Oklahoma Teachers Retirement System

Board of Trustees

Regularly Scheduled Meeting

DECEMBER 19, 2012

Meeting Materials

TABLE OF CONTENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Trustee Education Meeting
Tuesday, December 18, 2012 – 1:00 PM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

1. **ROLL CALL**
2. **DISCUSSION ON INVESTMENT ASSUMPTIONS**
3. **DISCUSSION ON RISKS AND RISK TOLERANCE**
4. **QUESTIONS AND COMMENTS FROM TRUSTEES**
5. **ADJOURNMENT**

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, December 19, 2012 – 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 FOR:
A. November 27, 2012 Special Trustee Education Meeting
B. November 28, 2012 Board Meeting

3. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT

4. PRESENTATION BY INVESTMENT MANAGER(S):
A. Franklin Park
B. ING
C. JP Morgan

5. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT
The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting

6. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT

7. DISCUSSION AND POSSIBLE ACTION ON AUDIT COMMITTEE REPORT

8. DISCUSSION AND POSSIBLE ACTION ON EXTERNAL AUDIT REPORT

9. DISCUSSION AND POSSIBLE ACTION ON STRATEGIC PLANNING POLICY

10. DISCUSSION AND POSSIBLE ACTION ON PROMULGATION OF PERMANENT RULES: 715:10-5-19 amended; 715:10-15-3 amended; 715:10-15-6 amended; 715:10-15-26 amended; 715:10-17-6 amended; 715:10-23-6 new rule

11. PRESENTATION FROM OTRS CLIENT SERVICES

12. DISCUSSION AND POSSIBLE ACTION ON REVIEW OF ANNUAL PLAN

13. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR REPORT
A. Client Status Update
B. Legislative Update
C. Other Items for Discussion

14. QUESTIONS AND COMMENTS FROM TRUSTEES

15. NEW BUSINESS

16. ADJOURNMENT

MEETING MINUTES
NOVEMBER 27, 2012
BOARD OF TRUSTEES – TRUSTEE EDUCATION MEETING
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

A special meeting of the Board of Trustees – Trustee Education – of the Teachers' Retirement System of Oklahoma was called to order by Gary Trennepohl, Chairman, at 1:10 P.M., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda was posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:
Gary Trennepohl, *Chairman*
James Dickson, *Vice Chairman*
Vernon Florence
Roger Gaddis
Beth Kerr*
William Peacher*

TRUSTEES ABSENT:
Sherrie Barnes
Bruce DeMuth
Jill Geiger
Stewart E. Meyers, Jr.
Michael Simpson
Jonathan Small
Billie Stephenson

TRS STAFF PRESENT:
James R. Wilbanks, *Executive Director*
Josh Richardson, *Internal Auditor*
Becky Wilson, *Executive Assistant*

INVESTMENT CONSULTANT PRESENT:
Greg Weaver, *Gregory W. Group*
Douglas J. Anderson, *Gregory W. Group*

**Denotes either late arrival or early departure*

ITEM 1 – ROLL CALL FOR QUORUM: Chairman Trennepohl called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Kerr; and Chairman Trennepohl. A quorum was not present so Chairman Trennepohl declared that due to the lack of a quorum the Board would have discussions only; there would be no official action.

ITEM 2 – ACTUARIAL REPORTING: Mark Randall and Ryan Falls of Gabriel, Roeder & Smith, actuaries for the Board, gave the Board a presentation on actuarial reporting. No action was necessary. Mr. Peacher joined the meeting during the presentation.

ITEM 3 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 4 – ADJOURNMENT: There being no further business, Chairman Trennepohl declared the meeting adjourned at 2:55 p.m. Trustees present at adjournment were Mr. Dickson; Mr. Florence; Mr. Gaddis; Mr. Peacher; and Chairman Trennepohl.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: ____
Gary Trennepohl, Chairman

ATTEST:

BY: ____
Vernon Florence, Acting Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on December 19, 2012.

BY: ____
Becky Wilson, Executive Assistant to the Executive Director

MEETING MINUTES
NOVEMBER 28, 2012
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 Gary Trennepohl, Chairman, at 9 A.M., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda was posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:
Gary Trennepohl, *Chairman**
James Dickson, *Vice Chairman*
Vernon Florence
Roger Gaddis*
Jill Geiger
Beth Kerr
Stewart Meyers, Jr.
William Peacher
Michael Simpson*

TRUSTEES ABSENT:
Sherrie Barnes
Bruce DeMuth
Jonathan Small
Billie Stephenson

TRS STAFF PRESENT:
James R. Wilbanks, *Executive Director*
Josh Richardson, *Internal Auditor*
Becky Wilson, *Executive Assistant*

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

INVESTMENT CONSULTANT PRESENT:
Greg Weaver, *Gregory W. Group*
Douglas J. Anderson, *Gregory W. Group*

OTHERS PRESENT:
Norman Cooper, *OK Retired Educators Assoc.*
Shawn Ashley, *E-Capitol*
Wayne Maxwell, *Retired Prof OK Educators*
Gene Hopper

**Denotes either late arrival or early departure*

ITEM 1 – ROLL CALL FOR QUORUM: Chairman Trennepohl called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Dickson; Mr. Florence; Ms. Geiger; Ms. Kerr; Mr. Meyers; Mr. Peacher; Dr. Simpson; and Chairman Trennepohl. After the roll call, Chairman Trennepohl appointed Mr. Florence as acting secretary in Mr. DeMuth's absence. Mr. Gaddis joined the meeting immediately following the roll call.

ITEM 2 – MEETING MINUTES: A motion was made by Mr. Simpson with a second made by Mr. Dickson to approve the October 23, 2012 Special Trustee Education meeting minutes as well as the October 24, 2012 meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Geiger; Ms. Kerr; Mr. Meyers; Mr. Peacher; Dr. Simpson; and Chairman Trennepohl.

ITEM 3 – FY-2012 ACTUARIAL VALUATION REPORT: A presentation was made to the Board by Mark Randall, Brad Stewart and Ryan Falls of Gabriel Roeder Smith & Company, Consultants and Actuaries. After discussion, a motion was made by Mr. Simpson with a second made by Mr. Florence to approve the Actuarial Report. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Geiger; Ms. Kerr; Mr. Meyers; Mr. Peacher; Dr. Simpson; and Chairman Trennepohl.

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

ITEM 5 – PRESENTATIONS BY INVESTMENT MANAGERS: Loomis Sayles & Company, Lord Abbett & Company and MacKay Shields, Investment Managers, were present to give respective presentations to the Board.

A break was taken from 10:59 a.m. to 11:06 a.m.
A break for lunch was taken from 12:10 p.m. to 12:22 p.m.

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

ITEM 7 – MANAGER STATUS SUMMARY REPORT: Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board the Manager Status Summary Report. No action was necessary.

ITEM 8 – INVESTMENT COMMITTEE REPORT: Mr. Dickson, Chairman of the Investment Committee, gave the Investment Committee report that included new TRS Staff reports and an update on the Small Cap RFP Search. No action was necessary.

ITEM 9 – DATA MIGRATION: Josh Richardson, OTRS Internal Auditor, updated the Board on OTRS' data migration efforts. After a brief discussion, no action was necessary.

ITEM 10 – EXECUTIVE DIRECTOR REPORT: Dr. Wilbanks gave his report to the Board. A motion was made by Mr. Gaddis with a second made by Ms. Geiger to approve the Executive Director Report. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Geiger; Ms. Kerr; Mr. Meyers; and Mr. Peacher.

ITEM 11 – MEETING SCHEDULE FOR 2013: After discussion, a motion was made by Mr. Meyers with a second made by Ms. Geiger to approve the 2013 Meeting Dates as follows: January 23, February 27, March 27, April 17, May 22, June 26, July 24, August 28, September 25, October 23, November 20, and December 18. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Geiger; Ms. Kerr; Mr. Meyers; and Mr. Peacher.

ITEM 12 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 13 – NEW BUSINESS: There was no further business from the Board.

ITEM 14 – ADJOURNMENT: There being no further business, a motion was made by Ms. Geiger with a second made by Mr. Peacher to adjourn. The meeting was adjourned at 1:57 p.m. Trustees present at adjournment were Mr. Dickson; Mr. Florence; Mr. Gaddis; Ms. Geiger; Ms. Kerr; Mr. Meyers; and Mr. Peacher.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: ____
Gary Trennepohl, Chairman

ATTEST:

BY: ____
Vernon Florence, Acting Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on December 19, 2012.

BY: ____
Becky Wilson, Executive Assistant to the Executive Director

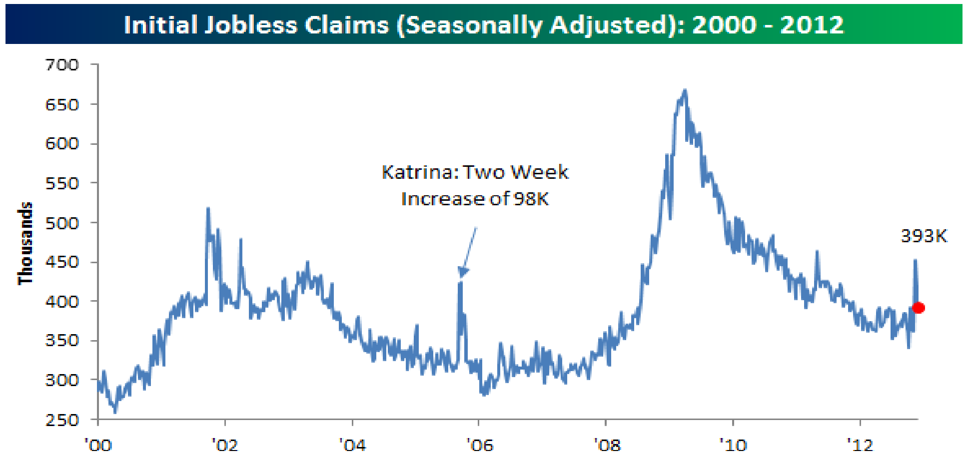
November 2012 - Market Performance Update

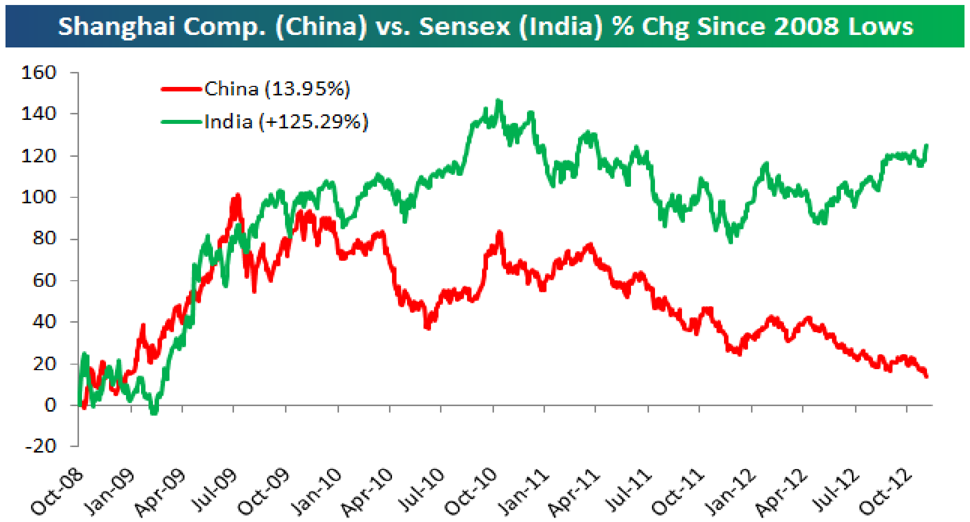
Equity Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	-0.1	11.1	10.9	2.3
NASDAQ (prc chg only)	1.1	14.9	12.0	2.5
S&P 500 cap weighted	0.6	16.1	11.3	1.3
S&P 500 equal weighted	1.3	15.2	13.6	4.0
S&P Mid Cap	2.2	14.9	15.1	4.7
S&P Small Cap	1.0	14.0	16.0	4.3
S&P REIT	-0.3	19.1	19.3	3.6
Russell 1000 Growth	1.7	14.9	12.5	3.1
Russell 1000 Value	0.0	17.5	10.8	0.0
Russell Mid Cap Growth	2.2	12.1	14.5	2.9
Russell Mid Cap Value	1.1	16.9	14.3	3.0
Russell 2000 Growth	0.8	11.1	14.9	3.0
Russell 2000 Value	0.3	15.1	12.8	2.5
Russell Top 200	0.4	16.9	10.6	1.0
Russell 1000	0.8	16.2	11.6	1.6
Russell Mid Cap	1.6	14.6	14.4	3.0
Russell 2500	1.5	15.1	15.0	3.7
Russell 2000	0.5	13.1	13.9	2.8
MSCI World Ex US	2.1	12.4	3.7	-3.9
MSCI World Ex US Growth	2.3	11.4	4.7	-3.6
MSCI World Ex US Value	1.9	13.3	2.5	-4.2
MSCI EAFE	2.4	13.2	3.4	-4.3
MSCI Emerging Markets	1.3	11.7	4.7	-1.5

Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	0.5
BC Long Treasury	1.3	8.9	12.3	10.1
BC US Agg	0.2	5.5	5.7	6.0





The domestic equity market was choppy during November. International stocks outperformed domestics as post election uncertainty and fiscal cliff worries kept a lid on market enthusiasm. Investor asset flows continue to favor income producing assets versus equities by a staggering margin.

Growth stocks outperformed value stocks both domestically and abroad. Mid cap companies outperformed large caps and small caps for the second month in a row. Trailing year performance dispersion between domestic equity market segments was relatively low.

Trailing one and three year returns for domestic equity were quite strong.

Fixed income returns were positive during November. Core bonds posted modestly positive returns while long duration bonds gained more than 1%. Money market funds produced virtually no income.

sources: Barclay's Capital, Bespoke Investment Group and Fact Set.

Manager Profile - Franklin Park

Asset Class:	Private Equity
Status:	In Compliance
Portfolio Size (including legacy portfolio):	$186,019,286
Inception Date:	4/1/2010
Target Allocation	5.0%
Actual Allocation (including legacy	1.8%
Annual Management Fee:	0.59%
Location:	Philadelphia, Pennsylvania
Structure:	Privately Held
Portfolio Management Team:	Michael Bacine
Represented by:	Michael Bacine, Managing Director Kristine O'Connor, Chief Financial Officer

Please Note - Preliminary report using unaudited data from JP Morgan.

Notes:

Franklin Park believes the primary reason to invest in private equity is to generate premium returns to public equity. They view the dispersion of returns among private equity managers as evidence of exploitable market inefficiency. They advise clients to remain flexible in their sector allocation targets. This allows Franklin Park to be opportunistic in their investment program and avoids forcing assets into funds or market segments they view as sub-par. Franklin Park are strong proponents of a transparent investment process. The firm offers clients a venture capital fund every year to access that subset of the private equity market.

This fund has provided strong returns since inception.

Founded: 2003

Monthly Asset Allocation Review

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Asset Class	Total Market Value	Current Percentage	Target Percentage	Difference	Notes
All Cap/Large Cap	1,816,624,065	17.1%	17.5%	-0.4%	Excess allocation bound for Private Equity
Mid Cap	1,378,349,870	13.0%	12.5%	0.5%	
Small Cap	955,101,137	9.0%	10.0%	-1.0%	
Total Domestic Equity	**4,599,125,036**	**43.3%**	**40.0%**	3.3%	
Large Cap International Equity	1,207,132,481	11.4%	**12.5%**	-1.1%	
Small Cap International Equity	378,983,598	3.6%	**2.5%**	1.1%	
Total International Equity	**1,586,116,078**	**14.9%**	**15.0%**	**-0.1%**	
Core Fixed Income	**2,430,107,043**	**22.9%**	**25.0%**	**-2.1%**	
High Yield Bonds	587,641,037	5.5%	5.0%	0.5%	
MLPs	600,258,591	5.6%	5.0%	0.6%	
Private Equity	186,019,286	1.8%	5.0%	-3.2%	
Real Estate	491,957,785	4.6%	5.0%	-0.4%	
Opportunistic Assets	138,852,088	1.3%	0.0%	1.3%	
Total Non-Core Assets	**2,004,728,787**	**18.9%**	**20.0%**	**-1.1%**	
Cash	**9,121,229**	**0.1%**	**0.0%**	0.1%	
Composite	**10,629,198,173**	**100.0%**	**100.0%**	**0.0%**	

Please Note - Preliminary report using unaudited data from JP Morgan.

Total Fund + Asset Class Composite Summary
As of November 30, 2012

	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)	**10,629,198,173**	**12/1/1991**	**21.0**	**9.2**	**8.6**	**4.0**	**10.5**	**14.1**	**6.3**	**3.0**	**0.8**
Total Fund (Net of Fees)				**8.8**	**8.3**	**3.7**	**10.2**	**13.7**	**6.2**	**2.9**	**0.7**
Allocation Index	***100.0%***			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Actuarial Assumption				*8.0*	*8.0*	*8.0*	*8.0*	*8.0*	*6.6*	*1.9*	*0.6*
										1.9	
Total Domestic Equity	**4,599,125,036**	**4/1/1990**	**22.7**	10.0	8.3	2.2	11.8	15.3	5.2	2.3	1.1
S&P 500	***43.3%***			*8.8*	*6.4*	*1.3*	*11.2*	*16.1*	*5.0*	*1.3*	*0.6*
Total All Cap Equity	**641,934,373**	**9/1/2006**	**6.3**	3.5	-	1.7	11.2	10.9	3.4	0.8	0.3
Russell 3000	***6.0%***			*3.7*	*-*	*1.7*	*11.8*	*16.0*	*5.2*	*1.6*	*0.8*
Total Large Cap Active Equity	**734,972,915**	**1/1/1995**	**17.9**	9.1	6.7	0.7	10.8	16.3	4.4	1.3	-0.3
S&P 500	***6.9%***			*8.5*	*6.4*	*1.3*	*11.2*	*16.1*	*5.0*	*1.3*	*0.6*
Total Mid Cap Equity	**1,378,349,870**	**11/1/1998**	**14.1**	8.6	10.9	4.0	13.7	15.4	5.5	3.1	2.0
Russell Mid Cap	***13.0%***			*8.2*	*10.0*	*3.0*	*14.4*	*14.6*	*6.2*	*2.8*	*1.6*
Total Small Cap Equity	**955,101,137**	**2/1/1998**	**14.8**	7.8	9.0	2.7	10.9	15.6	6.9	3.6	1.4
Russell 2000	***9.0%***			*5.8*	*8.7*	*2.8*	*13.8*	*13.1*	*3.5*	*1.6*	*0.5*
Total International Equity	**1,586,116,078**	**2/1/1998**	**14.8**	8.6	8.7	-3.0	4.4	14.9	10.3	6.2	1.6
MSCI ACWI ex-US	***14.9%***			*-*	*9.5*	*-3.4*	*3.9*	*12.2*	*10.0*	*6.2*	*1.9*
Core Fixed Income *(ex- High Yield)*	**2,430,107,043**	**4/1/1990**	**22.7**	7.7	7.1	8.8	9.3	10.4	3.7	1.3	0.4
Barclays Aggregate	***22.9%***			*7.1*	*5.4*	*6.0*	*5.7*	*5.5*	*1.9*	*0.5*	*0.2*
Master Limited Partnerships	**600,258,591**	**12/1/2008**	**4.0**	12.0	-	-	-	16.5	11.7	3.1	-0.1
Alerian MLP Index	***5.6%***			*10.2*	*-*	*-*	*-*	*14.4*	*8.6*	*1.7*	*-0.8*
High Yield Fixed Income	**587,641,037**	**2/1/2009**	**3.8**	18.6	-	-	12.3	18.3	7.5	4.0	0.4
ML High Yield II	***5.5%***			*-*	*-*	*-*	*12.2*	*16.6*	*6.3*	*3.0*	*0.7*
Core Real Estate	**491,957,785**	**4/1/2011**	**1.7**	-	-	-	-	-	-	-	-
NCREIF	***4.6%***			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Cash	**9,121,229**	**4/1/1990**	**22.7**	-	-	-	-	-	-	-	-
91 Day T-bill	***0.1%***			*-*	*-*	*0.6*	*0.1*	*0.1*	*0.1*	*0.0*	*0.0*

Please Note - Preliminary report using unaudited data from JP Morgan.

