



OKLAHOMA TEACHERS

RETIREMENT SYSTEM

BOARD OF TRUSTEES

REGULARLY SCHEDULED
MEETING

DECEMBER 18, 2013

MEETING MATERIALS

Table of Contents

Agenda.....	3-4
November 20, 2013 Regular Board Meeting Minutes	5-10
Investment Consultant Monthly Report	11-21
Legal Report	22-23
Client Services Report.....	24-29
Finance Report.....	30-36
Professional Oklahoma Educators Letter	37-39

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, December 18, 2013 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. ROLL CALL FOR QUORUM**
- 2. SWEARING IN OF NEW TRUSTEE – ANDREW OSTER**
- 3. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES**
 - a. November 20, 2013 Regular Board Meeting**
- 4. PRESENTING MANAGERS OVERVIEW**
- 5. PRESENTATION BY INVESTMENT MANAGER(S):**
 - a. State Street**
 - b. Northern Trust**
- 6. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 7. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT**
 - a. *The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting***
- 8. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT**
- 9. DISCUSSION AND POSSIBLE ACTION ON GOVERNANCE COMMITTEE REPORT**
- 10. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT**
- 11. DISCUSSION AND POSSIBLE ACTION ON CLIENT SERVICES REPORT**
 - a. Performance Metrics**
 - b. Client Status Update**
- 12. DISCUSSION AND POSSIBLE ACTION ON FINANCE REPORT**
- 13. DISCUSSION AND POSSIBLE ACTION ON ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, December 18, 2013 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA (cont.)

- 14. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR SEARCH**
- 15. DISCUSSION AND POSSIBLE ACTION ON LETTER FROM PROFESSIONAL OKLAHOMA EDUCATORS**
- 16. DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. § 307(B)(4) FOR THE PURPOSE OF CONFIDENTIAL COMMUNICATIONS BETWEEN THE BOARD OF THE TEACHERS RETIREMENT SYSTEM AND ITS ATTORNEY CONCERNING POTENTIAL ACTION RELATED TO A PENDING CLAIM OR ACTION REGARDING THE BOND OF THE EXECUTIVE DIRECTOR**
 - a. Vote to convene into executive session
 - b. Vote to return to open session
- 17. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 18. NEW BUSINESS**
- 19. ADJOURNMENT**

**MEETING MINUTES
NOVEMBER 20, 2013
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by James Dickson, Chairman, at 9:00 A .M., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda were posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:

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

TRUSTEES ABSENT:

Sherrie Barnes

TRS STAFF PRESENT:

Joe Ezzell, *Asst. Executive Director*
Dixie Moody, *Director of Client Services*
Josh Richardson, *Director of Strategic Initiatives*
Riley Shaull, *Comptroller*
Rocky Cooper, *Director of Information Technology*
Grant Rohlmeier, *Manager of Operations and Investments*
Susan Yingling, *Executive Assistant*

LEGAL COUNSEL PRESENT:

Julie Ezell, *Assistant Attorney General*

OTHERS PRESENT:

Emily Summars, *eCapitol*
Terry Ingmire, *OREA*
Steve Massey, *OREA*
Andrew Oster
Erin Madden, *OEA*
Edward Romero
Wayne Maxwell, *RPOE*
Sheila Asher, *JP Morgan*
Marcia McNutt, *JP Morgan*
Chuck Callahan, *JP Morgan*

*Denotes late arrival or early departure.

ITEM 1 – ROLL CALL FOR QUORUM: Chairman Dickson called the Board meeting to order at 9:00 a.m. and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 2 – MEETING MINUTES: A motion was made by Dr. Trennepohl with a second made by Mr. Florence to approve the October 23, 2013 Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 3 – RESOLUTION RECOGNIZING FORMER TRUSTEE DR. MICHAEL SIMPSON

DR. MICHAEL SIMPSON

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

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

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

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

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

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

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

ADOPTED BY THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA, THIS 20th DAY OF NOVEMBER, 2013.

A motion was made by Mr. Gaddis with a second made by Ms. Kerr to approve the resolution for Dr. Michael Simpson. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 4 - OVERVIEW OF PRESENTING MANAGERS: Investment Consultants to the Board, Greg Weaver and Douglas Anderson of Gregory W. Group, gave the Board an overview of Causeway Capital Management and Thornburg, presenting managers to the Board. No action was necessary.

Mr. Small arrived at 9:15 a.m.

ITEM 5 – PRESENTATIONS BY INVESTMENT MANAGERS: Causeway Capital Management, Investment Managers for the International Investments portfolio; and Thornburg Investment Management, Investment Managers for the International Investments portfolio, gave the Board their monthly reports. No action was necessary.

ITEM 6 – INVESTMENT CONSULTANT REPORTS: Investment Consultants to the Board, Greg Weaver and Douglas Anderson of Gregory W. Group, gave the Board their monthly and quarterly reports. They recommended to the Board that Thornburg Investment Management be put “On Alert” based on performance. After extensive discussion, a motion was made by Mr. Peacher with a second made by Dr. Lewis to put Thornburg “On Alert.” Then it was decided that the initial motion did not include a time period. Dr. Winters made a motion with a second made by Dr. Lewis to amend the initial motion to put Thornburg Investment Management “On Alert” until June 30, 2014. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

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

Preston Doerflinger replaced Jill Geiger at 10:43 a.m.

ITEM 8 – INVESTMENT COMMITTEE REPORT: Bill Peacher, Chairman of the Investment Committee, gave the Board an overview of the November 19, 2013 Investment Committee Meeting. Mr. Peacher advised the Board that the Investment Committee had six recommendations for consideration.

Mr. Peacher told the Board that the Investment Committee recommended a change from the current MLP Portfolio allocation to one that was equally weighted among the managers. A motion was made by Mr. Florence with a second made by Dr. Trennepohl to change the MLP Portfolio allocation to an equally weighted allocation. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Mr. Peacher told the Board that the Investment Committee recommended a change from the current Real Estate Portfolio to raise the target allocation from 5% to 7%. A motion was made by Mr. Florence with a second made by Dr. Trennepohl to raise the current Real Estate Portfolio target allocation from 5% to 7%. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Mr. Peacher told the Board that the Investment Committee recommended allocating an additional \$200 million in 2014 to Franklin Park. A motion was made by Mr. Gaddis with a second made by Mr. Florence to allocate an additional \$200 million to Franklin Park for 2014. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr,

Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Mr. Peacher told the Board that the Investment Committee recommended granting an investment policy exception allowing Lord Abbett to hold their current bond position with the Brazilian company OGX Petroleo e Gas Participacoes instead of selling the shares. A motion was made by Mr. Florence with a second made by Dr. Trennepohl to grant Lord Abbett's request for an investment policy exception to hold their current bond position with OGX Petroleo e Gas Participacoes. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Mr. Peacher told the Board that the Investment Committee recommended granting an investment policy exception allowing MacKay Shields to use Merrill Lynch as a broker. A motion was made by Dr. Trennepohl with a second made by Mr. Florence to grant MacKay Shields request for an investment policy exception allowing them to use Merrill Lynch as a broker. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Mr. Peacher told the Board that the Investment Committee recommended granting an investment policy exception allowing Loomis Sayles to invest up to 10% in the Loomis Sayles Senior Loan Fund LLC. A motion was made by Dr. Trennepohl with a second made by Mr. Florence to grant the investment policy exception allowing Loomis Sayles to invest up to 10% in the Loomis Sayles Senior Loan Fund LLC. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

A break was taken from 11:10 a.m. to 11:26 a.m.

ITEM 9 – AUDIT COMMITTEE REPORT: Mr. Meyers, Chairman of the Audit Committee, introduced auditing firm Cole + Reed who presented their Independent Auditor's Report dated June 30, 2013 to the Board. A motion was made by Mr. Meyers with a second made by Mr. Gaddis to approve the Independent Auditor's Report dated June 30, 2013 as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Julie Ezell, Legal Counsel to the Board, and Joe Ezzell, Assistant Executive Director, gave a report to the Board regarding the Purchase Card Audit conducted by the Office of Management and Enterprise Services (OMES). A motion was made by Mr. Meyers with a second made by Dr. Winters to approve the Purchase Card Audit as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

A break for lunch was taken from 11:58 a.m. to 12:25 p.m.

ITEM 10 – GOVERNANCE COMMITTEE REPORT: Dr. Trennepohl, Chairman of the Governance Committee, presented his report to the Board. No action was necessary.

