



OKLAHOMA TEACHERS

RETIREMENT SYSTEM

BOARD OF TRUSTEES

SPECIAL MEETING

FEBRUARY 28, 2013

MEETING MATERIALS

TABLE OF CONTENTS

TRS Board Agenda	1-2
January 22, 2013 Special Trustee Education Meeting Minutes	3-4
January 23, 2013 Meeting Minutes	5-9
Investment Consultant Monthly Report	10-21
Investment Consultant Quarterly Report	22-57
Data Migration	58-90
Adoption of Permanent Rules	91-104
Executive Director Report	
Client Status Update	105-112

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Special Board Meeting
Thursday, February 28, 2013 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. ROLL CALL FOR QUORUM**
- 2. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR:**
 - A. January 22, 2013 Special Trustee Education Meeting
 - B. January 23, 2013 Board Meeting
- 3. DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO TITLE 25 O.S. § 307 (B)(4) FOR THE PURPOSE OF CONFIDENTIAL COMMUNICATIONS BETWEEN THE BOARD OF THE TEACHERS RETIREMENT SYSTEM AND ITS ATTORNEY CONCERNING POSSIBLE ACTION TO SEEK CO-LEAD PLAINTIFF APPOINTMENT, CONSOLIDATION OF C 12-5980 AND C 13-0284 IN THE US DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION, AND APPROVAL OF BERNSTEIN LITOWITZ BERGER & GROSSMAN TO REPRESENT IT AS CO-LEAD COUNSEL**
 - A. Vote to Convene into Executive Session
 - B. Vote to Return to Open Session
- 4. DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**
- 5. DISCUSSION AND POSSIBLE ACTION ON ADOPTION OF PERMANENT RULES:**
715:10-5-36 new rule; 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
- 6. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 7. PRESENTATION BY INVESTMENT MANAGER(S):**
 - A. Sawgrass Asset Management (Large Cap)
 - B. Hotchkis & Wiley (Large Cap)
 - C. Hotchkis & Wiley (Mid Cap)
- 8. 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***
- 9. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT QUARTERLY REPORT**
- 10. DISCUSSION AND POSSIBLE ACTION ON OTRS INVESTMENT STAFF QUARTERLY REPORT**
- 11. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT**
- 12. DISCUSSION AND POSSIBLE ACTION ON SMALL CAP GROWTH RFP**
 - A. Presentation by Finalists:
 1. Geneva
 2. Wasatch Advisors
 - B. Selection of Finalist(s)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Special Board Meeting
Thursday, February 28, 2013 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA (continued)

- 13. DISCUSSION AND POSSIBLE ACTION ON DATA MIGRATION**
- 14. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR REPORT**
 - A. Client Status Update
 - B. Performance Metrics
 - C. Legislative Update
 - D. Other Items for Discussion
- 15. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 16. ADJOURNMENT**

**MEETING MINUTES
JANUARY 22, 2013
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 1:01 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

Beth Kerr
Stewart E. Meyers, Jr.
William Peacher

TRUSTEES ABSENT:

Sherrie Barnes
Roger Gaddis
Jill Geiger
Michael Simpson

Jonathan Small
Billie Stephenson
Greg Winters

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. Florence; Ms. Kerr; Mr. Meyers; Mr. Peacher; 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 – INSTITUTIONAL INVESTING: Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board a presentation on institutional investing. No action was necessary. Mr. Dickson joined the meeting during the presentation.

ITEM 3 – RISKS AND RISK TOLERANCE: Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board a presentation on risks and risk tolerance. No action was necessary.

ITEM 4 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 5 – ADJOURNMENT: There being no further business, a motion was made by Mr. Meyers with a second made by Mr. Florence to adjourn. The meeting was adjourned at 2:57 p.m. Trustees present at adjournment were Mr. Dickson; Mr. Florence; Ms. Kerr; Mr. Meyers; Mr. Peacher; and Chairman Trennepohl.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
Gary Trennepohl, Chairman

ATTEST:

BY: _____
Vernon Florence, 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 February 27, 2013.

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

**MEETING MINUTES
JANUARY 23, 2013
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by 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, *Secretary*
Beth Kerr*
Stewart Meyers, Jr.*

William Peacher*
Michael Simpson
Jonathan Small
Billie Stephenson
Greg Winters

TRUSTEES ABSENT:

Sherrie Barnes
Roger Gaddis

Jill Geiger

TRS STAFF PRESENT:

James R. Wilbanks, *Executive Director*
Josh Richardson, *Internal Auditor*

Becky Wilson, *Executive Assistant*
Grant Soderberg, *Investment Associate*

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.*
Chanceu Flick, *OK Educators Assoc*

Wayne Maxwell, *Retired Prof OK Educators*

**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. Kerr; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl. Mr. Peacher joined the meeting immediately following the roll call.

ITEM 2 – SWEARING IN OF NEW TRUSTEE: Dr. Greg Winters was sworn in as a new trustee to the Board.

ITEM 3 – ELECTION OF BOARD SECRETARY: A motion was made by Dr. Simpson with a second made by Mr. Small to nominate Vernon Florence as Board Secretary. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Ms. Kerr; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl.