Equity Portfolios Summary
As of November 30, 2012

Oklahoma Teachers Retirement System

	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	**366,295,562**	**4/1/1990**	**22.7**	9.9	6.9	-0.2	10.7	16.7	4.6	1.4	-1.3
Russell 1000 Value	**3.4%**			*9.3*	*6.7*	*0.0*	*10.8*	*17.5*	*5.9*	*2.6*	*0.0*
Sawgrass	**368,677,354**	**7/1/2006**	**6.4**	5.3	-	2.4	12.4	16.1	4.2	1.2	0.7
Russell 1000 Growth	**3.5%**			*5.8*	*-*	*3.1*	*12.5*	*14.9*	*4.7*	*0.6*	*1.7*
ARI All Cap	**322,086,447**	**9/1/2006**	**6.3**	2.6	-	1.4	11.3	9.9	3.1	0.4	-0.4
Russell 3000 Value	**3.0%**			*3.7*	*-*	*1.7*	*11.8*	*16.0*	*5.2*	*1.6*	*0.8*
EPOCH All Cap	**319,847,927**	**9/1/2006**	**6.3**	4.3	-	2.0	11.1	11.7	3.7	1.2	0.9
Russell 3000 Value	**3.0%**			*3.7*	*-*	*1.7*	*11.8*	*16.0*	*5.2*	*1.6*	*0.8*
NT Cap Weighted Passive	**439,716,776**	**4/1/2012**	**0.7**	3.2	-	-	-	-	4.9	1.3	0.6
S&P 500 Cap Weighted	**4.1%**			*-*	*6.4*	*1.3*	*11.3*	*16.1*	*-*	*1.3*	*0.6*
SSGA Eq Weighted Passive	**449,049,964**	**4/1/2012**	**0.7**	3.7	-	-	-	-	6.3	3.0	1.3
S&P 500 Equal Weighted	**4.2%**			*-*	*9.3*	*4.0*	*13.6*	*15.2*	*-*	*3.0*	*1.3*
Frontier Capital	**359,918,944**	**6/1/2002**	**10.5**	8.6	11.3	4.3	13.6	15.3	4.5	2.8	2.5
Russell Mid Cap Growth	**3.4%**			*7.4*	*9.4*	*2.9*	*14.5*	*12.1*	*5.2*	*1.9*	*2.2*
Wellington Management	**295,158,593**	**9/1/1998**	**14.3**	8.7	9.1	0.6	8.4	2.3	3.5	2.3	2.5
Russell Mid Cap Growth	**2.8%**			*7.4*	*9.4*	*2.9*	*14.5*	*12.1*	*5.2*	*1.9*	*2.2*
AJO Partners	**346,062,696**	**8/1/1998**	**14.3**	9.5	10.5	3.6	15.1	16.0	7.0	3.0	2.1
Russell MidCap	**3.3%**			*7.7*	*8.0*	*3.0*	*14.4*	*14.6*	*6.2*	*2.8*	*1.6*
Hotchkis & Wiley Mid Cap	**377,209,637**	**8/1/2002**	**10.3**	12.0	12.2	7.6	17.9	29.0	6.6	4.1	1.1
Russell MidCap Value	**3.5%**			*9.7*	*10.1*	*3.0*	*14.3*	*16.9*	*7.1*	*3.5*	*1.1*
Shapiro Capital Management	**544,739,757**	**2/1/1998**	**14.8**	9.0	12.5	5.9	14.2	16.2	8.3	4.7	1.7
Russell 2000 Value	**5.1%**			*7.1*	*8.6*	*2.5*	*12.8*	*15.1*	*4.7*	*2.6*	*0.3*
Legacy Small Cap	**410,220,003**	**-**	**-**	-	-	-	-	-	-	-	-
	3.9%			-	-	-	-	-	-	-	-
Causeway Capital	**428,858,936**	**5/1/2003**	**9.6**	10.1	-	-1.3	7.4	19.9	12.3	7.5	2.1
MSCI ACWI Ex US	**4.0%**			*8.6*	*-*	*-4.3*	*3.4*	*13.2*	*10.5*	*6.4*	*2.4*
Brandes	**368,375,006**	**2/1/1996**	**16.8**	9.8	8.7	-4.9	0.9	7.7	6.6	3.2	0.8
MSCI ACWI Ex US	**3.5%**			*4.5*	*8.0*	*-4.3*	*3.4*	*13.2*	*10.5*	*6.4*	*2.4*
Thornburg	**409,800,085**	**12/1/2005**	**7.0**	6.0	-	-1.8	5.5	12.7	9.4	6.0	1.9
MSCI ACWI Ex US	**3.9%**			*2.9*	*-*	*-4.3*	*3.4*	*13.2*	*10.5*	*6.4*	*2.4*
ARI Small Cap International	**95,154,368**	**12/1/2011**	**1.0**	*16.6*	-	-	-	16.6	12.2	7.0	1.4
MSCI EAFE Small Cap	**0.9%**			*13.0*	*11.3*	*-2.4*	*6.0*	*13.0*	*-4.8*	*6.6*	*1.0*
Epoch Small Cap International	**92,301,224**	**12/1/2011**	**1.0**	*12.1*	-	-	-	12.1	11.2	5.4	-0.2
MSCI EAFE Small Cap	**0.9%**			*13.0*	*11.3*	*-2.4*	*6.0*	*13.0*	*-4.8*	*6.6*	*1.0*
Wasatch Small Cap International	**96,262,718**	**12/1/2011**	**1.0**	*29.1*	-	-	-	29.1	14.8	9.8	2.0
MSCI EAFE Small Cap	**0.9%**			*13.0*	*11.3*	*-2.4*	*6.0*	*13.0*	*-4.8*	*6.6*	*1.0*
Wellington Small Cap International	**95,265,289**	**12/1/2011**	**1.0**	*22.2*	-	-	-	22.2	13.0	8.7	2.5
MSCI EAFE Small Cap	**0.9%**			*13.0*	*11.3*	*-2.4*	*6.0*	*13.0*	*-4.8*	*6.6*	*1.0*

Please Note - Preliminary report using unaudited data from JP Morgan.

Fixed Income and Non-Core Portfolios Summary
As of November 30, 2012

	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	**621,523,427**	**8/1/1999**	**13.3**	7.6	8.5	10.4	10.3	13.3	5.1	2.5	0.3
Barclays Aggregate	***5.8%***			*6.2*	*5.4*	*6.0*	*5.7*	*5.5*	*1.9*	*0.5*	*0.2*
Lord Abbett	**602,743,286**	**11/1/2004**	**8.1**	6.9	-	8.2	7.9	9.6	3.8	1.5	0.2
Barclays Aggregate	***5.7%***			*5.4*	-	*6.0*	*5.7*	*5.5*	*1.9*	*0.5*	*0.2*
Mackay Shields	**612,542,638**	**11/1/2004**	**8.1**	7.1	-	8.6	9.0	11.6	4.7	1.9	0.0
Barclays Aggregate	***5.8%***			*5.4*	-	*6.0*	*5.7*	*5.5*	*1.9*	*0.5*	*0.2*
Hoisington	**300,905,460**	**11/1/2004**	**8.1**	10.3	-	11.5	15.3	10.2	1.1	-1.4	1.4
Barclays Aggregate	***2.8%***			*5.4*	-	*6.0*	*5.7*	*5.5*	*1.9*	*0.5*	*0.2*
Stephens	**292,392,233**	**11/1/2004**	**8.1**	5.2	-	5.5	3.9	4.2	1.5	0.3	0.4
Barclays Aggregate	***2.8%***			*5.4*	-	*6.0*	*5.7*	*5.5*	*1.9*	*0.5*	*0.2*
Loomis Sayles High Yield	**193,711,939**	**2/1/2009**	**3.8**	18.9	-	-	11.7	22.2	9.2	5.2	-0.5
Merrill Lynch High Yield II	***1.8%***			*20.5*	-	-	*12.2*	*16.6*	*6.3*	*3.0*	*0.7*
Lord Abbett High Yield	**197,183,549**	**2/1/2009**	**3.8**	19.3	-	-	13.2	17.8	7.5	3.7	1.0
Merrill Lynch High Yield II	***1.9%***			-	-	-	*12.2*	*16.6*	*6.3*	*3.0*	*0.7*
Mackay Shields High Yield	**196,745,549**	**2/1/2009**	**3.8**	17.5	-	-	11.8	15.0	5.9	2.9	0.8
Merrill Lynch High Yield II	***1.9%***			-	-	-	*12.2*	*16.6*	*6.3*	*3.0*	*0.7*

Please Note - Preliminary report using unaudited data from JP Morgan.

Non-Traditional Portfolios Summary

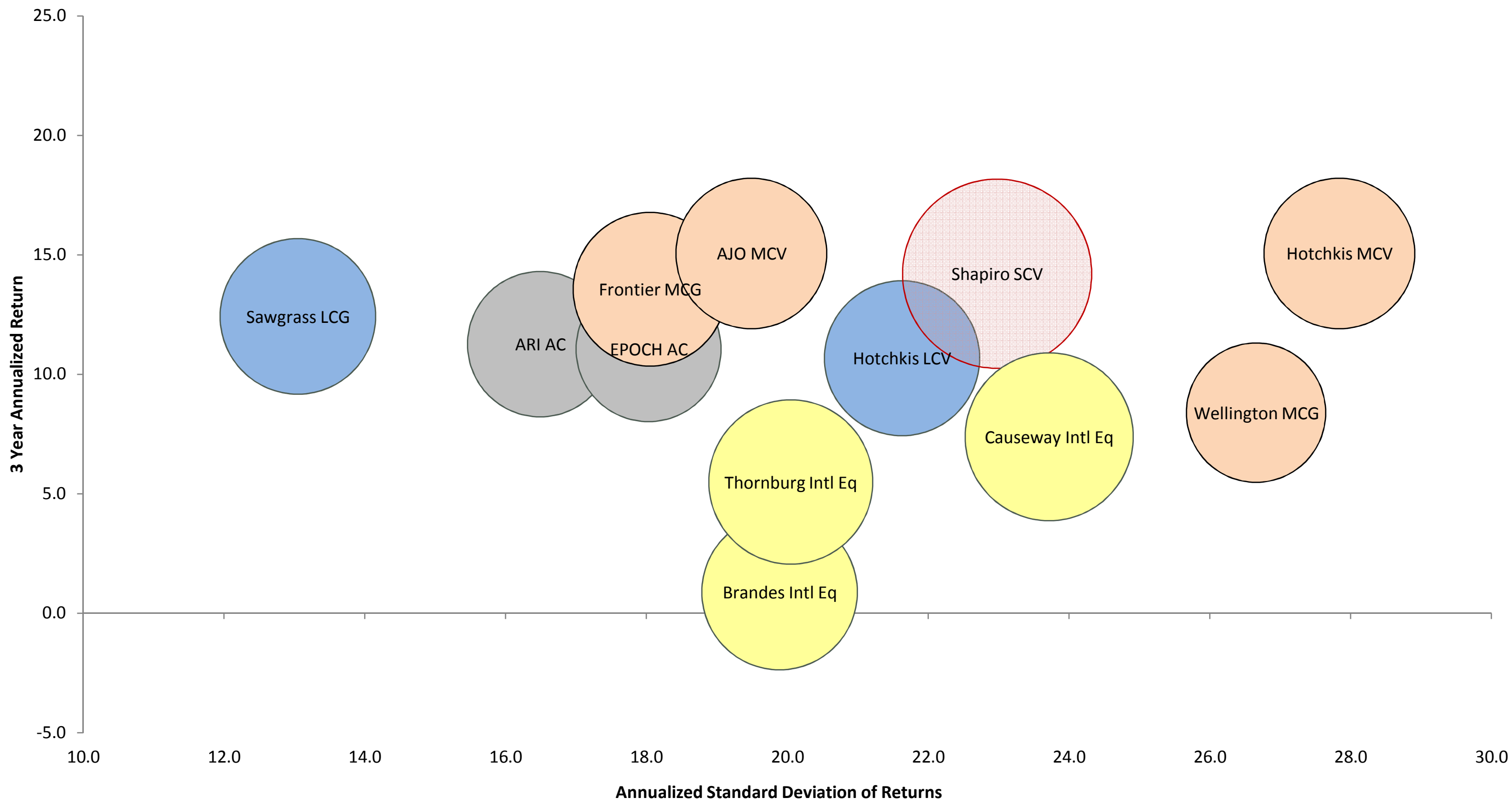
As of November 30, 2012

Oklahoma Teachers Retirement System

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Legacy Private Equity Portfolio	**70,313,180**	**10/1/2008**	**4.2**	-	-	-	-	-	-	-	-
Franklin Park Private Equity	**115,706,106**	**4/1/2010**	**2.7**	-	-	-	-	-	-	-	-
Total Private Equity %	***1.8%***										
Chickasaw Capital MLP	**166,630,517**	**2/28/2011**	**1.8**	18.3	-	-	-	26.3	15.1	4.6	0.7
Alerian MLP Index	***1.6%***			*10.2*	-	-	-	*14.4*	*8.6*	*1.7*	*-0.8*
Cushing MLP Management	**147,394,525**	**2/28/2011**	**1.8**	10.6	-	-	-	14.6	13.4	3.8	-1.0
Alerian MLP Index	***1.4%***			*10.2*	-	-	-	*14.4*	*8.6*	*1.7*	*-0.8*
FAMCO MLP	**286,233,549**	**2/28/2011**	**1.8**	8.9	-	-	-	12.3	9.0	1.8	-0.1
Alerian MLP Index	***2.7%***			*10.2*	-	-	-	*14.4*	*8.6*	*1.7*	*-0.8*
AEW Real Estate	**164,777,493**	**5/1/2011**	**1.6**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***1.6%***			-	-	-	-	-	-	-	-
Heitman Real Estate	**170,260,588**	**5/1/2011**	**1.6**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***1.6%***			-	-	-	-	-	-	-	-
L&B Real Estate	**156,919,704**	**4/1/2011**	**1.7**	-	-	-	-	-	-	-	-
NCREIF - OEDCE	***1.5%***			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage I	***13,049***	**5/1/2008**	**4.6**	-	-	-	-	-	-	-	-
Barclays Aggregate	***0.0%***			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage II	**37,537,690**	**12/1/2008**	**4.0**	-	-	-	-	-	-	-	-
Barclays Aggregate	***0.4%***			-	-	-	-	-	-	-	-
PIMCO BRAVO	**101,301,349**	**3/31/2011**	**1.7**	-	-	-	-	-	-	-	-
Barclays Aggregate	***1.0%***			-	-	-	-	-	-	-	-

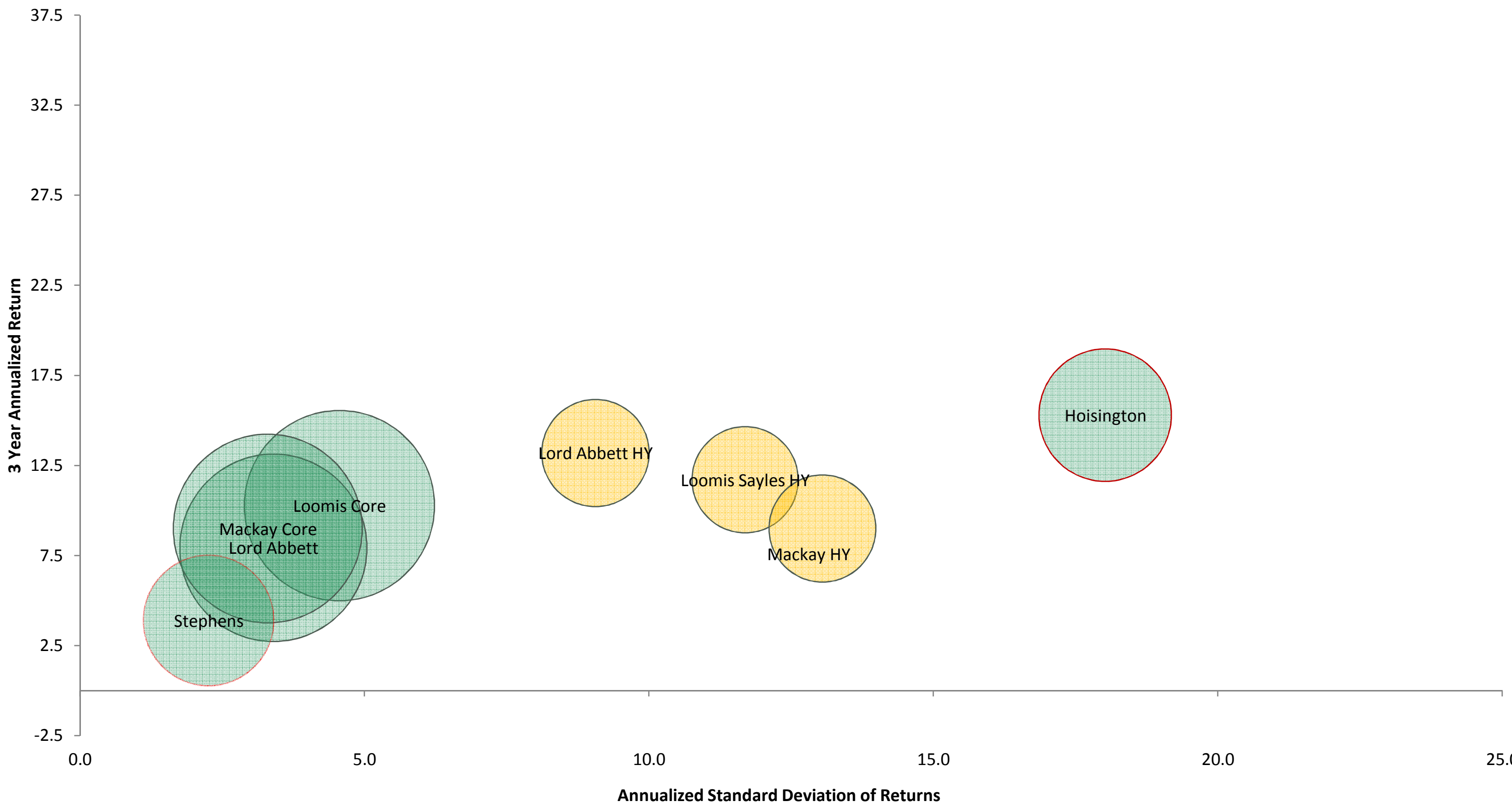
Please Note - Preliminary report using unaudited data from JP Morgan.

Three Year Risk/Return Review - Equity Portfolios



Please Note - Preliminary report using unaudited data from JP Morgan.

Three Year Risk/Return Review - Fixed Income Portfolios



Please Note - Preliminary report using unaudited data from JP Morgan.

Manager Status Summary

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Manager	% of Total Portfolio	Mandate	Status	Reason - Date of Most Recent Change (term)
Brandes	3.5%	International Value Equity	On Notice	Performance - February 2012 (December 2012)
Wellington	2.8%	Mid Cap Growth	On Alert	Performance - August 2012 (December 2012)
Epoch	0.9%	International Small Cap	On Alert	Personnel - October 2012 (March 2013)
Loomis Sayles High Yield	1.8%	High Yield Fixed Income	On Alert	Personnel - October 2012 (March 2013)

All other managers currently rated **In Compliance**.

Classification Notes:

In Compliance: The portfolio is in full compliance with its guidelines and it is performing to expectations.

On Alert: Concerns exist with the portfolio's performance, a change in investment characteristics, management style, ownership structure, staff or other related events.

On Notice: A continued and serious problem with any of the issues mentioned above. If the situation is not resolved to the Committee's satisfaction, a replacement will be selected and hired.

Please Note - Preliminary report using unaudited data from JP Morgan.

