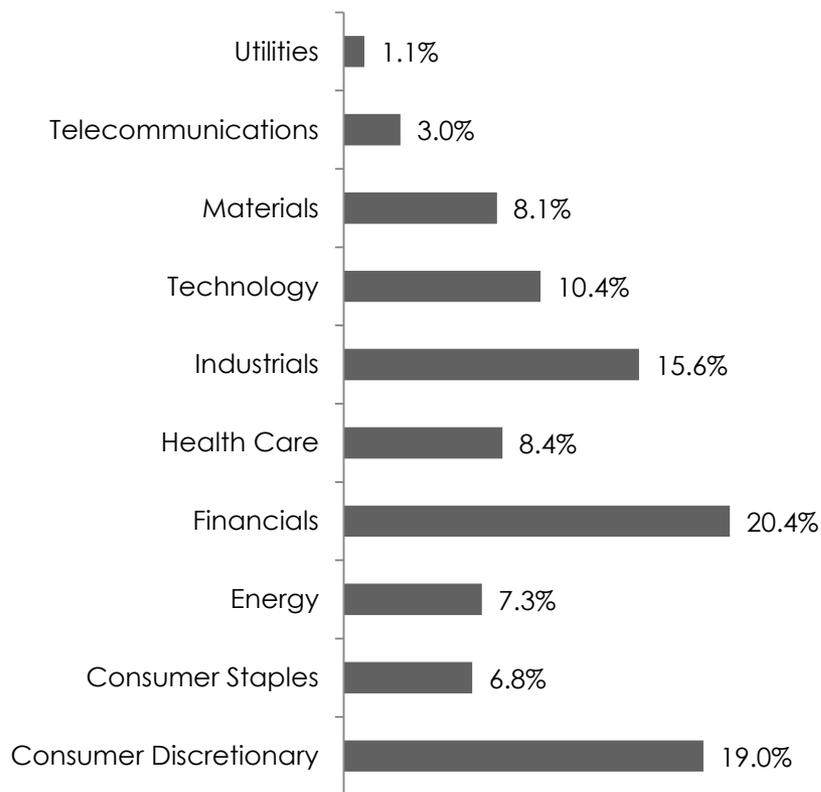
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Causeway	9.8	29	9.3	23	10.6	20	22.2	24	11.3	20
Northern Trust Passive	-		-		-		-		-	
Thornburg	-		7.8	38	7.6	52	18.3	49	10.3	35
<i>MSCI ACWI Ex US</i>	8.5		6.3		6.0		16.5		10.1	
ARI	-	-	-	-	-	-	25.0	15	11.9	15
EPOCH	-	-	-	-	-	-	26.5	10	13.8	2
Wasatch	-	-	-	-	-	-	33.4	3	13.4	4
Wellington	-	-	-	-	-	-	36.9	1	15.3	1
<i>MSCI EAFE Small Cap</i>	10.3		11.4		11.3		29.4		15.5	

Total International Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Reed Elsevier	1.02%
Toyota Motor Corp	0.93%
Toyota Motor Corp	0.89%
Mitsubishi UFJ Financial	0.84%
LVHM Moet Louis Vuitton	0.77%
AKZO Nobel	0.71%
Novartis AG	0.71%
Siemens AG	0.70%
Roche Holding	0.67%
Daimler	0.67%
Top Ten Total Weight	7.91%

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 Core	125.3%	96.5%	9.3%	0.92	0.97
Northern Trust	Passive Index	100.0%	100.0%	6.4%	0.88	0.99
Thornburg	Large Cap Core	196.2%	92.2%	7.8%	0.92	0.99
Advisory Research	Small Cap Value	109.6%	83.8%	11.8%	0.85	0.95
EPOCH	Small Cal Value	132.1%	95.8%	11.7%	0.89	0.97
Wasatch	Small Cap Growth	183.4%	79.2%	21.9%	0.86	0.95
Wellington	Small Cap Growth	103.6%	90.2%	9.4%	0.92	0.99

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

*Composite performance used when necessary.

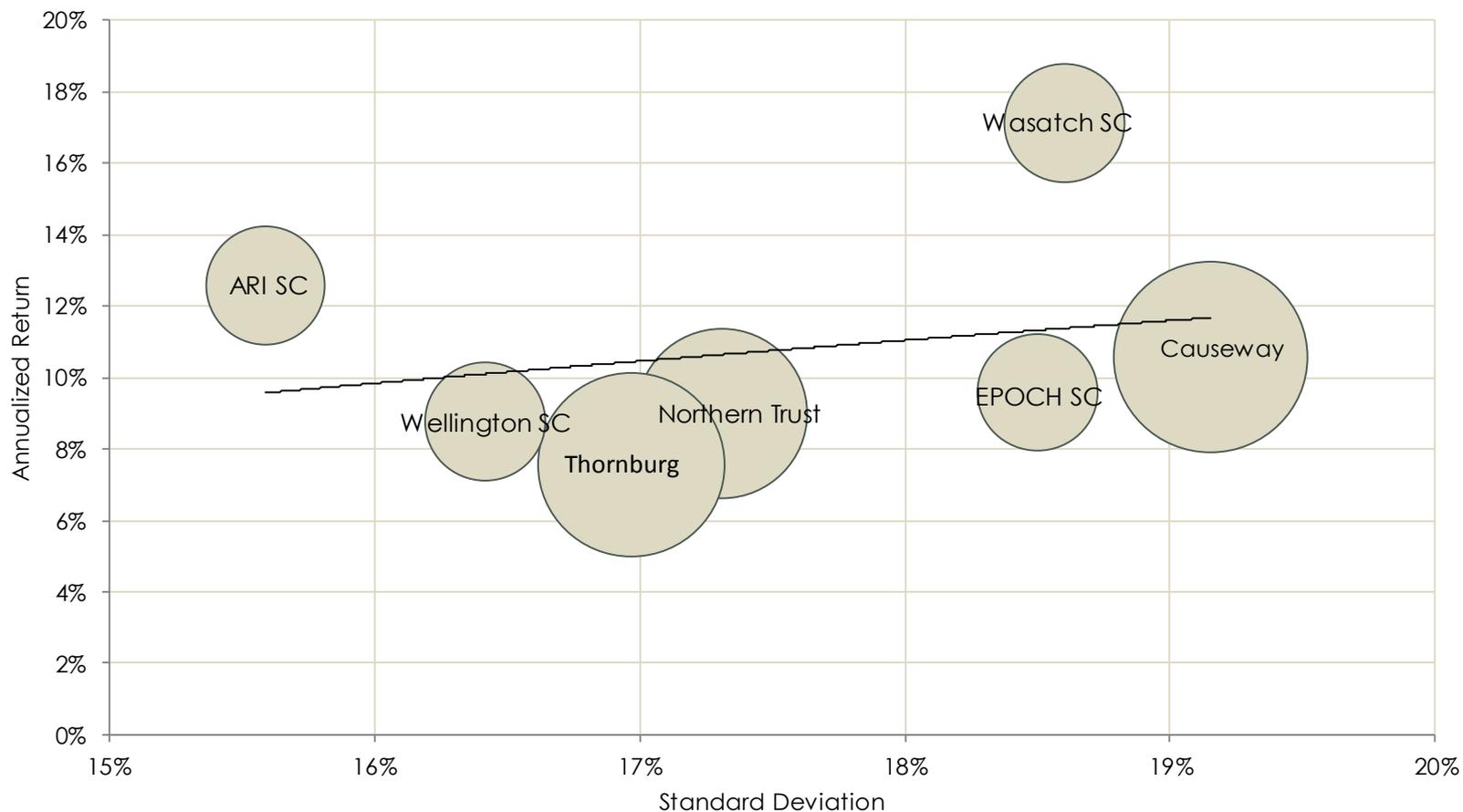
International Equity Portfolios: 5 Year Correlation Matrix

Trailing Five Years	ARI SCI	Causeway LCI	EPOCH SCI	Northern Trust	Thornburg LCI	Wasatch SCI	Wellington SCI
ARI SCI	-						
Causeway LCI	0.94	-					
EPOCH SCI	0.94	0.96	-				
Northern Trust Passive	0.93	0.97	0.94	-			
Thornburg LCI	0.92	0.97	0.97	0.97	-		
Wasatch SCI	0.90	0.91	0.96	0.91	0.95	-	
Wellington SCI	0.93	0.98	0.96	0.98	0.99	0.94	-

*Composite performance used when necessary.

International Equity Risk Return Comparison

Composite Data Used – Three Years Ended September 30, 2013



Performance – MLPs and Real Estate

	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Chickasaw	-	-	-	-	32.5	-	1.7	-
FAMCO	-	-	-	-	19.3	-	-0.9	-
Swank	-	-	-	-	29.6	-	1.5	-
<hr/>								
<i>Alerian MLP</i>	-		-		<i>17.0</i>		<i>-0.7</i>	
<hr/>								
AEW	-	-	-	-	-	-	-	-
Heitman	-	-	-	-	-	-	-	-
L&B	-	-	-	-	-	-	-	-
<hr/>								
<i>NCREIF - OEDCE</i>	-		-		-		-	
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TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

Board of Trustees
Teachers' Retirement System of Oklahoma
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying statement of plan net position of the Teachers' Retirement System of Oklahoma (the System), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2013, and the related statement of changes in plan net position for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of Oklahoma as of June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note M, the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$8,112,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the UAAL will be fully amortized in 17 years.

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in pages 31 through 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2013, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 8, 2013

Teachers' Retirement System of Oklahoma

Management's Discussion and Analysis

Management is pleased to present this discussion and analysis of the financial activities of the Oklahoma Teachers Retirement System ("OTRS" or the "System") for the years ended June 30, 2013 and 2012. The System is responsible for administering retirement benefits for a 401(a) defined benefit plan for all educational employees of the state of Oklahoma as well as a voluntary defined contribution plan, 403(b). The System was established on July 1, 1943, for the purpose of providing these retirement benefits and other specific benefits for qualified persons employed by public educational institutions. The main purpose of the System is to provide a primary source of lifetime retirement benefits relative to years of service at the time of retirement. It is the objective of the System to provide these benefits in a prudent, responsible, and cost-effective manner. Plan net assets are used to pay current and future benefits to retired clients.

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

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

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

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

The *required supplementary information* presents a Schedule of Funding Progress that provides historical trend information about the actuarially determined funded status of the System. The Schedule of Employers' Contributions provides historical trend information about the annual required contributions ("ARC") of the System and the contributions made to the System in relation to the ARC. Other supplementary information includes the Schedule of Administrative Expenses, the Schedule of Investment Expenses, and the Schedule of Professionals/Consultants Fees. These schedules provide additional analysis of the information provided in the financial statements.

Teachers' Retirement System of Oklahoma
Management's Discussion and Analysis (Continued)

CONDENSED FINANCIAL INFORMATION

Plan net position as of June 30:

	2013	2012	2013 % Change
ASSETS			
Cash	\$ 14,903,504	\$ 24,936,734	-40.2%
Receivables	286,998,149	276,870,038	3.7%
Long and short-term investments, at fair value	12,133,453,542	10,414,998,956	16.5%
Capital assets, net	2,180,235	1,543,239	41.3%
TOTAL INVESTMENTS AND OTHER ASSETS	12,437,535,430	10,718,348,967	16.0%
Securities lending institutional daily assets fund	2,363,777,689	1,764,088,842	34.0%
TOTAL ASSETS	14,801,313,119	12,482,437,809	18.6%
LIABILITIES			
Investment settlements and other liabilities	397,929,117	313,564,107	26.9%
Payable under securities lending agreement	2,363,777,689	1,764,088,842	34.0%
TOTAL LIABILITIES	2,761,706,806	2,077,652,949	32.9%
NET POSITION			
Net position held in trust for pension benefits	<u>\$ 12,039,606,313</u>	<u>\$ 10,404,784,860</u>	15.7%

Changes in plan net position for the year ended June 30:

	2013	2012	2013 % Change
ADDITIONS:			
Member contributions	\$ 290,044,395	\$ 291,385,506	-0.5%
Employer contributions	373,789,020	376,635,234	-0.8%
Matching contributions	26,995,423	23,188,952	16.4%
Dedicated tax revenue	300,509,886	281,806,711	6.6%
Member tax shelter contributions	2,910,706	3,448,031	-15.6%
Net investment income gain (loss)	1,783,073,902	134,376,020	1226.9%
Security lending net income	9,531,387	9,279,228	2.7%
TOTAL ADDITIONS	2,786,854,719	1,120,119,682	148.8%
DEDUCTIONS:			
Benefit payments	1,095,144,055	1,036,132,586	5.7%
Refund of member contributions and tax sheltered annuity	52,732,344	54,737,731	-3.7%
Administrative expenses	4,156,867	4,273,189	-2.7%
TOTAL DEDUCTIONS	1,152,033,266	1,095,143,506	5.2%
NET INCREASE	1,634,821,453	24,976,176	6445.5%
NET POSITION, BEGINNING OF YEAR	10,404,784,860	10,379,808,684	0.2%
NET POSITION, END OF YEAR	<u>\$ 12,039,606,313</u>	<u>\$ 10,404,784,860</u>	15.7%

Teachers' Retirement System of Oklahoma

Management's Discussion and Analysis (Continued)

FINANCIAL HIGHLIGHTS AND ANALYSIS

The increase in net position primarily is due to investment gains as a result of significant market improvement in fiscal year 2013. The total investment returns for fiscal year 2013 were positive 17.8%. Domestic and international equity, which compose 60.3% of the investment portfolio asset allocation, had the greatest increases at 25.5%.

	2013	2012	2009	2004
Plan net position	12,039,606,313	10,404,784,860	7,452,192,711	6,951,777,868
Yearly % change	15.7%	0.2%	-16.7%	18.6%

As a result of the market decline in 2009, the total investment return for the five year period of 7.7% is below the actuarial assumed rate of investment return. The 2009 loss was due to weaknesses in the United States and global markets. The assumed actuarial rate of return is currently 8.0%.

Total Returns	1 year	3 year	5 year	10 year
2013	17.8%	14.0%	7.7%	8.8%
2012	1.8%	13.6%	2.7%	7.6%
2011	23.5%	6.5%	5.9%	6.9%
2010	16.6%	-3.1%	3.4%	4.4%
2009	6.0%	-2.6%	2.3%	3.9%
2004	20.6%	6.4%	5.5%	(1)

(1) Historical returns were not available for this time period.