ITEM 4 – MEETING MINUTES: A motion was made by Mr. Dickson with a second made by Ms. Stephenson to approve the December 18, 2012 Special Trustee Education meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Ms. Kerr; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl.

A motion was made by Dr. Simpson with a second made by Mr. Florence to approve the December 19, 2012 Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Ms. Kerr; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl.

ITEM 5 – 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 6 – PRESENTATIONS BY INVESTMENT MANAGERS: Epoch Investment Partners and Advisory Research, Investment Managers for the All Cap portfolio, were present to give respective presentations to the Board.

A break was taken from 10:20 a.m. to 10:30 a.m.

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. After discussion, no action was necessary.

ITEM 9 – SMALL CAP VALUE RFP: Presentations were made to the Board by four of the finalists: Cove Street Capital, Frontier Capital, Huber Capital Management and Neumeier Poma. After giving respective presentations to the Board, the decision was delayed until all managers have presented. Mr. Meyers joined the meeting during the presentations.

A break for lunch was taken from 12:43 p.m. to 12:58 p.m.

ITEM 13 – EXECUTIVE SESSION REGARDING THE EXECUTIVE DIRECTOR OF THE OKLAHOMA TEACHERS RETIREMENT SYSTEM:

- A. A motion was made by Dr. Simpson with a second made by Mr. Small to enter into Executive Session at 12:59 p.m. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Meyers; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl.
- B. A motion was made by Mr. Florence with a second made by Mr. Small to return to Open Session at 1:50 p.m. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Meyers; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl.

ITEM 14 – POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION: Dr. Simpson presented a Resolution that was drafted during Executive Session and made a motion to approve the Resolution of the OTRS Board as presented, removing the salary cap of the Executive Director of the Oklahoma Teachers Retirement System. The Resolution states:

Resolution of the Board of Trustees of the Oklahoma Teachers Retirement System

Whereas, the mission of the Oklahoma Teachers Retirement System is to collect, protect and grow contributions to provide secure retirement income for public educators in the State of Oklahoma; and

Whereas, the Oklahoma Teachers Retirement System serves more than 155,000 members; and

Whereas, the employees of the agency strive to achieve this mission through maintaining values that include integrity, respect for clients, ownership and accountability, accuracy, consistency, confidentiality, quick responsiveness and professionalism; and

Whereas, the Oklahoma Teachers Retirement System has adopted the culture and environment of a financial services firm model; and

Whereas, in the past four years, the System has achieved savings totaling more than \$7.6 million in operational efficiencies including reducing staff by 36%, and over the past 20 years the System has earned a rate of return on investments of 9.4% exceeding its goal of an average of 8% rate of return; and

Whereas, in 2011 the Board of Trustees and staff deftly assisted the State Legislature in crafting laws to reduce the Teacher Retirement System unfunded liability by roughly three billion dollars - effectively removing the system from the list of the 'worse funded' pension systems in the United States and setting it on the path to be fully funded in 22 years; and

Whereas, in 2012, the Oklahoma Teachers Retirement System was recognized as the best mid-sized pension plan investor in the country by Money Management Intelligence, a division of Institutional Investor Magazine with the criteria for the award including demonstrated investment innovation and savvy decision-making that helped the plan meet overall performance objectives, risk management and funding goals; and

Whereas a 2012 client survey revealed that nearly 78% of OTRS members who have contacted the agency within the past year are satisfied with the agency; and

Whereas, the leadership of the Oklahoma Teachers Retirement System has shown bravery, vision and has also lead through mentoring thereby achieving significant and nationally recognized milestones for this agency including recognition as one of the top 10 institutional investors over the prior decade; therefore be it

Resolved, the Board of Trustees of the Oklahoma Teachers Retirement System strongly desires to continue the direction and progress of the organization; and further be it

Resolved, the Board of Trustees believes it is imperative to recruit and retain executive staff of the highest quality in order to continue the progress of the organization; and further, be it

Resolved, the Board of Trustees believes that to recruit and retain such executive staff, the Board must have the authority to offer a competitive performance-based compensation structure; and further, be it

Resolved, the Board of Trustees respectfully requests the Oklahoma State Legislature and the Oklahoma Governor take action to eliminate the statutory limit on salary for the position of Executive Director of the Oklahoma Teacher Retirement System; and further, be it

Resolved, the Board of Trustees respectfully requests the Oklahoma State Legislature and the Oklahoma Governor, in so doing, charge the Board to fulfill its fiduciary duty to the members of the Oklahoma Teachers Retirement System in the recruitment and retention of executive staff of the System.

Mr. Small seconded the motion. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Meyers; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; Dr. Winters; and Chairman Trennepohl.

ITEM 10 – LEGAL REPORT: Regina Switzer, Assistant Attorney General and legal counsel to the Board, gave the legal report to the Board. No action was necessary.

ITEM 11 – EXECUTIVE DIRECTOR REPORT: Dr. Wilbanks gave his report to the Board. A motion was made by Dr. Simpson with a second made by Mr. Small to approve the Executive Director Report. The motion carried by a unanimous voice vote. Trustees responding were Mr. Dickson; Mr. Florence; Mr. Meyers; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; and Dr. Winters.

ITEM 12 – BOARD RESOLUTION: This item was covered under Item 14. No additional action was necessary.