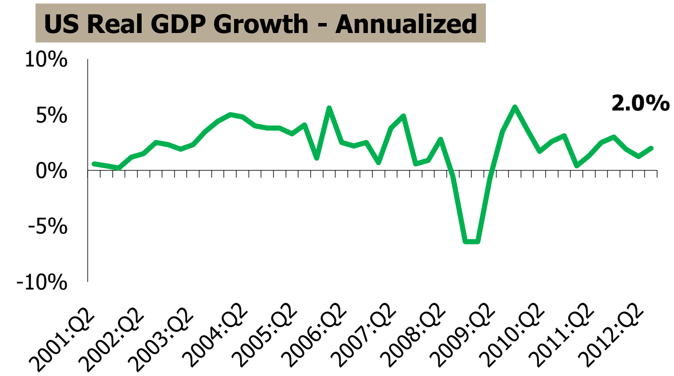
OKLAHOMA TEACHERS
RETIREMENT SYSTEM

403(b) executive summary report
third quarter, 2012

Gregory W Group

Market Environment - Third quarter 2012

The third quarter of 2012 saw equity prices move higher worldwide as fears about a global economic contagion abated after the European Central Bank and the U.S. Federal Reserve enacted new programs to stabilize and reinvigorate economic activity. Investors enjoyed gains in equities, both domestically and abroad. Europe's economic situation remains fragile. It is widely expected that the Eurozone fell into a recession during the third quarter. Unemployment has risen to 10.5% for the Eurozone area. Young worker unemployment is much higher. U.S. economic growth expectations remained dampened. However, concerns about the European debt crisis have recently subsided, giving support to equity markets. The U.S. Dollar declined against major foreign currencies as Quantitative Easing III kept downward pressure on interest rates.



- Third quarter U.S. Real GDP growth was 2.0%, an increase from the previous quarter's 1.3% gain. The unemployment situation improved modestly in the U.S. It decreased from 8.2% to 7.8% during the quarter. However, the labor participation rate, a measure of how many working age individuals are working or looking for work, fell to 64%. Most economists believe real GDP growth must be sustained above 2.5% to decrease U.S. unemployment. Inflation, measured by the Consumer Price Index, remained modest during the quarter, rising 2.0% over the last year. Producer Prices rose 2.1% over the same period. U.S. housing prices showed some improvement. The Case Shiller Housing Price index rose 2.0% for the year ended August, 2012.

- The Federal Reserve took no action on short-term interest rates, leaving them unchanged at 0.00% to 0.25%. They did embark on another Quantitative Easing program, intending to hold interest rates lower, increase stock prices, and inspire consumers to spend more.

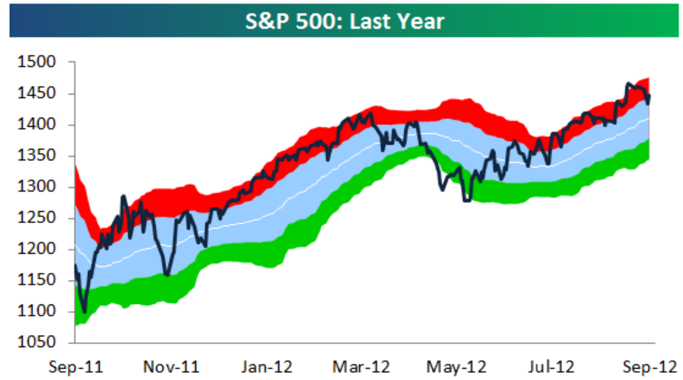
- The S&P 500 has earned a cumulative return of +130% since reaching its bear market low on March 9, 2009. It closed the quarter 3% *above* its previous high reached on October 9, 2007.

- Worldwide economic growth expectations remain suppressed. U.S. GDP growth is forecast to be only 2% per year, with significant danger to the downside if the so-called "fiscal cliff" causes major tax increases on January 1, 2013. Unemployment is expected to remain near current levels unless economic growth accelerates.

- Crude oil and natural gas prices moved higher during the quarter. Crude prices (West Texas Intermediate) ended the quarter at $92 a barrel while gas was priced at just under $4.

- Hedge funds had a difficult time keeping pace with traditional portfolios. The Hedge Fund Research HFRX equal weighted index of hedge funds gained 5.8% for the trailing year versus 30.2% for the S&P 500. Most hedge fund subcategories earned single digit returns for the year ended September 30, 2012. Private equity deal volume increased to $72 billion during the quarter. The majority of transactions were in the U.S. Several high profile venture capital backed IPOs performed very badly during the quarter.

DOMESTIC AND INTERNATIONAL EQUITY SUMMARY



The U.S. and foreign equity markets posted welcome gains during the later summer quarter. The broad U.S. equity market gained more than 6% during the quarter, bringing its twelve month return to more than 30%. International equities rallied even more during the quarter, posting a gain of over 7% despite significant economic uncertainty. Share price volatility was relatively low during the quarter. Correlations between individual equities were fairly low during the quarter.

- Top contributing sectors of the domestic equity market were **Information Technology (+7% return), Energy (+10%), and Financials (+6%)**. The lowest contributing index sectors were Utilities (0%), Telecommunications (0%), and Materials (0%).

- The three largest individual contributors to the Russell 1000's third quarter return were **Apple (+15% return), Google (+30%), and Exxon Mobil (+8%)**. The index's three largest positions were Apple (4% of the index), Exxon Mobil (3%) and General Electric (2%)

- Value stocks narrowly outperformed growth stocks during the third quarter. However, **growth led value among large caps over the trailing year period**. Value led by a tiny margin among mid caps and small caps for the same period.

- Major segments of the U.S. equity market remain relatively cheap. The **Russell 1000's price/earnings ratio ended the third quarter of 2012 at 15.9,** a large increase from 12.9 as of June 30, 2012**.** The Russell Mid Cap and Russell 2000's price/earnings ratios were 17.3 and 17.7 respectively, versus 14.3 and 17.2 last quarter. The dividend yields of the three indexes were 2.1%, 1.7%, and 1.4%. By comparison, the 10 year Treasury Bond ended the quarter at 1.6%.

- Thailand, the Philippines, and Denmark were the top performing markets for the year to date period, gaining 29%, 28%, and 25% in U.S. Dollar terms. Poorest performing markets were Portugal (-11%), Spain (-10%), and Brazil (-6%). The U.S. ranked 11th out of 33 markets for the period.

Twelve Month Forward P/E Ratio	**Europe ex UK**	**UK**	**Japan**	**Asia ex Japan**
Current Value	10.3	9.9	10.8	12.2
Post 1990 Average	**14.0**	**12.6**	**28.9**	**13.9**
Discount/Premium	*-26.4%*	*-21.4%*	*-62.6%*	*-12.2%*

- All ten MSCI ACWI ex-US sectors posted third quarter gains. The quarter's leading performance contributors were Financials (10%), Energy (9%), and Materials (8%). Utilities (2%), Consumer Discretionary (4%) and Telecommunication Services (6%) were the leading detractors during the quarter. The index ended the quarter with a P/E ratio of 13.3 versus 11.3 last quarter. The top three individual contributors to the index's third quarter return were Samsung (+16% return), BASF (+22%), and Siemens (+19%). The bottom three contributors were Canon (-19% return), Honda Motor (-10%), and Cia Vale do Rio Doce (-10%). Emerging markets stocks posted strong gains during the third quarter.

Fixed Income Summary

Domestic and foreign bonds performed relatively well despite historically low interest rates. Bond markets responded to a significant new round of central bank actions in the U.S. and Europe. The Chinese government took steps to stabilize what appears to be a slowdown in production, consumption and foreign demand for their exports. The economic situation in Europe and the U.S. will dampen worldwide growth regardless of the size and scope of Central Bank actions. However, Europe's economic outlook remains bleak and divided despite these large, experimental measures aimed to stabilize its overall economy. Member nations continue to argue about who will carry the burden of the region's over-indebtedness.

Risk Level	Time Horizon			
	One Year		Three Years (annualized)	
	Terminal Yield	**Total Return**	Terminal Yield	**Total Return**
Low Risk				
2 Year Treasury (9.30 = 0.2%)	2.5%	**-4.2%**	4.0%	**-2.2%**
	1.3%	**-1.8%**	3.0%	**-1.6%**
	0.5%	**-0.3%**	2.0%	**-0.9%**
Medium Risk				
10 Year Treasury (9.30 = 1.6%)	4.5%	**-21.3%**	5.5%	**-8.9%**
	3.3%	**-12.1%**	4.5%	**-6.4%**
	2.5%	**-6.0%**	3.5%	**-3.7%**
High Risk				
30 Year Treasury (9.30 = 2.8%)	5.5%	**-36.3%**	6.0%	**-13.5%**
	4.3%	**-21.3%**	5.0%	**-9.1%**
	3.5%	**-9.7%**	4.0%	**-4.1%**

- Last quarter, government bonds enjoyed substantial price gains versus equities and other fixed income assets. This quarter, government bonds underperformed as long-term interest rates rose and yield spreads narrowed.

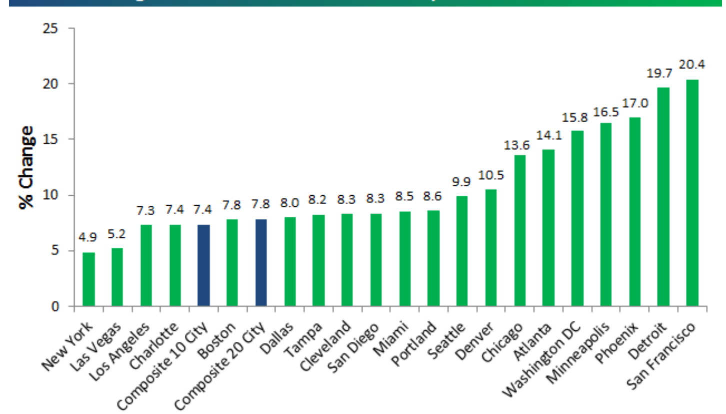
- In aggregate, bonds posted modest returns during the third quarter, led higher by lower quality issues. Yield spreads among highly rated and lower rated bonds declined during the quarter. Yield spreads among mid tier bonds remained stable, slightly above their long term averages. U.S. Treasury bond yields declined modestly. The Treasury yield curve steepened as short term interest rates declined more than long term rates.

- Ninety-one Day T-bills ended the third quarter with a yield of 0.09%, an increase of 0.01%. Five year Treasury bonds fell from 0.70% to 0.67% during the quarter. Ten year Treasury bond yields decreased to 1.6% from 1.7% while the yield on the thirty year Treasury bond ended the quarter at 2.8%, modestly higher than on June 30, 2012. The net effect was a steepening yield curve as the market reacted to QE3. All investment grade sectors outperformed Treasuries during the quarter. Institutional investors continued to expand fixed income mandates to gain more yields.

- High yield bonds led investment grade issues during the third quarter. Cash flows into the asset remained strong. High yield bonds posted a gain of almost 5% for the quarter and 19% for the trailing year. The yield spread between high yield issues and comparable maturity Treasuries declined from 6.6% to 5.9%. Current spreads are near their long-term averages. Defaults remained extremely low at 1.8% of outstanding issues versus their historical average of 4.2%. High yield bond funds have seen $35 billion of inflows year to date.

- Residential real estate showed early signs of recovery during the summer. Commercial real estate portfolios produced returns of more than 11% over the trailing year.

% Change from Most Recent Lows in S&P/Case-Shiller Home Prices



Domestic Equity	*Last Quarter*	*Last Year*	*Last Three Years Annualized*	*Last Five Years Annualized*	*Last Ten Years Annualized*
S&P 500	6.4	30.2	13.2	1.1	8.0
Russell 1000	6.3	30.1	13.3	1.2	8.4
Russell 1000 Value	6.5	30.9	11.8	-0.9	8.2
Russell 1000 Growth	6.1	29.2	14.7	3.2	8.4
Russell 3000	6.2	30.2	13.3	1.3	8.5
Russell Midcap	5.6	28.0	14.3	2.2	11.2
Russell Midcap Value	5.8	29.3	13.9	1.7	11.0
Russell Midcap Growth	5.4	26.7	14.7	2.5	11.1
Russell 2000	5.3	31.9	13.0	2.2	10.2
Russell 2000 Value	5.7	32.6	11.7	1.4	9.7
Russell 2000 Growth	4.8	31.2	14.2	3.0	10.6
Alerian MLP	8.9	26.2	25.1	14.0	17.3

Fixed Income					
Barclays Capital Aggregate Bond	1.6	5.2	6.2	6.5	5.3
Barclays Capital Credit	3.5	10.1	8.7	7.9	6.5
Barclays Capital Government	0.6	3.0	5.2	6.0	4.7
Barclays Capital Govt/Credit	1.7	5.7	6.5	6.6	5.4
Barclays Capital Interm Credit	2.9	8.3	7.3	7.0	5.8
Barclays Capital Interm Govt	0.6	2.4	4.1	5.2	4.2
Barclays Capital Interm Govt/Cred	1.4	4.4	5.2	5.7	4.8
Barclays Capital Long Credit	5.2	14.9	12.7	10.6	8.6
Barclays Capital Long Term Govt	0.3	6.4	11.9	10.9	7.7
Barclays Capital Long Govt/Credit	3.1	11.1	12.5	10.9	8.1
Barclays Capital Fixed Rate MBS	1.1	3.7	5.0	6.4	5.2
Merrill Lynch US High Yield Master II	4.6	18.9	12.6	9.1	10.8
91 Day T-Bill	0.0	0.1	0.1	0.6	1.7
Consumer Price Index	0.7	1.7	2.2	2.1	2.5

International					
MSCI EAFE	6.9	13.8	2.1	-5.2	8.2
MSCI World ex US	7.3	13.8	2.5	-4.8	8.7
MSCI Europe	8.7	17.3	2.0	-5.7	8.8
MSCI Japan	-0.8	-1.7	-0.6	-6.5	3.7
MSCI Pacific ex Japan	11.0	24.5	8.0	0.2	14.7
MSCI Emerging Markets	7.0	13.9	3.1	-3.6	14.2
Citigroup Non-$ World Gov	4.0	3.5	4.0	6.6	7.3

403(b) Plan Review
Periods Ended September 30, 2012

	Last Quarter	% Rank	Last Year	% Rank	Three Years	% Rank	Five Years	% Rank
ING Fixed Plus III	-		-		-		-	
Loomis Sayles Inv Gr Bond	4.4%	5	11.7%	8	9.5%	9	8.1%	11
Barclay's Cap Agg	*1.7%*		*5.7%*		*6.2%*		*6.5%*	
ING FMR Diversified	5.0%	36	18.4%	87	10.2%	78	1.2%	50
Russell Mid Cap Growth	*5.4%*		*26.7%*		*14.7%*		*2.5%*	
ING JPMorgan Small Cap Core	6.2%	25	34.9%	13	14.3%	19	3.8%	12
Russell 2000	*5.3%*		*31.9%*		*13.0%*		*2.2%*	
ING MFS	4.7%	52	18.0%	53	8.2%	62	2.1%	47
S&P 500/BC Agg (60/40)	*4.4%*		*20.2%*		*10.4%*		*3.2%*	
ING Pioneer Mid Cap	4.0%	90	22.7%	86	8.1%	90	-0.7%	79
Russell Mid Cap Value	*5.8%*		*29.3%*		*13.9%*		*1.7%*	
ING Russell 1000 Index	6.4%	34	30.0%	21	12.2%	34	-	-
Russell 1000	*6.3%*		*30.1%*		*13.3%*		*1.2%*	
ING Van Kampen Growth & Inccome	6.3%	44	28.6%	35	9.1%	72	0.5%	26
Russell 1000 Value	*6.5%*		*30.9%*		*11.8%*		*-0.9%*	
American Funds Growth Fund	7.4%	17	27.9%	40	10.0%	74	0.1%	68
Russell 1000 Growth	*4.8%*		*31.2%*		*14.2%*		*3.0%*	
American Funds Euro Pacific	7.3%	27	18.1%	26	3.3%	38	-2.2%	-
MSCI EAFE	*6.9%*		*13.8%*		*2.1%*		*-5.2%*	
ING Index Solution Funds								

403(b) Plan Review
Periods Ended September 30, 2012

	Last Quarter	% Rank	Last Year	% Rank	Three Years	% Rank	Five Years	% Rank
ING Index Solution Income	**3.2%**	**72**	**11.8%**	**58**	**6.6%**	**79**	**-**	**-**
Morningstar Lifetime Moderate 2000	*-0.8%*		*4.2%*		*10.2%*		*4.8%*	
ING Index Solution 2015	**3.6%**	**85**	**14.0%**	**68**	**7.0%**	**76**	**-**	**-**
Morningstar Lifetime Moderate 2015	*-1.6%*		*3.6%*		*12.2%*		*3.7%*	
ING Index Solution 2025	**4.7%**	**73**	**18.5%**	**51**	**8.1%**	**74**	**-**	**-**
Morningstar Lifetime Moderate 2025	*-3.0%*		*1.0%*		*13.5%*		*1.9%*	
ING Index Solution 2035	**5.4%**	**65**	**22.0%**	**51**	**8.5%**	**81**	**-**	**-**
Morningstar Lifetime Moderate 2035	*-4.0%*		*-1.6%*		*13.9%*		*0.8%*	
ING Index Solution 2045	**5.8%**	**50**	**22.9%**	**53**	**8.7%**	**80**	**-**	**-**
Morningstar Lifetime Moderate 2045	*-4.3%*		*-2.6%*		*13.8%*		*0.5%*	
ING Index Solution 2055	**5.8%**	**67**	**22.7%**	**62**	**-**	**-**	**-**	**-**
Morningstar Lifetime Moderate 2055	*-4.5%*		*-3.2%*		*13.6%*		*0.4%*	

Loomis Sayles Investment Grade Bond	LIGRX	Fixed Income

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

ING MFS Total Return	IMSRX	Balanced Fund

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

ING Russell Large Cap Index	IRLCX	Large Cap Blend

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

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

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

American Funds Growth Fund — RGAEX — Large Cap Growth

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

ING FMR Diversified — IFDSX — Mid Cap Growth

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

ING Pioneer	IPVSX	Mid Cap Value

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

ING JPMorgan	IJSSX	Small Cap Blend

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

American Funds EuroPacific Growth	REREX	International

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

ING Index Solution Income	ISKSX	Income

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

ING Index Solution 2015	ISASX	Target Date

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

ING Index Solution 2025	ISDSX	Fixed Income

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

ING Index Solution 2035	ISESX	Balanced Fund

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

ING Index Solution 2045	ISJSX	Balanced Fund

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

ING Index Solution 2055	IISSX	Balanced Fund

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

401(k) and Profit Sharing Plan – Manager Expense Review
Period Ended September 30, 2012

Manager	Mandate	Expense Ratio	Category Average
Domestic Equity			
ING Russell Large Cap Index	Large Cap Blend	0.62%	0.60%
ING Invesco Van Kampen Gr & Inc	Large Cap Value	0.89%	1.28%
American Fund Growth Fund	Large Cap Growth	0.85%	1.34%
ING FMR Diversified Mid Cap	Mid Cap Growth	0.89%	1.40%
ING Pioneer Mid Cap Value	Mid Cap Value	0.87%	1.24%
ING JPMorgan Small Cap Core Equity	Small Cap Blend	1.13%	1.41%
International Equity			
American Funds EuroPacific Growth	International Equity	0.68%	1.48
Fixed Income			
ING Fixed Plus Account III	Annuity	n/a	n/a
Loomis Sayles Investment Grade Bond	Fixed Income	0.81%	0.97%
Asset Allocation			
ING Index Solution Income	Asset Allocation	0.80%	-
ING Index Solution 2015	Target Date	0.80%	-
ING Index Solution 2025	Target Date	0.80%	-
ING Index Solution 2035	Target Date	0.80%	-
ING Index Solution 2045	Target Date	0.80%	-
ING Index Solution 2055	Target Date	0.80%	-
Balanced			
ING MFS Total Return	Balanced	0.95%	1.30%

Source: Morningstar

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2012

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2012

AUDITED FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Teachers' Retirement System
of Oklahoma

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Oklahoma (the "System"), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note M, the System's actuary has determined that the System's unfunded actuarial accrued liability (the "UAAL") is approximately $8,398,000,000. 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 22 years.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2012 and 2011, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

531 Couch Drive
Oklahoma City
73102-2251
TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com
An Independently Owned Member, McGladrey Alliance

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2012, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 3, and the schedules of funding progress and employers' contributions on page 30, 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.

Our audits were 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 11, 2012

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, 2012 and 2011. 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 assets*, 2) *statement of changes in plan net assets*, and 3) *notes to the financial statements*. This report also contains *required supplementary information* in addition to the basic financial statements themselves.