Benefit payments increased 5.7% in 2013 compared to 2012. The increase is a result of a 3.5% increase in the number of benefit recipients and a 1.6% increase in the average monthly benefit. Benefit payments in 2013 to retired members exceed contributions from contributing members and employers by \$133 million, or a ratio of 1.13 to 1. A ratio of less than one is desirable because it signifies that the System is receiving more contributions than it pays out in benefits. The table on the following page reflects the ongoing employer and member contributions.

Teachers' Retirement System of Oklahoma

Management's Discussion and Analysis (Continued)

FINANCIAL HIGHLIGHTS AND ANALYSIS (Continued)

	2013	2012	2009	2004
Member contributions	\$ 290,044,395	\$ 291,385,506	\$ 288,238,426	\$ 233,121,332
Employer contributions	373,789,020	376,635,234	338,974,512	219,126,867
Matching contributions	26,995,423	23,188,952	22,652,221	13,042,355
Dedicated tax revenue	300,509,886	281,806,711	257,019,830	143,100,533
Total contributions	991,338,724	973,016,403	906,884,989	608,391,087
Benefit payments	1,095,144,055	1,036,132,586	876,273,193	647,277,986
Refund of contributions	28,894,193	32,076,398	32,130,596	33,663,295
Total payments	\$ 1,124,038,248	\$ 1,068,208,984	\$ 908,403,789	\$ 680,941,281
Ratio benefit payments/ contributions	1.13	1.10	1.00	1.12

The number of benefit recipients increased 3.5% over the past year from 52,716 to 54,581. Since 2004, the number of benefit recipients increased by 14,988, or 37.9%. The number of members retiring has remained relatively stable for the last five years.

	2013	2012	2009	2004
Benefit recipients	54,581	52,716	46,745	39,593
Yearly % change	3.5%	3.7%	3.3%	4.0%
Net increase	1,865	1,887	1,507	1,534

The following table reflects the average monthly benefit for service retirements. Over the ten year period from 2004, the average benefit increased by \$287, or 22.0%. Retirement benefit payments increased 69.2%, or \$447.9 million, over this ten year period. The increase in the average monthly benefits in FY 2009 are due to cost-of-living adjustments ("COLAs") being granted by the state legislature to retirees. In FY 2013 and 2012, a COLA was not granted; however, the average benefit increases are due to an increase in the average benefit received by the newer retirees.

	2013	2012	2009	2004
Average benefit	\$ 1,591	\$ 1,555	\$ 1,483	\$ 1,304
Yearly % change	2.3%	1.1%	1.9%	0.0%

Teachers' Retirement System of Oklahoma

Management's Discussion and Analysis (Continued)

FINANCIAL HIGHLIGHTS AND ANALYSIS (Continued)

The ratio of active members to retired members of the System is 1.64 to 1 in 2013, compared to 2.06 to 1 in 2004. Over the past ten years, the number of members contributing into the System increased 9.4%. During the same period, the number of retired members increased by 37.9%.

	2013	2012	2009	2004
Members contributing	89,333	87,778	89,388	81,683
Yearly % change	1.8%	-0.3%	0.8%	-1.7%
Benefit recipients	54,581	52,716	46,745	39,593
Yearly % change	3.5%	3.7%	3.3%	4.0%
Ratio contributing/retired	1.64	1.67	1.91	2.06

The measure of the progress in accumulating sufficient assets to meet the long-term benefit obligations is the funded status or the funded ratio of the System. The funded ratio is the actuarial value of assets expressed as a percentage of the actuarial accrued liability. The funding policy is the method to provide benefits, specified in the System, through the amounts and timing of contributions from the employers and the contributing clients. The excess of the actuarial accrued liability over the actuarial value of assets is the unfunded actuarial accrued liability ("UAAL"). The actuarial value of assets differs from the year-end fair value of the System's plan net assets by smoothing the effects of market fluctuations. In the calculation of the actuarial value of assets, 20% of the difference between the actual and assumed investment returns is included in the actuarial value of assets. During extended periods of market declines, the market value of the System's plan net assets usually will be less than the actuarial value of assets.

The UAAL as of June 30, 2012 was \$8.398 billion, and decreased to \$8.112 billion in 2013. As a result, the System's funded ratio - actuarial value of assets divided by the actuarial accrued liability - increased from 54.8% as of June 30, 2012 to 57.2% as of June 30, 2013. The increase in funded position is primarily due to a liability gain resulting from member payroll increasing less than expected and continued positive investment returns. Based on the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming that market value asset returns are 8%, the UAAL is expected to trend steadily down to zero over the next 17 years.

REQUESTS FOR INFORMATION

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

STATEMENTS OF PLAN NET POSITION

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

As of June 30, 2013 (with Comparative Totals as of June 30, 2012)

	401(a) Plan	403(b) Plan	Totals June 30	
	2013	2012		
ASSETS				
Cash	\$ 14,903,504	\$ -	\$ 14,903,504	\$ 24,936,734
Short-term investments	796,745,800	-	796,745,800	275,456,138
Accrued interest and dividends receivable	39,448,046	-	39,448,046	43,659,356
Member contributions receivable	17,143,101	-	17,143,101	23,754,560
Employer contributions receivable	26,082,418	-	26,082,418	33,991,038
Receivable from the State of Oklahoma	28,855,587	-	28,855,587	29,333,333
Due from brokers for securities sold	175,468,997	-	175,468,997	146,131,751
Security lending institutional daily assets fund	2,363,777,689	-	2,363,777,689	1,764,088,842
Long-term investments:				
Mutual funds	-	204,133,915	204,133,915	210,049,295
U.S. government securities	1,056,986,977	-	1,056,986,977	1,086,437,639
U.S. corporate bonds	1,657,819,302	-	1,657,819,302	1,714,515,243
International corporate bonds and government securities	117,154,794	-	117,154,794	76,226,837
Equity securities	7,357,893,901	-	7,357,893,901	6,296,233,773
Alternative investments	412,641,707	-	412,641,707	283,762,403
Real estate	530,077,146	-	530,077,146	472,317,628
Total long-term investments	11,132,573,827	204,133,915	11,336,707,742	10,139,542,818
Capital assets, net	2,180,235	-	2,180,235	1,543,239
TOTAL ASSETS	\$ 14,597,179,204	\$ 204,133,915	\$ 14,801,313,119	\$ 12,482,437,809
LIABILITIES				
Benefits in process of payment	\$ 71,624,164	\$ -	\$ 71,624,164	\$ 3,906,006
Due to brokers for securities purchased	317,047,427	-	317,047,427	300,652,220
Payable under security lending agreement	2,363,777,689	-	2,363,777,689	1,764,088,842
Other liabilities	9,257,526	-	9,257,526	9,005,881
TOTAL LIABILITIES	\$ 2,761,706,806	\$ -	\$ 2,761,706,806	\$ 2,077,652,949
NET POSITION				
Net position held in trust for pension benefits and annuity benefits of electing members	\$ 11,835,472,398	\$ 204,133,915	\$ 12,039,606,313	\$ 10,404,784,860

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET POSITION

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2013 (with Comparative Totals for the Year Ended June 30, 2012)

	401(a) Plan	403(b) Plan	Totals	
			Year Ended June 30 2013	2012
Additions:				
Members	\$ 290,044,395	\$ -	\$ 290,044,395	\$ 291,385,506
Members tax shelter	-	2,910,706	2,910,706	3,448,031
Employer statutory requirement from local school districts	373,789,020	-	373,789,020	376,635,234
Matching funds	26,995,423	-	26,995,423	23,188,952
Dedicated tax	300,509,886	-	300,509,886	281,806,711
Total contributions	991,338,724	2,910,706	994,249,430	976,464,434
Investment income:				
Interest & dividends	320,417,159	10,913,177	331,330,336	319,565,705
Net appreciation in fair value of investments	1,483,934,082	4,098,888	1,488,032,970	(150,407,697)
Investment expenses	(36,289,404)	-	(36,289,404)	(34,781,988)
Gain from investing activities	1,768,061,837	15,012,065	1,783,073,902	134,376,020
Income from securities lending activities:				
Securities lending income	11,213,396	-	11,213,396	10,916,738
Securities lending expenses:				
Management fees:	(1,682,009)	-	(1,682,009)	(1,637,510)
Net income from securities lending activities	9,531,387	-	9,531,387	9,279,228
Net investment gain	1,777,593,224	15,012,065	1,792,605,289	143,655,248
Total additions	2,768,931,948	17,922,771	2,786,854,719	1,120,119,682
Deductions:				
Retirement, death, survivor, and health benefits	1,095,144,055	-	1,095,144,055	1,036,132,586
Refund of member contributions and annuity payments	28,894,193	23,838,151	52,732,344	54,737,731
Administrative expenses	4,156,867	-	4,156,867	4,273,189
Total deductions	1,128,195,115	23,838,151	1,152,033,266	1,095,143,506
NET INCREASE (DECREASE)	1,640,736,833	(5,915,380)	1,634,821,453	24,976,176
NET POSITION, BEGINNING OF YEAR	10,194,735,565	210,049,295	10,404,784,860	10,379,808,684
NET POSITION, END OF YEAR	\$ 11,835,472,398	\$ 204,133,915	\$ 12,039,606,313	\$ 10,404,784,860

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE A--DESCRIPTION OF THE SYSTEM

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

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

DB Plan: Oklahoma teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and agencies who are employed at least half-time, must join the System's DB Plan. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week. The DB Plan's membership consisted of the following as of June 30:

	2013
Retirees and beneficiaries currently receiving benefits	54,581
Inactive vested clients	9,120
Active clients	89,333
	<u>153,034</u>

There are 609 contributing employers in the System. There were 8,926 non-vested inactive members at June 30, 2013 who are entitled to a refund of their accumulated contributions.

DC Plan: Members are also offered a tax-deferred defined contribution plan qualified under the Internal Revenue Code ("IRC") Section 403(b). The DC Plan is also referred to by the System as the Tax-Sheltered Annuity Plan. Membership in the DC Plan is voluntary and investments primarily consist of mutual funds and are participant directed. ING is responsible for administrative services, including custody and record keeping services.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE A--DESCRIPTION OF THE SYSTEM--Continued

DC Plan--Continued: The DC Plan had approximately 3,986 participants as of June 30, 2013. Contributions are voluntary and require a minimum of \$200 per year. The maximum deferral amount is the lesser of 100% of the participant's compensation or the maximum amount allowed by the IRC, currently \$17,500.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

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

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

The System also invests as a limited partner in alternative investments. These investments employ specific strategies such as leverage buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. The strategies of all such funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Alternative investment partnerships are valued using their respective net asset value (NAV), and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

The System's real estate investments are primarily through limited partnerships. Properties owned by the partnership are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice once every year. The System's real estate investments are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interests are valued by the System using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually and may be periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

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

Investments--Continued: International investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. See Note C for additional information regarding investment derivatives as of June 30, 2013.

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

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

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

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

Compensated Absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$272,000 at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

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

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

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

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

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

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

Comparative Totals: The financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE C--CASH AND INVESTMENTS

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

At June 30, 2013, the carrying amount of the System's bank deposits was approximately \$14,903,000. The bank balance of the System's bank deposits at June 30, 2013 was approximately \$20,241,000.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk it does limit the amount of cash equivalents and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2013, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$796,746,000 and respectively, with its custodial agent. The System's custodial agent for the years ended June 30, 2013 was JP Morgan.

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE C--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	S&P Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Income Fair Value
		<i>(Amounts in Thousands)</i>	
U.S. corporate bonds	AAA	\$ 84,314	3.0%
	AA+	18,815	0.7%
	AA	15,878	0.6%
	AA-	10,345	0.4%
	A+	24,684	0.9%
	A	57,228	2.0%
	A-	111,594	3.9%
	BBB+	73,482	2.6%
	BBB	188,480	6.7%
	BBB-	237,603	8.4%
	BB+	139,286	4.9%
	BB	116,021	4.1%
	BB-	109,372	3.9%
	B+	94,828	3.3%
	B	105,482	3.7%
	B-	97,182	3.4%
	CCC+	46,160	1.6%
	CCC	18,206	0.6%
	CCC-	6,107	0.2%
	CC	1,555	0.1%
	D	4,198	0.1%
	NR	<u>96,999</u>	<u>3.4%</u>
Total U.S. corporate bonds		\$ 1,657,819	58.5%
International corporate bonds	AA-	\$ 2,938	0.1%
	A-	1,759	0.1%
	BBB+	1,568	0.1%
	BBB	1,905	0.1%
	BBB-	1,629	0.1%
	BB	1,312	0.0%
	B+	2,560	0.1%
	B	1,719	0.1%
	B-	803	0.0%
	CCC+	<u>2,425</u>	<u>0.1%</u>
Total international corporate bonds		\$ 18,618	0.8%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE C--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

<u>Investment Type</u>	<u>S&P Ratings (Unless Noted)</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Income Fair Value</u>
		<i>(Amounts in Thousands)</i>	
International government securities	AAA	\$ 3,498	0.1%
	AA	2,496	0.1%
	AA-	1,264	0.0%
	A-	25,740	0.9%
	BBB+	2,837	0.1%
	BBB	4,939	0.2%
	BBB-	29,159	1.0%
	BB+	3,875	0.1%
	BB	2,582	0.1%
	BB-	396	0.0%
	B+	433	0.0%
	B	816	0.0%
	B-	780	0.0%
	NR	<u>19,721</u>	<u>0.7%</u>
Total international government securities		\$ 98,536	3.3%
Municipal bonds	AAA	\$ 750	0.0%
	AA+	584	0.0%
	AA	832	0.0%
	AA-	1,934	0.1%
	A	2,143	0.1%
	A-	1,297	0.1%
	BBB+	<u>1,043</u>	<u>0.1%</u>
Total municipal bonds		\$ 8,583	0.4%
U.S. government securities	AA+	\$ 1,046,043	36.9%
	A+	<u>2,362</u>	<u>0.1%</u>
Total U.S. government securities		\$ 1,048,405	<u>37.0%</u>
		<u>\$ 2,831,961</u>	<u>100.0%</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE C--CASH AND INVESTMENTS--Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2013, the System had the following investments with maturities:

<u>Investment Type</u>	<u>Investment Maturities at Fair Value (in Years)</u>				
	<i>(Amounts in Thousands)</i>				
	<u>Less than One</u>	<u>One to Five</u>	<u>Five to Ten</u>	<u>More than Ten</u>	<u>Total Fair Value</u>
U.S. corporate securities					
Asset-backed securities	\$ 33,732	\$ 44,736	\$ 16,076	\$ 5,780	\$ 100,324
CMO/REMIC/CMBS	68,230	-	1,007	46,254	115,491
Corporate bonds	43,783	397,942	780,248	220,031	1,442,004
	145,745	442,678	797,331	272,065	1,657,819
International corporate bonds	3,716	5,566	5,999	3,337	18,618
International government securities	28,411	11,618	24,540	33,967	98,536
Municipal bonds	-	-	-	8,583	8,583
U.S. government securities	82,736	284,588	120,001	561,080	1,048,405
	<u>\$ 260,608</u>	<u>\$ 744,450</u>	<u>\$ 947,871</u>	<u>\$ 879,032</u>	<u>\$ 2,831,961</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE C--CASH AND INVESTMENTS--Continued

Foreign Currency Risk: Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30% of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. such limit shall be 35%. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2013 is shown in the following table by monetary unit to indicate possible foreign currency risk.