ITEM 15 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 16 – NEW BUSINESS: There was no further business from the Board.

ITEM 17 – ADJOURNMENT: There being no further business, a motion was made by Dr. Simpson with a second made by Mr. Small to adjourn. The meeting was adjourned at 2:15 p.m. Trustees present at adjournment were Mr. Dickson; Mr. Florence; Mr. Meyers; Mr. Peacher; Dr. Simpson; Mr. Small; Ms. Stephenson; and Dr. Winters.

BOARD OF TRUSTEES, TEACHERS’ RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
Gary Trennepohl, Chairman

ATTEST:

BY: _____
Vernon Florence, 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 February 27, 2013.

BY:

Becky Wilson, Executive Assistant to the Executive Director

January 2013 - Market Performance Update

Best January in Fifteen Years

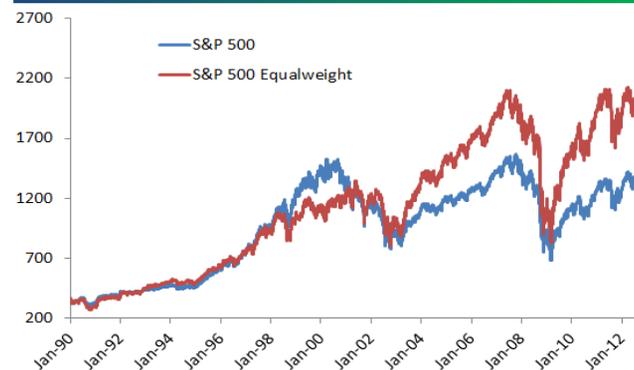
Equity Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	5.9	12.8	14.3	4.8
NASDAQ (prc chg only)	4.1	11.7	13.5	5.6
S&P 500 cap weighted	5.2	16.8	14.1	4.0
S&P 500 equal weighted	6.5	18.7	16.4	7.1
S&P Mid Cap	7.2	18.6	17.6	8.0
S&P Small Cap	5.8	15.5	17.6	7.4
S&P REIT	3.7	14.9	21.7	6.3
Russell 1000 Growth	4.3	13.4	14.6	5.7
Russell 1000 Value	6.5	20.6	14.3	2.7
Russell Mid Cap Growth	6.2	14.6	16.8	6.2
Russell Mid Cap Value	7.4	21.3	17.2	6.3
Russell 2000 Growth	6.6	13.6	17.0	6.9
Russell 2000 Value	6.0	17.3	14.9	5.6
Russell Top 200	4.8	16.5	13.5	3.5
Russell 1000	5.4	17.0	14.5	4.3
Russell Mid Cap	6.8	18.1	17.0	6.4
Russell 2500	6.8	18.1	17.2	7.1
Russell 2000	6.3	15.5	16.0	6.3
MSCI World Ex US	4.9	15.9	7.0	-0.6
MSCI World Ex US Growth	4.4	14.2	7.7	-0.5
MSCI World Ex US Value	5.5	17.5	6.3	-0.8
MSCI EAFE	5.3	17.3	6.9	-0.8
MSCI Emerging Markets	1.4	7.6	7.2	2.0

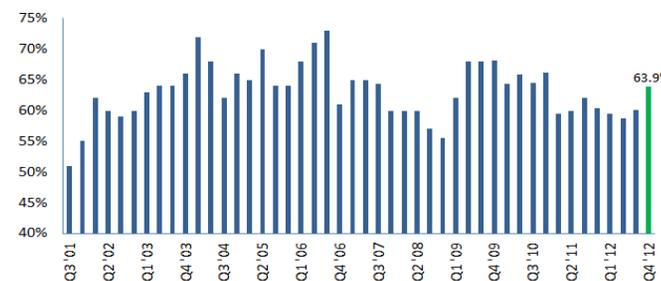
Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	0.4
BC Long Treasury	-3.5	0.0	11.4	8.4
BC US Agg	-0.7	2.6	5.4	5.5

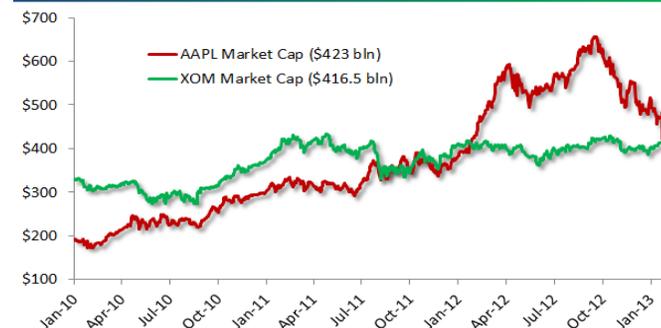
S&P 500 vs. S&P 500 Equalweight: 1990-Present



% of Companies Beating Earnings Estimates by Quarter: 2000-Present



Apple (AAPL) vs. Exxon Mobil (XOM) Market Cap (\$ Billions)



Equity markets surged higher during January as buyers re-entered the market after Washington D.C. effectively kicked the fiscal "can" a few months down the road. Developed market international equities posted strong gains on the month. Emerging markets enjoyed modest returns. Trailing year returns for U.S. and developed foreign markets are remarkably high given the uncertain economic environment. Europe has fallen back into a recession while the U.S. economy actually shrank during the fourth quarter. Unemployment remains stubbornly high in both regions.