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

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

ITEM 13 – DATA MIGRATION REPORT AND SOFTWARE DEVELOPMENT PROPOSAL: Rocky Cooper, Director of Information Technology, gave the Board an update on the status of the Data Migration progress. No action was necessary.

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

ITEM 15 – RESIGNATION OF TRUSTEE SHERRIE BARNES: Chairman Dickson informed the Board that Trustee Sherrie Barnes had submitted her resignation. No action was necessary.

ITEM 16 – EXECUTIVE DIRECTOR SEARCH: Chairman Dickson suggested forming a search committee to explore ideas to find a new executive director. He said anyone who wished to serve on the search committee should contact him. No action was necessary.

ITEM 17 – QUESTIONS AND COMMENTS FROM TRUSTEES: The Board members wished Josh Richardson the best of luck in his new endeavors. They also expressed thanks to the Client Services team for presenting the Pre-Retirement Seminars for OTRS Clients. They also determined a letter received from Professional Oklahoma Educators would be slated for the following month’s agenda.

ITEM 18 – NEW BUSINESS: There was no further business from the Board.

ITEM 19 – ADJOURNMENT: There being no further business, a motion was made by Mr. Gaddis with a second made by Dr. Trennepohl to adjourn the meeting. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Doerflinger, Mr. Florence, Mr. Gaddis, Ms. Kerr, Mr. Meyers, Dr. Lewis, Mr. Peacher, Mr. Small, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson. The meeting was adjourned at 1:03 p.m.

BOARD OF TRUSTEES, TEACHERS’ RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
James Dickson, Chairman

ATTEST:

BY: _____
Beth Kerr, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on December 18, 2013.

BY:

Susan Yingling, Executive Assistant to the Executive Director

November 2013 - Market Performance Update

Equity Streak Continues Higher

Equity Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	3.8	26.6	16.5	15.9
NASDAQ (prc chg only)	3.6	34.9	17.6	21.5
S&P 500 cap weighted	3.1	30.3	17.7	17.6
S&P 500 equal weighted	2.3	35.3	18.6	23.3
S&P Mid Cap	1.3	32.3	16.9	22.3
S&P Small Cap	4.5	43.9	20.8	22.5
S&P REIT	-5.2	6.0	11.0	20.5
Alerian MLP	0.9	21.6	15.1	28.2
Russell 1000 Growth	2.8	29.7	17.4	20.1
Russell 1000 Value	2.8	31.9	18.1	16.4
Russell Mid Cap Growth	2.2	33.9	16.8	23.5
Russell Mid Cap Value	1.1	33.3	17.8	21.7
Russell 2000 Growth	4.1	44.5	18.9	23.4
Russell 2000 Value	3.9	37.6	16.9	18.6
Russell Top 200	3.3	29.8	18.0	16.7
Russell 1000	2.8	31.0	17.8	18.3
Russell Mid Cap	1.7	33.8	17.3	22.7
Russell 2500	2.7	36.9	18.2	22.5
Russell 2000	4.0	41.0	17.9	21.0
MSCI World Ex US	0.6	22.8	9.6	13.3
MSCI World Ex US Growth	0.7	21.3	8.9	13.3
MSCI World Ex US Value	0.5	24.4	10.3	13.2
MSCI EAFE	0.8	24.8	10.5	13.4
MSCI Emerging Markets	-1.5	3.7	0.7	16.9

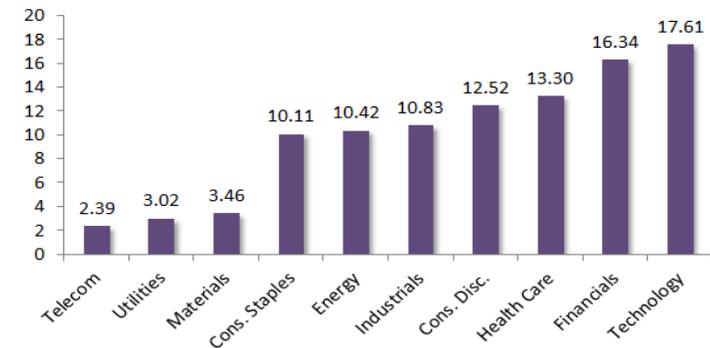
Domestic equities moved higher during November. Growth outperformed value among mid caps and small caps. Small caps outperformed. Trailing year returns were extremely strong.

International shares had a mixed month. Developed markets posted modest gains while emerging markets suffered losses. Trailing year returns were strong for developed markets.

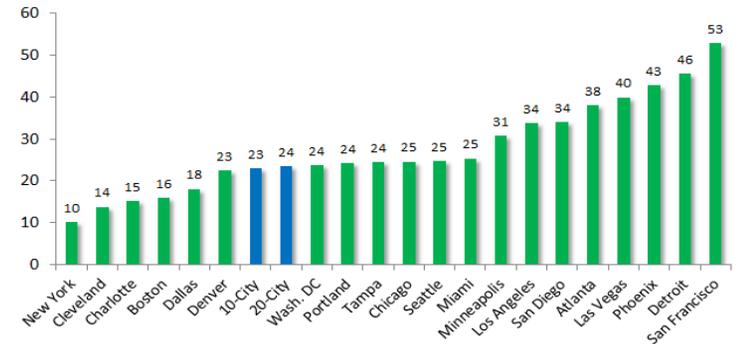
Fixed income returns were negative during November. Rising interest rates pushed bond prices lower. Trailing year returns were also negative. 91 Day Treasury Bill returns remained just above 0% for all observation periods.

Bond Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	0.1
BC Long Treasury	-2.5	-12.7	4.9	4.5
BC US Agg	-0.4	-1.6	3.1	5.3

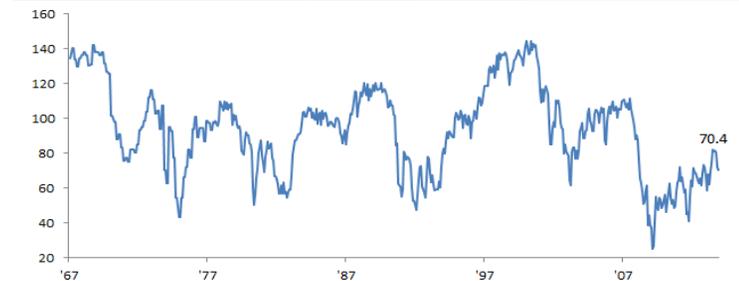
S&P 500 Current Sector Weightings (%)



S&P Case-Shiller: % From Lows for Each City



Consumer Confidence: 1967 - 2013



Manager Profile - Northern Trust



Asset Class:	S&P 500 Cap Weighted Passive	Notes:
Status:	In Compliance	Capitalization weighted index replication: S&P 500 Cap Weighted
Portfolio Size:	\$523,246,771	
Inception Date:	4/1/2012	
Allocation:	4.1%	
Annual Management Fee:	0.01%	
Location:	Chicago, IL	
Structure:	Publicly Traded	
Represented by:	Jason Pasquinelli Alan Cubeles	Founded: 1889

Return Profile	Since Inception	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Northern Trust S&P 500 Cap Weighted	19.4	-	-	-	30.2	11.1	3.0
S&P 500 Cap Weighted	18.7	7.7	17.6	17.7	30.3	11.2	3.1

Manager Profile - Northern Trust



Asset Class:	International Large Cap Passive	Notes:
Status:	In Compliance	Capitalization weighted index replication: MSCI EAFE
Portfolio Size:	\$418,532,256	
Inception Date:	4/1/2012	
Allocation:	3.8%	
Annual Management Fee:	0.03%	
Location:	Chicago, IL	
Structure:	Publicly Traded	
Represented by:	Jason Pasquinelli Alan Cubeles	Founded: 1889

Return Profile	Since Inception	Last 10 Years	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Northern Trust International Large Cap Passive	4.6	-	-	-	-	-	0.8
MSCI EAFE	-	7.6	13.4	10.5	24.8	11.9	0.8

Manager Profile - State Street



Asset Class: S&P 500 Equal Weighted Passive
 Status: In Compliance
 Portfolio Size: \$533,537,280
 Inception Date: 4/1/2012
 Allocation: 4.1%
 Annual Management Fee: 0.03%
 Location: Boston, MA
 Structure: Publicly Traded
 Represented by: David Settles

Notes:

Capitalization weighted index replication: S&P 500 Equal Weighted

Founded: 1792

Return Profile	Since Inception	Last 10 Years		Last 5 Years		Last 3 Years		Last Year	Last Quarter	Last Month
S&P 500 Equal Weighted Passive	22.4	-	-	-	-	-	-	35.1	10.9	2.3
S&P 500 Equal Weighted	-	10.1	23.3	18.6	35.3	10.9	2.3			

Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,927,032,519	22.7%	17.0%	5.7%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	1,843,093,243	14.3%	13.0%	1.3%	
Small Cap	1,350,202,368	10.5%	10.0%	0.5%	
Total Domestic Equity	6,120,328,130	47.4%	40.0%	7.4%	
Large Cap International Equity	1,490,457,003	11.5%	11.5%	0.0%	
Small Cap International Equity	810,396,592	6.3%	6.0%	0.3%	
Total International Equity	2,300,853,595	17.8%	17.5%	0.3%	
Core Fixed Income	1,977,382,362	15.3%	17.5%	-2.2%	
High Yield Bonds	732,671,029	5.7%	6.0%	-0.3%	
MLPs	791,518,510	6.1%	7.0%	-0.9%	
Private Equity	270,108,442	2.1%	5.0%	-2.9%	
Real Estate	546,204,481	4.2%	7.0%	-2.8%	
Opportunistic Assets	159,235,496	1.2%	0.0%	1.2%	
Total Non-Core Assets	2,499,737,958	19.3%	25.0%	-5.7%	
Cash	20,365,346	0.2%	0.0%	0.2%	
Composite	12,918,732,154	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of November 30, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	12,918,732,154	12/1/1991	22.0	9.8	8.8	16.4	13.6	23.4	11.4	8.7	1.7
Total Fund (Net of Fees)				9.4	8.4	16.0	13.2	23.0	11.0	8.6	1.7
<i>Allocation Index</i>				9.5	7.7	14.7	12.3	19.4	9.5	7.8	1.3
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	6,120,328,130 47.4%	4/1/1990	23.7	11.0	9.1	21.1	18.1	38.2	15.9	11.8	3.2
<i>S&P 500</i>				9.6	7.7	17.6	17.7	30.3	13.4	11.2	3.1
Total All Cap Equity	858,175,251 6.6%	9/1/2006	7.3	7.2	-	18.2	17.1	33.7	13.5	10.5	3.0
<i>Russell 3000</i>				7.2	-	18.5	17.8	31.7	14.1	11.3	2.9
Total Large Cap Active Equity	1,012,073,216 7.8%	1/1/1995	18.9	10.5	7.9	19.3	19.6	37.7	14.9	10.9	3.7
<i>S&P 500</i>				9.6	7.7	17.6	17.7	30.3	13.4	11.2	3.1
Total Mid Cap Equity	1,843,093,243 14.3%	11/1/1998	15.1	10.5	11.2	24.5	19.1	41.4	16.8	11.7	3.3
<i>Russell Mid Cap</i>				9.7	10.2	22.7	17.3	33.8	13.4	10.1	1.7
Total Small Cap Equity	1,350,202,368 10.5%	2/1/1998	15.8	9.7	9.7	22.6	16.2	43.3	18.7	14.1	3.2
<i>Russell 2000</i>				7.8	9.1	21.0	17.9	41.1	17.6	13.5	4.1
Total International Equity	2,300,853,595 17.8%	2/1/1998	15.8	9.5	8.9	14.8	11.4	26.7	16.6	11.9	1.1
<i>MSCI ACWI ex-US</i>				-	8.7	14.4	8.0	18.8	14.4	11.1	0.2
Core Fixed Income (ex- High Yield)	1,977,382,362 15.3%	4/1/1990	23.7	7.3	6.3	8.4	5.8	-1.5	1.3	1.7	-0.6
<i>Barclays Aggregate</i>				-	4.7	5.3	3.1	-1.6	1.0	1.4	-0.4
Master Limited Partnerships	791,518,510 6.1%	2/28/2011	2.8	18.9	-	-	-	32.4	5.9	7.6	2.0
<i>Alerian MLP Index</i>				14.1	-	-	-	21.6	2.8	6.0	0.9
High Yield Bonds	732,671,029 5.7%	2/1/2009	4.8	16.4	-	-	9.6	8.5	5.0	4.3	0.4
<i>ML High Yield II</i>				18.0	-	-	9.5	8.5	5.3	4.0	0.5
Core Real Estate	546,204,481 4.2%	4/1/2011	2.7	-	-	-	-	-	-	-	-
<i>NCREIF</i>				-	-	-	-	-	-	-	-
Cash	20,365,346 0.2%	4/1/1990	23.7	-	-	-	-	-	-	-	-
<i>91 Day T-bill</i>				-	1.7	0.1	0.1	0.1	0.0	0.0	0.0

Equity Portfolios Summary

As of November 30, 2013



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
All Cap / Large Cap Domestic												
Hotchkis & Wiley Large Cap	526,108,597	4/1/1990	23.7	11.1	7.7	22.4	20.4	43.6	14.1	10.4	4.1	
Russell 1000 Value	4.1%			10.2	8.0	16.4	18.1	31.9	11.5	10.0	2.8	
Sawgrass	485,964,619	7/1/2006	7.4	8.5	-	18.8	19.7	31.8	15.7	11.4	3.3	
Russell 1000 Growth	3.8%			8.8	-	20.1	17.4	29.7	16.1	12.2	2.8	
ARI All Cap	428,279,128	9/1/2006	7.3	6.3	-	17.1	16.8	33.0	12.3	9.9	2.7	
Russell 3000 Value	3.3%			7.2	-	18.5	17.8	31.7	14.1	11.3	2.9	
EPOCH All Cap	429,896,123	9/1/2006	7.3	8.0	-	18.9	17.2	34.4	14.7	11.1	3.3	
Russell 3000 Value	3.3%			7.2	-	18.5	17.8	31.7	14.1	11.3	2.9	
Passive Domestic Equity												
NT Cap Weighted Passive	523,246,771	4/1/2012	1.7	19.4	-	-	-	30.2	13.4	11.1	3.0	
S&P 500 Cap Weighted	4.1%			18.7	7.7	17.6	17.7	30.3	13.4	11.2	3.1	
SSGA Eq Weighted Passive	533,537,280	4/1/2012	1.7	22.4	-	-	-	35.1	13.8	10.9	2.3	
S&P 500 Equal Weighted	4.1%			-	10.1	23.3	18.6	35.3	-	11.0	2.3	
Mid Cap Domestic Equity												
Frontier Capital	470,416,541	6/1/2002	11.5	10.5	11.5	20.8	16.5	33.1	16.5	11.3	2.9	
Russell Mid Cap Growth	3.6%			9.5	9.5	23.5	16.8	33.9	14.7	10.1	2.2	
Wellington Management	434,245,185	9/1/1998	15.3	10.9	10.1	24.0	15.5	47.1	21.3	14.8	4.1	
Russell Mid Cap Growth	3.4%			9.0	9.5	23.5	16.8	33.9	14.7	10.1	2.2	
AJO Partners	478,562,396	8/1/1998	15.3	11.2	10.7	23.4	20.3	39.2	16.8	12.8	3.3	
Russell MidCap	3.7%			9.3	10.2	22.7	17.3	33.8	13.4	10.1	1.7	
Hotchkis & Wiley Mid Cap	459,869,120	8/1/2002	11.3	14.7	12.4	30.9	24.2	46.4	13.2	8.4	2.9	
Russell MidCap Value	3.6%			11.6	10.4	21.7	17.8	33.3	11.9	10.1	1.1	
Small Cap Domestic Equity												
Shapiro Capital Management	605,604,702	2/1/1998	15.8	10.8	12.9	28.0	18.6	42.3	19.0	14.4	3.4	
Russell 2000	4.7%			-	9.1	21.0	17.9	41.0	17.5	13.4	4.0	
Geneva Capital	196,001,131	6/1/2013	0.5	23.1	-	-	-	-	22.9	15.7	2.7	
Russell 2000 Growth	1.5%			18.8	-	-	-	-	19.6	13.4	4.1	
Wasatch Advisors	180,989,754	6/1/2013	0.5	12.1	-	-	-	-	14.7	10.6	1.9	
Russell 2000 Growth	1.4%			18.8	-	-	-	-	19.6	13.4	4.1	
Cove Street Capital	106,692,040	6/1/2013	0.5	17.7	-	-	-	-	19.5	16.0	2.8	
Russell 2000 Value	0.8%			15.0	-	-	-	-	15.4	13.5	3.9	
Frontier Capital	150,539,860	6/1/2013	0.5	12.6	-	-	-	-	16.9	14.0	3.9	
Russell 2000 Value	1.2%			15.0	-	-	-	-	15.4	13.5	3.9	
Neumeier Poma	110,374,881	6/1/2013	0.5	19.4	-	-	-	-	18.6	13.7	5.0	
Russell 2000 Value	0.9%			15.0	-	-	-	-	15.4	13.5	3.9	
International Large Cap Equity												
Causeway Capital	534,615,448	5/1/2003	10.6	11.4	9.4	17.3	12.9	24.7	16.8	12.8	1.3	
MSCI ACWI Ex US	4.1%			10.4	8.3	13.9	7.5	18.2	14.3	11.1	0.2	
International Transition Account	50,747,490	-	-	-	-	-	-	-	-	-	-	
MSCI ACWI Ex US	0.4%			-	-	-	-	-	-	-	-	
Northern Trust Passive	418,532,256	9/1/2013	0.2	4.6	-	-	-	-	-	-	0.8	
MSCI EAFE	3.2%			-	7.6	13.4	10.5	24.8	14.3	11.9	0.8	
Thornburg	486,181,389	12/1/2005	8.0	7.5	-	13.9	8.2	18.6	13.7	9.9	1.9	
MSCI ACWI Ex US	3.8%			5.4	8.3	13.9	7.5	18.2	14.3	11.1	0.2	
International Small Cap Equity												
ARI Small Cap International	202,335,467	12/1/2011	2.0	22.3	-	-	-	28.4	16.6	12.0	0.3	
MSCI EAFE Small Cap	1.6%			21.9	9.9	19.5	12.8	31.6	19.6	12.8	0.4	
Epoch Small Cap International	203,490,784	12/1/2011	2.0	21.8	-	-	-	32.4	20.2	12.7	0.6	
MSCI EAFE Small Cap	1.6%			21.9	9.9	19.5	12.8	31.6	19.6	12.8	0.4	
Wasatch Small Cap International	198,259,375	12/1/2011	2.0	30.1	-	-	-	31.1	14.9	8.7	-0.3	
MSCI EAFE Small Cap	1.5%			21.9	9.9	19.5	12.8	31.6	19.6	12.8	0.4	
Wellington Small Cap International	206,310,966	12/1/2011	2.0	29.7	-	-	-	37.7	20.8	14.1	1.9	
MSCI EAFE Small Cap	1.6%			21.9	9.9	19.5	12.8	31.6	19.6	12.8	0.4	