(Amounts in Thousands)

Currency	Equities	Corporate Bonds	Government Bonds	Foreign Exchange Contracts	Cash and Cash Equivalents	Grand Total
Australian Dollar	\$ 13,640	\$ 1,759	\$ -	\$ (1,727)	\$ 1,346	\$ 15,018
Brazilian Real	11,474	1,129	-	(941)	-	11,662
Canadian Dollar	25,987	1,114	-	(831)	1,838	28,108
Chilean Peso	484	-	-	-	-	484
Colombia Peso	1,436	-	-	-	-	1,436
Danish Krone	16,436	-	-	-	-	16,436
Euro	308,746	10,453	36,225	904	7,422	363,750
Hong Kong Dollar	84,235	-	-	13	2,524	86,772
Indonesian Rupiah	2,696	-	-	-	-	2,696
India Rupee	-	-	-	(471)	-	(471)
Japanese Yen	236,100	-	-	3,893	3,224	243,217
Malaysian Ringgit	3,193	-	-	-	434	3,627
Mexican Peso	8,675	2,932	29,238	(258)	-	40,587
New Taiwan Dollar	10,059	-	-	(32)	-	10,027
New Turkish Lira	5,723	-	-	-	-	5,723
New Zealand Dollar	2,138	-	-	-	-	2,138
Norwegian Krone	6,838	-	-	4	-	6,842
Phillipine Peso	4,602	-	700	-	-	5,302
Polish Zloty	1,580	-	-	-	-	1,580
Pound Sterling	241,179	567	-	(294)	3,838	245,290
Russian Ruble	-	-	-	(233)	-	(233)
Singapore Dollar	15,836	-	-	(195)	384	16,025
South African Rand	11,068	-	-	(246)	539	11,361
South Korean Won	23,361	-	-	(276)	1,591	24,676
Swedish Krona	15,462	-	-	(147)	1,174	16,489
Swiss Franc	97,550	667	-	704	-	98,921
Thai Baht	4,521	-	-	-	-	4,521
	<u>1,153,019</u>	<u>18,621</u>	<u>66,163</u>	<u>(133)</u>	<u>24,314</u>	<u>1,261,984</u>
Not subject to foreign currency risk	6,204,876	-	32,372	-	758,358	6,995,606
Total	<u>\$ 7,357,895</u>	<u>\$ 18,621</u>	<u>\$ 98,535</u>	<u>\$ (133)</u>	<u>\$ 782,672</u>	<u>\$ 8,257,590</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE C--CASH AND INVESTMENTS--Continued

Derivative Instruments: The System's investment derivatives include forward currency contracts. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy. The changes in fair values of the System's investment derivatives are included in net appreciation in fair value of investments in the accompanying statement of plan net position. The fair values of the System's investment derivatives are included in due from brokers for securities sold and due to brokers for securities purchased in the accompanying statement of plan net position. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows:

Investment Derivatives	Change in Fair Value	Fair Value	Notional
Forward - foreign currency purchases	\$ (2,373)	\$ (2,329)	\$ 522,948
Forward - foreign currency sales	907	2,196	167,726

A foreign currency forward contract is an agreement that obligates the parties to exchange given quantities of currencies at a pre-specified exchange rate on a certain future date. The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows.

The foreign currency forward contracts subject the System to foreign currency risk because the investments are denominated in international currencies. The risks are described in foreign currency risk schedule where the fair value of the foreign currency contracts in U.S. dollars is presented.

NOTE D--COMMITMENTS

Commitments: At June 30, 2013, the System has total capital commitments related to alternative investments of \$1,172,500,000. Of this amount, \$743,067,126 remained unfunded.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE E--SECURITIES LENDING ACTIVITY

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

The fair value of securities on loan at June 30, 2013 was approximately \$2,436,423,000. The underlying collateral for these securities had a fair value of approximately \$2,497,087,000 at June 30, 2013. Collateral of securities and letters of credit represented approximately \$133,309,000 of total collateral at June 30, 2013. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the accompanying statements of plan net position. The following table describes the types of securities lent and collateral as of June 30, 2013.

Type of securities on loan	<i>(Amounts in Thousands)</i>	
	Market Value of Securities on Loan	Collateral Value
Government loans compared to non-cash collateral	\$ 129,886	\$ 131,885
Equity loans compared to cash collateral	2,305,135	2,363,778
Corporate loans compared to non-cash collateral	1,404	1,424
	<u>\$ 2,436,425</u>	<u>\$ 2,497,087</u>

At June 30, 2013, the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. In the event of a collateral shortfall due to a loss in value of investments made with cash collateral, such loss would be the responsibility of the System.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separate account for the System in accordance with investment guidelines approved by the System. At June 30, 2013, the weighted average maturity of the cash collateral investments was 73 days. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE F--CAPITAL ASSETS

Capital assets consist of the following at June 30, 2013:

	<i>(Amounts in Thousands)</i>
Furniture and fixtures	\$ 3,286
Accumulated depreciation	<u>(1,106)</u>
Capital assets, net	<u>\$ 2,180</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2013 was approximately \$221,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$213,000 for the year ended June 30, 2013.

NOTE G--RESERVE AND DESIGNATED FUNDS

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

- The Teachers' Deposit Fund represents funds in the DC Plan. During FY 2010, the System hired ING as the service provider for the DC Plan. This process was undertaken to steadfastly provide a supplemental retirement program that will enhance the System's clients' retirement future. ING provides a comprehensive educational strategy and an array of investment options, clients have 24 hours a day access to their accounts on line, and dedicated customer service representatives are available each weekday from 7:00 A.M. to 7:00 P.M.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE G--RESERVE AND DESIGNATED FUNDS--Continued

The Funds had the following approximate balances at June 30:

	<i>(Amounts in Thousands)</i>	
	2013	
Teacher's deposit fund (DC Plan)	\$	204,134
Expense fund		57,358
Capital assets fund		2,180
	\$	<u>263,672</u>

NOTE H--CONTRIBUTIONS

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995. The annual employer contributions reported for the years ended June 30, 2013 were \$373,789,020. Employers satisfied 100% of their contribution requirements for 2013.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level, which for the year ended June 30, 2013 was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active clients. The employer contribution rate was 9.5% beginning on January 1, 2011 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 8.55% starting on January 1, 2011 for comprehensive and four year universities. The rates for fiscal years 2013 are applied on the full amount of the Client's regular annual compensation up to certain limits prescribed by the Internal Revenue Code.

NOTE I--BENEFITS

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE I--BENEFITS--Continued

Benefit provisions include:

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE I--BENEFITS--Continued

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Oklahoma State and Education Employees Group Insurance Board ("OSEEGIB"), depending on the members' years of service during 2013. Such amounts were approximately \$29,748,000 in 2013 and are included in retirement and other benefits expense. The System performs no administrative functions related to the benefits provided by OSEEGIB and the payments have a minimal and declining impact on the operation of the System.

NOTE J--DEDICATED TAX

The System receives 5.0% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. The System receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. The System received approximately \$300,510,000 from the State in 2013. Amounts due from the State were approximately \$28,856,000 at June 30, 2013.

NOTE K--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note H. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note I. The total employee contributions paid by the System for its employees were approximately \$168,000, \$161,000, and \$188,000 for the years ended June 30, 2013, 2012, and 2011, respectively. Total employer contributions paid by the System were approximately \$227,000, \$219,000, and \$256,000 for the years ended June 30, 2013, 2012, and 2011 respectively. The employer contributions for FY 2013, 2012, and 2011 were 113.1%, 115.9%, and 77.6%, respectively, of the actuarial determined annual required contribution amounts and 100% of the contribution rate amounts determined by the legislature.

NOTE L--PLAN AMENDMENTS

The 2013 legislative session resulted in no bills with an actuarial impact on the system.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE M--DB PLAN FUNDING STATUS AND ACTUARIAL INFORMATION

The System's actuary conducts an annual valuation to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. This valuation shows the funded position of the System increased from the funding level at June 30, 2012. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (the "UAAL") is 17 years. The actuarial accrued liability increased by \$385.2 million, and the actuarial value of assets increased \$670.6 million. As a result, the System's unfunded actuarial accrued liability decreased \$285.5 million to \$8,112.1 million at June 30, 2013. The funded ratio - actuarial value of assets divided by actuarial accrued liability - increased from 54.8% to 57.2%.

The decrease in the UAAL is primarily due to a liability gain resulting from member payroll increasing less than expected and continued investment returns greater than the 8% annual investment return assumption. Based on the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the market value of assets returns 8%, the UAAL is expected to trend steadily down to zero over the next 17 years.

The funded status of the System as of June 30, 2013, the most recent actuarial date, is as follows:

Actuarial value of assets (a)	\$	10,861.1	
Actuarial accrued liability (AAL) (b)	\$	18,973.2	
Total unfunded actuarial accrued liability (UAAL) (b-a)	\$	8,112.1	
Funded ratio (a/b)			57.2%
Covered payroll	\$	3,933.1	
UAAL as a percentage of covered payroll			206.3%

The Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. The figures above (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (earnings greater or less than the 8% investment return assumption) are recognized 20% per year for five years in the actuarial value of assets; the current actuarial value (\$10,861.1 million) is \$948.8 million smaller than the market value of net assets (\$11,809.9 million).

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE M--DB PLAN FUNDING STATUS AND ACTUARIAL INFORMATION--Continued

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2013 are as follows:

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

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

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

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

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

Salary Increases: 4% to 12% per year (includes inflation of 3% and a productivity increase of 1%).

NOTE N--NEW PRONOUNCEMENTS

New Accounting Pronouncements Adopted in Fiscal Year 2013

The System adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), during 2013. GASB 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB 62 did not have a significant impact on the System's financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE N--NEW PRONOUNCEMENTS--Continued

New Accounting Pronouncements Adopted in Fiscal Year 2013--Continued

The System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), during 2013. GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of GASB 63 resulted in changes to the System's financial statement presentation, but such changes were not significant.

New Accounting Pronouncements Issued, Not Yet Adopted

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides further guidance on determining which balances currently reported as assets and liabilities should instead be reported as deferred outflows or deferred inflows of resources. GASB 65 is effective for periods beginning after December 15, 2012, and will be applied on a retroactive basis.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The requirements of GASB 67 are effective for fiscal years beginning after June 15, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2013

NOTE N--NEW PRONOUNCEMENTS--Continued

New Accounting Pronouncements Issued, Not Yet Adopted--Continued

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). GASB 69 establishes guidance for 1) determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; 2) using carrying values to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; 3) measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and 4) reporting the disposal of government operations that have been transferred or sold. The requirements of GASB 69 are effective for fiscal years beginning after December 15, 2013.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and specifies information required to be disclosed by governments that extend and/or receive nonexchange financial guarantees. The requirements of GASB 70 are effective for fiscal years beginning after June 15, 2013

The System is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF
EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

(Dollar Amounts in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded		Funded Ratio (a / b)	Annual Covered Payroll	UAAL as % of Covered Payroll ((b-a) / c)
			Actuarial Accrued Liability (UAAL) (b) - (a)				
June 30, 2007	\$ 8,421.9	\$ 16,024.4	\$ 7,602.5		52.6%	\$ 3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1		50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0		49.8%	3,807.9	249.8%
June 30, 2010	9,566.7	19,980.6	10,414.0		47.9%	3,854.8	270.2%
June 30, 2011	9,960.6	17,560.8	7,600.2		56.7%	3,773.3	201.4%
June 30, 2012	10,190.5	18,588.0	8,397.6		54.8%	3,924.8	214.0%
June 30, 2013	10,861.1	18,973.2	8,112.1		57.2%	3,933.1	206.3%

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 575,745,142	93.1%
2008	590,495,652	101.1%
2009	714,367,558	86.6%
2010	742,286,289	83.6%
2011	822,419,996	77.6%
2012	588,287,377	115.9%
2013	619,805,640	113.1%

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

Unaudited - see accompanying independent auditor's report.

SCHEDULE OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2013

Investment managers	\$	35,587,404
Investment consultants		<u>702,000</u>
Total investment expenses	\$	<u><u>36,289,404</u></u>

See accompanying independent auditors' report.

SCHEDULE OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2013

Salaries and benefits	\$	2,728,652
General and miscellaneous		680,822
Professional/consultant fees		607,303
Travel and related expenses		94,878
Depreciation expense		<u>45,212</u>
Total administrative expenses	\$	<u>4,156,867</u>

See accompanying independent auditors' report.

SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2013

Actuarial	\$	114,580
Medical		8,400
Legal		80,391
Audit		97,131
Data processing		79,245
Miscellaneous		<u>227,556</u>
Total professional/ consultant fees	\$	<u><u>607,303</u></u>

See accompanying independent auditors' report.

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

The Board of Trustees
Oklahoma Teachers' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Teachers' Retirement System (the System), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 8, 2013

Report to the Audit Committee

Teachers' Retirement System of Oklahoma

June 30, 2013

Report to the Audit Committee
Teachers' Retirement System of Oklahoma

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Pre-audit letter	
Arrangement letter	

Audit Committee
Teachers' Retirement System of Oklahoma
Oklahoma City, Oklahoma

We are pleased to present this report related to our audit of the financial statements of the Teachers' Retirement System of Oklahoma (the System) for the year ended June 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the System's financial reporting process.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Teachers' Retirement System of Oklahoma.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 8, 2013

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audits as well as observations arising from our audits that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated September 30, 2013.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	<p style="text-align: center;">Preferability of Accounting Policies and Practices</p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p style="text-align: center;">Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the System. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year.</p> <ul style="list-style-type: none"> • GASB Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>, was adopted during the year. Statement No. 62 did not have a significant impact on the System’s financial statements. • GASB Statement No. 63, <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i>, was adopted during the year. Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Adoption of Statement No. 63 required changes in the System’s financial statement presentation.