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

The *statement of changes in plan net assets* presents information showing how the System's net assets changed during the most recent fiscal year. Changes in net assets are recognized using the accrual basis of accounting, 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 Schedules of Administrative Expenses, the Schedules of Investment Expenses, and the Schedules of Professionals/Consultants Fees. These schedules provide additional analysis of the information provided in the financial statements.

CONDENSED FINANCIAL INFORMATION

Plan Net Assets as of June 30:

ASSETS	2012	2011	2010	2012 % Change	2011 % Change
Cash	$ 24,936,734	$ 14,348,481	$ 9,646,573	73.79%	48.74%
Receivables	276,870,038	270,340,945	172,564,773	2.42%	56.66%
Long and short-term investments, at fair value	10,414,998,956	10,349,078,808	8,519,177,169	0.64%	21.48%
Capital assets, net	1,543,239	874,921	187,847	76.39%	365.76%
TOTAL INVESTMENTS AND OTHER ASSETS	10,718,348,967	10,634,643,155	8,701,576,362	0.79%	22.22%
Securities lending institutional daily assets fund	1,764,088,842	2,023,648,275	2,247,747,871	-12.83%	-9.97%
TOTAL ASSETS	12,482,437,809	12,658,291,430	10,949,324,233	-1.39%	15.61%
LIABILITIES					
Investment settlements and other liabilities	313,564,107	254,834,471	134,652,920	23.05%	89.25%
Payable under securities lending agreement	1,764,088,842	2,023,648,275	2,247,747,871	-12.83%	-9.97%
TOTAL LIABILITIES	2,077,652,949	2,278,482,746	2,382,400,791	-8.81%	-4.36%
NET ASSETS					
Net assets held in trust for pension benefits	$10,404,784,860	$10,379,808,684	$ 8,566,923,442	0.24%	21.16%

Changes in Plan Net Assets for the year ended June 30:

ADDITIONS:	2012	2011	2010	2012 % Change	2011 % Change
Member contributions	$ 291,385,506	$ 286,643,244	$ 290,247,028	1.65%	-1.24%
Employer contributions	376,635,234	364,025,589	366,282,238	3.46%	-0.62%
Matching contributions	23,188,952	23,128,795	26,448,892	0.26%	-12.55%
Dedicated tax revenue	281,806,711	251,322,410	227,926,247	12.13%	10.26%
Member tax shelter contributions	3,448,031	5,010,856	5,402,646	-31.19%	-7.25%
Net investment income gain	134,376,020	1,919,301,220	1,186,235,015	-93.00%	61.80%
Security lending net income	9,279,228	6,336,019	5,032,411	46.45%	25.90%
TOTAL ADDITIONS	1,120,119,682	2,855,768,133	2,107,574,477	-60.78%	35.50%
DEDUCTIONS:					
Benefit payments	1,036,132,586	979,245,846	912,912,714	5.81%	7.27%
Refund of member contributions and tax sheltered annuity	54,737,731	58,920,565	74,951,443	-7.10%	-21.39%
Administrative expenses	4,273,189	4,716,480	4,979,589	-9.40%	-5.28%
TOTAL DEDUCTIONS	1,095,143,506	1,042,882,891	992,843,746	5.01%	5.04%
NET INCREASE	24,976,176	1,812,885,242	1,114,730,731	-98.62%	62.63%
NET ASSETS, BEGINNING OF YEAR	10,379,808,684	8,566,923,442	7,452,192,711	21.16%	14.96%
NET ASSETS, END OF YEAR	$10,404,784,860	$10,379,808,684	$ 8,566,923,442	0.24%	21.16%

FINANCIAL HIGHLIGHTS AND ANALYSIS

Total fund returns for fiscal year 2012 were essentially flat with an increase of 0.2% from fiscal 2011. Domestic and international equity, which compose 58.0% of the investment portfolio asset allocation, both decreased by -0.70% and -12.2%, respectively. Investments in fixed income securities, which compose 29.0% of the investment portfolio, increased by 11.2%. The increase in net assets for fiscal year 2011 was primarily due to investment gains as a result of significant market improvement. The total investment returns for FY 2011 were 23.5%. Domestic and international equity, which composed 60.0% of the investment portfolio asset allocation, had the greatest increases at 34.0%.

	2012	2011	2010	2008	2003
Plan net assets	$ 10,404,784,860	$ 10,379,808,684	$ 8,566,923,442	$ 8,945,589,282	$ 5,696,883,206
Yearly % change	0.2%	21.2%	15.0%	-7.3%	2.9%

The total investment returns for the one, five, and ten year periods are below the actuarial assumed rate of investment return of 8.0%, while the returns for the 3 year period exceeded the actuarial assumed rate of investment return. More importantly, the total investment returns from November 1991 to current were 9.0% annualized, well in excess of the 8.0% actuarial assumed rate of return.

Total returns	1 year	3 year	5 year	10 year
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%
2008	-7.2%	6.5%	10.0%	(1)
2003	5.2%	-0.8%	4.0%	(1)

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

Benefit payments increased 5.8% in 2012 compared to a 7.3% increase in 2011. The increase in 2012 is a result of a 3.7% increase in the number of benefit recipients and a 1.1% increase in the average monthly benefit. The increase in 2011 is a result of a 4.3% increase in the number of benefit recipients and a 1.7% increase in the average monthly benefit. Benefit payments in 2012 to retired members exceed contributions from contributing members and employers by $95 million or a ratio of 1.10 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.

FINANCIAL HIGHLIGHTS AND ANALYSIS (Continued)

	2012	2011	2010	2008	2003
Member contributions	$ 291,385,506	$ 291,654,100	$ 295,649,674	$ 286,738,943	$ 220,503,413
Employer contributions	376,635,234	364,025,589	366,282,238	308,804,479	218,841,977
Matching contributions	23,188,952	23,128,795	26,448,892	21,274,957	14,267,487
Dedicated tax revenue	281,806,711	251,322,410	227,926,247	266,761,597	128,879,976
Total contributions	973,016,403	930,130,894	916,307,051	883,579,976	582,492,853
Benefit payments	1,036,132,586	979,245,846	912,912,714	806,540,725	608,976,125
Refund of contributions	32,076,398	58,920,565	74,951,443	63,925,592	73,563,552
Total payments	$ 1,068,208,984	$1,038,166,411	$ 987,864,157	$ 870,466,317	$ 682,539,677
Ratio benefit payments/ contributions	1.10	1.12	1.08	0.99	1.17

Since 2003, the number of benefit recipients increased by 14,657 or 38.5%. The number of members retiring has remained relatively stable for the last five years.

	2012	2011	2010	2008	2003
Benefit recipients	52,716	50,829	48,756	45,238	38,059
Yearly % change	3.7%	4.3%	4.2%	4.0%	4.2%
Net increase	1,887	2,073	1,960	1,732	1,544

The following table reflects the average monthly benefit for service retirements. Over the ten-year period from 2003, the average benefit increased by $251, or 19.2%. The retirement benefit payments increased 56.5% or $385.7 million over this ten-year period. In FY 2012 and 2011, the average benefit increases are due to an increase in the average benefit received by the newer retirees.

	2012	2011	2010	2008	2003
Average benefit	$ 1,555	$ 1,537	$ 1,511	$ 1,437	$ 1,304
Yearly % change	1.1%	1.7%	1.9%	1.3%	4.7%

The ratio of active members to retired members of the System is 1.67 to 1 in 2012 compared to 2.34 to 1 in 2003. Over the past ten years, the number of members contributing into the System increased 5.6%. During the same period, the number of retired members increased by 38.5%.

	2012	2011	2010	2008	2003
Members contributing	87,778	88,085	89,896	88,678	83,127
Yearly % change	-0.3%	-2.0%	0.6%	0.6%	-2.6%
Benefit recipients	52,716	50,829	48,756	45,238	38,059
Yearly % change	3.7%	4.3%	4.2%	4.0%	4.2%
Ratio contributing/retired	1.67	1.73	1.84	1.96	2.18

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 unfunded actuarial accrued liability (UAAL) as of June 30, 2011 was $7.6 billion, and increased to $8.398 billion in 2012. As a result, the System's funded ratio-actuarial value of assets divided by the actuarial accrued liability-decreased from 56.7% to 54.8% as of June 30, 2012. These decreases were primarily due to a loss on assets with returns of only 1.3%on a market value basis and 3.3% on the actuarial value of assets compared to the assumed rate of 8.0%. Based upon the current statutory contribution schedule, the funding period is 22 years. This is the same as in the previous actuarial valuation despite the experienced losses.

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 ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

As of June 30, 2012 (with Comparative Totals as of June 30, 2011)

			Comparative Totals June 30	
	401(a) Plan	403(b) Plan	2012	2011
ASSETS				
Cash	$ 24,936,734	$ -	$ 24,936,734	$ 14,348,481
Short-term investments	275,456,138	-	275,456,138	361,798,249
Accrued interest and dividends receivable	43,659,356	-	43,659,356	45,636,139
Member contributions receivable	23,754,560	-	23,754,560	22,103,498
Employer contributions receivable	33,991,038	-	33,991,038	34,484,109
Receivable from the State of Oklahoma	29,333,333	-	29,333,333	27,322,221
Due from brokers for securities sold	146,131,751	-	146,131,751	140,794,978
Security lending institutional daily assets fund	1,764,088,842	-	1,764,088,842	2,023,648,275
Long-term investments:				
Mutual funds	-	210,049,295	210,049,295	223,451,514
U.S. government securities	1,086,437,639	-	1,086,437,639	1,128,778,574
U.S. corporate bonds	1,714,515,243	-	1,714,515,243	1,806,875,024
International corporate bonds and government securities	76,226,837	-	76,226,837	70,083,523
Equity securities	6,296,233,773	-	6,296,233,773	6,549,478,652
Alternative investments	283,762,403	-	283,762,403	171,396,984
Real estate	472,317,628	-	472,317,628	37,216,288
Total long-term investments	9,929,493,523	210,049,295	10,139,542,818	9,987,280,559
Capital assets, net	1,543,239	-	1,543,239	874,921
TOTAL ASSETS	$ 12,272,388,514	$ 210,049,295	$ 12,482,437,809	$ 12,658,291,430
LIABILITIES				
Benefits in process of payment	$ 3,906,006	$ -	$ 3,906,006	$ 80,477,110
Due to brokers for securities purchased	300,652,220	-	300,652,220	164,155,126
Payable under security lending agreement	1,764,088,842	-	1,764,088,842	2,023,648,275
Other liabilities	9,005,881	-	9,005,881	10,202,235
TOTAL LIABILITIES	$ 2,077,652,949	$ -	$ 2,077,652,949	$ 2,278,482,746
NET ASSETS				
Net assets held in trust for pension benefits and annuity benefits of electing members	$ 10,194,735,565	$ 210,049,295	$ 10,404,784,860	$ 10,379,808,684

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year ended June 30, 2012
(with Comparative Totals for the year ended June 30, 2011)

			Comparative Totals Year Ended June 30	
	401(a) Plan	403(b) Plan	2012	2011
Additions:				
Members	$ 291,385,506	$ -	$ 291,385,506	$ 286,643,244
Members tax shelter	-	3,448,031	3,448,031	5,010,856
Employer statutory requirement from local school districts	376,635,234	-	376,635,234	364,025,589
Matching funds	23,188,952	-	23,188,952	23,128,795
Dedicated tax	281,806,711	-	281,806,711	251,322,410
Total contributions	973,016,403	3,448,031	976,464,434	930,130,894
Investment income:				
Interest & dividends	308,064,104	11,501,601	319,565,705	286,510,332
Net appreciation in fair value of investments	(144,717,179)	(5,690,518)	(150,407,697)	1,668,724,492
Investment expenses	(34,781,988)	-	(34,781,988)	(35,933,604)
Gain from investing activities	128,564,937	5,811,083	134,376,020	1,919,301,220
Income from securities lending activities:				
Securities lending income	10,916,738	-	10,916,738	7,454,140
Securities lending expenses:				
Management fees	(1,637,510)	-	(1,637,510)	(1,118,121)
Net income from securities lending activities	9,279,228	-	9,279,228	6,336,019
Net investment gain	137,844,165	5,811,083	143,655,248	1,925,637,239
Total additions	1,110,860,568	9,259,114	1,120,119,682	2,855,768,133
Deductions:				
Retirement, death, survivor, and health benefits	1,036,132,586	-	1,036,132,586	979,245,846
Refund of member contributions and annuity payments	32,076,398	22,661,333	54,737,731	58,920,565
Administrative expenses	4,273,189	-	4,273,189	4,716,480
Total deductions	1,072,482,173	22,661,333	1,095,143,506	1,042,882,891
NET INCREASE	38,378,395	(13,402,219)	24,976,176	1,812,885,242
NET ASSETS, BEGINNING OF YEAR	10,156,357,170	223,451,514	10,379,808,684	8,566,923,442
NET ASSETS, END OF YEAR	$ 10,194,735,565	$ 210,049,295	$ 10,404,784,860	$ 10,379,808,684

See accompanying notes to financial statements.

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:

	2012	2011
Retirees and beneficiaries currently receiving benefits	$ 52,716	$ 50,829
Terminated vested clients	8,687	7,725
Active clients	87,778	88,085
	$ 149,181	$ 146,639

There are 614 contributing employers in the System. In addition, there were 8,564 and 7,498 of non-vested inactive members at June 30, 2012 and 2011, respectively, which 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.

NOTE A--DESCRIPTION OF THE SYSTEM--Continued

DC Plan--Continued

The DC Plan had approximately 4,190 and 4,408 participants as of June 30, 2012 and 2011, respectively. 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 $17,000.

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 Oklahoma Office of State Finance. The System's budget process follows the budget cycle for State operations as outlined by the Oklahoma Office of State Finance.

The Executive 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.

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.

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. At June 30, 2012, the System had forward currency contracts with fair values of $62.7 million in receivables and had forward currency contracts with fair values of $61.4 million in payables. 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, 2012.

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 assets.

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

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.

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

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 $282,000 and $267,000 at June 30, 2012 and 2011, respectively.

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

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

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

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

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

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, 2012 and 2011, the carrying amount of the System's bank deposits was approximately $24,937,000 and $14,348,000, respectively. The bank balance of the System's bank deposits at June 30, 2012 and 2011 was approximately $(34,881,000) and $11,459,000, respectively.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk it does limit the amount of cash equivalents and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2012 and 2011, the System had uninsured and uncollateralized cash and cash equivalents of approximately $275,456,000 and $361,798,000, respectively, with its custodial agent. The System's custodial agent for the years ended June 30, 2012 and 2011 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.

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
		(Amounts in Thousands)	
U.S. corporate bonds	AAA	$ 102,499	3.56%
	AA+	24,687	0.86%
	AA	7,502	0.26%
	AA-	15,144	0.53%
	A+	30,218	1.05%
	A	67,067	2.33%
	A-	106,429	3.70%
	BBB+	77,157	2.68%
	BBB	182,270	6.34%
	BBB-	238,800	8.30%
	BB+	143,316	4.98%
	BB	137,680	4.79%
	BB-	110,412	3.84%
	B+	101,840	3.54%
	B	109,050	3.79%
	B-	85,450	2.97%
	CCC+	41,458	1.44%
	CCC	17,917	0.62%
	CCC-	4,775	0.17%
	CC	1,529	0.05%
	D	3,999	0.14%
	NR	105,316	3.70%
Total U.S. corporate bonds		$ 1,714,515	59.64%
International corporate bonds	AA-	$ 2,842	0.10%
	A-	2,419	0.08%
	BBB-	1,624	0.06%
	BB+	1,333	0.05%
	BB-	1,163	0.04%
	B	333	0.01%
	CCC	901	0.03%
	NR	265	0.01%
Total international corporate bonds		$ 10,880	0.38%

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
		(Amounts in Thousands)	
International government securities	AAA	$ 4,233	0.15%
	AA+	941	0.03%
	AA	3,059	0.11%
	AA-	1,313	0.05%
	A	394	0.01%
	A-	14,879	0.52%
	BBB+	9,283	0.32%
	BBB	10,171	0.35%
	BBB-	4,026	0.14%
	BB+	1,281	0.04%
	BB	5,593	0.19%
	B+	1,691	0.06%
	B	1,189	0.04%
	NR	7,294	0.25%
Total international government securities		$ 65,347	2.26%
Municipal bonds	AA+	$ 284	0.01%
	AA	608	0.02%
	AA-	869	0.03%
	A	1,183	0.04%
	A-	381	0.01%
	BBB+	777	0.03%
Total municipal bonds		$ 4,102	0.14%
U.S. government securities	AGY (1)	$ 293,989	10.22%
	AA+	80,032	2.78%
	A	4,886	0.17%
	A-	278	0.01%
	BBB	1,196	0.04%
Total U.S. government securities		$ 380,381	13.22%
		$ 2,175,225	75.50%

(1) U.S. Agency securities - implicity guaranteed by the U.S. Government.

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, 2012, the System had the following investments with maturities:

	Investment Maturities at Fair Value (in Years) *(Amounts in Thousands)*				
Investment Type	Less than One	One to Five	Five to Ten	More than Ten	Total Fair Value
U.S. corporate securities					
Asset-backed securities	$ 28,061	$ 57,640	$ 5,108	$ 14,137	$ 104,946
CMO/REMIC/CMBS	72,856	-	1,144	50,242	124,242
Corporate bonds	66,433	437,186	800,088	181,620	1,485,327
	167,350	494,826	806,340	245,999	1,714,515
International corporate bonds	3,495	3,319	3,751	315	10,880
International government securities	21,219	5,288	20,235	18,605	65,347
Municipal bonds	-	-	-	4,102	4,102
U.S. government securities	41,928	210,157	180,100	650,151	1,082,336
	$ 233,992	$ 713,590	$ 1,010,426	$ 919,172	$ 2,877,180

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, 2012 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	$ 18,689	$ 2,712	$ 757	$ -	$ 72	$ 22,230
Brazilian Real	24,632	-	4,094	-	50	28,776
Canadian Dollar	23,558	1,761	-	(5)	67	25,382
Chilean Peso	378	-	-	-	-	378
Danish Krone	14,607	-	-	-	26	14,633
Euro	369,048	6,264	14,344	1,332	971	391,960
Hong Kong Dollar	78,023	-	-	-	148	78,171
Indonesian Rupiah	5,498	-	-	-	-	5,498
Japanese Yen	247,915	-	-	-	1,956	249,871
Malaysian Ringgit	3,725	-	-	-	-	3,725
Mexican Peso	7,530	-	24,696	-	-	32,227
New Taiwan Dollar	9,911	-	-	-	3,195	13,106
New Turkish Lira	7,485	-	-	-	-	7,485
Norwegian Krone	8,053	-	-	-	134	8,187
Phillipine Peso	5,554	-	4,994	-	11	10,559
Polish Zloty	1,358	-	-	-	-	1,358
Pound Sterling	258,745	-	-	3	472	259,221
Singapore Dollar	12,885	-	-	-	36	12,922
South African Rand	13,676	-	-	(1)	16	13,691
South Korean Won	28,520	-	-	-	17	28,536
Swedish Krona	23,740	-	-	-	51	23,791
Swiss Franc	84,560	143	-	3	144	84,850
Thai Baht	6,912	-	-	-	-	6,912
Total	1,255,002	10,880	48,885	1,334	7,366	1,323,467
Not subject to foreign currency risk	-	-	16,462	-	-	-
Total	$ 1,255,002	$ 10,880	$ 65,347	$ 1,334	$ 7,366	$ 1,323,467

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 fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows:

(Amounts in Thousands)

Investment	Change in fair value		Fair Value at June 30, 2012		
Derivatives	Classification	Amount	Classification	Amount	Notional
Foreign Currency Forward	Investment income	$ 1,799	Investments	$ 1,334	$ 235,763

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, 2012, the System has total capital commitments of $1,187,500,000. Of this amount, $465,658,227 remained unfunded. The following table depicts the total commitments and unfunded commitments, respectively, by asset class.

(Amounts in Thousands)

	Total Commitments	Unfunded Commitments
Real Estate	$ 450,000	$ -
Alternative Investments	737,500	465,658
	$ 1,187,500	$ 465,658

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, 2012 was approximately $1,818,359,000. The underlying collateral for these securities had a fair value of approximately $1,845,884,000 at June 30, 2012. Collateral of securities and letters of credit represented approximately $81,795,000 of total collateral at June 30, 2012. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the accompanying statements of plan net assets. The following table describes the types of securities lent and collateral as of June 30, 2012.