Value stocks outperformed growth stocks both domestically and abroad. Smaller companies outperformed larger ones. Mid caps were the top performing capitalization segment of the U.S. market.

Fixed income returns were negative during January. Core bonds were down less than 1% while long duration bonds fell more than 3%. Money market funds produced virtually no income.

Monthly Asset Allocation Review

Asset Class	Total Market Value	Current Percentage	Target Percentage	Difference	Notes
All Cap/Large Cap	2,431,970,464	21.5%	17.5%	4.0%	Excess allocation bound for Private Equity
Mid Cap	1,510,042,544	13.4%	12.5%	0.9%	
Small Cap	1,042,186,365	9.2%	10.0%	-0.8%	
Total Domestic Equity	4,984,199,374	44.1%	40.0%	4.1%	
Large Cap International Equity	1,306,043,182	11.6%	12.5%	-0.9%	
Small Cap International Equity	409,628,159	3.6%	2.5%	1.1%	
Total International Equity	1,715,673,580	15.2%	15.0%	0.2%	
Core Fixed Income	2,385,411,951	21.1%	25.0%	-3.9%	
High Yield Bonds	609,435,240	5.4%	5.0%	0.4%	
MLPs	667,452,299	5.9%	5.0%	0.9%	
Private Equity	201,591,288	1.8%	5.0%	-3.2%	
Real Estate	503,159,640	4.5%	5.0%	-0.5%	
Opportunistic Assets	144,464,034	1.3%	0.0%	1.3%	
Total Non-Core Assets	2,126,102,502	18.8%	20.0%	-1.2%	
Cash	88,980,373	0.8%	0.0%	0.8%	
Composite	11,300,367,779	100.0%	100.0%	0.0%	

Total Fund + Asset Class Composite Summary

As of January 31, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	11,300,367,779	12/1/1991	21.2	9.4	9.7	6.2	12.2	14.5	12.4	6.6	4.3
Total Fund (Net of Fees)				9.1	9.3	5.9	11.9	14.2	12.3	6.5	4.2
<i>Allocation Index</i>				9.2	8.6	5.1	11.8	12.7	10.8	6.0	3.9
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	4,983,385,464 44.1%	4/1/1990	22.9	10.3	10.0	5.4	14.5	16.6	14.1	9.5	6.3
<i>S&P 500</i>				9.0	7.9	4.0	14.1	16.8	11.4	6.8	5.2
Total All Cap Equity	685,770,193 6.1%	9/1/2006	6.4	4.5	-	4.3	13.6	12.8	10.4	7.1	5.8
<i>Russell 3000</i>				4.7	-	4.4	14.6	16.9	12.3	7.6	5.5
Total Large Cap Active Equity	790,073,194 7.0%	1/1/1995	18.1	9.5	8.3	3.5	14.0	17.8	12.3	7.2	5.4
<i>S&P 500</i>				8.8	7.9	4.0	14.1	16.8	11.4	6.8	5.2
Total Mid Cap Equity	1,510,042,544 13.4%	11/1/1998	14.3	9.1	12.6	7.4	16.5	16.9	15.6	11.7	7.2
<i>Russell Mid Cap</i>				8.7	11.6	6.4	17.0	18.1	16.1	11.0	6.8
Total Small Cap Equity	1,042,186,365 9.2%	2/1/1998	15.0	8.3	10.8	6.5	12.8	15.6	16.7	10.7	6.3
<i>Russell 2000</i>				6.4	10.7	6.3	16.0	15.5	13.9	10.6	6.3
Total International Equity	1,715,673,580 15.2%	2/1/1998	15.0	9.0	10.4	0.4	8.0	18.0	19.3	9.9	4.7
<i>MSCI ACWI ex-US</i>				-	11.1	0.4	7.5	14.4	18.5	9.8	4.1
Core Fixed Income (ex- High Yield)	2,385,411,951 21.1%	4/1/1990	22.9	7.6	6.8	8.2	9.0	6.4	3.0	-0.3	-0.7
<i>Barclays Aggregate</i>				7.0	5.1	5.4	5.4	2.6	1.1	-0.7	-0.7
Master Limited Partnerships	667,452,299 5.9%	12/1/2008	4.2	17.0	-	-	-	19.9	24.2	11.1	12.1
<i>Alerian MLP Index</i>				14.2	-	-	-	15.8	18.5	8.2	12.6
High Yield Fixed Income	609,435,240 5.4%	2/1/2009	4.0	18.8	-	-	12.2	16.1	11.5	4.1	2.0
<i>ML High Yield II</i>				-	-	-	11.5	13.9	9.4	3.7	1.4
Core Real Estate	503,159,640 4.5%	4/1/2011	1.8	-	-	-	-	-	-	-	-
<i>NCREIF</i>				-	-	-	-	-	-	-	-
Cash	88,980,373 0.8%	4/1/1990	22.9	-	-	-	-	-	-	-	-
<i>91 Day T-bill</i>				-	1.8	0.5	0.1	0.1	0.1	0.0	0.0