Fixed Income Portfolios Summary

As of November 30, 2013



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
Core Fixed Income												
Loomis Sayles	577,729,608	8/1/1999	14.3	7.1	7.6	11.7	6.6	0.5	2.8	3.4	-0.2	
<i>Barclays Aggregate</i>	4.5%			5.7	4.7	5.3	3.1	-1.6	1.0	1.4	-0.4	
Lord Abbett	575,307,901	11/1/2004	9.1	6.1	-	9.2	5.2	0.0	1.6	1.8	-0.2	
<i>Barclays Aggregate</i>	4.5%			4.6	-	5.3	3.1	-1.6	1.0	1.4	-0.4	
Mackay Shields	573,430,968	11/1/2004	9.1	6.4	-	8.7	6.3	1.3	1.9	1.5	-0.2	
<i>Barclays Aggregate</i>	4.4%			4.6	-	5.3	3.1	-1.6	1.0	1.4	-0.4	
Active Duration Fixed Income												
Hoisington	250,913,885	11/1/2004	9.1	7.0	-	4.0	6.1	-16.6	-4.8	-1.6	-3.2	
<i>Barclays Aggregate</i>	1.9%			4.6	-	5.3	3.1	-1.6	1.0	1.4	-0.4	
High Yield Fixed Income												
Loomis Sayles High Yield	243,238,887	2/1/2009	4.8	16.4	-	-	8.4	7.4	4.5	4.9	0.2	
<i>Merrill Lynch High Yield II</i>	1.9%			18.0	-	-	9.5	8.5	5.3	4.0	0.5	
Lord Abbett High Yield	243,784,084	2/1/2009	4.8	17.4	-	-	10.9	10.7	5.9	4.4	0.7	
<i>Merrill Lynch High Yield II</i>	1.9%			18.0	-	-	9.5	8.5	5.3	4.0	0.5	
Mackay Shields High Yield	245,648,058	2/1/2009	4.8	15.4	-	-	9.5	7.3	4.6	3.5	0.3	
<i>Merrill Lynch High Yield II</i>	1.9%			18.0	-	-	9.5	8.5	5.3	4.0	0.5	