(Amounts in Thousands)

Type of securities on loan	Market Value of Securities on Loan	Collateral Value
Government loans compared to cash collateral	$ 575,009	$ 593,769
Government loans compared to non-cash collateral	68,814	70,195
Equity loans compared to cash collateral	45,203	45,771
Equity loans compared to non-cash collateral	281	284
Corporate loans compared to cash collateral	1,117,649	1,124,549
Corporate loans compared to non-cash collateral	11,403	11,316
	$ 1,818,359	$ 1,845,884

At June 30, 2012, 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.

NOTE E--SECURITIES LENDING ACTIVITY--Continued

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, 2012 and 2011, the weighted average maturity of the cash collateral investments was 32 days and 24 days, respectively. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

NOTE F--CAPITAL ASSETS

Capital assets consist of the following at June 30:

	(Amounts in Thousands) 2012	2011
Furniture and fixtures	$ 2,602	$ 1,908
Accumulated depreciation	(1,059)	(1,033)
Capital assets, net	$ 1,543	$ 875

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, 2012 was approximately $176,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately $205,000 and $213,000 for the years ended June 30, 2012 and 2011, respectively.

NOTE G--RESERVE AND DESIGNATED FUNDS

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

NOTE G--RESERVE AND DESIGNATED FUNDS--Continued

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, an array of investment options, clients have 24 hours a day access to their accounts on line, and dedicated customer service representatives available each weekday from 7:00 am to 7:00 pm.

- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

The Funds had the following approximate balances at June 30:

	(Amounts in Thousands)	
	2012	2011
Teacher's deposit fund (DC Plan)	$ 210,049	$ 223,452
Expense fund	60,615	61,830
Capital assets fund	1,543	875
	$ 272,207	$ 286,157

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, 2012 and 2011 were $376,635,234 and $364,025,589 respectively. Employers satisfied 100% of their contribution requirements for 2012 and 2011.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level, which for the years ended June 30, 2012 and 2011, was the full amount of regular annual compensation.

NOTE H--CONTRIBUTIONS--Continued

The employers are required to contribute a fixed percentage of annual compensation on behalf of active clients. The employer contribution rate was 7.85% from July 1, 2007 to December 31, 2007; 8.35% from January 1, 2008 to June 30, 2008; 8.5% on July 1, 2008; 9% from January 1, 2009 to December 31, 2009; and 9.5% beginning on January 1, 2011 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 7.05% from July 1, 2007 to December 31, 2007; 7.55% starting on January 1, 2008; 8.05% starting on January 1, 2009; and 8.55% starting on January 1, 2011 for comprehensive and four year universities. The rates for fiscal years 2012 and 2011 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.

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 is calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.

NOTE I--BENEFITS--Continued

- 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).

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 2012 and 2011. Such amounts were approximately $29,597,000 and $29,405,000 in 2012 and 2011, respectively, and are included in retirement and other benefits expense. Amounts due to OSEEGIB at June 30, 2012 and 2011, respectively are approximately $2,435,000 and $2,424,000 and are included in benefits in process of payment. The System performs no administrative functions related to the benefits provided by OSEEGIB and the payments have a minimal and declining impact on the operation of the System.

NOTE J--DEDICATED TAX

The System receives 5.0% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. 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 $281,807,000 and $251,322,000 from the State in 2012 and 2011, respectively. Amounts due from the State were approximately $29,333,000 and $27,322,000 at June 30, 2012 and 2011, respectively.

NOTE K--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note H. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note I. The total employee contributions paid by the System for its employees were approximately $161,000, $188,000, and $204,000 for the years ended June 30, 2012, 2011, and 2010, respectively. Total employer contributions paid by the System were approximately $219,000 $256,000, and $251,000 for the years ended June 30, 2012, 2011, and 2010 respectively. The employer contributions for FY 2012, 2011, and 2010 were 115.9%, 77.6%, and 83.6%, 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 2012 legislative session resulted in no bills with an actuarial impact on the system.

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 decreased from the funding level at June 30, 2011. 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 22.0 years. The actuarial accrued liability increased by 1,027.2 million and the actuarial value of assets increased $229.9 million. As a result, the System's unfunded actuarial accrued liabilities increased $797.4 million to $8,397.6 million at June 30, 2012. The funded ratio - actuarial value of assets divided by actuarial accrued liability - decreased from 56.7% to 54.8%.

The decrease in the UAAL is primarily due to a loss on assets with returns of only 1.3% on a market value basis and 3.3% on the actuarial value of assets compared to the assumed rate of 8.0%. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the UAAL is expected to continue increasing from the current level until fiscal year 2013 and decreasing through June 30, 2033 and beyond. The current contribution schedule results in contributions sufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization.

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

The funded status of the System as of June 30, 2012, the most recent actuarial date, is as follows:

	(Amounts in Millions)	
Actuarial value of assets (a)	$ 10,190.5	
Actuarial accrued liability (AAL) (b)	$ 18,588.0	
Total unfunded actuarial accrued liability (UAAL) (b-a)	$ 8,397.6	
Funded ratio (a/b)		54.8%
Covered payroll	$ 3,924.8	
UAAL as a percentage of covered payroll		214.0%

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 ($10,190.5 million) is $4.2 million smaller than the market value of net assets ($10,194.7 million).

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2012 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.

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

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

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62) which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. GASB 62 is effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63) which 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. GASB 63 is effective for financial statements for periods beginning after December 15, 2011.

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.

NOTE N--NEW PRONOUNCEMENTS--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.

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 Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a / b)	Annual Covered Payroll	UAAL as % of Covered Payroll ((b-a) / c)
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%

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%

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

	Year Ended June 30	
	2012	2011
Investment managers	$ 34,057,188	$ 35,208,804
Investment consultants	702,000	702,000
Investment information services	22,800	22,800
Total investment expenses	$ 34,781,988	$ 35,933,604

See accompanying independent auditors' report.

SCHEDULE OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2012	2011
Salaries and benefits	$ 2,937,489	$ 3,293,768
General and miscellaneous	838,699	826,192
Professional/consultant fees	356,438	446,770
Travel and related expenses	83,645	106,717
Depreciation expense	56,918	43,033
Total administrative expenses	$ 4,273,189	$ 4,716,480

See accompanying independent auditors' report.

SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

TEACHERS’ RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30 2012	Year Ended June 30 2011
Actuarial	$ 61,709	$ 123,661
Medical	8,700	9,590
Legal	101,549	88,714
Audit	46,100	44,800
Data processing	-	12,518
Miscellaneous	138,380	167,487
Total professional/ consultant fees	$ 356,438	$ 446,770

See accompanying independent auditors' report.

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

Board of Trustees
Teachers' Retirement System of Oklahoma

We have audited the financial statements of Teachers' Retirement System of Oklahoma (the "System"), which is a component unit of the state of Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012, which includes explanatory paragraphs related to the System's unfunded actuarial accrued liability, required supplementary information and other supplementary information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the System as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. 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 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.

531 Couch Drive
Oklahoma City
73102-2251
TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com

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

<u>Compliance and Other Matters</u>

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 11, 2012

Chapter 8 – Strategic Planning Policy

1. The principles that the Board has adopted for strategic planning are:

   A. Oklahoma Teachers Retirement System' strategic plan will be a continuous 5 year plan that will be updated annually through the cooperative efforts of the Board and Staff.

   B. Input from Oklahoma Teachers Retirement System Staff and other interested parties will be solicited throughout the year.

   C. Discussions of new initiatives or significant changes in direction for Oklahoma Teachers Retirement System that arise during regular Board meetings will be held in abeyance and incorporated into the agenda for the next strategic planning session unless the matters are urgent and discussion cannot be delayed.

   D. When the strategic plan has been updated it will be communicated to Staff and to other stakeholders.

   E. Each year, progress under the plan will be provided in the form of a written report to the Board for its review and evaluation.

   F. The Board's consensus view of progress under the plan will be one factor in the performance assessment of the Executive Director, who will use the strategic planning progress as a factor when assessing performance of the other members of Executive Staff.

2. The roles and responsibilities for strategic planning outlined below reflect the Board's direction that the Executive Director takes the lead with planning and that the Board serves in an oversight role. The Executive Director is responsible for:

   A. Coordinating with the Board Chair so that the Board and the senior staff work together to review and update the Goals and Objectives.

   B. Creating strategies that align with the Board's priorities and managing Staff's implementation of the plan.

   C. Calculating costs and estimating timetables so that reasonable operating budgets can be set.

   D. Assigning responsibility to Staff and others through Actions Plans that include timelines and budgets.

   E. Closely monitoring progress under the plan and promptly informing the Board of any obstacles impeding progress.

   F. Preparing annual progress reports for the Board and organizing an annual strategic planning session for the purpose of updating the plan.

G. Seeking input from Staff and stakeholders about key strategic issues prior to the annual planning session.

H. Identifying business risks, opportunities and needs for Oklahoma Teachers Retirement System.

I. Preparing white papers and other research to assist the Board in the discussion of strategic issues.

J. Informing the Board of any issues that should be dealt with in the strategic plan.

3. The Members of the Board are responsible for:

   A. Reaching consensus and adopting the initial strategic plan for Oklahoma Teachers Retirement System, including the Vision, Mission, Core Values, Goals and Objectives.

   B. Identifying the critical success factors for the overall plan.

   C. Approving the method for performance measurement, including metrics and benchmarks, in order to evaluate progress under the strategic plan.

   D. Approving an operational budget that takes into account the upcoming year's activities under the strategic plan.

   E. Reaching consensus and providing input to staff on the strategic planning process.

   F. Monitoring the implementation of the strategic plan.

   G. Assessing Oklahoma Teachers Retirement System' strengths and weaknesses as well as the opportunities and challenges in its environment during the session to update the strategic plan.

   H. Annually evaluating progress in meeting Goals and Objectives.

   I. Updating the plan annually by adding and deleting Objectives.

2012-2013 Permanent Rules for Promulgation

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

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

715:10-5-19 is being added to comply with the Post-EGTRRA Amendments specific to the Heroes Earnings Assistance and Tax Relief Act of 2008.

715:10-5-19. Compliance with Code Section 401(a)(37) and the HEART Act

(a) Effective with respect to deaths occurring on or after January 1, 2007, while a member is performing qualified military service (as defined in chapter 43 of title 38, United State Code), to the extent required by Internal Revenue Code Section 401(a)(37), survivors of a member in a State or local retirement or pension system, are entitled to any additional benefits that the system would provide if the member had resumed employment and then died, such as accelerated vesting or survivor benefits that are contingent on the member's death while employed.

(b) Beginning January 1, 2009, to the extent required by Internal Revenue Code Sections 3401(h) and 414(u)(12), an individual receiving differential wage payments (while the individual is performing qualified military service (as defined in chapter 43 of title 38, United State Code)) from an employer shall be treated as employed by that employer and the differential wage payment shall be treated as earned compensation, but contributions attributable to such differential wage payments shall not be made unless and until the member returns to active employment and makes up the missed contributions. This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

715:10-15-3 is being amended to ensure payments for additional service credit are paid timely and are accurately included in estimate of benefits and to remove restriction on how early a client may submit retirement contract.

715:10-15-3. Date of retirement; making application

The earliest effective date of retirement for any eligible member is the first day of the month following the one in which employment ceases, with the first annuity payment due the last day of that month.

(1) It is the member's responsibility to notify, by filing a retirement contract as outlined in paragraphs 4 and 5 of this section, the TRS Board of Trustees of the date on which retirement is to begin.

(2) Payments for all years of service, for which a member wants to receive credit, must be made ~~before~~ no less than 90 days prior to the date of retirement.

(3) State law does not permit TRS to make retroactive retirement payments. Members should ensure that their creditable service record is up-to-date and accurate before they retire.

(4) The member ~~shall request~~ will receive a final contract for retirement ~~by~~ upon completing and returning to TRS ~~Form 40 (Retirement Allowance Estimate)~~ a Intent to Retire. This form should be returned to TRS ~~approximately~~ no less than sixty (60) ~~to ninety (90)~~ days prior to the expected retirement date. The member shall select the retirement option on ~~TRS Form 40~~ the Intent to Retire.

(5) The Final Contract for Retirement, properly executed before a notary, is required by statutes to be filed with TRS no less than thirty (30) days~~, nor more than ninety (90) days,~~ before the date of retirement. Therefore, the final contract for retirement must be completed and on file with TRS by the first day of the month immediately preceding the retirement date. The first retirement ~~check~~ benefit payment will be ~~mailed~~ made on the ~~last~~ first day of the month following the effective date of retirement~~ begins~~.

(6) For example, a retirement contract must be on file by May 1, for a retirement date of June 1, in order ~~for the first check to be mailed the last working day of June.~~ to process the first retirement benefit payment on July 1.

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

715:10-15-6 is being amended to update acceptable forms for verification of date of birth.

715:10-15-6. Verification of date of birth

~~A member, filing for retirement benefits, must provide proof of date of birth. Proof of the birth date of the designated beneficiary is also required when the member selects either Retirement Option 2 or Option 3. Although a birth certificate is the best evidence of correct age, one is not always obtainable. In such cases, the~~ The Board of Trustees has ruled that any of the documents listed below ~~also~~ shall be acceptable for verification of date of birth:

(1) ~~United States Census record.~~ Birth Certificate
(2) ~~Military record.~~ Valid state or federal government issued photo identification
~~(3) Naturalization record.~~
~~(4)~~(3) Passport ~~(must be at least five years old).~~

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

715:10-15-26 is being amended to update the Internal Revenue Code Section 415 provisions for the Worker, Retiree, and Employee Recovery Act of 2008.

715:10-15-26. Code Section 415 limits as applied to TRS

(a) Notwithstanding any other provision of the administrative code, contributions paid to and benefits paid from the retirement system shall not exceed the maximum contributions and benefits permissible under Internal Revenue Code Section 415. For 415 testing purposes, the limitation year is the calendar year.

(b) Participation in Other Qualified Plans: Aggregation of Limits

(1) The 415(b) limit with respect to any member who at any time has been a member in any other defined benefit plan as defined in Internal Revenue Code Section 414(j) maintained by the member's employer in the retirement system shall apply as if the total benefits payable under all such defined benefit plans in which the member has been a member were payable from one (1) plan.

(2) The 415(c) limit with respect to any member who at any time has been a member in any other defined contribution plan as defined in Internal Revenue Code Section 414(i) maintained by the member's employer in the retirement system shall apply as if the total annual additions under all such defined contribution plans in which the member has been a member were payable from one (1) plan.

(c) Basic 415(b) Limitation

(1) Before January 1, 1995, a member may not receive an annual benefit that exceeds the limits specified in Internal Revenue Code Section 415(b), subject to the applicable adjustments in that section. On and after January 1, 1995, a member may not receive an annual benefit that exceeds the dollar amount specified in Internal Revenue Code Section 415(b)(1)(A), subject to the applicable adjustments in Internal Revenue Code Section 415(b) and subject to any additional limits that may be specified in the retirement system. In no event shall a member's benefit payable under the retirement system in any limitation year be greater than the limit applicable at the annuity starting date, as increased in subsequent years pursuant to Internal Revenue Code Section 415(d) and the regulations thereunder.

(2) For purposes of Internal Revenue Code Section 415(b), the "annual benefit" means a benefit payable annually in the form of a straight life annuity (with no ancillary benefits) without regard to the benefit attributable to after-tax employee contributions (except pursuant to Internal Revenue Code Section 415(n)) and to rollover contributions (as defined in Internal Revenue Code Section 415(b)(2)(A)). The "benefit attributable" shall be determined in accordance with Treasury Regulations.

(d) Adjustments to Basic 415(b) Limitation for Form of Benefit. If the benefit under the retirement system is other than the form specified in subsection (c)(2), then the benefit shall be adjusted so that it is the equivalent of the annual benefit, using factors prescribed in Treasury Regulations.

(1) If the form of benefit without regard to any automatic benefit increase feature is not a straight life annuity or a qualified joint and survivor annuity, then the preceding sentence is applied by either reducing the Internal Revenue Code Section 415(b) limit applicable at the annuity starting date or adjusting the form of benefit to an actuarially equivalent amount [determined using the assumptions specified in Treasury Regulation section 1.415(b)-1(c)(2)(ii)] that takes into account the additional benefits under the form of benefit as follows:

(2) For a benefit paid in a form to which Internal Revenue Code Section 417(e)(3) does not apply [a monthly benefit], the actuarially equivalent straight life annuity benefit that is the greater of (or the reduced Limit applicable at the annuity starting date which is the "lesser of" when adjusted in accordance with the following assumptions):

(A) The annual amount of the straight life annuity (if any) payable to the member under the retirement system commencing at the same annuity starting date as the form of benefit to the member, or

(B) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the member, computed using a 5% interest assumption (or the applicable statutory interest assumption) and (i) for years prior to January 1, 2009, the applicable mortality tables described in Treasury Regulation section 1.417(e)-1(d)(2) (Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Rulings 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in Internal Revenue Code Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing Internal Revenue Code Section 417(e)(3)(B)); or

(3) For a benefit paid in a form to which Internal Revenue Code Section 417(e)(3) applies [a lump sum benefit], the actuarially equivalent straight life annuity benefit that is the greatest of (or the reduced Internal Revenue Code Section 415(b) limit applicable at the annuity starting date which is the "least of" when adjusted in accordance with the following assumptions:

(A) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using the interest rate and mortality table, or tabular factor, specified in the plan for actuarial experience;

(B) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5 percent interest assumption (or the applicable statutory interest assumption) and (i) for years prior to January 1, 2009, the applicable mortality table for the distribution under Treasury Regulation section 1.417(e)-1(d)(2) (the mortality table specified in Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in Internal Revenue Code Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing Internal Revenue Code Section 417(e)(3)(B)); or

(C) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable (computed using the applicable interest rate for the distribution under Treasury Regulation section 1.417(e)-1(d)(3) (the 30-year Treasury rate (prior to January 1 2007, using the rate in effect for the month prior to retirement, and on and after January 1, 2007, using the rate the in effect for the first day of the plan year with a one-year stabilization period)) and (i) for years prior to January 1, 2009, the applicable mortality rate for the distribution under Treasury Regulation section 1.417(e)-1(d)(2) (the mortality table specified in Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in Internal Revenue Code Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing Internal Revenue Code Section 417(e)(3)(B)), divided by 1.05.

(e) Benefits Not Taken into Account for 415(b) Limitation. For purposes of this section, the following benefits shall not be taken into account in applying these limits:

(1) Any ancillary benefit which is not directly related to retirement income benefits;

(2) That portion of any joint and survivor annuity that constitutes a qualified joint and survivor annuity;

(3) Any other benefit not required under Internal Revenue Code Section 415(b)(2) and Treasury Regulations thereunder to be taken into account for purposes of the limitation of Internal Revenue Code Section 415(b)(1).

(f) Other Adjustments in 415(b) Limitation.

(1) In the event the member's retirement benefits become payable before age sixty-two (62), the limit prescribed by this section shall be reduced in accordance with Treasury Regulations pursuant to the provisions of Internal Revenue Code Section 415(b), so that such limit (as so reduced) equals an annual straight life benefit (when such retirement income benefit begins) which is equivalent to a one hundred sixty thousand dollar ($160,000) (as adjusted) annual benefit beginning at age sixty-two (62).

(2) The reductions provided for in (1) above shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.

(g) Less than Ten (10) Years of ~~Service Adjustment for 415(b) Limitations~~ <u>Participation</u>. The maximum retirement benefits payable <u>under OAR 715:10-15-26</u> to any member who has completed less than ten (10) years of ~~service~~ <u>participation</u> shall be the amount determined under ~~subsection (c)~~ <u>OAR 715:10-15-26(c), as adjusted under OAR 715:10-15-26(d) and/or OAR 715:10-15-26(f),</u> multiplied by a fraction, the numerator of which is the number of the member's years of ~~service~~ <u>participation</u> and the denominator of which is ten (10). The reduction provided by ~~this subsection~~ <u>OAR 715:10-15-26(g)</u> cannot reduce the maximum benefit below 10% <u>of the limit determined without regard to OAR 715:10-15-26(g)</u>. The reduction provided for in ~~this subsection~~ <u>OAR 715:10-15-26(g)</u> shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.