Equity Portfolios Summary

As of January 31, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Hotchkis & Wiley Large Cap <i>Russell 1000 Value</i>	403,558,893 3.6%	4/1/1990	22.9	10.3	8.7	2.2	14.7	19.9	15.3	8.7	5.7
				9.6	8.3	2.7	14.3	20.6	15.2	8.7	6.5
Sawgrass <i>Russell 1000 Growth</i>	386,514,301 3.4%	7/1/2006	6.6	5.9	-	5.2	14.5	15.0	9.3	5.6	5.1
				6.3	-	5.7	14.6	13.4	9.2	6.0	4.3
ARI All Cap <i>Russell 3000 Value</i>	346,132,160 3.1%	9/1/2006	6.4	3.7	-	4.0	13.7	12.6	10.8	7.0	6.1
				4.7	-	4.4	14.6	16.9	12.3	7.6	5.5
EPOCH All Cap <i>Russell 3000 Value</i>	339,638,033 3.0%	9/1/2006	6.4	5.1	-	4.5	13.5	12.7	10.1	7.2	5.4
				4.7	-	4.4	14.6	16.9	12.3	7.6	5.5
NT Cap Weighted Passive <i>S&P 500 Cap Weighted</i>	466,736,655 4.1%	4/1/2012	0.8	9.5	-	-	-	-	11.4	6.8	5.2
				-	7.9	4.0	14.1	16.8	11.4	6.8	5.2
SSGA Eq Weighted Passive <i>S&P 500 Equal Weighted</i>	489,390,423 4.3%	4/1/2012	0.8	13.0	-	-	-	-	15.8	10.4	6.5
				-	7.9	4.0	14.1	16.8	11.4	6.8	5.2
Frontier Capital <i>Russell Mid Cap Growth</i>	387,205,289 3.4%	6/1/2002	10.7	9.2	13.0	7.6	16.1	16.7	12.5	10.2	6.2
				8.0	11.1	6.2	16.8	14.6	13.7	10.5	6.2
Wellington Management <i>Russell Mid Cap Growth</i>	323,665,794 2.9%	9/1/1998	14.4	9.3	11.1	4.5	11.9	3.6	13.5	12.4	7.3
				7.9	11.1	6.2	16.8	14.6	13.7	10.5	6.2
AJO Partners <i>Russell MidCap</i>	374,806,054 3.3%	8/1/1998	14.5	10.0	11.8	6.8	17.7	18.1	15.9	10.6	7.1
				8.3	9.8	6.4	17.0	18.1	16.1	11.0	6.8
Hotchkis & Wiley Mid Cap <i>Russell MidCap Value</i>	424,365,407 3.8%	8/1/2002	10.5	13.1	14.3	10.9	20.4	29.7	20.0	13.7	8.3
				10.6	11.7	6.3	17.2	21.3	18.1	11.5	7.4
Shapiro Capital Management <i>Russell 2000 Value</i>	591,132,202 5.2%	2/1/1998	15.0	9.5	14.0	10.4	15.7	16.4	17.5	10.3	6.3
				7.7	10.5	5.6	14.9	17.3	15.6	10.8	6.0
Legacy Small Cap	450,240,243 4.0%	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-
Causeway Capital <i>MSCI ACWI Ex US</i>	459,309,753 4.1%	5/1/2003	9.8	10.7	-	1.9	9.9	20.2	20.2	9.3	3.3
				9.4	-	-0.3	7.4	17.8	20.1	11.3	5.3
Brandes <i>MSCI ACWI Ex US</i>	405,291,398 3.6%	2/1/1996	17.0	10.3	10.3	-1.5	5.0	14.2	17.3	10.9	5.8
				5.0	9.7	-0.3	7.4	17.8	20.1	11.3	5.3
Thornburg <i>MSCI ACWI Ex US</i>	441,341,902 3.9%	12/1/2005	7.2	7.0	-	2.0	9.3	15.9	17.9	9.7	4.7
				4.0	-	-0.3	7.4	17.8	20.1	11.3	5.3
ARI Small Cap International <i>MSCI EAFE Small Cap</i>	103,440,058 0.9%	12/1/2011	1.2	22.5	-	-	-	20.0	22.0	10.2	4.8
				13.3	9.5	-3.3	4.6	16.9	13.2	5.7	4.0
Epoch Small Cap International <i>MSCI EAFE Small Cap</i>	99,528,166 0.9%	12/1/2011	1.2	17.6	-	-	-	17.1	19.9	7.7	4.9
				13.3	9.5	-3.3	4.6	16.9	13.2	5.7	4.0
Wasatch Small Cap International <i>MSCI EAFE Small Cap</i>	103,152,195 0.9%	12/1/2011	1.2	32.1	-	-	-	30.2	23.1	9.3	4.6
				13.3	9.5	-3.3	4.6	16.9	13.2	5.7	4.0
Wellington Small Cap International <i>MSCI EAFE Small Cap</i>	103,507,739 0.9%	12/1/2011	1.2	27.5	-	-	-	23.4	22.8	11.4	5.6
				13.3	9.5	-3.3	4.6	16.9	13.2	5.7	4.0