Area	Comments
Accounting Policies and Practices--Continued	<p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates</p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
Basis of Accounting	The financial statements were prepared on the assumption that the System will continue as a going concern.
Audit Adjustments	There were two audit adjustments made to the original trial balances presented to us to begin our audit. The adjustments increased real estate investments by \$15,868,000, increased alternative investments by \$9,821,000, and increased net appreciation in fair value of investments by \$25,689,000. There was also one reclassification entry to decrease due from broker and due to broker amounts by approximately \$688,948,000. This entry was to correct forward contract amounts and had no effect on the statement of changes in plan net position.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Area	Comments
Significant Issues Discussed With Management	During our audit we were made aware of noncompliance with laws and regulations related to severance packages given to certain employees. We were also made aware of certain violations by the System in the State’s purchase card program. We discussed both issues with management. Based on our understanding of these issues, we agree with management that these issues do not have a material effect on the System’s financial statements. As these issues were immaterial instances of noncompliance, these items have not been included in our report on internal control and on compliance and other matters. No other significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Material Written Communications Between Management and Our Firm	Management communicated certain representations to us in a letter dated November 8, 2013. Copies of this letter are available upon request. Copies of certain other written communications between our firm and the management of the System are included in Exhibit A.

Teachers' Retirement System of Oklahoma
Summary of Accounting Estimates
Year Ended June 30, 2013

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the System's June 30, 2013 financial statements:

- The funded status and funding progress information in footnote M involves significant estimates and assumptions. Information such as the actuarial value of assets, actuarial accrued liability, and the unfunded actuarial accrued liability is not recorded in the System's financial statements but is required to be disclosed in the footnotes to the financial statements. Significant methods and assumptions utilized by the System and its actuary are discussed in footnote M. We have evaluated management's methodology related to the calculations disclosed in footnote M and determined that the significant assumptions and methods used are reasonable.
- The majority of the System's investments are carried at fair value. The fair values are often determined using pricing services or prices quoted for securities traded on national or international exchanges. Alternative investments are valued using their respective net asset value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. Real estate limited partnerships are valued by the System using the NAV of the partnership. The most significant input into the NAV of these limited partnerships is the value of the investment holdings which are valued by general partners on a continuous basis, audited annually, and may be periodically appraised by an independent third party. The valuation techniques for investments may vary based on investment types and may have certain inputs that are not observable and involve a certain degree of expert judgment. We have evaluated management's methodology related to the determination of the fair values of investments and determined that the significant assumptions and methods used are reasonable.

Exhibit A

Material Written Communications Between Management and Our Firm

September 30, 2013

Audit Committee
Teachers' Retirement System of Oklahoma
Oklahoma City, Oklahoma

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of the Teachers' Retirement System of Oklahoma's (TRS) financial statements as of and for the year ended June 30, 2013.

Communication

Effective two-way communication between our Firm and members of the Audit Committee is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding TRS and their environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you, and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, without our permission no partner or professional employee of Cole & Reed P.C. is permitted to own any direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Cole & Reed P.C. and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how your entity functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your entity. The development of a specific audit plan will begin by meeting with you and with management of TRS to obtain an understanding of business objectives, strategies, risks, and performance.

We will obtain an understanding of internal control to assess the impact of internal control on determining the nature, timing and extent of audit procedures, and we will establish an overall materiality limit for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

We will use this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by TRS' internal controls).

Similar assessments will also be made relative to compliance with laws, regulations, and provisions of contracts and grant agreements.

We will then determine the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

The Concept of Materiality in Planning and Executing the Audit

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

Our Approach to Internal Control and Compliance Relevant to the Audit

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of TRS' internal controls is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue reports on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls. Our report on internal control will include any significant deficiencies and material weaknesses in the system, of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of the standards listed above.

We will issue a report on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements. Our report on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed contracts of which we become aware, consistent with the requirements of the standards identified above.

Using the Work of Internal Auditors

As part of our understanding of internal control, we will obtain and document an understanding of your internal audit function. We will read relevant internal audit reports issued during the year to determine whether such reports indicate a source of potential error or fraud that would require a response when designing our audit procedures. Because internal auditors are employees, they are not independent and their work can never be substituted for the work of the external auditor. We may, however, alter the nature, timing, and extent of our audit procedures, based upon the results of the internal auditor's work or use them to provide direct assistance to us during the performance of our audit.

Timing of the Audit

The timing of the engagement will be arranged with management of TRS. We will coordinate the scheduling of the audit so as to facilitate meeting the required reporting deadlines. TRS' adherence to the closing schedule and timely completion of information used by us in performance of the audit is essential to meeting this schedule and completing our audit on a timely basis.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to TRS.

This letter is intended solely for the information and use of members of the audit committee of the Teachers' Retirement System of Oklahoma and is not intended to be and should not be used by anyone other than the specified parties.

Very truly yours,

A handwritten signature in black ink that reads "MIKE G" followed by a long horizontal line extending to the right.

Mike Gibson, Partner
Cole & Reed P.C.

September 30, 2013

Board of Trustees
Teachers' Retirement System of Oklahoma
Oklahoma City, OK 73118

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements Teachers' Retirement System of Oklahoma (TRS) for the year ending June 30, 2013. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to TRS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board of Trustees (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

There are no component units that are required to be included in the financial statements of TRS.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others;
- e. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package(s); and

f. To provide us with:

- (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
- (2) Additional information that we may request from management for the purpose of the audit;
- (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
- (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that TRS comply with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

The Board of Trustees is responsible for informing us of its views about the risks of fraud or abuse within TRS, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting TRS.

TRS' Records and Assistance

If circumstances arise relating to the condition of TRS' records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in TRS' books and records. TRS will determine that all such data, if necessary, will be so reflected. Accordingly, TRS will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by TRS' personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Joe Ezell. The timely and accurate completion of this work is an essential condition to our completion of the audits and issuance of our audit reports.

In connection with our audit, you have requested us to assist you with the preparation of the financial statements. The independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States GAS require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to TRS, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. TRS has agreed that Joe Ezell possesses suitable skill, knowledge, or experience and that the individual understands the financial statement preparation services to be performed sufficiently to oversee them. Accordingly, the management of TRS agrees to the following:

1. TRS has designated Joe Ezell a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Joe Ezell will assume all management responsibilities for subject matter and scope of the financial statements.
3. TRS will evaluate the adequacy and results of the services performed.
4. TRS accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management (and those charged with governance) of TRS of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers, and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from TRS personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

Our professional fees for the services covered in this arrangement letter are as follows:

Audit fees for the current year: \$48,900

If any of the aforementioned criteria are not met, then fees may increase. We will discuss with you the circumstances which might require a fee adjustment prior to submitting an invoice. Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our final invoice for these services promptly upon rendering the report. Billings are due upon submission.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, TRS agrees it will compensate Cole + Reed P.C. for any additional costs incurred as a result of TRS employment of a partner or professional employee of Cole + Reed P.C.

In the event we are requested or authorized by TRS or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for TRS, TRS will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Cole + Reed P.C. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Cole + Reed P.C. audit personnel and at a location designated by our Firm.

Claim Resolution

TRS and Cole + Reed P.C. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Cole + Reed P.C. or the date of this arrangement letter if no report has been issued. TRS waive any claim for punitive damages. Cole + Reed P.C.'s liability for all claims, damages, and costs of TRS arising from this engagement is limited to the amount of fees paid by TRS to Cole + Reed P.C. for the services rendered under this arrangement letter.

Reporting

We will issue a written report upon completion of our audit of TRS' financial statements. Our report will be addressed to the Board of Trustees of TRS. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on TRS' financial statements, we will also issue the following types of reports:

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

This letter constitutes the complete and exclusive statement of agreement between Cole + Reed P.C. and TRS, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

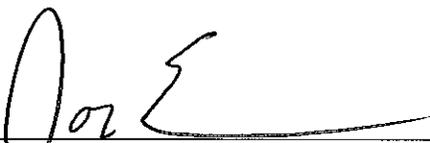
Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,



For the Firm

Confirmed on behalf of Teachers' Retirement System of Oklahoma:



Joe Ezzell
Executive Director



OKLAHOMA TEACHERS RETIREMENT SYSTEM
PURCHASE CARD AUDIT
FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013

State of Oklahoma Office of Management and
Enterprise Services

**** Audit and Internal Investigations Division ****
Report Released October 29th, 2013

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Audit Finding Summary
Audit Overview
Detailed Findings
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AUDIT PERFORMED BY

JoRay McCoy, Director
Luciana Perez, Auditor
Brittany Porter, Auditor

AUDIT CONCLUSION

Based on our audit, we have determined the Oklahoma Teachers Retirement System has significantly complied with the following audit objective:

- Determine if the Agency has implemented internal controls and if the Agency's controls are operating in relation to the purchase card program, and;

We determined based on our audit, that the Oklahoma Teachers Retirement System did not significantly comply with the following audit objective:

- Determine if the Agency's purchase card program is in compliance with Oklahoma State Purchase Card Procedures and approved internal purchasing procedures as they relate to the acquisition process through the use of purchase cards.

AUDIT RECOMMENDATION

Based on the audit performed, the OMES Audit Division recommends the following to the State Purchasing Director:

- Retraining for all participants
- Reduction in purchase card transaction limit for all cardholders to \$2,500



OKLAHOMA TEACHERS RETIREMENT SYSTEM
PURCHASE CARD AUDIT
FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013

This audit was performed pursuant to 74 O.S. § 85.5.E. and the State of Oklahoma Purchase Card Procedures in accordance with Generally Accepted Government Auditing Standards.

The Office of Management and Enterprise Services, Audit and Internal Investigations Division has completed an audit of the Oklahoma Teachers Retirement System, referred to as the "Agency" within the audit report. Our audit was to determine if the agency's purchase card program for the period February 7, 2011 through May 28, 2013 complied with the audit objectives.



AUDIT FINDING SUMMARY

FINDING 13-715-06 Six transactions were prohibited or questionable.

FINDING 13-715-03 Duplicate vendors and possible split purchasing.

FINDING 13-715-01 Lack of purchase card management oversight.

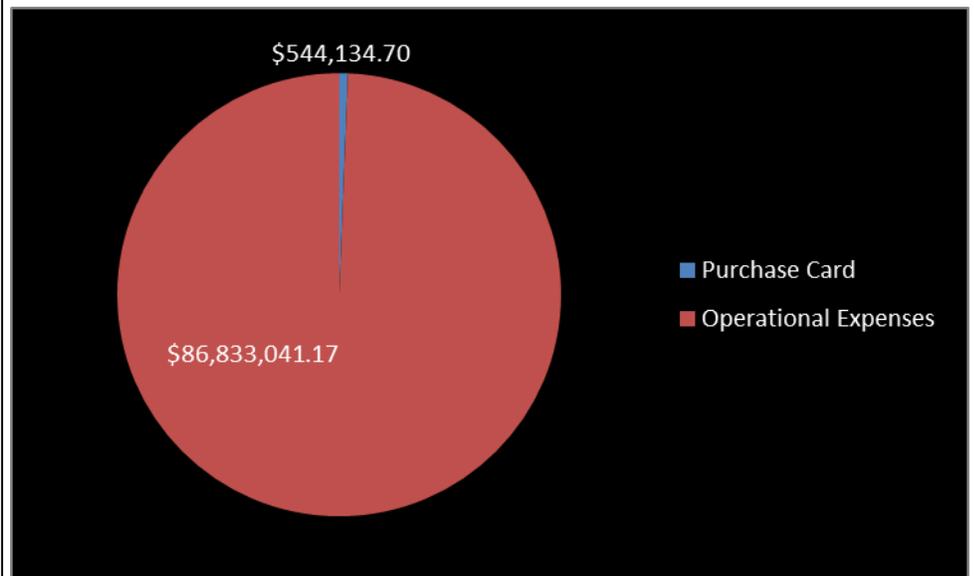
FINDING 13-715-05 Approving Official not one level higher than cardholder.

FINDING 13-715-04 Cardholders did not perform all assigned duties.

FINDING 13-715-02 Receiving documents were not properly handled.

AUDIT OVERVIEW

As of May 28, 2013, the Agency has four cardholders and one approving official. In total, the Agency had \$544,134.70 in purchase card spend during the audit period. The Agency's Purchase Card Program has grown in recent years. The following chart depicts the expenditures by purchase card compared to voucher or wire transfer for operational cost made by the Agency during the audit period.



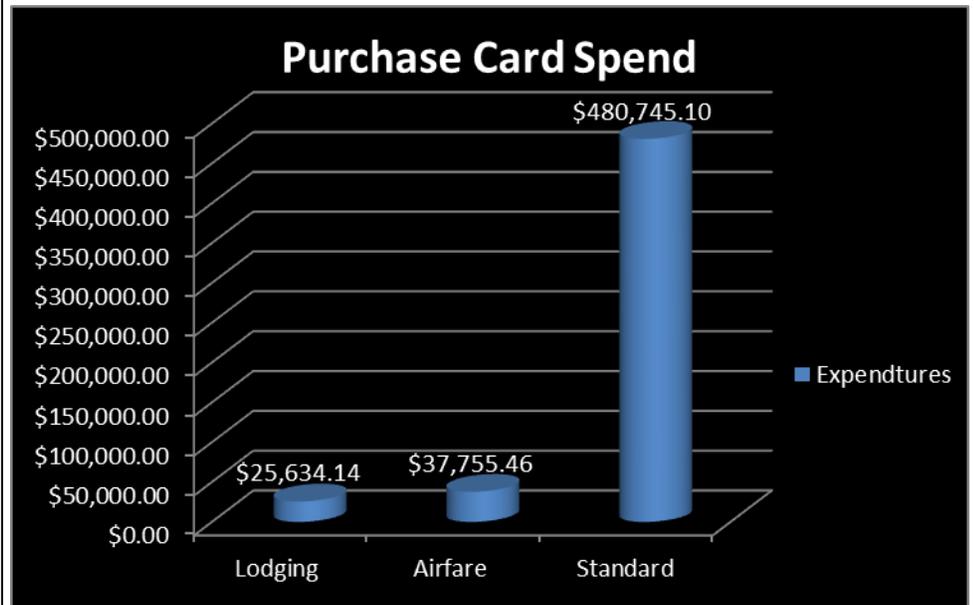


OKLAHOMA TEACHERS RETIREMENT SYSTEM PURCHASE CARD AUDIT FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013

This publication is issued by the Office of Management and Enterprise Services, Audit and Internal Investigations Division as authorized by the Office of Management and Enterprise Services. Printed copies have not been produced. Electronic copies are available through the Office of Management and Enterprise Services website (<http://okcmes.ok.gov>). Two printed copies were deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



The Agency uses the purchase card for standard low dollar purchases, lodging and airfare. The Agency's purchase spend is categorized in the following table.