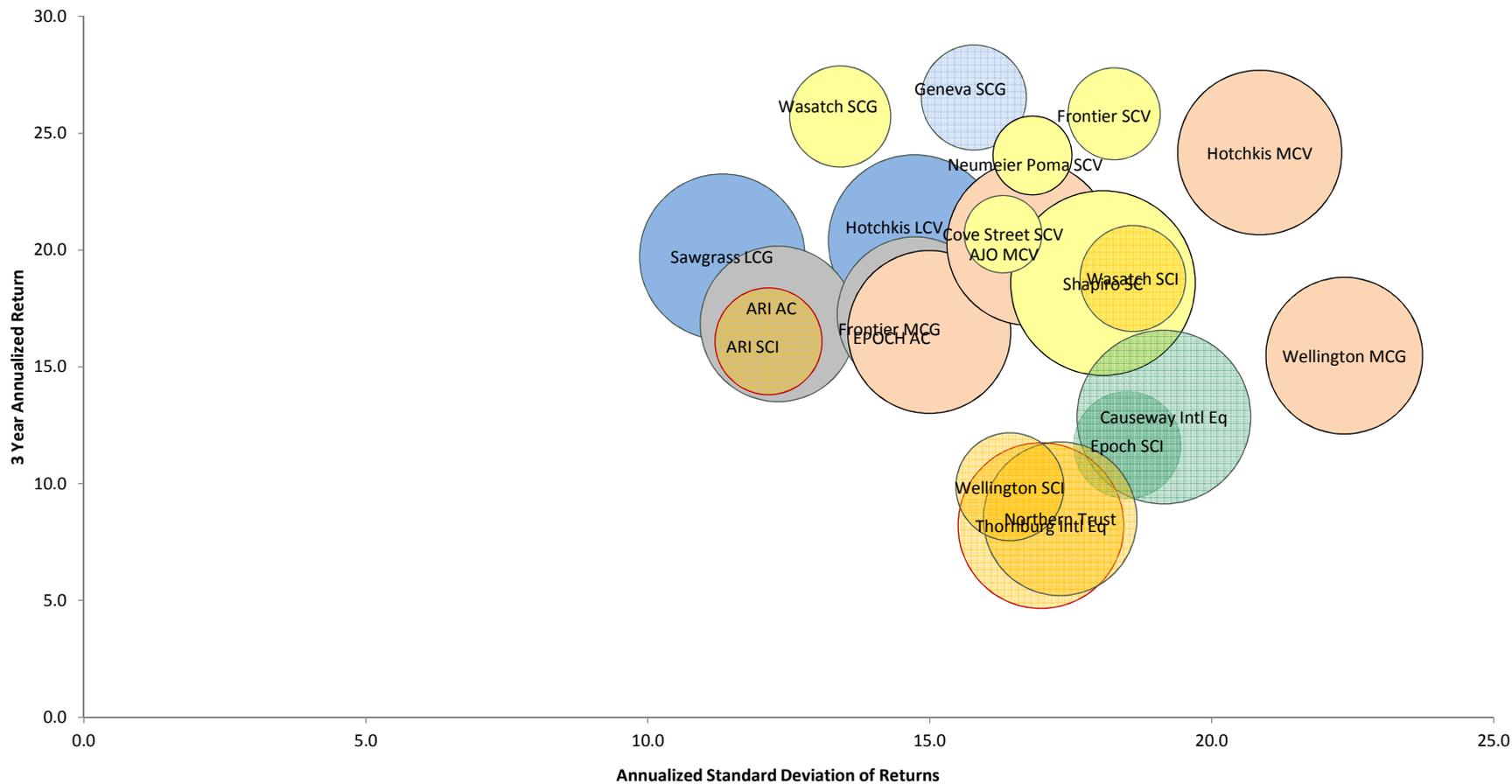
Non-Traditional Portfolios Summary

As of November 30, 2013



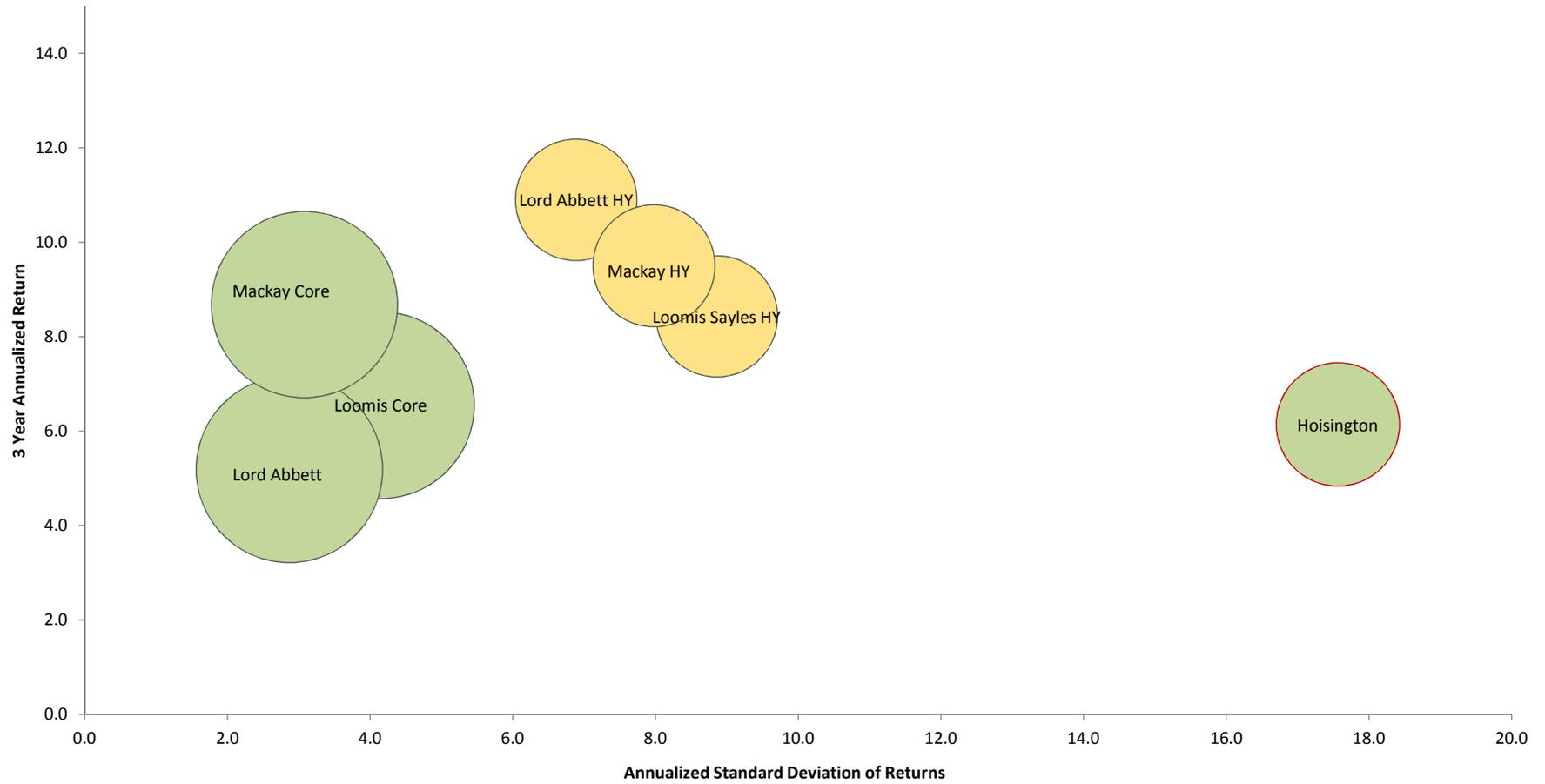
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Master Limited Partnerships											
Chickasaw Capital MLP	235,424,701	2/28/2011	2.8	26.6	-	-	-	43.5	10.4	12.3	2.8
<i>Alerian MLP Index</i>	1.8%			14.1	-	-	-	21.6	2.8	6.0	0.9
Cushing MLP Management	202,967,179	2/28/2011	2.8	19.5	-	-	-	37.7	8.2	8.9	2.6
<i>Alerian MLP Index</i>	1.6%			14.1	-	-	-	21.6	2.8	6.0	0.9
FAMCO MLP	353,126,630	2/28/2011	2.8	13.8	-	-	-	23.4	1.9	3.9	1.1
<i>Alerian MLP Index</i>	2.7%			14.1	-	-	-	21.6	2.8	6.0	0.9
Private Equity											
Legacy Private Equity Portfolio	71,106,786	10/1/2008	5.2	-	-	-	-	-	-	-	-
Franklin Park Private Equity	199,001,656	4/1/2010	3.7	-	-	-	-	-	-	-	-
	2.1%										
Real Estate											
AEW Real Estate	182,265,413	5/1/2011	2.6	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Heitman Real Estate	192,671,534	5/1/2011	2.6	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	171,267,534	4/1/2011	2.7	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.3%			-	-	-	-	-	-	-	-
Opportunistic Fixed Income											
PIMCO BRAVO	144,763,263	3/31/2011	2.7	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.1%			-	-	-	-	-	-	-	-
PIMCO BRAVO II	7,728,304	3/31/2013	0.7	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.1%			-	-	-	-	-	-	-	-

Three Year Risk/Return Review - Equity Portfolios



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

Three Year Risk/Return Review - Fixed Income Portfolios



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

REPORT OF LEGAL COUNSEL

Teachers' Retirement System of Oklahoma December 2013

LITIGATION

Currently, there is no pending litigation. All securities litigation cases wherein OTRS held Lead Plaintiff or co-lead plaintiff status, pursuant to the Private Securities Litigation Reform Act (PSLRA), have concluded or settled. An advisory and monitoring report has been received from securities counsel and is being reviewed.

ADMINISTRATIVE

The grievance scheduled for administrative hearing in November 2013 was resolved without the need for hearing and the hearing was stricken.