Fixed Income and Non-Core Portfolios Summary

As of January 31, 2013



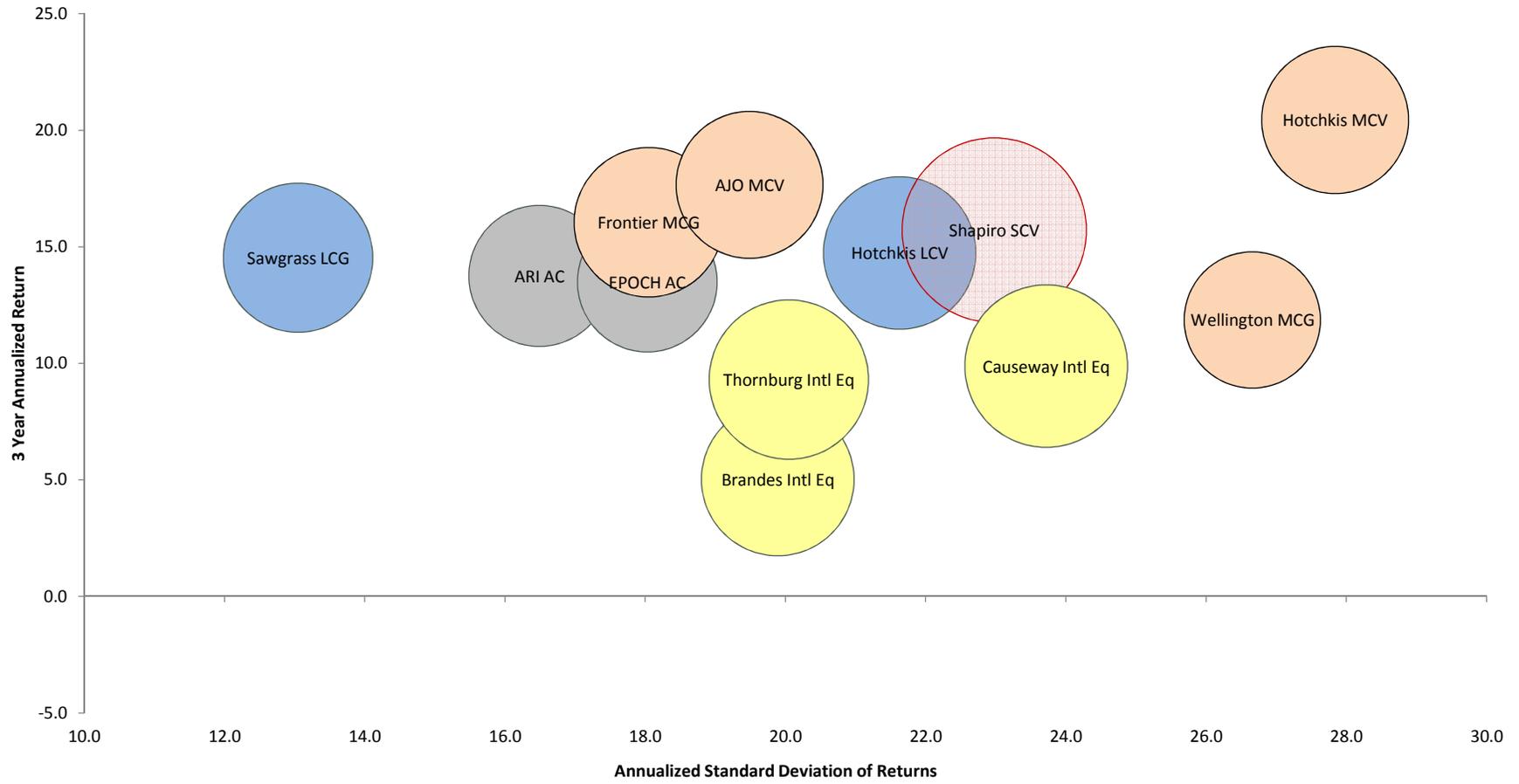
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Loomis Sayles	624,140,864	8/1/1999	13.4	7.6	8.2	10.2	9.9	9.5	5.5	0.7	-0.1
<i>Barclays Aggregate</i>	5.5%			6.1	5.1	5.4	5.4	2.6	1.1	-0.7	-0.7
Lord Abbett	589,177,386	11/1/2004	8.2	6.8	-	7.9	7.8	6.9	4.0	0.5	-0.1
<i>Barclays Aggregate</i>	5.2%			5.2	-	5.4	5.4	2.6	1.1	-0.7	-0.7
Mackay Shields	601,810,860	11/1/2004	8.2	7.0	-	8.4	8.8	8.3	5.3	0.6	0.1
<i>Barclays Aggregate</i>	5.3%			5.2	-	5.4	5.4	2.6	1.1	-0.7	-0.7
Hoisington	279,664,088	11/1/2004	8.2	9.1	-	9.7	14.3	-0.8	-6.0	-5.7	-4.7
<i>Barclays Aggregate</i>	2.5%			5.2	-	5.4	5.4	2.6	1.1	-0.7	-0.7
Stephens	290,618,753	11/1/2004	8.2	5.0	-	4.8	3.8	2.3	0.9	-0.3	-0.5
<i>Barclays Aggregate</i>	2.6%			5.2	-	5.4	5.4	2.6	1.1	-0.7	-0.7
Loomis Sayles High Yield	203,842,302	2/1/2009	3.9	19.6	-	-	12.2	20.7	14.9	4.7	2.8
<i>Merrill Lynch High Yield II</i>	1.8%			20.5	-	-	11.5	13.9	9.4	3.7	1.4
Lord Abbett High Yield	204,091,689	2/1/2009	3.9	19.4	-	-	12.7	15.0	11.1	4.4	1.9
<i>Merrill Lynch High Yield II</i>	1.8%			20.5	-	-	11.5	13.9	9.4	3.7	1.4
Mackay Shields High Yield	201,501,249	2/1/2009	3.9	17.5	-	-	11.5	12.8	8.5	3.2	1.2
<i>Merrill Lynch High Yield II</i>	1.8%			20.5	-	-	11.5	13.9	9.4	3.7	1.4