Sampling Methodology

The population for substantive test work was 1,262 transactions totaling \$544,134.70. We used the classical variable sampling method with a minimum confidence level of 98.50% for transactions under \$5,000. We also used the classical variable sampling method with a confidence level of 99.50% for lodging transactions. We then randomly selected 10 airfare transactions totaling \$4,067.65 and 3 transactions over \$5,000 totaling \$21,716.67. We tested 100% of inventory transactions which resulted in 3 transactions totaling \$40,352.40. In addition, twenty transactions were selected at the auditor's discretion and tested against selected attributes.

	# of Transactions	(\$) Amount
Total Expenditures	1,262	\$544,134.70
Filtered Population	1,167	\$551,872.29
Sub – Populations:		
Lodging	42	\$25,634.14
Lodging Sample	8	\$22,532.61
Airfare	72	\$36,058.83
Airfare Sample	10	\$4,067.65



**OKLAHOMA TEACHERS RETIREMENT SYSTEM
PURCHASE CARD AUDIT
FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013**

Under \$5,000	1,046	\$422,553.25
Under \$5,000 Sample	20	\$20,898.69
Over \$5,000	7	\$67,626.07
Over \$5,000 Sample	3	\$21,716.67
Inventory	4	\$43,172.40
Auditor's Discretion	15	\$12,378.82

DETAILED FINDINGS

Finding 13-715-06: Prohibited/Questionable Purchases

Criteria: State of Oklahoma Purchase Card Procedures § **6.2.4 Other prohibited purchases** states in part:

The P-Card shall NOT be used for the following types of purchases unless a state entity submits a request for such use to the State P-Card Administrator for approval by the State Purchasing Director in accordance with Section 1.5. (Conditions of Participation):

6.2.4.1 Entertainment;

6.2.4.2 Per Diem food and beverages as authorized by the State Travel Reimbursement Act, OMES State Travel Procedures, and any other statute pertaining thereto;

6.2.4.3 Cash, cash advances, and automatic teller machine (ATM) transactions.

6.2.4.4 Purchase of any goods or services for personal use

6.2.4.5 Purchase of any goods or services not for official State use.

...

6.2.4.10 Gift certificates. This does not apply to gift certificate purchases made for employee performance recognition pursuant to 74 O.S. § 4121. Gift certificates are a taxable, reportable item for the recipient.

State of Oklahoma Purchase Card Procedures § **6.2.9 OSF Agency Acquisition Request, Form 115** states:

Information technology and telecommunication acquisitions are subject to 62 O.S. §34.12 and §34.21 and may require prior approval from OSF and execution of OSF Form 115. (OSF Form 115 is located on the OSF website at http://www.ok.gov/OSF/Information_Services/Information_Services_Forms.html):

State of Oklahoma Purchase Card Procedures § **6.1.6 P-Card Purchases** states in part:

There is no limit on the amount of a P-Card transaction for purchase from a Statewide Contract and payment of regulated utilities. For any other transaction with a state purchase card, the transaction shall not exceed Five Thousand Dollars (\$5,000). ...



**OKLAHOMA TEACHERS RETIREMENT SYSTEM
PURCHASE CARD AUDIT
FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013**

State of Oklahoma Purchase Card Procedures § 6.8.1.2 **Travel Acquisitions** states in part:

Except for airfare and lodging, all other travel-related expenses are prohibited on the P/Card (i.e., meals – including room service, hotel telephone or internet service, parking, cabs, etc.). State employees and authorized non-state personnel traveling on official business are responsible for paying out-of-pocket for all other travel-related expenses. A travel claim may be submitted by the Traveler for reimbursement of travel-related purchases prohibited on the P/Card which are directly associated with State official business in accordance with the State Travel Reimbursement Act. ...

Condition: During our audit we reviewed 15 transactions as a part of our discretionary sample and 8 transactions as part of our lodging sample. During our testing, we discovered the following:

- One prohibited purchase included catering for 35 meals in the amount of \$348.25. This portion of the purchase was for meals to an employee’s meeting. These meals were provided to the employees at the central office location and the meeting was not open to the public. This transaction was not associated with overnight travel.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00203953	\$604.50	7249	7/17/12	Running Wild Catering

- One purchase for gift cards is prohibited. The gift cards purchased from a food establishment were for retirement seminar door prizes.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00137094	\$75.00	2399	1/26/12	Quizno’s Sub #12786

- Two information technology related purchases were not pre-approved to be purchased by the State Information Services Division (ISD). There was a total of twenty-five (25) 7” Kindle Fire tablets’ purchased. The tablets were door prizes for clients attending retirement seminars presented by the Agency.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00134350	\$1,624.91	1258	1/19/12	Amazon.com
TXN00246355	\$2,039.83	5696	10/30/12	Best Buy 00017871



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- One purchase for a hotel conference fee in the amount of \$7,209.07 is prohibited on the purchase card. The open market purchase exceeded the single transaction limit of \$5,000.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00293885	\$7,209.07	5696	3/4/13	Renaissance Hotels

- One lodging purchase included the payments in the amount of \$54.00 for valet overnight parking. Valet overnight charges were charged on purchase card for three consecutive nights. Transaction would be considered allowable under updated purchase card procedures as of 1/22/13.

TRANSACTION NUMBER	AMOUNT	LAST 4 DIGITS	PURCHASE DATE	VENDOR NAME
TXN00242012	\$502.50	5696	10/17/12	Omni Fort Worth

Cause: The Agency understanding that if non-appropriated funds were used to purchase some of the items stated above that the purchase would be allowable. Policy may have been overlooked or misunderstood by the Agency.

Effect or Potential Effect: Agency loss or reduction of the purchase card program.

Recommendation: We recommend the card holder to discontinue using the purchase card for prohibited or questionable purchases. We also recommend additional training for Agency cardholders, approving officials and the purchase card administrator.

Management's Response – Concur in part

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: All agency cardholders will discontinue use of the p-card for prohibited and/or questionable purchases. All agency cardholders, approvers and P-card Administrators will attend refresher p-card training as soon as possible. We do not concur with the finding on TXN00203953. This meeting was an employee recognition meeting and as such is not a prohibitive or questionable transaction. The agency recognized the employee of the quarter who was presented with the right to park in a preferred parking space. No other awards were given but the luncheon was held to recognize the hard work and dedication of all agency employees.

Corrective Action Plan

Contact Person: Assistant Executive Director

Anticipated Completion Date: 09/20/2013

Corrective Action Planned: All agency cardholders will discontinue use of the p-card for prohibited and/or questionable purchases. All agency cardholders, approvers and P-card Administrators will attend refresher p-card training as soon as possible.



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Auditors Response: A request was made for the receipt of the employees' recognition award purchased, names of individuals recognized and the reason they were recognized. No supporting documentation was provided.

Finding 13-715-03: Contentious Purchases

Criteria: State of Oklahoma Purchase Card Procedures § 2 **DEFINITIONS** states in part:

"Single Purchase Limit" means the maximum spending (dollar) limit a P-Card holder is authorized to charge in a single transaction. Purchases shall not be split with the intent of and for the purpose of evading (1) the P-Card statutory single purchase limit of \$5,000.00 (does not include Statewide Contract or payment of regulated utility transactions); and/or (2) limit(s) established for an individual P-Card; and/or (3) a competitive bidding requirement.

"Split Purchase" means dividing a known quantity or failing to consolidate a known quantity of an acquisition for the purpose of evading a competitive bidding requirement. Conviction for making an acquisition by split purchase is a felony pursuant to the Oklahoma Central Purchasing Act.

State of Oklahoma Central Purchasing Act § **85.44B Payment for Goods or Services Pursuant to Contract** states:

Payment for products or services pursuant to a contract executed by a state agency, whether or not such state agency is subject to the Oklahoma Central Purchasing Act, Section 85.1 et seq. of this title, shall be made only after products have been provided or services rendered. This section shall not prohibit the payment for subscriptions to magazines, periodicals, or books or for payment to vendors providing subscription services. This section shall not prohibit payment for services provided by the United States Army Corp of Engineers prior to the services being rendered if the action is taken pursuant to a cooperative agreement between a state agency and the Corp to provide emergency response or to protect the public health, safety, or welfare.

Condition: While performing test work in our discretionary sample, we noted two purchases made on the same day, to the same vendor using the same purchase card. The two individual transactions were for \$2,450 and \$2,800, together totaling \$5,250. The two transactions have the appearance of being split to avoid the \$5,000 threshold.

Upon further review, the written invoices supporting the purchases were provided by two different companies. The two companies are Ecapitol, LLC and FSM Group. Based upon additional review we noted:

Both invoices have the exact same FEI number, both invoices were prepared on the same day and back to back, the invoice numbers are exactly one digit apart from each other. The two invoices were almost identical in format. The post office box numbers are exactly one digit apart from each other. The purchase card payments for these invoices were both processed through the same Ecapitol merchant credit card machine. In addition, we discovered documents with the same physical address used by both vendors.

We were unable to locate "FSM Group" by internet search. According to the Oklahoma Tax Commission (OTC) records, FSM Group LLC does not appear on the list of Oklahoma income tax filers. The only difference found between the two vendors was the corporation filing with the Secretary of State. Based upon our review, the services reported on the invoice of FSM Group have the appearance to be services rendered by Ecapitol.



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Ecapitol

Invoice FEI Number – 26-046805 7
Invoice Number- 201012032
Invoice Date – 11/30/2010
Contract Term – Feb 11 – Jan 12
Invoice Address – PO Box 3366
Oklahoma City, OK 73101

FSM Group

Invoice FEI Number – 26-046805 7
Invoice Number - 201012033
Invoice Date – 11/30/2010
Contract Term – Feb 11 – Jan 12
Invoice Address – PO Box 3365
Oklahoma City, OK 73101

We interviewed Agency personnel in regards to these transactions. We learned the Executive Director initiated the contract, procured the contract and required a purchase card holder to pay for the invoices related to the contract.

While reviewing the invoices, we also noted the payment date for the two transactions is two months after the contract term began. The payment was not made after the services were rendered.

Cause: Management override and/or vendor distortion.

Effect or Potential Effect: No other vendors are being considered for the acquisition of legislative tracking services.

Recommendation: We recommend the current contract be evaluated by Central Purchasing and future contracts for this service to the Agency be competitively bid through Central Purchasing. We also recommend payment for contracts be paid only after services are provided.

The OMES Audit Division will perform further review on acquisitions made with Ecapitol and FSM Group statewide. Based on our findings we will make further recommendations to the State Purchasing Director.

Management's Response – Non-Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: We disagree with this finding. The two companies in question each have two different vendor IDs in the Peoplesoft system. In prior years OTRS used PeopleSoft vouchers to pay these invoices. The services provided by the two companies are separated and distinct from each other. The agency is responsible for not paying invoices incorrectly or in duplicate to the same vendor.

The payment of a subscription such as these is authorized six weeks in advance as per OSF Procedures Manual Chapter 319 L Advance (Pre) Payments: In addition, pursuant to Title 74 O.S., Sec. 85.44B, payment of goods and services by a state agency, whether or not such state agency is subject to the Oklahoma Central Purchasing Act, shall be made only after products have been provided or services rendered. The exception is payments for subscriptions to magazines, periodicals, or books or for vendors providing subscription services. OSF will allow a six (6) week lead time in submitting the payment prior to the subscription commencement or expiration period, unless service is at risk of being interrupted, then payment will be accepted at a reasonable period of time in advance of the six (6) weeks

While we disagree with this finding the agency in the future will competitively bid this service.

Corrective Action Plan

Contact Person: Assistant Executive Director

Anticipated Completion Date: None

Corrective Action Planned: The agency will competitively bid this service in the future.



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Finding 13-715-01: Administration

Criteria: State of Oklahoma Purchase Card Procedures § **6.11.1 P-Card Management** states in part:

P-Card Management. The State Entity P-Card Administrator is responsible for performance or appropriate delegation of the following duties:

6.11.1.1 Establishing written P-Card Program policies and procedures;

6.11.1.2 Processing authorized requests for procurement cards, maintaining control over active cards (i.e., card controls and limits, card maintenance, etc.) with adjustments being made as needed, and closing accounts in accordance with operating procedures;

6.11.1.3 Establishing and maintaining usage controls (i.e., creating/designating MCCGs, setting transaction limits, etc.) for each card as well as determining if P-Card holder still has a justified need for the P-Card;

6.11.1.4 Processing and retaining P-Card Program reports and State P-Card Employee Agreements, such as P-Card holder statements, invoices, level 3 reports, transaction summary reports, etc.;

State of Oklahoma Purchase Card Procedures (Effective January 22, 2013) § **3.8 Training** states in part:

Training is required every two (2) years from the date of the last training session or after a contract vendor change, whichever is first; however, State Entities are encouraged to send employees to training more often. It is the responsibility of the State Entity P-Card Administrator to ensure employees are re-trained in accordance with OMES requirements.

Condition: During the planning phase of our audit, we noted the following:

- We discovered a purchase card in “open suspended” status for an employee who was no longer with the Agency. Purchase card (7576) was not properly closed. The employee left August 25, 2011 and the card was not closed until notified by OMES Audit. Card was closed on April 4, 2013.
- A spend analysis was performed and compared with cardholder credit limits. Three cardholders appear to have excessive credit limits.

Credit Limit	Mths	Total	Avg	Highest Cycle
#1 \$10,000.00	11	\$3,135.78	\$285.07	\$1,015.44
#2 \$10,000.00	2	\$3,193.34	\$1,596.67	\$1,109.50
#3 \$15,000.00	20	\$34,748.04	\$1,737.40	\$6,497.74

- The Agency was unable to locate purchase card employee agreement forms for three of the five participating employees. Two cardholders and the Purchase Card Administrator.
- Two employees have not completed the purchase card refresher training. As of May 28, 2013 a p/card holder and the Purchase Card Administrator have not completed the purchase card refresher course.

Cause: There is a lack of p/card management oversight. Purchase Card Administration was unaware of how to log on to the Issuing Bank’s system and properly close down a purchase card.