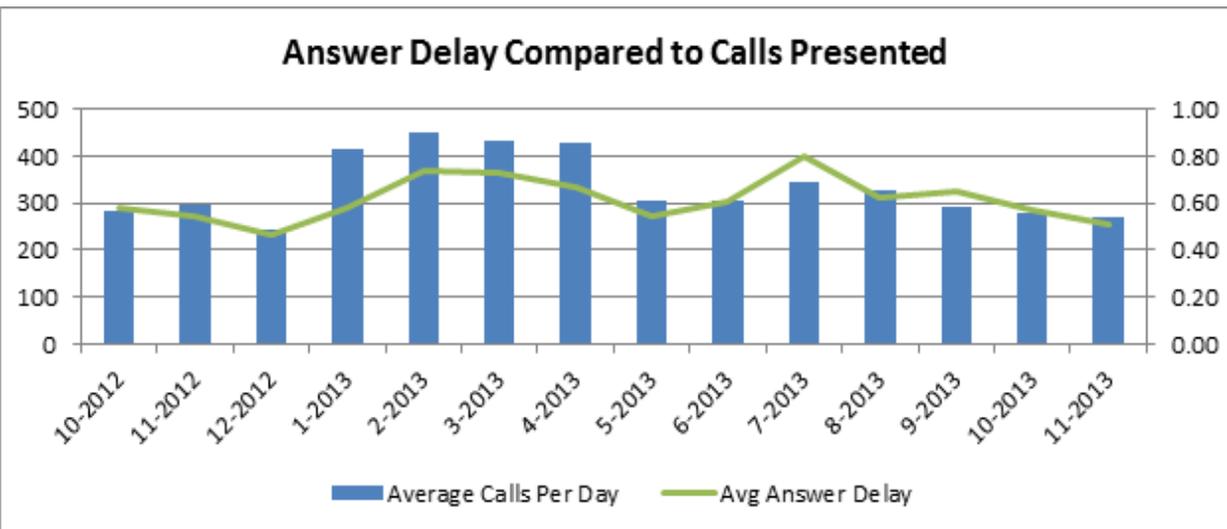
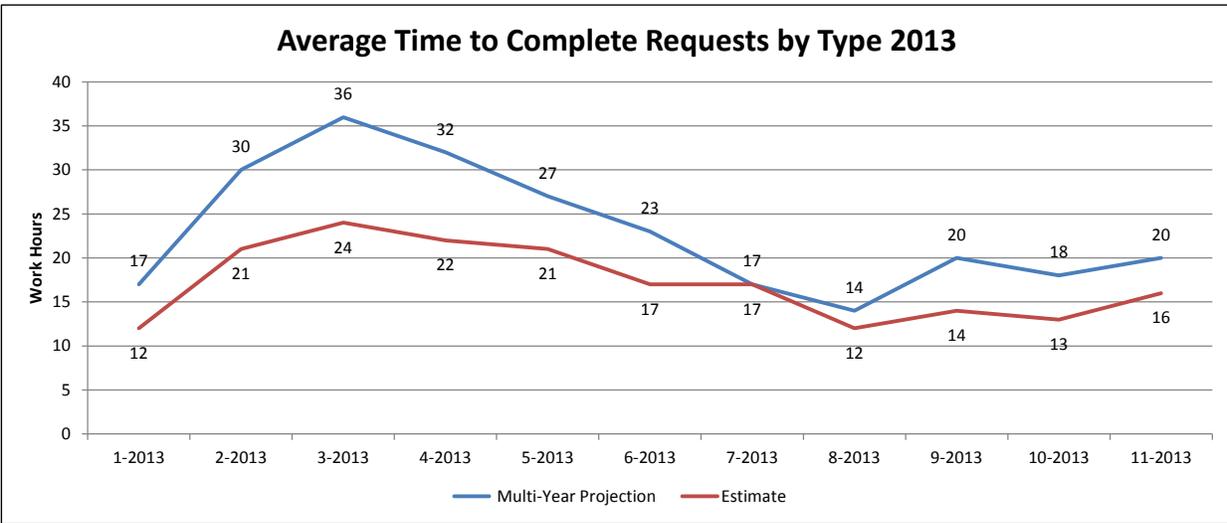
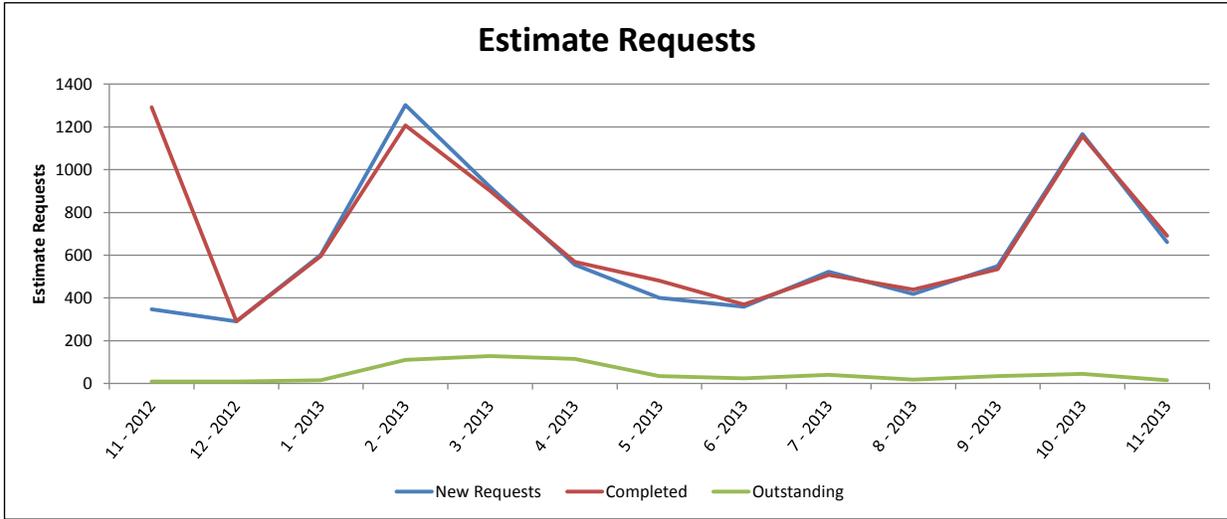
There is currently one active grievance that will be scheduled in January 2014 for hearing.

CONSULTED MATTERS

- Rule review and rule making
- Policy review/drafting
 - Fraud Reporting Policy
 - Ethics Policy
 - Trustee Manual updates
 - Employer Manual updates
 - Employee Handbook review/updates
 - Additional policies needed
- EthicsPoint
- Retirement election form review
- Determinations and interpretations for employers
- Securities litigation monitoring
- Open Record requests
- Internal procedure and personnel issues
- QDRO interpretation
- Client account issues
- Statute and rule interpretation

- Representation before state and federal agencies
- Point of contact for client grievance matters
- Service credit award re: annexation
- Annual checklist
- Audit recommendation implementation
- Track and consult regarding legislative and law updates
- Agenda and meeting minute review

OTRS Client Services Performance Metrics Through November 2013





OKLAHOMA TEACHERS RETIREMENT SYSTEM

Monthly Retirement Status Report - December 2013

New Retirements	<u>Count</u>	<u>Benefit Total</u>
Type		
Disability	5	\$5,361.94
Normal	63	\$81,771.24
Total	68	\$87,133.18
Terminated Retirements	27	\$31,616.77
Net Change	41	\$55,516.41

NORMAL RETIREMENTS

12/1/2013

Client #	Client Name	Service	Estimate Ret. Date	Retirement Number	Benefit
Q0047422	H AITKEN	5	12/1/2013	099397	\$192.20
Q0296646	I ANDERSON	6	12/1/2013	099398	\$126.92
Q0260475	G AUGELLI	17	12/1/2013	099399	\$998.57
Q0124362	V BAKER	7	12/1/2013	099400	\$367.72
Q0184323	D BALCH	24	12/1/2013	099273	\$1,587.51
Q0018530	D BALTES	10	12/1/2013	099401	\$701.33
Q0206072	D BELCHER	26	12/1/2013	099402	\$518.14
Q0279895	L BOHANNON	8	12/1/2013	099403	\$204.59
Q0086416	S BRADLEY	12	12/1/2013	099404	\$500.00
Q0051131	L BUCKNER	14	12/1/2013	099405	\$418.02
Q0256554	A BUKOWINSKI	9	12/1/2013	099406	\$223.84
Q0166767	D CANNON	31	12/1/2013	099453	\$2,492.66
Q0148476	D CHAPIN	34	12/1/2013	099407	\$3,723.66
Q0104491	B CLEMENTS	35	12/1/2013	099386	\$4,540.06
Q0104398	M COLE	29	12/1/2013	099408	\$1,963.14
Q0116880	M COLEMAN	12	12/1/2013	099409	\$509.98
Q0300498	A COLLINS	5	12/1/2013	099410	\$184.97
Q0295102	P COOPER	6	12/1/2013	099411	\$218.59
Q0200671	S CROW	45	12/1/2013	099382	\$2,514.35
Q0083657	D DENT	29	12/1/2013	099412	\$978.47
Q0068147	S DRAKE	29	12/1/2013	099414	\$2,048.90
Q0233326	K DUNN	12	12/1/2013	099413	\$340.67
Q0106394	S ELLIOTT	22	12/1/2013	099415	\$1,520.96
Q0183110	B FARRIS	26	12/1/2013	099416	\$1,419.91
Q0237582	E FRANCIS	23	12/1/2013	099417	\$3,002.72
Q0259365	K GASEM	27	12/1/2013	099418	\$3,599.90
Q0047947	J GIFFORD	24	12/1/2013	099419	\$718.30
Q0067644	M GREEN	15	12/1/2013	099387	\$656.21
Q0234478	C GWARTNEY	21	12/1/2013	099420	\$886.54
Q0283665	S HADLEY	7	12/1/2013	099388	\$290.91
Q0101010	F HAMM	20	12/1/2013	099385	\$554.61
Q0127920	P HARRIS	23	12/1/2013	099421	\$1,631.94
Q0107947	J HIGHTOWER	33	12/1/2013	099422	\$2,434.22
Q0229787	G HODGE	24	12/1/2013	099383	\$939.64
Q0230556	K HUBBARD	34	12/1/2013	099423	\$2,164.38
Q0070017	J JACKSON	27	12/1/2013	099425	\$1,950.78
Q0089802	T JACKSON	26	12/1/2013	099428	\$1,744.28
Q0164382	R JEFFERSON	35	12/1/2013	099429	\$3,562.27
Q0142893	J JONES	12	12/1/2013	099430	\$308.38
Q0010919	B KNIPPENBERG	21	12/1/2013	099431	\$1,810.34
Q0276129	G KURKOWSKI	8	12/1/2013	099432	\$449.96
Q0089967	V METZGER	22	12/1/2013	099384	\$472.69
Q0105634	J NEUGEBAUER	36	12/1/2013	099433	\$3,006.92
Q0064029	M NICHOLAS	21	12/1/2013	099434	\$1,236.50
Q0222455	M ROCKLEY	39	12/1/2013	099435	\$3,268.73
Q0006127	L ROHRS	10	12/1/2013	099376	\$610.96
Q0144977	G SAUNDERS	24	12/1/2013	099436	\$2,025.71
Q0123935	A SELVIDGE	14	12/1/2013	099437	\$625.33