Non-Traditional Portfolios Summary

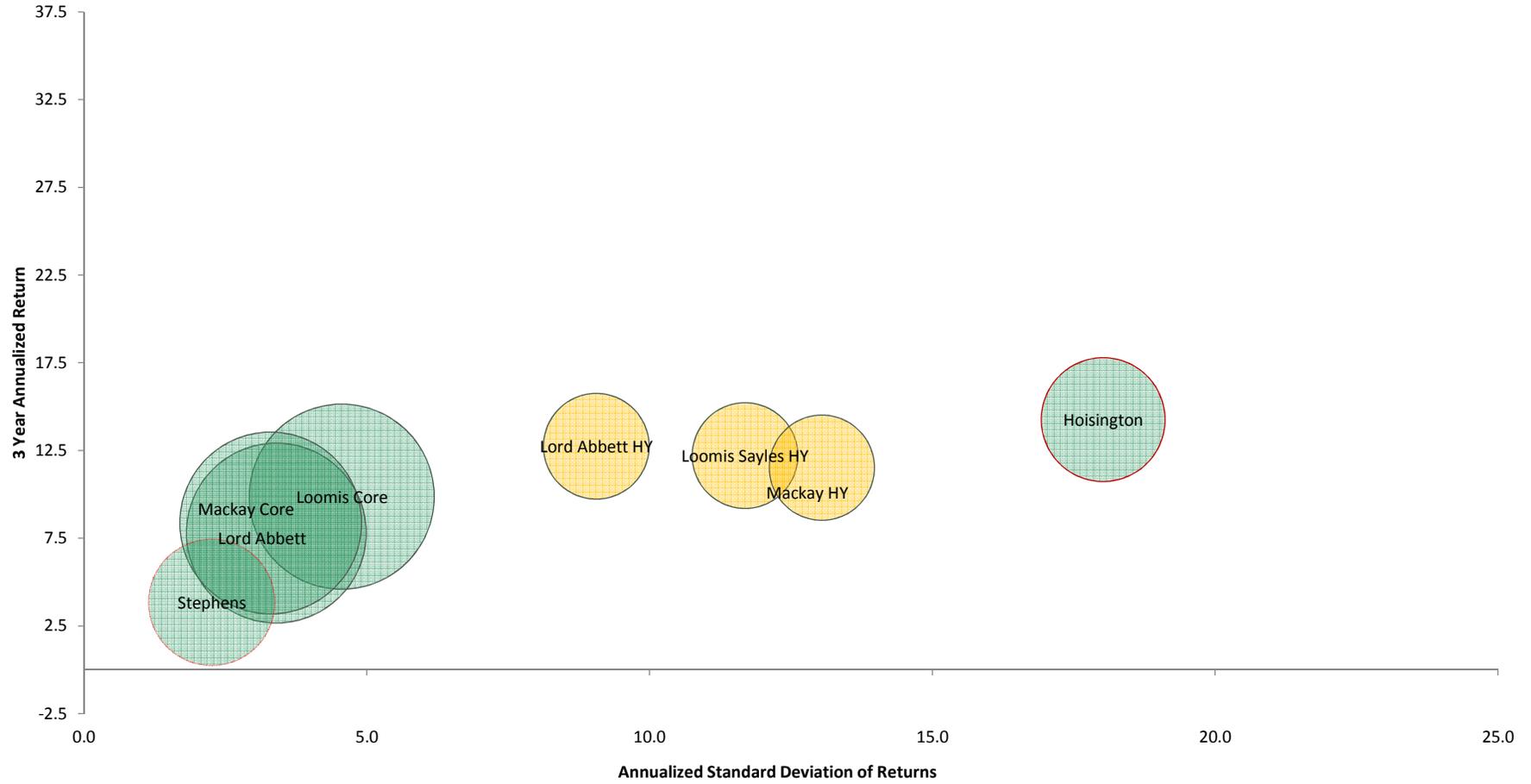
As of January 31, 2013

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Legacy Private Equity Portfolio	72,986,226	10/1/2008	4.3	-	-	-	-	-	-	-	-
Franklin Park Private Equity	128,605,062	4/1/2010	2.8	-	-	-	-	-	-	-	-
Total Private Equity %	1.8%										
Chickasaw Capital MLP	189,214,047	2/28/2011	1.8	24.3	-	-	-	30.4	30.7	14.4	13.0
<i>Alerian MLP Index</i>	1.7%			14.2	-	-	-	15.8	18.5	8.2	12.6
Cushing MLP Management	164,585,827	2/28/2011	1.8	15.9	-	-	-	18.8	26.7	10.5	12.0
<i>Alerian MLP Index</i>	1.5%			14.2	-	-	-	15.8	18.5	8.2	12.6
FAMCO MLP	313,652,426	2/28/2011	1.8	13.1	-	-	-	14.8	19.5	9.5	11.6
<i>Alerian MLP Index</i>	2.8%			14.2	-	-	-	15.8	18.5	8.2	12.6
AEW Real Estate	168,556,340	5/1/2011	1.7	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
Heitman Real Estate	173,735,967	5/1/2011	1.7	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	160,867,333	4/1/2011	1.8	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage I	13,186	5/1/2008	4.7	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.0%			-	-	-	-	-	-	-	-
PIMCO Distressed Mortgage II	24,102,137	12/1/2008	4.1	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.2%			-	-	-	-	-	-	-	-
PIMCO BRAVO	120,348,711	3/31/2011	1.8	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.1%			-	-	-	-	-	-	-	-

Three Year Risk/Return Review - Equity Portfolios



Three Year Risk/Return Review - Fixed Income Portfolios



Manager Status Summary

Manager	% of Total Portfolio	Mandate	Status	Reason - Date of Most Recent Change (term)
Brandes	3.6%	International Value Equity	Terminated	
Wellington	2.9%	Mid Cap Growth	On Alert	Performance - August 2012 (June 2013)
Epoch	3.1%	All Cap Equity	On Alert	Personnel/Org - December 2012 (June 2013)
Epoch	0.9%	International Small Cap	On Alert	Personnel/Org - October 2012 (June 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:
<p>In Compliance: The portfolio is in full compliance with its guidelines and it is performing to expectations.</p> <p>On Alert: Concerns exist with the portfolio's performance, a change in investment characteristics, management style, ownership structure, staff or other related events.</p> <p>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.</p>

Manager Profile - Hotchkis & Wiley Large Cap Value



Asset Class:	Large Cap Domestic Equity
Status:	In Compliance
Portfolio Size:	\$403,558,893
Inception Date:	4/1/1990
Target Allocation:	3.0%
Actual Allocation:	3.6%
Annual Management Fee:	0.32%
Location:	Los Angeles, California