(h) Ten Thousand Dollar ~~($10,000)~~ Limit<u>; Less than Ten (10) Years of Service</u>. Notwithstanding ~~the foregoing,~~ <u>anything in OAR 715:10-15-26 to the contrary,</u> the retirement benefit payable with respect to a member shall be deemed not to exceed the ~~415~~ limit <u>set forth in OAR 715:10-15-26(h)</u> if the benefits payable, with respect to such member under the retirement system and under all other qualified defined benefit pension plans to which the member's employer contributes, do not exceed ten thousand dollars ($10,000) for the applicable limitation year and for any prior limitation year and the employer has not <u>at</u> any time maintained a qualified defined contribution plan in which the member participated<u>; provided, however, that if the member has completed less than ten (10) years of service with the employer in the retirement system, the limit under OAR 715:10-15-26(h) shall be a reduced limit equal to ten thousand dollars ($10,000) multiplied by a fraction, the numerator of which is the number of the member's years of service and the denominator of which is ten (10)</u>.

(i) Effect of COLA without a Lump Sum Component on 415(b) Testing. Effective on and after January 1, 2009, for purposes of applying the limits under Internal Revenue Code Section 415(b) (the "Limit") to a member with no lump sum benefit, the following will apply:

(1) a member's applicable Limit will be applied to the member's annual benefit in the member's first limitation year without regard to any cost of living adjustments under Oklahoma statutes;

(2) to the extent that the member's annual benefit equals or exceeds the Limit, the member will no longer be eligible for cost of living increases until such time as the benefit plus the accumulated increases are less than the Limit; and

(3) thereafter, in any subsequent limitation year, a member's annual benefit, including any cost of living increases under Oklahoma statutes, shall be tested under the then applicable benefit Limit including any adjustment to the Internal Revenue Code Section

415(b)(1)(A) dollar limit under Internal Revenue Code Section 415(d), and the regulations thereunder.

(j) Effect of COLA with a Lump Sum Component on 415(b) Testing. On and after January 1, 2009, with respect to a member who receives a portion of the member's annual benefit in a lump sum, a member's applicable Limit will be applied taking into consideration cost of living increases as required by Internal Revenue Code Section 415(b) and applicable Treasury Regulations.

(k) Section 415(c) limitations on contributions and other additions. After-tax member contributions or other annual additions with respect to a member may not exceed the lesser of $40,000 (as adjusted pursuant to Internal Revenue Code Section 415(d)) or 100% of the member's compensation.

(1) Annual additions are defined to mean the sum (for any year) of employer contributions to a defined contribution plan, member contributions, and forfeitures credited to a member's individual account. Member contributions are determined without regard to rollover contributions and to picked-up employee contributions that are paid to a defined benefit plan.

(2) For purposes of applying Internal Revenue Code Section 415(c) and for no other purpose, the definition of compensation where applicable will be compensation actually paid or made available during a limitation year, except as noted below and as permitted by Treasury Regulation section 1.415(c)-2, or successor regulation; provided, however, that member contributions picked up under Internal Revenue Code Section 414(h) shall not be treated as compensation.

(3) Solely for purposes of calculating and complying with the limitations under Internal Revenue Code Section 415, a member's compensation will be defined as wages within the meaning of Internal Revenue Code Section 3401(a) and all other payments of compensation to an employee by an employer for which the employer is required to furnish the employee a written statement under Internal Revenue Code Sections 6041(d), 6051(a)(3) and 6052 and will be determined without regard to any rules under Internal Revenue Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Internal Revenue Code Section 3401(a)(2)).

(A) However, for limitation years beginning after December 31, 1997, compensation will also include amounts that would otherwise be included in compensation but for an election under Internal Revenue Code Sections 125(a), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b). For limitation years beginning after December 31, 2000, compensation shall also include any elective amounts that are not includible in the gross income of the member by reason of Internal Revenue Code Section 132(f)(4).

(B) For limitation years beginning on and after January 1, 2009, compensation for the limitation year shall also include compensation paid by the later of 2½ months after a member's severance from employment or the end of the limitation year that includes the date of the member's severance from employment if:

(i) the payment is regular compensation for services during the member's regular working hours, or compensation for services outside the member's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments, and, absent a severance from employment, the payments would have been paid to the member while the member continued in employment with the employer; or

(ii) the payment is for unused accrued bona fide sick, vacation or other leave that the member would have been able to use if employment had continued.

(iii) payments pursuant to a nonqualified unfunded deferred compensation plan, but only if the payments would have been paid to the member at the same time if the member had continued employment with the employer and only to the extent that the payment is includible in the member's gross income.

Any payments not described in paragraph (B) above are not considered compensation if paid after severance from employment, even if they are paid within 2 ½ months following severance from employment, except for payments to the individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of Internal Revenue Code Section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service.

An employee who is in qualified military service (within the meaning of Internal Revenue Code Section 414(u)(1)) shall be treated as receiving compensation from the employer during such period of qualified military service equal to (i) the compensation the employee would have received during such period if the employee were not in qualified military service, determined based on the rate of pay the employee would have received from the employer but for the absence during the period of qualified military service, or (ii) if the compensation the employee would have received during such period was not reasonably certain, the employee's average compensation from the employer during the twelve month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service).

(C) Back pay, within the meaning of Treasury Regulation section 1.415(c)-2(g)(8), shall be treated as compensation for the limitation year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

(4) For limitation years beginning on or after January 1, 2009, a member's compensation for purposes of subsection (k) shall not exceed the annual limit under Internal Revenue Code Section 401(a)(17).

(l) Service Purchases under Section 415(n). Effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, if a member makes one or more contributions to purchase permissive service credit under the retirement system, then the requirements of Internal Revenue Code Section 415(n) will be treated as met only if:

(1) the requirements of Internal Revenue Code Section 415(b) are met, determined by treating the accrued benefit derived from all such contributions as an annual benefit for purposes of Internal Revenue Code Section 415(b), or

(2) the requirements of Internal Revenue Code Section 415(c) are met, determined by treating all such contributions as annual additions for purposes of Internal Revenue Code Section 415(c).

(3) For purposes of applying this section, the retirement system will not fail to meet the reduced limit under Internal Revenue Code Section 415(b)(2)(C) solely by reason of this subparagraph and will not fail to meet the percentage limitation under Internal Revenue Code Section 415(c)(1)(B) solely by reason of this section.

(4) For purposes of this section the term "permissive service credit" means service credit

(A) recognized by the retirement system for purposes of calculating a member's benefit under the retirement system,

(B) which such member has not received under the retirement system, and

(C) which such member may receive only by making a voluntary additional contribution, in an amount determined under the retirement system, which does not exceed the amount necessary to fund the benefit attributable to such service credit.

(5) Effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, such term may include service credit for periods for which there is no performance of service, and, notwithstanding paragraph (4), subparagraph (B), may include service credited in order to provide an increased benefit for service credit which a member is receiving under the retirement system.

(6) The retirement system will fail to meet the requirements of this section if

(A) more than five years of nonqualified service credit are taken into account for purposes of this subparagraph, or

(B) any nonqualified service credit is taken into account under this paragraph before the member has at least five years of participation under the retirement system.

(7) For purposes of paragraph (6), effective for permissive service credit contributions made in limitation years beginning after December 31, 1997, the term "nonqualified service credit" means permissive service credit other than that allowed with respect to

(A) service (including parental, medical, sabbatical, and similar leave) as an employee of the Government of the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of a repayment described in Internal Revenue Code Section 415(k)(3)),

(B) service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in subparagraph (A)) of an education organization described in Internal Revenue Code Section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed,

(C) service as an employee of an association of employees who are described in subparagraph (A), or

(D) military service (other than qualified military service under Internal Revenue Code Section 414(u)) recognized by the retirement system.

(8) In the case of service described in paragraph (7), subparagraph (A), (B), or (C), such service will be nonqualified service if recognition of such service would cause a member to receive a retirement benefit for the same service under more than one plan.

(9) In the case of a trustee-to-trustee transfer after December 31, 2001, to which Internal Revenue Code Section 403(b)(13)(A) or Internal Revenue Code Section 457(e)(17)(A) applies (without regard to whether the transfer is made between plans maintained by the same employer):

(A) the limitations of paragraph (6) will not apply in determining whether the transfer is for the purchase of permissive service credit, and

(B) the distribution rules applicable under federal law to the system will apply to such amounts and any benefits attributable to such amounts.

(10) For an eligible member, the limitation of Internal Revenue Code Section 415(c)(1) shall not be applied to reduce the amount of permissive service credit which may be purchased to an amount less than the amount which was allowed to be purchased under the terms of the retirement system as in effect on August 5, 1997. For purposes of this

paragraph an eligible member is an individual who first became a member in the retirement system before January 1, 1998.

(11) Nothing in this subsection (l) shall provide any additional rights to purchase service credit in the retirement system that are not otherwise expressly provided for under other provisions of these rules or Oklahoma statutes.

(m) Modification of Contributions for 415(c) and 415(n) Purposes. Notwithstanding any other provision of law to the contrary, the retirement system may modify a request by a member to make a contribution to the retirement system if the amount of the contribution would exceed the limits provided in Internal Revenue Code Section 415 by using the following methods:

(1) If the law requires a lump sum payment for the purchase of service credit, the retirement system may establish a periodic payment plan for the member to avoid a contribution in excess of the limits under Internal Revenue Code Section 415(c) or 415(n), pursuant to OAC 715:10-5-4.

(2) If payment pursuant to subparagraph (1) will not avoid a contribution in excess of the limits imposed by Internal Revenue Code Section 415(c) or 415(n), the retirement system may either reduce the member's contribution to an amount within the limits of those sections or refuse the member's contribution. The rules applicable to picked-up service purchases under OAC 715:10-5-35 are not subject to this subsection.

(n) Repayments of Cashouts. Any repayment of contributions (including interest thereon) to the retirement system with respect to an amount previously refunded upon a forfeiture of service credit under the retirement system or another governmental plan maintained by the retirement system shall not be taken into account for purposes of Internal Revenue Code Section 415, in accordance with applicable Treasury Regulations.

(o) Reduction of Benefits Priority Reduction of benefits and/or contributions to all plans, where required, shall be accomplished by first reducing the member's benefit under any defined benefit plans in which the member participated, such reduction to be made first with respect to the plan in which the member most recently accrued benefits and thereafter in such priority as shall be determined by the plan and the plan administrator of such other plans, and next, by reducing or allocating excess forfeitures for defined contribution plans in which the member participated, such reduction to be made first with respect to the plan in which the member most recently accrued benefits and thereafter in such priority as shall be established by the plan and the plan administrator for such other plans provided, however, that necessary reductions may be made in a different manner and priority pursuant to the agreement of the plan and the plan administrator of all other plans covering such member.

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

715:10-17-6 is being amended to make the previously approved emergency rule permanent.

715:10-17-6. Earnings limits

The earnings limit for post-retirement earnings shall be one-twelfth (1/12) of the annual limit multiplied by the number of months the member is eligible to work and receive payments during each calendar year from the public schools of Oklahoma. ~~The~~ All other limitations on post-retirement earnings shall be administered as directed in Title 70, Oklahoma Statutes, Section 17-116.10 [70 O.S. 17-116.10].

TITLE 715. TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
CHAPTER 10. GENERAL OPERATIONS
Subchapter 23. State and Education Employees Group Health and Dental Insurance Program

715:10-23-6 is being added to ensure compliance of OTRS plan with Internal Revenue Service (IRS) requirements to remain a qualified plan.

715:10-23-6. Health Insurance Contribution

(a) The Oklahoma Teachers' Retirement System shall contribute the amount required by law towards the cost of health insurance coverage under the State and Education Employees Group Insurance Plan or other eligible group insurance plans only for retired members who actually receive a monthly retirement benefit for that month. This contribution shall not be made for beneficiaries, survivors or directly to the retired member.

(b) For eligible group health insurance plans other than the State and Education Employees Group Insurance Plan, the System will contribute the amount required by law after the group insurance plan has made application to the System and completed any necessary and required forms and/or agreements. The group insurance plan must be in compliance with Oklahoma law and offer insurance to all of the covered participating employer's employees, former employees who are vested and former employees who retired from that covered employer. The insurance plan shall provide a certification monthly detailing each covered retired member in the form and manner required by the System. The subsidy shall be paid in arrears for each eligible retired member.

(c) As provided under 70 O.S. Section 17-108(13), and pursuant to the federal Internal Revenue Code Section 401(h) and Treasury Regulation §1.401-14, the Retirement Medical Benefit Fund shall be maintained as a sub-account of the Retirement Benefit Fund. From the Retirement Medical Benefit Fund, the System shall remit the amount specified in 74 O.S. Section 1316.3 for health insurance premiums.

(d) All contributions to the Retirement Medical Benefit Fund shall be reasonable and ascertainable.

(e) Contributions to the Retirement Medical Benefit Fund must be subordinate to the contributions to the Retirement Benefit Fund for retirement benefits. At no time shall the aggregate actual contributions to the Retirement Medical Benefit Fund (when added to actual contributions for life insurance protection under the plan, if any) be in excess of twenty-five percent (25%) of the total aggregate actual contributions made to the Retirement Benefit Fund (not including contributions to fund past service credits). The Board shall annually determine whether the twenty-five (25%) test has been met. If at any time the Retirement Medical Benefit Fund contributions (plus any life insurance contributions) would exceed the twenty-five percent (25%) test, the excess amount of contributions shall be transferred to the Retirement Benefit Fund for retirement benefits.

(f) Forfeitures in the Retirement Medical Benefit Fund shall not be allocated to individual accounts under the fund, but shall be used for account expenses.

(g) At no time prior to the satisfaction of all liabilities under the Retirement Medical Benefit Fund or termination of the fund shall any assets in the fund be used for, or diverted to, any purpose other than the providing of payment of the System's portion of the monthly retiree health insurance premium benefit described by Title 74 O.S. Section 1316.3 and the payment of administrative expenses. Assets in the Retirement Medical Benefit Fund may not be used for retirement or disability benefits or any other purposes for which other assets held in the Retirement Benefit Fund are used.

(h) The provisions of section 401(h)(5) of the Internal Revenue Code of 1986, as amended from time to time, shall apply upon the satisfaction of all liabilities under law and the Retirement Benefit Fund.

Teachers' Retirement System of Oklahoma
Client Status Update Report - Finance Division
November 30, 2012

Board Meeting December 19, 2012

Cash Basis	November 2011	November 2012		
Monthly Contributions:	Fiscal Year 2012	Fiscal Year 2013	$ Change	% Change
Member Deposits	$19,526,216.51	$23,240,424.04	$3,714,207.53	19.02%
Employer Contributions	26,741,827.99	32,504,786.63	5,762,958.64	21.55%
State Revenue	20,805,227.68	20,982,856.79	177,629.11	0.85%
Total Retirement Receipts	67,073,272.18	76,728,067.46	9,654,795.28	14.39%
Monthly Distributions:				
Retirement Benefits	83,551,919.77	88,010,980.81	4,459,061.04	5.34%
Withdrawals and Death Benefits	4,228,580.00	2,787,009.55	(1,441,570.45)	-34.09%
Total Benefit Payments	87,780,499.77	90,797,990.36	3,017,490.59	3.44%
Net (Receipts - Payments)	($20,707,227.59)	($14,069,922.90)	$6,637,304.69	-32.05%

	Year to Date	Year to Date		
Year to Date Contributions:	Fiscal Year 2012	Fiscal Year 2013	$ Change	% Change
Member Deposits	117,422,112.54	$121,136,320.07	$3,714,207.53	3.16%
Employer Contributions	152,424,279.62	158,187,238.26	5,762,958.64	3.78%
State Revenue	116,310,954.19	116,488,583.30	177,629.11	0.15%
Total Retirement Receipts	386,157,346.35	395,812,141.63	9,654,795.28	2.50%
Year to Date Distributions:				
Retirement Benefits	453,937,734.47	458,396,795.51	4,459,061.04	0.98%
Withdrawals and Death Benefits	22,268,825.69	20,827,255.24	(1,441,570.45)	-6.47%
Total Benefit Payments	476,206,560.16	479,224,050.75	3,017,490.59	0.63%
Net (Receipts - Payments)	($90,049,213.81)	($83,411,909.12)	$6,637,304.69	-7.37%

OKLAHOMA TEACHERS RETIREMENT SYSTEM

Monthy Retirement Status Report - December 2012

New Retirements

	Type	Count	Benefit Total
	Disability	4	$6,571.16
	Normal	66	$84,151.31
	Total	70	$ 90,722.47
Terminated Retirements		21	($24,489.01)
Net Change		49	$ 66,233.46

Normal Retirements
12/1/2012

Client #	Client Name			Estimate Ret. Date	Retirement Number	Benefit
Q0240373	JOAN	E	ABBOTT	12/1/2012	096218	$2,332.83
Q0121672	KELLY	A	ANTLE	12/1/2012	096202	$674.91
Q0200954	INGRID	L	ARMSTRONG	12/1/2012	096082	$798.14
Q0181554	PAMELA	S	BAKER	12/1/2012	096210	$2,118.50
Q0200122	CAROLYN	S	BALES	12/1/2012	096088	$580.99
Q0065533	CONNIE	A	BECKHAM	12/1/2012	096070	$277.83
Q0181468	JUDITH	M	BELUSKO	12/1/2012	096068	$105.68
Q0205405	ANN	J	BORBA	12/1/2012	096211	$1,768.10
Q0034449	BARBARA	A	BROOKS	12/1/2012	096071	$1,386.85
Q0108339	SHARON	L	BURNS	12/1/2012	096079	$2,421.78
Q0162685	DEBORAH	D	BUTTRUM	12/1/2012	096084	$1,280.37
Q0236727	KEITH	N	BYSTROM	12/1/2012	096069	$1,317.69
Q0194963	BARBARA	K	CARSON	12/1/2012	096199	$491.17
Q0145338	BRENDA	L	CATO	12/1/2012	096200	$1,319.93
Q0011375	VICTORIA	A	CHRISP	12/1/2012	096192	$129.65
Q0128891	SHEILA	A	COLLINS	12/1/2012	096080	$1,846.42
Q0048933	DEBRAH	J	CORNELIUS	12/1/2012	096083	$1,909.53
Q0049262	KAREN	D	DEAN-CAMPBELL	12/1/2012	096046	$1,245.28
Q0212659	DONNA		DICKEY	12/1/2012	096196	$495.21
Q0246718	TERYLE	A	DIONISIO	12/1/2012	096067	$1,917.34
Q0042106	REBA	D	DONAHOU	12/1/2012	096087	$410.86
Q0182807	SUSAN	E	FOUSE	12/1/2012	096226	$2,504.07
Q0047732	LINDA	J	GABRIEL	12/1/2012	096064	$1,391.78
Q0103848	DANNY	R	GIACOMO	12/1/2012	096189	$1,420.42
Q0233746	BEATRICE	J	GOLDMAN	12/1/2012	096045	$282.77
Q0046391	KAREN	A	GRAHAM	12/1/2012	096063	$376.24
Q0216373	JUNE	C	GREY	12/1/2012	096190	$1,774.86
Q0037822	MATHILDA	A	HALL	12/1/2012	096184	$1,607.94
Q0037300	YSLETA	M	HANSEN	12/1/2012	096044	$1,096.16
Q0088288	SHERRI	R	HARTMAN	12/1/2012	096213	$2,332.10
Q0195153	NATHANIEL	S	HAWTHORNE	12/1/2012	096180	$284.61
Q0146074	LOUANN		HILL	12/1/2012	096089	$236.17
Q0124746	JUDY	C	HOUSTON	12/1/2012	096099	$421.14
Q0107229	THOMAS	R	JEDLICKA	12/1/2012	096193	$2,486.53
Q0250968	THOMAS	L	JOHNSON	12/1/2012	096086	$2,426.64
Q0102352	VICKI	L	LAND	12/1/2012	096179	$2,278.99
Q0144088	DONNIE	W	LAWSON	12/1/2012	096214	$1,601.91
Q0067752	JUDY	E	LESTER	12/1/2012	096191	$1,088.96
Q0213442	CAROLYNN	T	MACALLISTER	12/1/2012	096203	$2,848.23
Q0262662	AURORA	C	MALDONALDO	12/1/2012	096183	$155.59
Q0142237	MARY	E	MARTIN	12/1/2012	096194	$1,920.00
Q0253656	UTE	K	MAYSE	12/1/2012	096188	$302.99
Q0086408	STEPHEN	P	MCCLOY	12/1/2012	096097	$1,444.66
Q0035673	PAUL	R	MCCURTAIN	12/1/2012	096096	$1,668.99
Q0035576	KAREN	S	MCGEHEE	12/1/2012	096227	$2,911.34
Q0121794	MICHAEL	K	MCLAUGHLIN	12/1/2012	096201	$1,070.59
Q0066276	KINDRED	G	MILES	12/1/2012	096172	$925.33
Q0205341	KAREN	L	PATTERSON	12/1/2012	096042	$427.24