Q0065907	M	SHERMAN	16	12/1/2013	099438	\$1,040.06
Q0204455	J	SHURTLEFF	15	12/1/2013	099439	\$412.06
Q0018936	J	SIEKIERSKI	23	12/1/2013	099440	\$1,884.36
Q0176108	W	SIMEROOTH	10	12/1/2013	099441	\$305.59
Q0164426	L	SIMMONS	26	12/1/2013	099442	\$2,070.99
Q0130197	V	SMITH	31	12/1/2013	099443	\$1,650.39
Q0161278	E	SWANK	19	12/1/2013	099444	\$999.04
Q0127016	L	TANNER	8	12/1/2013	099451	\$90.96
Q0181681	K	TERRY	16	12/1/2013	099445	\$983.93
Q0103616	S	THOMAS	20	12/1/2013	099446	\$1,588.18
Q0021952	R	TIMM	9	12/1/2013	099447	\$327.91
Q0222556	L	WAXLER	23	12/1/2013	099448	\$1,890.82
Q0118115	C	WESSEL	5	12/1/2013	099449	\$69.69
Q0259506	V	WILSON	15	12/1/2013	099450	\$1,705.26
Q0051223	L	WOELFLIN	14	12/1/2013	099452	\$504.62

TOTAL

\$81,771.24

Disability Retirements

December 2013

Client #	Client Name	Service	Estimate Ret. Date	Retirement Number	Benefit
Q0052486 D	CHRISTIE	18	12/01/13	D099380	\$1,509.23
Q0186585 L	FLOOD	14	12/01/13	D099391	\$844.21
Q0185913 C	JACKSON	10	12/01/13	D099390	\$243.91
Q0046910 D	KILGORE	17	12/01/13	D099394	\$1,173.24
Q0053143 T	OBER	21	12/01/13	D099395	\$1,591.35
TOTAL					\$5,361.94

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

Board Meeting December 18, 2013

<i>Cash Basis</i>	October 2012	October 2013		
<i>Monthly Contributions:</i>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$34,006,143.56	\$25,262,833.78	(\$8,743,309.78)	-25.71%
Employer Contributions	34,758,222.59	36,672,767.33	1,914,544.74	5.51%
State Revenue	<u>30,515,407.09</u>	<u>29,565,475.05</u>	<u>(949,932.04)</u>	<u>-3.11%</u>
Total Retirement Receipts	99,279,773.24	91,501,076.16	(7,778,697.08)	-7.84%
 <i>Monthly Distributions:</i>				
Retirement Benefits	88,833,593.11	94,539,173.35	5,705,580.24	6.42%
Withdrawals and Death Benefits	<u>3,614,004.99</u>	<u>5,409,983.42</u>	<u>1,795,978.43</u>	<u>49.69%</u>
Total Benefit Payments	<u>92,447,598.10</u>	<u>99,949,156.77</u>	<u>7,501,558.67</u>	<u>8.11%</u>
Net (Receipts - Payments)	<u>\$6,832,175.14</u>	<u>(\$8,448,080.61)</u>	<u>(\$15,280,255.75)</u>	<u>-223.65%</u>
	Year to Date	Year to Date		
<i>Year to Date Contributions:</i>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$96,666,185.84	\$86,917,969.18	(\$9,748,216.66)	-10.08%
Employer Contributions	126,188,601.68	115,604,301.74	(10,584,299.94)	-8.39%
State Revenue	<u>102,322,424.28</u>	<u>99,764,475.80</u>	<u>(2,557,948.48)</u>	<u>-2.50%</u>
Total Retirement Receipts	325,177,211.80	302,286,746.72	(22,890,465.08)	-7.04%
 <i>Year to Date Distributions:</i>				
Retirement Benefits	372,087,007.61	388,933,078.16	16,846,070.55	4.53%
Withdrawals and Death Benefits	<u>18,040,245.69</u>	<u>19,120,604.88</u>	<u>1,080,359.19</u>	<u>5.99%</u>
Total Benefit Payments	<u>390,127,253.30</u>	<u>408,053,683.04</u>	<u>17,926,429.74</u>	<u>4.60%</u>
Net (Receipts - Payments)	<u>(\$64,950,041.50)</u>	<u>(\$105,766,936.32)</u>	<u>(\$40,816,894.82)</u>	<u>62.84%</u>



**SCHEDULE I
Comparison of FY2014 Budget to Actual Expenses
4 Month Year to Date Comparison**

Object of Expenditure	4 Month FY-2014 YTD Budget	4 Month FY-2014 YTD Actual	(Over) Under Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay	687,976	639,247	48,729	7.1%
Taxes, Benefits, and Other	377,868	307,877	69,991	18.5%
Subtotal Personal Services	1,065,844	947,124	118,720	11.1%
Professional Services				
Investment Manager	3,333,333	295,578	3,037,755	0.0%
Investment Consultant	175,500	175,500	0	0.0%
Investment Custodian	0	0	0	0.0%
Pension Commission	20,000	0	20,000	100.0%
Subtotal Investment Expenses	3,528,833	471,078	3,057,755	86.7%
Legal Services - Special Projects	16,668	1,517	15,151	90.9%
Legal Services - Attorney General	18,332	15,246	3,086	16.8%
Administrative Hearings	332	0	332	100.0%
Auditing Services	81,668	35,241	46,427	56.8%
Actuarial Services	50,000	37,870	12,130	24.3%
Medical Hearings	3,332	2,400	932	28.0%
Management Consulting	23,332	10,966	12,366	53.0%
Marketing Consulting	16,668	6,694	9,974	59.8%
Miscellaneous Services	20,084	1,768	18,316	91.2%
Subtotal Professional Services	230,416	111,703	118,713	51.5%
Total Professional Services	3,759,249	582,782	3,176,467	84.5%
Travel and Per Diem Expenses				
Non-Employee Travel	17,200	17,056	144	0.8%
Employee Training	13,100	8,580	4,520	34.5%
Employee Travel Expenses	32,924	14,218	18,706	56.8%
Subtotal Travel and Per Diem Expenses	63,224	39,854	23,370	37.0%
Administrative Expenses				
Postage	85,000	8,592	76,408	89.9%
Telecommunications Services	13,332	6,669	6,663	50.0%
Printing and Binding Contracts	30,000	10,476	19,524	65.1%
Informational Services	15,000	9,796	5,204	34.7%
Rent and Maintenance	84,300	53,772	30,528	36.2%
Office Supplies	12,132	6,518	5,614	46.3%
Buildings and Other Structures Construction and Renovation	3,332	0	3,332	100.0%
Miscellaneous Administrative Expenses	13,632	5,295	8,337	61.2%
Subtotal Administrative Expenses	256,728	101,119	155,609	60.6%
Data Processing Expenses				
Professional Services	518,332	243,186	275,146	53.1%
Rent and Maintenance	1,332	1,686	(354)	-26.6%
Office Supplies	7,496	1,060	6,436	85.9%
Equipment	30,256	3,051	27,205	89.9%
Subtotal Data Processing Expenses	557,416	248,983	308,433	55.3%
Total Expenses	5,702,461	1,919,862	3,782,599	66.3%
Total Investment Expenses Only	3,528,833	471,078	3,057,755	86.7%
Total Data Processing Expenses Only	557,416	248,983	308,433	55.3%
Total except Investment and Data Processing Exp	1,616,212	1,199,800	416,412	25.8%

Miscellaneous Professional Services Expenses

	Budget	Expenses
	<u>2014</u>	<u>2014</u>
Background Checks	250	19.00
Retirement Process Consultant	10,000	0.00
Document Destruction	2,500	807.52
Office of Personnel Management	2,500	0.00
Security	10,000	0.00
Business Service Center	35,000	941.74
	<u>\$60,250</u>	<u>\$1,768.26</u>

Miscellaneous Administrative Expenses Expenses

	Budget	Expenses
	<u>2014</u>	<u>2014</u>
Bank Service Charges	10,000	2,096.00
ERP Systems -PeopleSoft	5,200	796.50
Licenses, Permits, Certificates and Other Rights	3,000	277.50
Membership in Organizations	11,700	2,125.00
Premium Surety and Other Required Bonds	2,000	0.00
Property and Liability Insurance	8,000	0.00
	<u>\$39,900</u>	<u>\$5,295.00</u>