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The Back Up Purchase Card Administrator in charge of all p/card documentation did not receive the employment agreement forms from the three individuals stated above. They were given the forms to sign and return, but the forms were not returned.

Effect or Potential Effect: Card stayed in suspended status and is not permanently closed.

When cardholder agreement forms are not obtained, the Agency increases their liability if a cardholder misuses the State purchase card.

Setting the transaction and card limits in excess of the individual cardholders' needs, places unnecessary risk on the cardholder and the Agency.

There is an opportunity for cardholders and Agency administration to miss updates and important card information related to the usage of the purchase card.

Recommendation: We recommend the Agency Purchase Card Administrator obtain signed cardholder agreement forms and maintain them on file.

We recommend the Purchase Card Administrator seek guidance from the State Purchase Card Administrator on how to properly close purchase cards. We also recommend that the Purchase Card Administrator evaluate the usage of each purchase card, adjust card and transaction limits as needed and temporarily increase the limits if an unusually large purchase is required.

In addition, we recommend that the Purchase Card Administrator provide or send all participants to refresher training courses as needed to comply with purchase card training requirements.

Management's Response – Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: Management concurs with this finding.

Corrective Action Plan: The agency will have all cardholders sign cardholder agreements. All cardholders will attend the monthly p-card training as soon as possible.

Contact Person: Assistant Executive Director

Anticipated Completion Date: December 31, 2013

Corrective Action Planned: Agency will obtain signed cardholder agreements by September 30, 2013 and require refresher training by December 31, 2013. Cardholders that refuse to comply will have their purchase cards suspended.



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Finding 13-715-05: Approving Official

Criteria: State of Oklahoma Purchase Card Procedures §6.8.2 State Entity Approving Official(s) responsibilities, states in part:

6.8.2.1 State Entity Approving Official(s) shall review the P-Card holder's reconciled statement and transaction documentation for accuracy, completeness, appropriateness of the purchase and whether the transactions were conducted according to State statutes, rules, these Procedures, and sound business practice.

...

6.8.2.3 To indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement. (Signature stamps are not acceptable.)

State of Oklahoma Purchase Card Procedures § 3.6 State Entity Approving Officials states in part, "State Entity Approving Officials must be at least one level above the P-Card holder's position and be current with P-Card training."

Condition: We tested 27 cardholder statements as a part of our random sample for support of the Approving Official's signature and date. We noted the following during our test work:

- 2 of 27 (7% error rate) cardholder statements were missing.
 - Out of the remaining 25 statements, 4 cardholder statements (16% error rate) did not contain Approving Official's signature and date.
 - Out of the remaining 21 statements, one cardholder statement (5% error rate) contained Approving Official's signature, however it was not dated.

A total of 8 of 27 (30% error rate) cardholder statements contained errors.

We tested 14 cardholder statements as a part of our judgmental sample for support of Approving Official Signature and date. We noted the following in our test work.

- 4 of 14 cardholder statements (29% error rate) were missing;
 - Out of the remaining 10 statements, 4 cardholder statements (40% error rate) did not contain Approving Official's signature and date

A total of 8 of 14 (57% error rate) cardholder statements contained errors.

The Purchase Card Administrator, who serves as the approving official of the Director of Client Services is not one level above the cardholder. Also, the only Approving Official for the Agency is the Purchase Card Administrator. The Purchase Card Administrator, when in the capacity as cardholder, does not have an approving official one level above.

Cause: The Approving Official does not sign and date cardholder statements on a consistent basis.

The Agency and/or the Purchase Card Administrator only assigned one Approving Official for all cardholders.



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Effect or Potential Effect: An incomplete cardholder statement reconciliation process creates an opportunity for unauthorized transactions to go undetected.

By not having an approving official that is at least one level above the cardholder’s current position, there exists an opportunity for compromise in the ability to have effective oversight for all of the cardholder’s purchase card transactions. By the Purchase Card Administrator being a card holder and an Approving Official with no Approving Official above him, the opportunity for abuse exists. Misuse of the purchase card may occur and go undetected by agency management. One individual can control key aspects of a transaction or event.

Recommendation: We recommend the Approving Official ensures there is a process in place for review of cardholder statements at the end of billing cycle and indicate completion by signature and date.

We recommend the Agency structure their purchase card program so that the Approving Official is at least one level above all cardholders in the Agency’s purchase card program. We also recommend the Agency designate an Approving Official at least one level above the Purchase Card Administrator if the Administrator plans to continue being a cardholder.

Management’s Response – Non - Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: During the time in question the P-card Administrator was one level above the Director of Client Services. We have provided a organizational chart that supports this and ask that this finding be removed.

Corrective Action Plan:

Contact Person: Assistant Executive Director

Anticipated Completion Date: 09/20/2013

Corrective Action Planned:

Auditor’s Response: The organizational chart provided by the Agency has a revision date of 2/15/13. The audit period is from February 7, 2011 to May 28, 2013. Prior to 2/15/13 the Agency was in compliance with the requirement, however after 2/15/13 the organizational chart reflects the Approving Official (Assistant Executive Director) and the Cardholder (Director of Client Services) on the same line. At this time, the approving official is not one level above the cardholder as stated in the organizational chart below.





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Finding 13-715-04: Cardholder Responsibilities

Criteria: 1. State of Oklahoma Purchase Card Procedures § 6.8.1. **P-Card holder responsibility** states in part:

- The P-Card holder shall generate, from the Issuing Bank's transaction system, an electronic statement after closing of the Bank's monthly billing cycle.
- The statement shall be reconciled by the P-Card holder. In reconciling the statement, P-Card holders shall use transaction documents to verify purchases and returns are accurately listed on the statement.
- The statement shall be signed and dated by the P-Card holder verifying responsibility for purchases and proper reconciliation (signature stamps are not acceptable).

State of Oklahoma Purchase Card Procedures § 6.4 **Receipts for Purchase** states in part:

Receipts shall be obtained for all purchases regardless of the order method. The receipt shall give an itemized and detailed description of the purchase and must include at a minimum: (1) vendor; (2) date of purchase; (3) description; (4) unit price and quantity; and (5) transaction total. A detailed and itemized carbon copy is acceptable.

2. State of Oklahoma Purchase Card Procedures § 6.6.1 **Goods or services received at the time of purchase** states:

The receipt for purchase shall serve as the receiving document. The receipt must contain the P-Card holder's signature and date. A carbon copy of the receipt containing the P-Card holder signature and date meets this requirement. (Annotating the document "Received" is NOT required.) The receiving document shall be retained by the P-Card holder for the monthly reconciliation process. Although not required, it is recommended the State Entity have a second person verify receipt of goods or services upon P-Card holder's return to the State Entity.

3. State of Oklahoma Purchase Card Procedures § 6.8.1 **P-Card holder responsibilities** states in part:

6.8.1.1 P-Card transaction documentation and reconciliation

- The P-Card holder shall make purchases of goods or services in compliance with these Procedures and retain all transaction documentation for reconciliation at the end of the cycle.
- The P-Card holder shall update the note field on the Issuing Bank's transaction system for each transaction made:
 - o from a Statewide Contract with a brief description of the goods or services purchased, including the Statewide Contract number;
 - o for a regulated utility, indicating it was a regulated utility; and,
 - o for airline or lodging purchases [See Section 6.8.1.1].

Condition:

1. We tested 27 cardholder statements as a part of our random sample. During our test work we noted the following:

- 2 of 27 cardholder statements (7% error rate) were not located.



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o Out of the remaining 25, 9 cardholder statements (36% error rate) were not signed and dated by the cardholder.

A total of 11 of 27 cardholder statements (41% error rate) were not located or contained errors.

We tested 14 cardholder statements as a part of our judgmental sample. While performing test work we noted the following:

- 4 of 14 cardholder statements (29% error rate) were not located.
 - o Out of the remaining 10 statements, 8 cardholder statements (80% error rate) were not signed and dated by the cardholder.
 - o Out of the remaining 2 statements, 1 cardholder statement (50% error rate) was signed, but not dated.

A total of 12 of 13 cardholder statements (92% error rate) were not located or contained errors.

2. We tested 55 transactions in our random and judgmental sample for itemized and detailed receipts. While performing test work we noted three transactions (5% error rate) did not contain an itemized and detailed receipt.

There were 29 applicable transactions for receipts for goods or services received at the time of purchase as a part of our random and judgmental samples. Due to the three exceptions noted above, there are 26 remaining transactions. While performing test work we noted the following:

- 6 of 26 receipts (23% error rate) obtained at the time of purchase did not contain the cardholder's signature and date.
 - o Of the remaining 20 receipts, 3 (15% error rate) were dated, but not signed by the cardholder. A total of 9 of 26 (35% error rate) transactions contained errors.

3. We tested 17 transactions that correlated with our random sampling to ensure the cardholder entered the adequate information into the notes field for airfare and lodging purchases. While performing test work we noted the following:

- All 8 lodging transactions (100% error rate) reviewed did not contain some or all the required information in the notes field.
- 2 of 17 airfare transactions (12% error rate) did not contain information in the notes field.

Cause: Cardholders are not held responsible for reconciling their purchases at the end of each billing cycle and the cardholders were not aware that they had to print, sign and date their own statements. The back-up Purchase Card Administrator prints one statement that includes all purchases for the Agency in place of cardholders printing their own cardholder statement each month.

In addition, the cardholders were not fully aware of the requirements for entering information into the notes field in the Issuing Bank's system for lodging and airfare purchases.

Effect or Potential Effect:

1. By not requiring cardholders to sign and date their cardholder statements, it cannot be determined if the reconciliation process occurred and that the purchases are appropriate as they relate to the mission of the Agency, in accordance with sound business practices, or in accordance with statutory and rule requirements.



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2. Unable to support if the cardholder was present at the time of purchase or authorized the transaction.
3. Essential information regarding the use of the State's purchase card to purchase travel related expenses is undocumented and accountability within the system is weakened.

Recommendation:

1. We recommend the Agency develop a procedure and process that ensures cardholders properly complete their reconciliation process. This process includes reviewing all supporting transaction documentation for completeness prior to submission. At the end of the reconciliation process, cardholders should sign and date the statement then forward it on to the Approving Official for further review.
2. We recommend the Agency develop a procedure and process that ensures the completion and reconciliation of purchases and retention of all purchase card documentation.
3. We recommend the Agency develop a procedure and process for cardholders that ensure the completion of the notes field when required.

We further recommend every cardholder have access to the purchase card system and complete necessary tasks within the system when required.

Management's Response – Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: We concur

Corrective Action Plan:

Contact Person: Assistant Executive Director

Anticipated Completion Date: 09/20/2013

Corrective Action Planned: The agency will put in place procedures for each cardholder to have access to the "works" system. Each cardholder will be trained to review transactions on-line and how to print bank statements for reconciliation. Cardholder will be required to complete, sign and submit for approval their bank statement each month. Should the cardholder not have transactions for the month being reconciled the cardholder will be required to notify the P-card Administrator and their approver that they do not have transactions for the month.

Finding 13-715-02: Receiving Documents

Criteria: State of Oklahoma Purchase Card Procedures § 6.6 **Receiving Goods and Services** states in part:

6.6.2 Goods or services received subsequent to the time of purchase. The document accompanying the goods or services (such as a packing slip or service order) serves as the receiving document. The receiving document shall be signed and dated by the receiving employee. A carbon copy of the receipt containing the receiving employee signature and date meets this requirement. The itinerary shall serve



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as the receiving document for airfare (traveler's signature is not required). The receiving document shall be retained by the P-Card holder for the monthly reconciliation process.

Condition: We reviewed six purchases for goods totaling \$13,715.20 for items received subsequent to the time of acquisition to ensure the receiving document was signed and dated by the receiving employee. Five transactions were a part of our random sample within our general purchase card sub-populations and one transaction was judgmentally selected.

During our test work we noted three of these transactions (50%) were not accompanied with a packing slip or proof of delivery. One of these purchases was for 7" kindle fires from Amazon.com for door prizes.

Out of the remaining three, we noted two purchases (33%) contained a packing slip that was not signed and dated by the receiving employee.

A total error rate of 83% (5 of 6) related to receiving documentation was noted.

Cause: Cardholders forward all purchase card documentation to back up Purchase Card Administrator once purchase has been made. Back up Purchase Card Administrator retains all purchase card documentation.

Effect or Potential Effect: When the cardholder is not collecting the receiving documentation, there is no documentation to support the products were received by the Agency. When the receiving employee is not signing and dating the receiving document, there is no support for who received the items and the items were received.

Recommendation: We recommend the Agency develop, implement and communicate:

- to all cardholders the importance of collecting and maintaining receiving documentation,
- to all anticipated receiving employees a process to ensure that receiving employees obtain, sign, and date receiving documents.

We also recommend the Agency review its process for returning receiving documentation to the cardholder to properly support the product was received. In final, we recommend the Agency create procedures to conduct monitoring activities to autonomously review the supporting documentation to determine continued compliance with the purchase card requirements.

Management's Response –Concur

Date: 9/20/2013

Respondent: Assistant Executive Director

Response: We concur with this recommendation

Corrective Action Plan: The agency will become more diligent in monitoring that the cardholders are signing and dating the receiving documents. These documents should be returned by the cardholder when their reconciliation is submitted for approval. The agency now opens the issuing banks "works" system and reviews p-card transactions daily. The p-card approver will verify that the receiving documents as well as receipts are included in the reconciliation.



OKLAHOMA TEACHERS RETIREMENT SYSTEM PURCHASE CARD AUDIT FOR THE PERIOD FEBRUARY 7, 2011 THRU MAY 28, 2013

Contact Person: Assistant Executive Director

Anticipated Completion Date:

Corrective Action Planned: The agency will become more diligent in monitoring that the cardholders are signing and dating the receiving documents. These documents should be returned by the cardholder when their reconciliation is submitted for approval. The agency now opens the issuing banks “works” system and reviews p-card transactions daily. The p-card approver will verify that the receiving documents as well as receipts are included in the reconciliation.

APPENDIX

METHODOLOGY

- Interviews were conducted with the Agency’s staff members.
- Internal controls over the purchase card program were documented and evaluated.
- A statistical sample of transactions from cardholders was examined.
- Overall program compliance with the State of Oklahoma Purchase Card Procedures and rules promulgated thereto was evaluated.

EXECUTIVE SUMMARY

Organization

Mission Statement

It is the mission of the Oklahoma Teachers Retirement System to provide outstanding customer service to all of our active and retired Clients.