Normal Retirements
12/1/2012

Client #	Client Name			Estimate Ret. Date	Retirement Number	Benefit
Q0161668	JERRY	P	PATTERSON	12/1/2012	096215	$791.72
Q0112713	MARY	E	PORTER	12/1/2012	096207	$3,492.58
Q0007235	DIANE	H	PORTIS	12/1/2012	096205	$1,035.93
Q0124994	NANCY	J	PRATT	12/1/2012	096181	$1,099.22
Q0085766	JANET	E	ROYALL	12/1/2012	096065	$2,228.13
Q0124292	GWENDOLYN	L	RUCKER	12/1/2012	096085	$617.84
Q0232348	ELIZABETH	A	RUDD	12/1/2012	096197	$1,005.44
Q0077793	BARBARA	A	SIMPSON	12/1/2012	096186	$234.78
Q0014220	MARY	B	SMITH	12/1/2012	096101	$1,632.65
Q0164387	LULA	M	TANSEY	12/1/2012	096182	$607.17
Q0087089	CANDACE	H	THOMAS	12/1/2012	096216	$1,722.06
Q0247331	LEO	P	TIPPETT	12/1/2012	096185	$278.77
Q0086228	PAULETTE	D	VICKERS	12/1/2012	096217	$776.71
Q0254666	SANDRA	Y	WADE-PENN	12/1/2012	096198	$2,110.87
Q0220153	CHRIS	A	WEBB	12/1/2012	096204	$1,806.19
Q0201312	GLENDA	K	WILEY	12/1/2012	096206	$1,143.99
Q0179150	LINDA	S	WOOD	12/1/2012	096195	$666.52
Q0145096	DAN	L	WOOLIVER	12/1/2012	096187	$785.43
					Normal	**$84,151.31**

Disability Retirements
12/1/12

Client #	Client Name			Estimate Ret. Date	Retirement Number	Benefit
Q0047732	DANA	L	EZZELL	12/1/2012	D096094	$2,157.62
Q0204908	KATHRYN	J	KENNEDY	12/1/2012	D096209	$1,601.90
Q0126404	SHERYL	R	MCDONALD	12/1/2012	D096220	$522.54
Q0111238	LISA	C	WHITESELL	12/1/2012	D096221	$2,289.10

Disabilities $6,571.16

Terminations
12/1/12

Termination Type	Retire. #	Annuitant Name	Death Date	Termination Date	Benefit
Deceased	31438	Burl A Bartlett	11/22/2012	12/1/2012	$2,434.62
Deceased	43667	BILLY E BOLECHALA	11/18/2012	12/1/2012	$1,293.35
Deceased	78597	BETTY J DEJEAR	7/19/2012	12/1/2012	$87.47
Deceased	34933	MARY L DRAKE	11/10/2012	12/1/2012	$1,986.12
Deceased	60525	WELDON DREW	11/22/2012	12/1/2012	$1,752.35
Deceased	38243	GRETTA J DUGAN	7/30/2012	12/1/2012	$1,605.14
Deceased	25801	MELBA L HEITMAN	11/23/2012	12/1/2012	$1,667.48
Deceased	28796	HERBERT HENGST	8/20/2012	12/1/2012	$2,686.05
Deceased	69569	BETTY L HOWARD	11/19/2012	12/1/2012	$393.91
Deceased	16604	BERNICE O JOHNSTON	11/11/2012	12/1/2012	$1,289.72
Deceased	33560	DONNA W JONES	10/11/2012	12/1/2012	$1,515.73
Deceased	20616	CARL V KIME	4/21/2012	12/1/2012	$1,878.80
Deceased	35173	IRMA J MERCHANT	9/26/2012	12/1/2012	$1,533.52
Deceased	40463	FLORA D MOORE	7/21/2012	12/1/2012	$1,679.47
Deceased	23914	JOY R NEWBY	11/15/2012	12/1/2012	$564.34
Deceased	35750	HERSCHEL A NICHOLS	10/25/2012	12/1/2012	$369.49
Deceased	30958	FREDRICK W PHILLIPS	11/9/2012	12/1/2012	$440.17
Deceased	68761	CAROLYN L RODRIGUEZ	11/21/2012	12/1/2012	$1,017.52
Deceased	54830	BILLIE J SANDEL	11/12/2012	12/1/2012	$1,736.64
Deceased	51028	CAROLYN WALTERS	10/19/2012	12/1/2012	$246.50
Deceased	22807	CHARLENA N WARE	1/7/2012	12/1/2012	$1,310.62
Total Deceased					**$27,489.01**

§70-17-101. Definitions .

(37) "Regular annual compensation" means salary plus fringe benefits, excluding the flexible benefit allowance pursuant to Section 26-105 of this title and for purposes pursuant to Section 17-101 et seq. of this title. For purposes of this definition, regular annual compensation shall include all payments as provided in subsection D of Section 17-116.2 of this title.:

(a) Salary which accrues on a regular basis in proportion to the service performed, including payments for staff development;

(b) Amounts that would otherwise qualify as salary under paragraph 1 of this subsection but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax-sheltered annuity program or to finance benefit options under a cafeteria plan qualifying under the United States Internal Revenue Code, 26 U.S.C., Code Section 101 et seq.; and

(c) Group health and disability insurance, group term life insurance, annuities and pension plans, provided on a periodic basis to all qualified employees of the employer, which qualify as fringe benefits under the United States Internal Revenue Code.

(d) Excluded from regular annual compensation are expense reimbursement payments, office, vehicle, housing or other maintenance allowances, the flexible benefit allowance provided pursuant to Section 26-105 of this title, payment for unused vacation and sick leave, any payment made for reason of termination or retirement not specifically provided for in paragraphs 1 through 3 of this subsection, maintenance or other nonmonetary compensation, payment received as an independent contractor or consultant, pursuant to a lawful contract which complies with the requirements of subsection B of Section 6-101.2 of this title, any benefit payments not made pursuant to a valid employment agreement, <u>compensation for clinical related activity performed in the University of Oklahoma Health Sciences Center (OUHSC) Professional Practice Plan,</u> or any compensation not described in paragraphs 1 through 3 of this subsection.

(38) "Regular employee" shall mean

§17-105 – Retirement

1) (a) Any member who has attained age fifty-five (55) or who has completed thirty (30) years of creditable service, as defined in Section 17-101 of this title, or for any person who initially became a member prior to July 1, 1992, regardless of whether there were breaks in service after July 1, 1992, whose age and number of years of creditable service total eighty (80) may be retired upon executing a retirement contract ~~filing a written application for such retirement~~. Such a retirement date will also apply to any person who became a member of the sending system as defined in this act, prior to July 1, 1992, regardless of whether there were breaks in service after July 1, 1992. Any person who became a member after June 30, 1992, but prior to November 1, 2011, whose age and number of years of creditable service total ninety (90) may be retired upon executing a retirement contract ~~filing a written application for such retirement~~. Any person who becomes a member on or after November 1, 2011, who attains the age of sixty-five (65) years or who reaches a normal retirement date pursuant to subparagraph (d) of paragraph (24) of Section 17-101 of this title having attained a minimum age of sixty (60) years may be retired upon executing a retirement contract ~~filing a written application for such retirement~~. The application shall be filed on the form provided by the Board of Trustees for this purpose, not less than thirty (30) days ~~nor more than ninety (90) days~~ before the date of retirement.

§70-17-116.10. Post-retirement employment - Eligibility for continued benefits.

A. Subject to the requirements of Section 6-101.2 of this title and any other applicable requirements of law, a member may enter into post-retirement employment with a public school of Oklahoma and still receive monthly retirement benefits subject to the following limitations:

1. A retired member is not eligible to be employed by the public schools of Oklahoma, in any capacity, for sixty (60) calendar days between the retiree's last day of pre-retirement public-education employment and any post-retirement public-education employment. For purposes of this section, the term "last day of pre-retirement employment" shall mean the last day the employee is required to be physically present on the job to complete the terms of the employment contract or agreement. Employment under any conditions during this time, volunteer services for the purpose of obtaining a paid position at a later date, or payment at a later time for services performed during this time period shall cause the forfeiture of all retirement benefits received during the period;

2. Unless otherwise provided in paragraph 3 of this subsection, earnings from the public schools may not exceed one-half (1/2) of the member's final average salary used in computing retirement benefits, or the Earnings Limitation for employees allowed by the Social Security Administration, whichever is less. For retired members under the age of sixty-two (62) years, the limit on allowed earnings from the public schools of Oklahoma for employment for the performance of duties ordinarily performed by classified or nonclassified personnel shall be the lesser of Fifteen Thousand Dollars ($15,000.00) or one-half (1/2) of the member's final average salary used in computing retirement benefits unless the earnings limitation allowed by the Social Security Administration would be greater than Fifteen Thousand Dollars ($15,000.00). For retired members sixty-two (62) years of age or older the limit on

allowed earnings from the public schools of Oklahoma for the performance of duties ordinarily performed by classified or nonclassified personnel shall be the lesser of Thirty Thousand Dollars ($30,000.00) or one-half (1/2) of the member's final average salary used in computing retirement benefits. For purposes of this paragraph, the following shall apply:

a. earnings shall mean "regular annual compensation" as defined in paragraph (25) of Section 17-101 of this title, and shall include any payment by a public school for services rendered by a retired member who is employed for any purpose whatsoever. Supplemental retirement payments paid by a former public school employer pursuant to subsection 9 of Section 17-105 of this title or other state law shall not be considered as earnings,

b. the Earnings Limitation for employees allowed by the Social Security Administration to workers between the age of sixty-two (62) years and sixty-five (65) years shall apply to retired members below the age of sixty-two (62) years,

c. the limit on allowed earnings from the public schools shall be automatically adjusted effective the first day of January of each year to reflect the current Earnings Limitation for employees as determined from time to time by the Social Security Administration,

d. the earnings limit for the calendar year in which a member retires shall be one twelfth (1/12th) of the annual limit multiplied by the number of months the member is eligible to work and receive payments from the public schools of Oklahoma.

~~d~~e. earnings in excess of the maximum limit on allowed earnings from public schools of Oklahoma shall result in a loss of future retirement benefits for the year the post-retirement employment was performed of One Dollar ($1.00) for each One Dollar ($1.00) earned over the maximum allowed earnings amount,

~~e~~f. for those members age seventy (70) years and over, the earnings in excess of the maximum limit allowed earnings from public schools of Oklahoma shall be one-half (1/2) the member's final average salary used in computing retirement benefits. However, any retired member receiving benefits from the Retirement System who reached age seventy (70) years prior to July 1, 1991, shall not be restricted by the earnings limits pursuant to this subparagraph until January 1, 1994. To qualify for the provisions of this subparagraph, the member must be employed less than one-half (1/2) time compared to other full-time employees in similar positions;

3. Notwithstanding paragraph 2 of this subsection, a retired classified or nonclassified member who has been retired for thirty-six (36) or more months and who is employed by a public school to perform duties ordinarily performed by classified or nonclassified personnel shall be able to receive annualized earnings from the public school with no reduction in retirement benefits regardless of the amount of annualized earnings; and

4. A member shall be considered to be employed by a school district to perform the duties ordinarily performed by classified or nonclassified personnel if the member is hired by the school district in the

member's individual capacity to perform the duties or if the member performs the duties through employment with a proprietorship, partnership, corporation, limited liability company or partnership, or any other business structure that has agreed or contracted to provide the services to the school district.

B. A public school district that employs a retired member shall be required to make contributions to the System for the retired member in an amount as required in Section 17-108.1 and in paragraph 3 of subsection B of Section 17-116.2 of this title.

C. For purposes of this section, post-retirement employment of less than one thousand (1,000) hours per year with the Governor, the State Senate, the House of Representatives or the Legislative Service Bureau shall not be considered as post-retirement employment with a public school of Oklahoma.

D. The Board of Trustees of the Teachers' Retirement System of Oklahoma shall promulgate such rules as are necessary to implement the provisions of this section.

E. A member who has entered into post-retirement employment with a participating employer of the Teachers' Retirement System of Oklahoma must fully comply with all the provisions of the rules promulgated by the Board of Trustees pursuant to this section in order to continue receiving his or her monthly retirement benefit.

17-116.2 - Retirement Allowance - Calculation - Contribution Rates and Benefits

A. 1. Beginning July 1, 1987, and prior to July 1, 1995, a member who retires on or after the member's normal retirement age or whose retirement is because of disability shall receive an annual allowance for life, payable monthly, in an amount equal to two percent (2%) of the member's highest three-year average salary upon which member contributions were made, multiplied by the number of the member's years of creditable service.

A classified member who retired prior to July 1, 1986, shall have the member's retirement allowance calculated on a minimum average salary of Eleven Thousand Five Hundred Dollars ($11,500.00) or on the member's current minimum average salary plus Two Thousand Dollars ($2,000.00), whichever is greater. Beginning July 1, 1994, a classified member who retired prior to July 1, 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus Five Hundred Fifty Dollars ($550.00). An unclassified member who retired prior to July 1, 1986, shall have the member's retirement allowance calculated on a minimum average salary of Nine Thousand Five Hundred Dollars ($9,500.00) or on the member's current minimum average salary plus One Thousand Dollars ($1,000.00), whichever is greater. Beginning July 1, 1994, an unclassified member who retired prior to July 1, 1993, shall have the member's retirement allowance calculated on the member's current minimum average salary plus Two Hundred Seventy-five Dollars ($275.00). Those individuals receiving benefits pursuant to subsection (3) of Section 17-105 of this title whose benefits commenced prior to

July 1, 1993, shall receive an increase in benefits of two and one-half percent (2 1/2%). No retirement benefit payments shall be made retroactively.

For those members retiring before normal retirement age, e~~E~~xcept for those members retiring because of a disability, the retirement allowance~~:~~

~~a. for those members whose first creditable service with the retirement system occurs prior to November 1, 2011,~~ shall be subject to adjustment ~~for those members retiring before normal retirement age~~ in accordance with the actuarial equivalent factors adopted by the Board of Trustees, ~~and~~

~~b. for those members whose first creditable service with the retirement system occurs on or after November 1, 2011, shall be~~ subject to ~~adjusted according to the following schedule:~~

~~Age~~

~~Percentage of Normal~~

~~Retirement Benefit~~

~~65~~

~~100.00%~~

~~64~~

~~93.00%~~

~~63~~

~~86.00%~~

~~62~~

~~80.00%~~

~~61~~

~~73.00%~~

~~60~~

~~65.00%~~

2. Beginning July 1, 1995, a member, who has no service performed on or after July 1, 1995, for an entity or institution within The Oklahoma State System of Higher Education, who retires on or after the member's normal retirement age or whose retirement is because of disability shall receive an annual allowance for life, payable monthly as follows:

a. if the member becomes a member after June 30, 1995, and was not eligible to become a member prior to July 1, 1995, in an amount equal to two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of creditable service, or

b. if the member became a member or is eligible to become a member prior to July 1, 1995, and elected to have a maximum compensation level in excess of Twenty-five Thousand Dollars ($25,000.00) pursuant to paragraph 1 of subsection C of this section or pursuant to subsection E of this section, or if the member's salary has never exceeded Twenty-five Thousand Dollars ($25,000.00) prior to July 1, 1995, in an amount equal to:

(1) two percent (2%) of the member's average salary upon which member contributions were made not to exceed Forty Thousand Dollars ($40,000.00), multiplied by the number of the member's years of credited service authorized and performed prior to July 1, 1995, plus any years of prior service authorized under this title, plus

(2) two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of credited service authorized and performed after June 30, 1995, or

c. if the member became a member or is eligible to become a member prior to July 1, 1995, and was eligible to elect to have a maximum compensation level in excess of Twenty-five Thousand Dollars ($25,000.00) and did not elect or elected not to have a maximum compensation level of Forty Thousand Dollars ($40,000.00) pursuant to paragraph 1 of subsection C of this section or pursuant to subsection E of this section, in an amount equal to:

(1) two percent (2%) of the member's average salary upon which member contributions were made not to exceed Twenty-five Thousand Dollars ($25,000.00), multiplied by the number of the member's years of credited service authorized and performed prior to July 1, 1995, plus any years of prior service authorized under this title, plus

(2) two percent (2%) of the member's average salary upon which member contributions were made, multiplied by the number of the member's years of credited service authorized and performed after June 30, 1995.

B. Except as otherwise provided for in this section, the amount contributed by each member to the retirement system shall be:

1. Beginning July 1, 1992, through June 30, 1996, six percent (6%) of the regular annual compensation of such member not in excess of Twenty-five Thousand Dollars ($25,000.00) and beginning July 1, 1995, through June 30, 1996, six percent (6%) of the maximum compensation level; and

2. Beginning July 1, 1996, through June 30, 1997, six and one-half percent (6 1/2%) of the regular annual compensation of members, who are not employed by an entity or institution within The Oklahoma State System of Higher Education not in excess of Twenty-five Thousand Dollars ($25,000.00) and beginning July 1, 1996, through June 30, 1997, six and one-half percent (6 1/2%) of the regular annual compensation of members, who are employed by an entity or institution within The Oklahoma State System of Higher Education, not in excess of Twenty-five Thousand Dollars ($25,000.00);

3. Beginning July 1, 1997, seven percent (7%) of the regular annual compensation of the member not in excess of any applicable maximum compensation level of the member; and

4. All public schools in this state shall treat the employee contributions as being picked-up under the provisions of Section 414 (h) (2) of the Internal Revenue Code of 1986 in determining tax treatment.

C. 1. Prior to July 1, 1995, an active member of the System may elect to have a maximum compensation level of Forty Thousand Dollars ($40,000.00). Such an election shall be made in writing and filed with the System. Members whose salaries are in excess of Twenty-five Thousand Dollars ($25,000.00) on July 20, 1987, shall file the election with the System prior to January 1, 1988. Members whose salaries exceed Twenty-five Thousand Dollars ($25,000.00) after July 20, 1987, shall file the election when the salary exceeds Twenty-five Thousand Dollars ($25,000.00). If a member makes such an election, the member shall contribute the following amounts:

a. beginning July 1, 1992, through June 30, 1993, eleven percent (11%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars ($25,000.00) and is not in excess of Forty Thousand Dollars ($40,000.00),

b. beginning July 1, 1993, through June 30, 1994, nine percent (9%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars ($25,000.00) and is not in excess of Forty Thousand Dollars ($40,000.00), and

c. beginning July 1, 1994, through June 30, 1995, eight percent (8%) of the regular annual compensation of such member that is in excess of Twenty-five Thousand Dollars ($25,000.00) and is not in excess of Forty Thousand Dollars ($40,000.00). Except as provided in subsection E of this section, any such election shall be irrevocable.

2. After June 30, 1995, in addition to the amount contributed by each member to the retirement system pursuant to subsection B of this section, the total amount contributed by each member to the retirement system shall include, beginning July 1, 1995, through June 30, 1997, seven percent (7%) of the regular annual compensation of each member, who is not employed by an entity or institution within The Oklahoma State System of Higher Education, that is in excess of Twenty-five Thousand Dollars ($25,000.00) and beginning July 1, 1996, through June 30, 1997, seven percent (7%) of the regular annual compensation of each member who is employed by an entity or institution within The

Oklahoma State System of Higher Education in excess of Twenty-five Thousand Dollars ($25,000.00), but not in excess of any applicable maximum compensation level of the member.