Miscellaneous Data Processing Administrative Expenses

	Budget	Expenses
	<u>2014</u>	<u>2014</u>
Membership in Organizations	1,000	0
	<u>\$1,000</u>	<u>\$0</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
FOR THE FOUR MONTHS ENDED OCTOBER 31

	<u>Year to Date</u> (FY 2014)	<u>Year to Date</u> (FY 2013)	<u>% Change</u>
Balance of Cash and Investments Net Position, Beginning of Year	\$11,817,761,245.40	\$10,120,620,220.15	
<u>RECEIPTS:</u>			
Members' Deposits	69,988,432.11	74,111,042.56	-5.56%
Employer Contributions	101,370,276.09	108,647,838.36	-6.70%
State Credits	12,496,236.50	12,297,962.50	1.61%
Class Action Lawsuits and Other	323,098.41	346,409.12	-6.73%
Matching Funds from Schools	6,796,633.29	7,391,997.11	-8.05%
Lottery Revenue	1,417,526.50	1,438,174.75	-1.44%
Cigarette Sales Tax Revenue	550,716.98	596,034.26	-7.60%
Dedicated Revenue	97,796,232.32	100,288,215.27	-2.48%
Total Retirement Receipts	290,739,152.20	305,117,673.93	-4.71%
Interest Income (Fixed Income and Short-Term)	41,773,540.31	46,010,623.60	-9.21%
Dividend Income	68,935,770.75	61,036,569.51	12.94%
Net Realized Gain/(Loss)	295,479,178.18	117,441,670.13	151.60%
Net Unrealized Gain/(Loss)	699,536,594.78	326,672,918.47	114.14%
Investment Operations Income:			
Other Income	17,684.00	0.00	0.00%
Securities Lending Income	2,678,496.26	3,812,064.43	-29.74%
Total Investment Income	1,108,421,264.28	554,973,846.14	99.72%
TOTAL RECEIPTS	1,399,160,416.48	860,091,520.07	62.68%
<u>DISBURSEMENTS:</u>			
Retirement Benefits	378,957,794.07	362,177,384.27	4.63%
Insurance Premiums Paid for Retirees	10,046,256.00	9,937,576.00	1.09%
Death Benefits	6,441,167.32	5,962,963.48	8.02%
Withdrawals of Accounts	12,679,437.56	12,077,282.21	4.99%
Total Benefit Payments	408,124,654.95	390,155,205.96	4.61%
Administrative Expense:			
General Operations	1,658,210.78	1,656,651.65	0.09%
Investment Expense	9,753,503.40	8,286,322.12	17.71%
Total Administrative Expenses	11,411,714.18	9,942,973.77	14.77%
TOTAL DISBURSEMENTS	419,536,369.13	400,098,179.73	4.86%
NET INCREASE/(NET DECREASE)	979,624,047.35	459,993,340.34	112.96%
Balance of Cash and Investments, October 31, 2013	\$12,797,385,292.75	\$10,580,613,560.49	



**BALANCE SHEET
OCTOBER 31, 2013**

CURRENT ASSETS:

Cash Not Available For Investment	\$21,140,099.02
Equities (At Market Value)	9,728,365,717.54
Fixed Income (At Market Value)	2,709,247,752.49
Short-Term Investment Account	439,644,376.61
Due From/(To) Broker	(147,710,264.72)
Accounts Receivable Installment Payments	1,358,144.49
Accrued Income	<u>45,339,467.32</u>

Total Current Assets

12,797,385,292.75

CAPITAL ASSETS:

Office Furniture and Equipment	3,286,050.30
Accumulated Depreciation	<u>(1,105,815.70)</u>

TOTAL ASSETS

\$12,799,565,527.35

CURRENT LIABILITIES:

Teachers' Savings Fund	\$4,115,284,471.24
Retirement Benefit Fund	7,483,538,849.19
Interest Fund	1,108,731,647.02
Expense Fund	55,754,425.15
Suspense Fund	<u>33,616,623.89</u>

Total Current Liabilities

12,796,926,016.49

TRS Capital Investment	<u>2,639,510.86</u>
------------------------	---------------------

TOTAL LIABILITIES AND CAPITAL INVESTMENT

\$12,799,565,527.35

November 4, 2013

Mr. Stewart E. Meyers, Jr., Trustee
Oklahoma Teacher Retirement System Board of Trustees
P.O. Box 53524
Oklahoma City, OK 73152-3524
(405)521-2387

RE: Rule 715:10-3-1 – Requirements for Creditable Service

Dear Mr. Meyers:

On February 22, 2012, the Oklahoma Teachers' Retirement System Board of Trustees, in a 7-5 vote, approved a large slate of proposed changes to OTRS rules. One change was to Rule 715:10-3-1, which now reads:

All members of Teachers' Retirement System must be employed a specified amount of time as related to their educational employment position, and earn a minimum salary, before creditable service will be awarded. No service performed as an unpaid volunteer shall be counted as service credit. For service performed on or after July 1, 2013, creditable service will be awarded based upon the information provided by each employer certifying full-time equivalent for each position, subject to approval by TRS. . . . For service performed on or after July 1, 2013, fractional service will be awarded for less than full-time employment performed during the contract year. (*Note: Please refer to Client Handbook for explanation of creditable service qualifications. The Client Handbook, which is periodically modified, can be found at www.ok.gov/TRS).*)

(Emphasis added; italics in original.) Under the Client Handbook's application of the new version of the rule, schools must now report the number of days that a teacher is assigned to work and also must report any days that the teacher did not work and was docked pay. Such docked days are subtracted from the total assigned work days and a fractional year of service is then calculated. At the time the rule change was proposed, it was explained thus:

[W]ith the requirement that Classified personnel must be members of the System regardless of the number of hours worked, this change will allow all such members to receive retirement service credit in line with the fraction of full time service that is worked. This will also treat all members of the System consistently in that service credit will be based on the fraction of full time service for similar positions.

At the time that fractional years of service were being considered, public comments raised concerns about members who began teaching after the first of the school year. Under the rule as proposed, and as enacted, such a member would only receive fractional credit for any such year. While Professional Oklahoma Educators echoes this concern and agrees that allowances must be made for members who start teaching after the first of the school year, a much more serious (and, we believe, unintended) consequence of the rule change has arisen with respect to the issue of “docked days.”

There are at least two statutory provisions for teacher leave which can entail a loss of pay. First, 70 Okla. Stat. § 6-104(A) provides: “Each school district shall provide for all teachers a minimum of three (3) days for personal business leave, upon the request of the teacher. Salary deductions for such leave shall not exceed the salary level for substitute teachers.” Second, 70 Okla. Stat. § 6-104.5(A) provides: “If, after exhausting all sick leave, a teacher is absent from his or her duties due to personal accidental injury, illness or pregnancy, the teacher shall receive for a period of not to exceed twenty (20) days his or her full contract salary less the amount . . . paid a certified substitute teacher.” Page 39 of the current OTRS Employer Manual makes absolutely clear that when teachers take advantage of either of these two forms of leave, they are to be docked days for purposes of calculating a year of service.

Unfortunately, this outcome was not contemplated at the time the rule change was adopted because the Client Handbook / Employer Manual had not yet been amended to include these provisions. Thus, public comment on this issue was impossible in early 2012. However, since the current version of the Employer Manual was released on June 7, 2013, OTRS members across the state are being informed by their administrators that taking statutory leave can negatively impact their retirement years of service. The upshot of this is that members who are very close to retirement feel that they simply cannot use their statutory leave without falling short at the end of the year. Even teachers who are further away from retirement age have significant concerns about this new and unexpected consequence for taking their leave.

Professional Oklahoma Educators respectfully requests that the Board address this consequence of the current iteration of Rule 715:10-3-1. We suggest that the rule be changed to reflect that statutory personal and sick leave does not affect the years of service calculation. We do not anticipate that this change will have a significant effect on retirement liability because we expect that most members who are affected by this consequence will complete an extra semester or even an extra year of service to make up the difference caused by fractional years before retirement. We hope this is a change that the Board is willing to seriously consider.



Professional Security
Personal Service • Oklahoma Values

State President – Carol Cumbie • Executive Director – Ginger Tinney

If our organization can be of any assistance to you in addressing this issue, please do not hesitate to contact us. We deeply appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Ginger Tinney".

Ginger Tinney
Executive Director