Mission Plan

Provide excellent communication and education to our Clients

Protect and promote the financial interest of our Clients

Consistently improve performance

Pursue pro-active solutions and innovation

Promote an environment of trust and cooperation where colleagues are encouraged to reach their potential

History and Overview

The Teachers' Retirement System of Oklahoma was created by an act of the Oklahoma Legislature in 1943 after citizens amended the state constitution allowing the creation of a public retirement program for educators. TRS began operations on July 1, 1943, and began paying retirement checks to the first retirees on January 1, 1947. Membership in TRS is available to all public school employees working half-time or more. Teachers and administrators are required to be members and support staff may join voluntarily. Employees of more than 600 local school districts, career technology schools, public colleges and universities are enrolled as members of the TRS. As of April 30, 2010, TRS had 168,965 members (109,611 active contributing, 11,829 inactive and 47,525 retired members).



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Agency Information

The Agency is made up of 3 classified and 29 unclassified employees. [Oklahoma Agencies, Boards, and Commissions Book](#) as of September 1, 2012.

Board Members

Mr. James Dickson, Chairman
Mr. William L "Bill" Peacher, Vice Chairman
Ms. Elizabeth H. Kerr, Secretary
Ms. Sherrie Barnes, Trustee
Mr. Vernon Florence, Trustee
Mr. Roger Gaddis, Trustee
Ms. Jill Geiger, Trustee
Dr. Phillip V. Lewis, Trustee
Mr. Stewart E. Meyers, Jr., Trustee
Mr. Jonathan Small, Trustee
Ms. Billie Stephenson, Trustee
Dr. Gary Trennepohl, Trustee
Dr. Greg Winters, Trustee

Key Staff

(During the Audit Period)

James R. Wilbanks, Executive Director (As of October 2, 2013)
Joe Ezzell, Assistant Executive Director & P/Card Administrator
Donna Spurrier, Business Manager & Back up P/Card Administrator



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DIRECTOR'S TRANSMITTAL LETTER

Carol McFarland
Director
Performance and Efficiency Division



Preston L. Doerflinger
Director and Secretary
of Finance, Administration,
and Information Technology

State of Oklahoma
Office of Management and Enterprise Services

October 22, 2013

**TO JOE EZZELL, ASSISTANT EXECUTIVE DIRECTOR AND THE BOARD OF THE
OKLAHOMA TEACHERS RETIREMENT SYSTEM**

With this letter, we transmit the report of the Oklahoma Teachers Retirement System purchase card program audit for the period February 7, 2011 through May 28, 2013.

We performed the audit in accordance with professional auditing standards to ensure the Oklahoma Teachers Retirement System purchase card program administered by the Office of Management and Enterprise Services is conducted in accordance with laws and regulations.

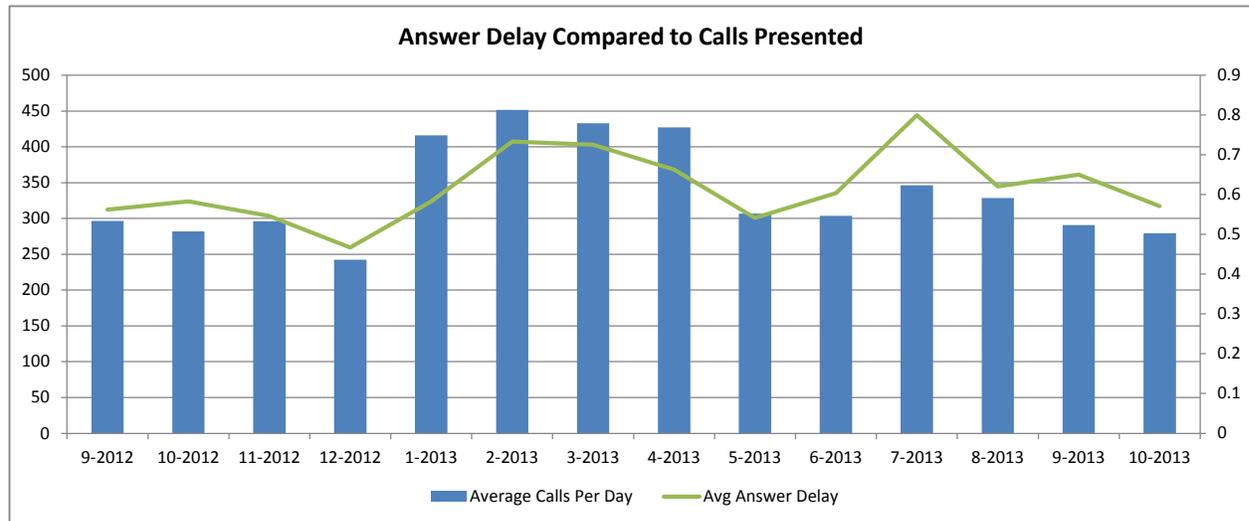
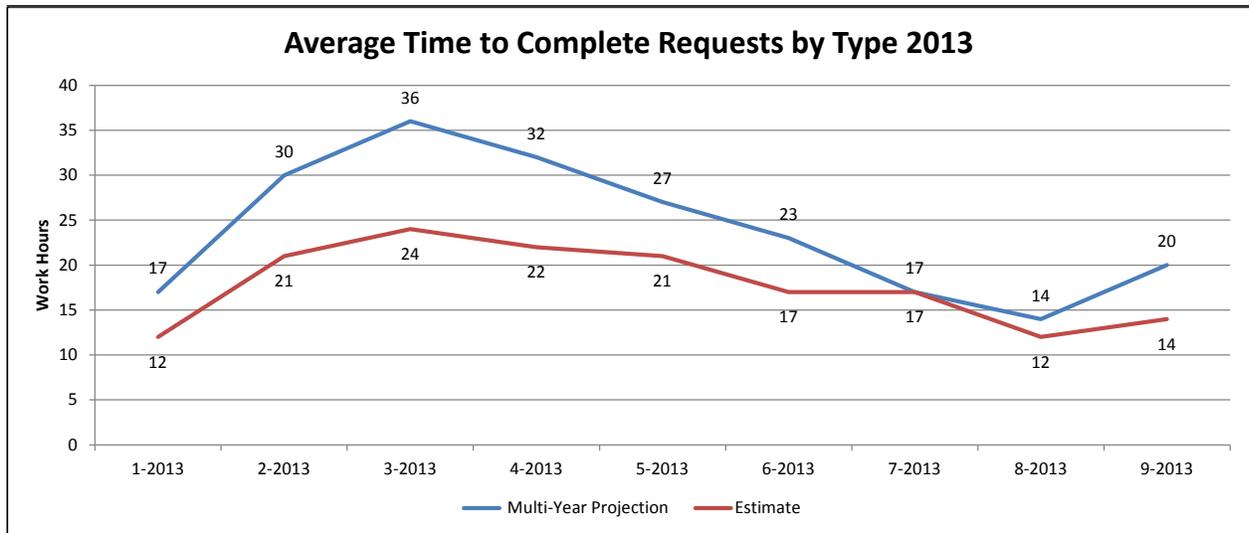
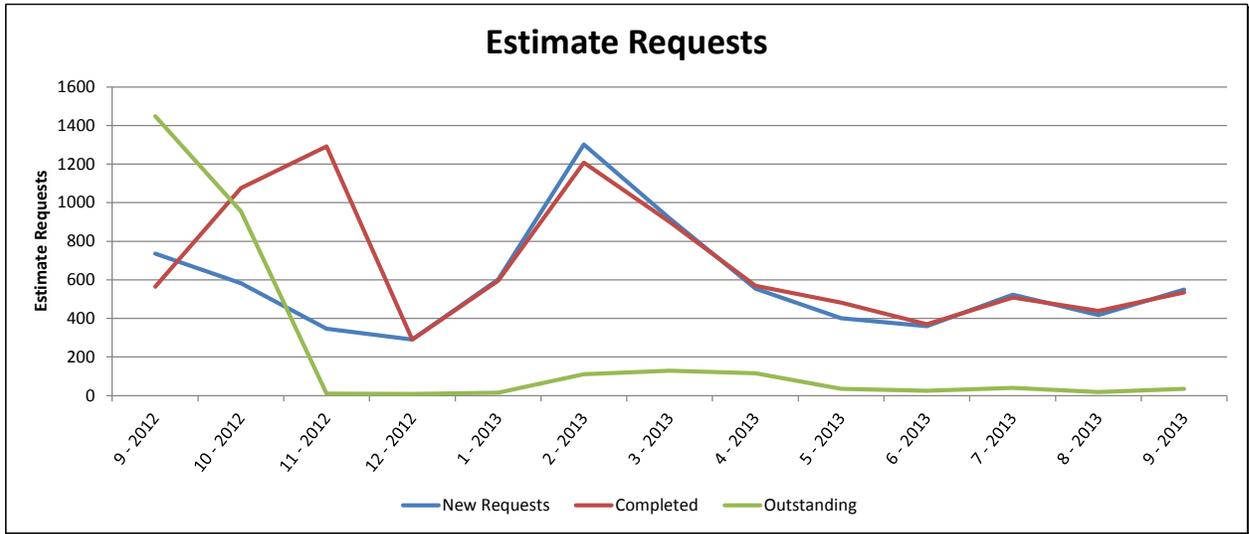
The accompanying report presents our findings and recommendations, as well as management's responses and corrective action plans. This report is available to the public on the Office of Management and Enterprise Services website, <http://omes.ok.gov>.

Respectfully,

A handwritten signature in black ink, appearing to read "Preston L. Doerflinger".

Preston L. Doerflinger
Director and Secretary of Finance, Administration and Information Technology

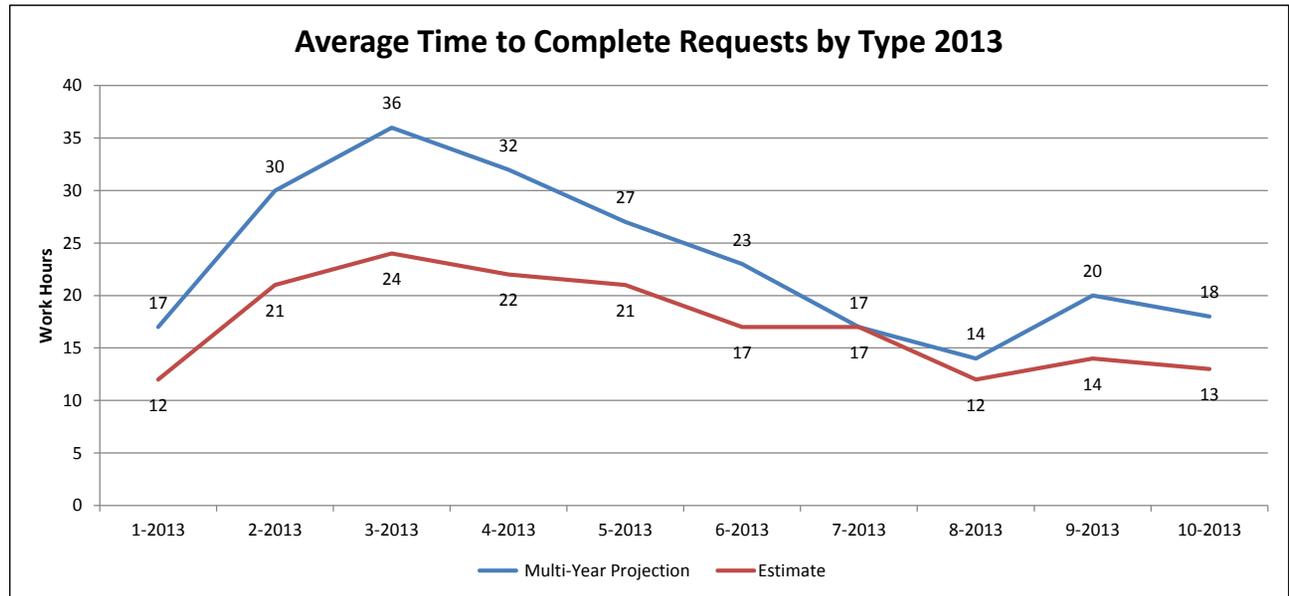
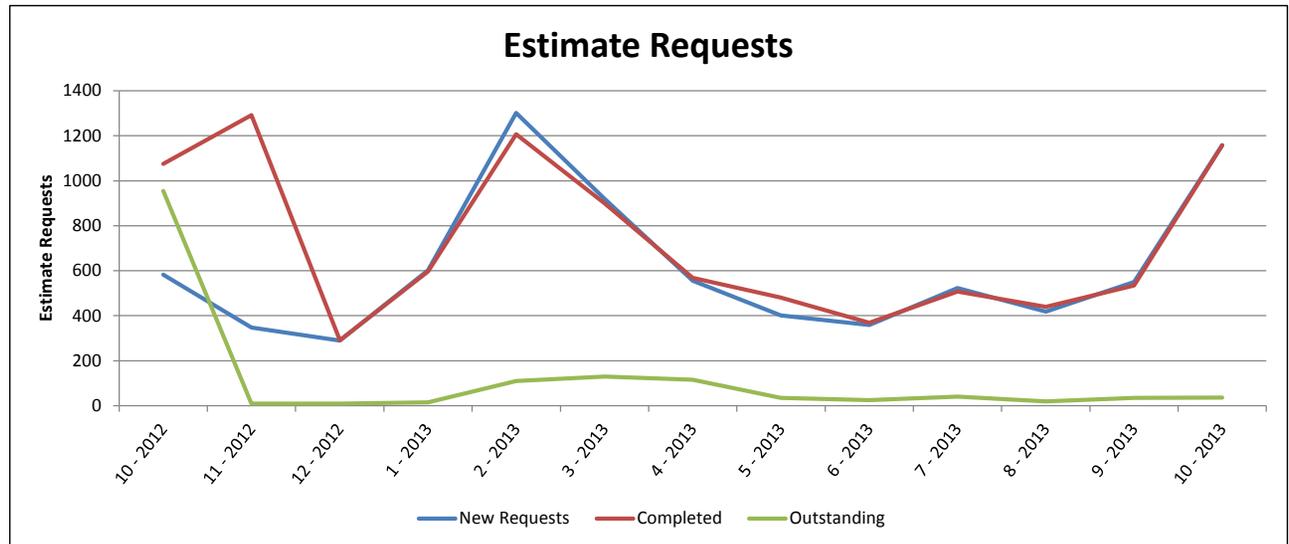
Administration • Will Rogers Office Building (2401 N Lincoln, Suite 206) • P.O. Box 53218 • Oklahoma City, OK 73152-3218
Telephone: 405/521-2121 • Fax: 405/521-6403 • OMES.OK.gov