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

1. Salary which accrues on a regular basis in proportion to the service performed, including payments for staff development;

2. Amounts that would otherwise qualify as salary under paragraph 1 of this subsection but are not received directly by the member pursuant to a good faith, voluntary written salary reduction agreement in order to finance payments to a deferred compensation or tax-sheltered annuity program or to finance benefit options under a cafeteria plan qualifying under the United States Internal Revenue Code, 26 U.S.C., Section 101 et seq.; and

3. Group health and disability insurance, group term life insurance, annuities and pension plans, provided on a periodic basis to all qualified employees of the employer, which qualify as fringe benefits under the United States Internal Revenue Code.

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

E. 1. Any member who was a contributing member of the Retirement System between July 1, 1987, and June 30, 1995, who at the time the member was eligible to make an election to increase the maximum compensation level of the member, failed to make an election or chose not to increase the maximum compensation level of the member to Forty Thousand Dollars ($40,000.00), may elect to make back contributions to the Retirement System. The member shall complete a new election form and file with the Board of Trustees, the form and a payment equaling the difference between the amount contributed at the twenty-five-thousand-dollar level and the appropriate contribution on compensation in excess of Twenty-five Thousand Dollars ($25,000.00) up to a maximum of Forty Thousand Dollars ($40,000.00) shall be made prior to the official retirement date of the member. The required payment shall include any contribution required by the employing school district, and shall include interest compounded annually at ten percent (10%) per annum of both employer and employee contributions.

2. Any changes made pursuant to this subsection shall be irrevocable.

F. 1. An individual who withdrew from the Teachers' Retirement System and whose salary was in excess of Seven Thousand Eight Hundred Dollars ($7,800.00) and had elected to contribute only on Seven Thousand Eight Hundred Dollars ($7,800.00) before his or her withdrawal shall contribute on the earning ceiling as provided for in this section on his or her reentry into membership in the Teachers' Retirement System.

2. An individual who elected to contribute on a maximum of Seven Thousand Eight Hundred Dollars ($7,800.00) per annum shall, beginning July 1, 1979, contribute on his or her earning ceiling as provided for in this section.

3. Any member who elected to contribute on Seven Thousand Eight Hundred Dollars ($7,800.00) prior to January 1, 1978, and whose salary was more than Seven Thousand Eight Hundred Dollars ($7,800.00) during the school years 1974-75 through 1978-79 may elect to make back contributions to the retirement system by paying the five percent (5%) contributions on the difference between Seven Thousand Eight Hundred Dollars ($7,800.00) and the actual salary of the member, not to exceed Ten Thousand Dollars ($10,000.00) for each applicable school year, plus interest compounded annually at ten percent (10%) per annum. Such payment shall be made prior to the official retirement date of the member.

G. Each employer shall cause to be deducted from the salary of each member on each and every payroll of such employer for each and every payroll period, the proper percentage of his or her earnable compensation as provided for in subsection B or subsection C of this section.

1. Deductions shall begin with the first payroll period of the school year. In determining the amount earnable by a member in a payroll period, the Board of Trustees shall consider the rate of annual compensation payable to such member on the first day of the payroll period as continuing throughout such payroll period, and it may omit deductions from compensation for any period less than a full

period, and to facilitate the making of deductions, it may modify the deduction required of any member by such an amount as shall not exceed one-tenth of one percent (1/10 of 1%) of the annual compensation upon the basis of which such deduction is to be made. Prior to January 1, 1991, any active contributing member who joined the System subsequent to July 1, 1943, may pay the normal cost, which shall mean the single sum which would have been paid under existing statutes at the time the service was performed, plus interest, for years of teaching service in Oklahoma from the date of establishment of the System in 1943 to date of membership, in a lump sum, or in installments equal to establishing one (1) year of creditable service. Effective January 1, 1991, any active contributing member who joined the System subsequent to July 1, 1943, may pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title for years of teaching service in Oklahoma from the date of establishment of the System in 1943 to date of membership, in a lump sum, or in installments equal to establishing one (1) year of creditable service. For purposes of this option, teaching service in Oklahoma shall include the teaching of vocational agricultural courses within Oklahoma for the federal government. Years for which contributions are paid shall count as membership service under this plan. A member may receive credit for not more than five (5) years of teaching service rendered while in the Peace Corps or in the public schools of a territory of the United States or the public schools, American Military Dependent Schools or state colleges or state universities outside this state by paying his or her contributions, plus interest, and membership fees to the retirement system, subject to the regulations of the Board of Trustees, providing he or she is not receiving and is not eligible to receive retirement credit or benefits from said service in any other public retirement system of this state, or any other state or territory of the United States subject to the following provisions:

a. the member is required to have two (2) years of employed service teaching earned in Oklahoma for each year of Peace Corps, territorial, out-of-state, noncovered in-state or military membership credit granted.

b. prior to January 1, 1991, the out-of-state or noncovered in-state payment shall be the normal cost, which means the single sum which would have been paid under existing law at the time the service was performed, plus interest, on the basis of what his or her annual salary would have been in Oklahoma or out of state, whichever is greater, had he or she been employed as a teacher. Effective January 1, 1991, the Peace Corps, territorial, out-of-state or noncovered in-state payment shall be the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title.

2. In addition to the deductions hereinabove provided for, any member who becomes a member of the Armed Forces of the United States of America during any period of national emergency, including World War II, the Korean conflict, the Vietnam conflict or others as may be determined by the Board of Trustees, or whose entrance into or training for the teaching profession was interrupted by his or her entrance into the Armed Forces, and who was or shall have become a member of the Teachers'

Retirement System shall be granted the privilege of making up his or her five percent (5%) contributions as provided for in this section until January 1, 1991, for not to exceed five (5) years of service in the Armed Forces by electing to pay said contributions on the basis of the rate of pay in his or her contract as a teacher at the time his or her service in the Armed Forces commenced or in the case of a teacher who was not teaching prior to entering the Armed Forces, on the basis of the salary of the first year of teaching after being honorably discharged from the Armed Forces. Effective January 1, 1991, the member will receive such service upon payment of the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. Such contributions shall be credited in the regular manner, and the period for which said contributions were paid shall be counted as creditable years of service and allocated to the period during which the military service was rendered, except that the period for which contributions were paid must have been continuous and shall be credited in the aggregate, regardless of fiscal year limitations. Notwithstanding any provision herein to the contrary, contributions, benefits and service credit with respect to qualified military service as defined by Section 414(u) of the Internal Revenue Code of 1986, shall be provided in accordance with Section 414(u) of the Internal Revenue Code.

3. Retirement benefits for all service credits purchased pursuant to this subsection shall be determined in accordance with the provisions of paragraph 2 of this subsection.

H. Effective July 1, 2004, the total creditable service of a member who retires or terminates employment and elects a vested benefit shall include not to exceed one hundred twenty (120) days of unused sick leave accumulated subsequent to August 1, 1959. Twenty (20) days of unused sick leave shall equal one (1) month for purposes of creditable service credit. If the member becomes a member or was eligible to become a member prior to July 1, 1995, the year of credit received in this section shall be treated as service earned prior to July 1, 1995. This subsection shall apply to members retiring or vesting on or after the effective date of this act and shall not be retroactive.

I. Any member who:

1. Shall be absent from the teaching service because of election to the State Legislature or appointment to the executive branch in an education-related capacity shall be allowed thirty (30) days from the date as of which the person is officially elected or appointed to file an election with the Teachers' Retirement System to retain his or her membership in the Teachers' Retirement System upon payment of the contribution required of other members and employers of said members as provided for in this section and his or her service credits shall continue to be accumulated during such absence, provided he or she

is not receiving retirement credits or benefits from said service beginning after July 1, 1992, in other public retirement systems; or

2. Became an employee of the Oklahoma Commission for Teacher Preparation on or subsequent to June 1, 2001, but prior to July 1, 2002, who was previously employed by a participating employer within the Teachers' Retirement System of Oklahoma, may elect to cancel any accumulated service credit accrued within the Oklahoma Public Employees Retirement System on or after June 1, 2001, but prior to July 1, 2002, by filing an election with the Oklahoma Public Employees Retirement System for the cancellation of such service credit. The election shall be irrevocable and shall require the Oklahoma Public Employees Retirement System to transfer all accumulated employer and employee contributions made on behalf of or by the person making such election to the Teachers' Retirement System for such period of time. The Teachers' Retirement System shall compute the employee contributions that would have been made to the System by such employee if the contributions had been computed pursuant to this section. In order to receive the full amount of creditable service for the period of time on or after June 1, 2001, but not later than June 30, 2002, the employee shall be required to pay any difference between the transferred employee contributions and the amount computed by the Teachers' Retirement System. The employee may make payment of any required amount in the manner provided by and subject to the requirements of Section 17-116.8 of this title. After payment of all required employee contributions, the Teachers' Retirement System shall credit the period of time represented by the transferred employee contributions as creditable service within the meaning of Section 17-101 of this title. After the transfer of the employee contributions, the Oklahoma Public Employees Retirement System shall cancel any service credit previously accumulated for the period of time represented by such transferred employee contributions. Any person who makes the election provided for by this paragraph, and who continues employment with the Oklahoma Commission for Teacher Preparation on or after July 1, 2002, shall continue to accrue service credit in the Teachers' Retirement System of Oklahoma. The employer shall make employer contributions according to the requirements of Section 17-108.1 of this title and shall provide for the deduction of employee contributions as required by this section.

J. Any member who shall be absent from the teaching service because of election or appointment as a local, state or national education association officer, prior to January 1, 2011, shall be allowed to retain his or her membership in the Teachers' Retirement System upon payment of the contribution required of other members and employers of said members as provided for in this section and his or her service credits shall continue to be accumulated during such absence. Provided, however, any one such absence shall not exceed twelve (12) continuous years. No member who has less than ten (10) years of contributory service on July 1, 1994, may make this election after June 30, 1994. Members contributing to the System on July 1, 1994, may continue to contribute under this subsection until they have completed eight (8) years allowed by this subsection. The member may file for retirement when otherwise eligible for retirement as provided by Section 17-105 of this title.

K. A member may receive credit for those years of service accumulated by the member while employed by an entity which is a participating employer in the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, the Uniform Retirement System for Justices and Judges, the Oklahoma Law Enforcement Retirement System, or the Oklahoma Public Employees Retirement System, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. A member also may receive credit for those years of service with the Department of Wildlife Conservation or with an employer that is a participating employer within one of the state retirement systems specifically referred to in this section when at the time of such service by the member the employer was not such a participating employer, if the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system. To receive the service credit provided in this subsection, the member shall pay the amount determined by the Board of Trustees pursuant to Section 17-116.8 of this title. For purposes of this subsection, creditable service transferred from the Oklahoma Public Employees Retirement System shall include service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes as amended from time to time. Members who retire prior to July 1, 1993, shall have their monthly benefit adjusted to include all services accrued under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes. Provided however, any adjustment of existing retirement benefits caused by reason of inclusion of such service authorized under paragraph (f) of subsection (2) of Section 913 of Title 74 of the Oklahoma Statutes shall not affect any retirement benefit paid prior to July 1, 1993.

L. 1. An active member of the Teachers' Retirement System of Oklahoma may receive credit for those years of service accumulated by the member while a member of the Oklahoma Public Employees Retirement System if:

a. the member is an active member of the Teachers' Retirement System of Oklahoma, and

b. the member provides notice to the Oklahoma Public Employees Retirement System and the Teachers' Retirement System of Oklahoma of the member's election to transfer said service credit. The notice shall include a list of the years to be transferred, and

c. the member is not receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system, notwithstanding the years of service sought to be transferred under this subsection.

Members electing to take advantage of the transfer authorized by this subsection who are receiving or eligible to receive retirement credit or benefits from said service in any other public retirement system shall have all service credit with the Oklahoma Public Employees Retirement System canceled which is not transferred to the Teachers' Retirement System of Oklahoma or used as a cash offset in such a transfer pursuant to subparagraph d of paragraph 2 of this subsection. Service credit transferred to the Teachers' Retirement System of Oklahoma under this subsection shall also be canceled with the Oklahoma Public Employees Retirement System.

2. For purposes of this subsection, the "sending system" shall mean the Oklahoma Public Employees Retirement System. The "receiving system" shall mean the Teachers' Retirement System of Oklahoma.

a. Within thirty (30) days notification of an intent to transfer is received by the sending system, the sending system shall, according to its own rules and regulations:

(1) for members who have accrued at least eight (8) years of credited service with the sending system, determine the present value of the member's earned benefits attributable to the years of service sought to be transferred, discounted according to the member's age at the time of transfer and computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation, but shall not make any projections regarding future salary. For employees who have accrued at least eight (8) years of credited service, the sending system shall use the product of this calculation for purposes of determining the transfer fee to be paid by the employee under subparagraph c of this paragraph so long as it is greater than the product of the calculation in division (2) of this subparagraph, and

(2) determine the sum of the employee and employer contributions applicable to the years of service sought to be transferred plus interest consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation. For all non-vested members, and for members who have accrued at least eight (8) years of credited service, if the product of this calculation is greater than the product of the calculation in division (1) of this subparagraph, the sending system shall use the product of this calculation for purposes of determining the amount to be transferred by the sending system under subparagraph c of this paragraph and any transfer fee to be paid by the member under subparagraph d of this paragraph.

b. Within thirty (30) days notification of an intent to transfer is received by the receiving system, the receiving system shall determine, according to the system's own rules and regulations, the present value of the member's incremental projected benefits discounted according to the member's age at the time of the transfer. Incremental projected benefits shall be the difference between the projected benefit said member would receive without transferring the service credit and the projected benefit after transfer of service credit computed as of the earliest age at which the member would be able to retire. Said computation shall assume an unreduced benefit and be computed using interest, salary projections and mortality assumptions consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation.

c. The sending system shall, within sixty (60) days from the date notification of an intent to transfer is received by the sending system, transfer to the receiving system the amount determined in subparagraph a of this paragraph. Except if the cost as calculated under subparagraph a of this paragraph is greater than the actuarial value of the incremental benefit in the receiving system, as established in subparagraph b of this paragraph, the sending system shall send the receiving system an amount equal to the actuarial value of the incremental projected benefit in the receiving system.

d. In order to receive the credit provided for in paragraph 1 of this subsection, if the cost of the actuarial value of the incremental benefit to the receiving system is greater than the cost as calculated under subparagraph a of this paragraph for the same years of service to the sending system as established in subparagraphs a and b of this paragraph, the employee shall elect to:

(1) pay any difference to receive full credit for the years sought to be transferred, or

(2) receive prorated service credit for only the amount received from the Oklahoma Public Employees Retirement System pursuant to this subsection.

Such an election shall be made in writing, filed with the System prior to receiving the credit provided for in paragraph 1 of this subsection, and shall be irrevocable.

3. Within sixty (60) days of successfully completing all of the requirements for transfer under this subsection, the sending system shall pay the receiving system any amount due under this subsection.

Within sixty (60) days of successfully completing all of the requirements for transfer under this subsection, the member shall pay the receiving system any amount due under this subsection. In the event that the member is unable to pay the transfer fee provided for in this subsection by the due date, the Board of Trustees of the receiving system shall permit the member to amortize the transfer fee over a period not to exceed sixty (60) months. Said payments shall be made by payroll deductions unless the Board of Trustees permits an alternate payment source. The amortization shall include interest in an amount not to exceed the actuarially assumed interest rate adopted by the Board of Trustees for investment earnings each year. Any member who ceases to make payment, terminates, retires or dies before completing the payments provided for in this section shall receive prorated service credit for only those payments made, unless the unpaid balance is paid by said member, his or her estate or successor in interest within six (6) months after said member's death, termination of employment or retirement, provided no retirement benefits shall be payable until the unpaid balance is paid, unless said member or beneficiary affirmatively waives the additional six-month period in which to pay the unpaid balance.

4. Years of service transferred pursuant to this subsection shall be used both in determining the member's retirement benefit and in determining the years of service for retirement and/or vesting purposes. Years of service rendered as a member of the Oklahoma Public Employees Retirement System prior to July 1, 1992, if any, shall be deemed to be years of service rendered as a member of the Teachers' Retirement System of Oklahoma prior to July 1, 1992, and shall qualify such person as a member of the Teachers' Retirement System of Oklahoma before July 1, 1992.

5. Notwithstanding the requirements of subsection (5) of Section 917 of Title 74 of the Oklahoma Statutes, members electing to take advantage of the transfer authorized by this subsection who have withdrawn their contributions from the sending system shall remit to the sending system the amount of the accumulated contributions the member has withdrawn plus simple interest of ten percent (10%) per annum prior to making said election or the election shall be deemed invalid and the transfer shall be canceled. If such an election is deemed invalid and the transfer is canceled, the accumulated contribution remitted to the sending system by the member who originally withdrew their contributions shall be returned to the member. The member's rights and obligations regarding any service credit reestablished in the sending system due to a failure to satisfy the requirements of this subsection shall be determined by the sending system in accordance with Section 901 et seq. of Title 74 of the Oklahoma Statutes.

6. If any member fails for any reason to satisfy the requirements of this subsection, the election to transfer service credit shall be void and of no effect, and any service credited as a result of this transfer shall be canceled. If such service is canceled, the years of canceled service credit which were unsuccessfully transferred to the receiving system from the sending system shall be reestablished in the sending system. The member's rights and obligations regarding any service credit reestablished in the

sending system due to a failure to satisfy the requirements of this subsection shall be determined by the sending system in accordance with Section 901 et seq. of Title 74 of the Oklahoma Statutes.

7. The Board of Trustees shall promulgate such rules as are necessary to implement the provisions of this subsection.

M. Any member whose regular annual compensation was not determined as provided for by law may pay the member contribution required pursuant to subsection B of this section on such amount not included in the member's regular annual compensation and receive credit for such amount in the calculation of the member's benefit. The employees must pay the employer contributions required pursuant to Section 17-108.1 of this title. Interest at the rate of ten percent (10%) per annum shall be charged to both employee and employer contributions. Provided that the employing district may pay all or any portion of the contributions and interest the member is required to pay. Any payment by the employing district for a prior year obligation shall be considered a current obligation of the employer.

N. Any active member who elected during the 1978-79 school year to pay the difference between five percent (5%) on actual salary not exceeding Ten Thousand Dollars ($10,000.00) and six percent (6%) on actual salary not exceeding Fifteen Thousand Dollars ($15,000.00) shall receive credit for one (1) year of credited service upon receipt and approval of a proper request by the Board of Trustees.

O. Effective July 1, 1988, any member who is employed by the Governor, the State Senate, the House of Representatives or the Legislative Service Bureau shall be allowed to elect to retain membership in the Retirement System upon payment of the accrued and current member contributions and employer contributions as provided in subsection B of this section and Section 17-108.1 of this title. Such contributions may be paid on behalf of the member by the employing entity. Upon payment of such contributions, service credits shall continue to be accumulated during such employment. Accrued contributions shall be paid to the Retirement System by August 1, 1989. Current contributions shall be paid to the Retirement System by the tenth of the following month beginning with the month of July 1989.

P. Notwithstanding any requirements of this title to restrict the payment of service purchases, the Board of Trustees shall promulgate such rules as necessary to allow active members of the System to make installment payments for the redeposit of withdrawn accounts or other payments due under the provisions of this title. The rules shall permit the member to amortize the balance due over a period not to exceed sixty (60) months, and shall include interest consistent with the actuarial assumptions adopted by the Board of Trustees for purposes of preparing the annual actuarial evaluation. Further, the rules shall provide that all payments must be completed prior to the effective retirement date of the member.

Q. 1. A member of the Oklahoma Public Employees Retirement System who becomes a member of the Teachers' Retirement System of Oklahoma because the member has become employed by an entity or institution within The Oklahoma State System of Higher Education, State Board of Education, State Board of Career and Technology Education, Oklahoma Department of Career and Technology Education, Oklahoma School of Science and Mathematics, Oklahoma Center for the Advancement of Science and Technology, State Department of Rehabilitation Services, Oklahoma State Regents for Higher Education, Department of Corrections, State Department of Education, Oklahoma Board of Private Vocational Schools, Board of Regents of Oklahoma Colleges, Oklahoma Student Loan Authority, or the Teachers' Retirement System of Oklahoma, may elect to receive credit in the Teachers' Retirement System of Oklahoma for those years of service