	New Request	Completed	Outstanding
1 - 2012	964	236	728
2 - 2012	1348	560	1516
3 - 2012	943	1705	754
4 - 2012	1024	882	896
5 - 2012	660	395	1161
6 - 2012	680	586	1255
7 - 2012	798	497	1556
8 - 2012	761	1041	1276
9 - 2012	736	564	1448
10 - 2012	582	1075	955
11 - 2012	347	1292	10
12 - 2012	290	291	9
1 - 2013	602	596	15
2 - 2013	1302	1207	110
3 - 2013	919	900	129
4 - 2013	555	569	115
5 - 2013	401	481	35
6 - 2013	359	369	25
7 - 2013	523	508	40
8 - 2013	418	439	19
9 - 2013	550	534	35
10 - 2013	1158	1157	36

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	Multi-Year Projection	Estimate
1-2013	17	12
2-2013	30	21
3-2013	36	24
4-2013	32	22
5-2013	27	21
6-2013	23	17
7-2013	17	17
8-2013	14	12
9-2013	20	14
10-2013	18	13
11-2013		
12-2013		





OKLAHOMA TEACHERS RETIREMENT SYSTEM

Monthly Retirement Status Report - November 2013

New Retirements	<u>Count</u>	<u>Benefit Total</u>
Type		
Disability	5	\$5,679.05
Normal	<u>109</u>	<u>\$168,744.81</u>
Total	<u>114</u>	<u>\$174,423.86</u>
Terminated Retirements	17	<u>\$26,937.77</u>
Net Change	97	<u>\$147,486.09</u>

NORMAL RETIREMENTS

11/1/2013

Client #	Client Name		Age	Service	Estimate Ret. Date	Retirement Number	Benefit	
Q0049404	JOY	B	BAKER	55	32	11/1/2013	099274	\$2,600.75
Q0199038	VIRGINIA	E	BARTLETT	63	22	11/1/2013	099275	\$1,789.31
Q0024737	MICHAELE	J	BENN	69	22	11/1/2013	099276	\$3,410.13
Q0181444	CARMEN	M	BENNETT	62	7	11/1/2013	099247	\$551.95
Q0048702	KATHERINE	E	BITTLE	59	11	11/1/2013	099277	\$575.41
Q0067554	RONALD	M	BLANCHET	61	30	11/1/2013	099278	\$1,829.76
Q0101003	JAMES	E	BOSE	76	52	11/1/2013	099279	\$4,152.43
Q0081011	DELLA		BRAMBLETT	69	23	11/1/2013	099280	\$1,632.22
Q0037059	AZUCENA	D	BREWER	61	20	11/1/2013	099281	\$1,597.00
Q0120041	JAMES	E	BURKEY	68	46	11/1/2013	099282	\$4,643.90
Q0064336	DONNA	R	CAIN	64	8	11/1/2013	099283	\$450.35
Q0070795	JANICE	L	CAIN	54	29	11/1/2013	099284	\$2,020.32
Q0086306	JERRY		CAPE	62	17	11/1/2013	099285	\$827.65
Q0083842	ALICE		CARLTON	66	10	11/1/2013	099286	\$219.02
Q0240161	CAROL	A	CARR	58	16	11/1/2013	099287	\$1,139.88
Q0103415	ALMEDA	F	CARROLL	64	30	11/1/2013	099288	\$4,192.48
Q0164205	DEBORAH	A	CASE	59	28	11/1/2013	099257	\$2,239.01
Q0014892	TERESA	G	CAVIN	65	20	11/1/2013	099289	\$507.06
Q0127246	EILEEN	R	COONCE	55	13	11/1/2013	099290	\$551.79
Q0280989	GEORGE	E	COPPOLA	62	7	11/1/2013	099291	\$237.27
Q0114383	MARTHA	L	CREMER	62	19	11/1/2013	099292	\$1,317.08
Q0205813	GLOVER	M	CRITTENDEN	52	29	11/1/2013	099293	\$2,217.09
Q0259219	RICHARD	D	DABBS	58	34	11/1/2013	099294	\$2,500.23
Q0216682	MARCY		DANIELSON	65	25	11/1/2013	099295	\$691.69
Q0143524	LINDA	B	DAVIS	62	12	11/1/2013	099296	\$896.92
Q0084642	JUDITH	A	DUMAS	65	5	11/1/2013	099297	\$322.75
Q0145745	MELISSA	S	DUNSMOOR	57	13	11/1/2013	099298	\$450.07
Q0303245	EDWARD		ECKENSTEIN	58	24	11/1/2013	099299	\$2,634.90
Q0089042	MICHAEL		ELIZONDO	55	8	11/1/2013	099300	\$250.49
Q0007578	DAVID	E	EVANS	61	17	11/1/2013	099301	\$1,099.39
Q0233698	RONALD	P	FIELD	66	23	11/1/2013	099261	\$1,389.98
Q0161217	CHARLES	M	FLOYD	64	23	11/1/2013	099302	\$1,110.62
Q0146589	CURTIS	A	FULLER	55	32	11/1/2013	099303	\$3,263.38
Q0163383	ALEDA	S	GAY	62	16	11/1/2013	099264	\$688.98
Q0108540	KATHLEEN	S	GIESE	55	12	11/1/2013	099304	\$370.76
Q0066899	WILLIAM	A	GRAY	61	6	11/1/2013	099305	\$463.39
Q0163133	PENELOPE	A	HAMPTON	69	7	11/1/2013	099306	\$757.16
Q0297635	GERTRUDE		HARRIS	63	5	11/1/2013	099307	\$276.01
Q0204737	DOLPH	H	HAYDEN	52	32	11/1/2013	099267	\$3,591.88
Q0107352	KATHRYN		HAYS	56	24	11/1/2013	099308	\$1,812.77
Q0124875	BRENDA	K	HERRON	63	12	11/1/2013	099309	\$399.03
Q0066060	SUZANNE	M	HIRST	63	25	11/1/2013	099310	\$2,274.37
Q0284520	MICHAEL	A	HOGAN	65	5	11/1/2013	099311	\$251.40
Q0257919	LINDA	S	HOLLAND	57	31	11/1/2013	099312	\$2,347.84
Q0241313	KAREN	S	HUDGENS	62	14	11/1/2013	099250	\$1,063.47
Q0069517	SUE	A	HUMPHREY	55	29	11/1/2013	099313	\$2,197.08
Q0014126	MARILYNN	J	KETTNER	61	14	11/1/2013	099314	\$904.38
Q0086419	NOWENA	J	KITSMILLER	62	18	11/1/2013	099315	\$1,172.40

Q0217447	TOMMY	R	KNUTSON	65	6	11/1/2013	099262	\$409.21
Q0260935	SALLY	M	KOVAC	66	22	11/1/2013	099362	\$3,863.83
Q0225968	EDITH	A	LAMAY	55	31	11/1/2013	099316	\$2,085.16
Q0235496	THEA	A	LANCASTER	62	5	11/1/2013	099255	\$237.83
Q0130317	NONA	G	LEMLEY	51	29	11/1/2013	099317	\$2,853.17
Q0004561	HAZEL		LEWIS	71	24	11/1/2013	099318	\$1,486.23
Q0250600	RICHARD	W	LITTLE	68	45	11/1/2013	099266	\$3,950.21
Q0104204	DEBORAH	K	LOKEY	61	17	11/1/2013	099260	\$877.02
Q0032832	DANNY	G	LOKEY	61	16	11/1/2013	099319	\$909.24
Q0087435	SANDY	L	MARLER	62	16	11/1/2013	099259	\$444.62
Q0019514	KATHLEEN	E	MCKEAN	59	34	11/1/2013	099320	\$4,403.63
Q0087065	STEVE		MENDELL	61	37	11/1/2013	099321	\$4,634.34
Q0119020	JERRY	M	MILBURN	69	20	11/1/2013	099322	\$1,500.43
Q0048970	PATTY	L	MINK	59	23	11/1/2013	099323	\$1,086.63
Q0065581	MARY		MONETATHCHI	65	11	11/1/2013	099256	\$491.72
Q0296758	TOMMY	L	MORRISON	62	5	11/1/2013	099251	\$197.14
Q0102622	SHERRY	M	MORROW	65	12	11/1/2013	099324	\$833.34
Q0023903	JOHN	R	ORSULAK	58	23	11/1/2013	099325	\$1,940.61
Q0083670	MARSHA	L	OWEN	66	16	11/1/2013	099249	\$1,326.83
Q0047998	GINGER	F	PERRY	61	20	11/1/2013	099326	\$1,142.09
Q0262482	CANH	V	PHAM	62	9	11/1/2013	099327	\$235.21
Q0080772	EVELYN	S	PIERCE	73	29	11/1/2013	099254	\$685.77
Q0298224	PATSY	R	PIPPIN	80	5	11/1/2013	099252	\$71.25
Q0296642	KATHRYN	L	PLUNKETT	57	5	11/1/2013	099328	\$233.57
Q0159183	FLO	E	POTTS	66	29	11/1/2013	099265	\$5,800.23
Q0140935	NINA	L	RAMEY	67	14	11/1/2013	099329	\$836.65
Q0086670	CONNIE		RAWLS	60	28	11/1/2013	099330	\$1,927.39
Q0124574	REGINA	K	RAYBURN	63	12	11/1/2013	099258	\$818.92
Q0102425	SANDRA	M	RICHARDSON	60	26	11/1/2013	099331	\$2,256.18
Q0164098	DIANA	L	RILEY	60	15	11/1/2013	099332	\$753.44
Q0142803	LETA	G	RILEY	62	20	11/1/2013	099333	\$828.92
Q0215782	DARLENE	S	ROACH	62	15	11/1/2013	099334	\$981.30
Q0067717	JACQUELINE	C	ROBINSON	59	24	11/1/2013	099335	\$1,957.58
Q0164403	CARSETTA	E	ROWLAND	57	30	11/1/2013	099336	\$2,057.83
Q0091665	CAROL	R	ROZELL	54	31	11/1/2013	099337	\$3,445.72
Q0186271	KRYSTAL	A	RUTH	55	25	11/1/2013	099338	\$1,572.89
Q0222496	CHERYL	A	SCHEEL	62	9	11/1/2013	099339	\$408.08
Q0123668	PAMELA	G	SCHLUNT	62	8	11/1/2013	099340	\$139.84
Q0237703	ELLEN	D	SCHMEDER	55	26	11/1/2013	099341	\$2,390.11
Q0102076	ELIZABETH	A	SHERRER	63	13	11/1/2013	099342	\$678.13
Q0201949	DEBORAH	K	SHINER	62	11	11/1/2013	099343	\$491.80
Q0048325	DEBRA		SIMMONS	61	20	11/1/2013	099344	\$1,171.72
Q0184889	BILL		SMITH	55	31	11/1/2013	099345	\$2,801.22
Q0234804	DENISE	A	SMITH	62	12	11/1/2013	099346	\$691.04
Q0067951	JUDY	N	SMITH	59	21	11/1/2013	099347	\$1,285.48
Q0285350	REBECCA	L	SMITH	62	6	11/1/2013	099348	\$573.61
Q0241501	SHIRLEY		SMITH	55	32	11/1/2013	099349	\$2,360.81
Q0230164	JOY	M	SOOTER	66	12	11/1/2013	099350	\$912.91
Q0229255	MARY	J	STIKA	62	9	11/1/2013	099351	\$176.18
Q0083869	THOMAS	F	STILES	65	37	11/1/2013	099253	\$8,615.67
Q0296705	CARLA	S	STILWELL	63	6	11/1/2013	099352	\$345.92
Q0106584	BILLY	T	STRICKLAND	57	23	11/1/2013	099353	\$1,948.48
Q0017378	CHARLES	P	THURSTON	56	24	11/1/2013	099354	\$2,135.41
Q0015431	LINDA	G	TOLER	62	13	11/1/2013	099355	\$956.12

*Teachers' Retirement System of Oklahoma
Cash Flow Report - Finance Division
October 31, 2013*

Board Meeting November 20, 2013

<i>Cash Basis</i>	October 2012	October 2013		
<i>Monthly Contributions:</i>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$34,006,143.56	\$25,262,833.78	(\$8,743,309.78)	-25.71%
Employer Contributions	34,758,222.59	36,672,767.30	1,914,544.71	5.51%
State Revenue	<u>30,515,407.09</u>	<u>29,565,475.05</u>	<u>(949,932.04)</u>	<u>-3.11%</u>
Total Retirement Receipts	99,279,773.24	91,501,076.13	(7,778,697.11)	-7.84%
 <i>Monthly Distributions:</i>				
Retirement Benefits	88,833,593.11	94,539,173.35	5,705,580.24	6.42%
Withdrawals and Death Benefits	<u>3,614,004.99</u>	<u>5,409,983.42</u>	<u>1,795,978.43</u>	<u>49.69%</u>
Total Benefit Payments	<u>92,447,598.10</u>	<u>99,949,156.77</u>	<u>7,501,558.67</u>	<u>8.11%</u>
Net (Receipts - Payments)	<u>\$6,832,175.14</u>	<u>(\$8,448,080.64)</u>	<u>(\$15,280,255.78)</u>	<u>-223.65%</u>
	Year to Date	Year to Date		
<i>Year to Date Contributions:</i>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$96,666,185.84	\$86,917,969.18	(\$9,748,216.66)	-10.08%
Employer Contributions	126,188,601.68	115,604,301.71	(10,584,299.97)	-8.39%
State Revenue	<u>102,322,424.28</u>	<u>99,764,475.80</u>	<u>(2,557,948.48)</u>	<u>-2.50%</u>
Total Retirement Receipts	325,177,211.80	302,286,746.69	(22,890,465.11)	-7.04%
 <i>Year to Date Distributions:</i>				
Retirement Benefits	372,087,007.61	388,933,078.16	16,846,070.55	4.53%
Withdrawals and Death Benefits	<u>18,040,245.69</u>	<u>19,120,604.88</u>	<u>1,080,359.19</u>	<u>5.99%</u>
Total Benefit Payments	<u>390,127,253.30</u>	<u>408,053,683.04</u>	<u>17,926,429.74</u>	<u>4.60%</u>
Net (Receipts - Payments)	<u>(\$64,950,041.50)</u>	<u>(\$105,766,936.35)</u>	<u>(\$40,816,894.85)</u>	<u>62.84%</u>