Structure:	Independent Investment Manager
Portfolio Management Team:	George Davis Sheldon Lieberman Patricia McKenna
Represented by:	George Davis

Notes:

Hotchkis & Wiley are disciplined value investors in domestic equities. Their firm specializes in thorough, bottom-up investment research. They invest when the present value of a company's future cash flows exceeds its market price by a meaningful amount. Many of the companies held are unpopular and have low expectations.

Founded: 1980

Return Profile	Since Inception	Last 5 Years		Last 3 Years		Last Year	Last Quarter		Last Month
Hotchkis & Wiley Large Cap Value	10.3	2.2		14.7		19.9	8.7		5.7
Russell 1000 Value	9.6	2.7	14.3	20.6	8.7	8.7	6.5		

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Hotchkis & Wiley Large Cap Value	60	\$71.7 Billion	2.8%	9.7	1.2
Russell 1000 Value	690	\$37.8 Billion	2.5%	13.5	1.5

Manager Profile - Hotchkis & Wiley Mid Cap Value



Asset Class:	Mid Cap Domestic Equity
Status:	In Compliance
Portfolio Size:	\$403,558,893
Inception Date:	8/1/2002
Target Allocation:	3.0%
Actual Allocation:	3.8%
Annual Management Fee:	0.50%
Location:	Los Angeles, California
Structure:	Independent Investment Manager
Portfolio Management Team:	Stan Majcher Jim Miles

Notes:

Hotchkis & Wiley are disciplined value investors in domestic equities. Their firm specializes in thorough, bottom-up investment research. They invest when the present value of a company's future cash flows exceeds its market price by a meaningful amount. Many of the companies held are unpopular and have low expectations.

Represented by: Stan Majcher

Founded: 1980

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Hotchkis & Wiley Mid Cap Value	13.1	10.9	20.4	29.7	13.7	8.3
Russell Mid Cap Value	10.6	6.3	17.2	21.3	11.5	7.4

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Hotchkis & Wiley Mid Cap Value	60	\$6.3 Billion	1.7%	10.2	1.2
Russell Mid Cap Value	560	\$6.9 Billion	2.2%	15.1	1.4

Manager Profile - Sawgrass



Asset Class:	Large Cap Growth Domestic Equity
Status:	In Compliance
Portfolio Size:	\$386,514,301
Inception Date:	7/1/2006
Target Allocation:	3.0%
Actual Allocation:	3.4%
Annual Management Fee:	0.40%
Location:	Jacksonville Beach, Florida
Structure:	Privately Held
Portfolio Management Team:	Martin LaPrade Patrick Riley Dean McQuiddy
Represented by:	Chris Greco Martin LaPrade

Notes:

Sawgrass believes that markets are inefficient and give ample opportunities for outperformance. They believe a disciplined approach that builds portfolios of companies undergoing significant improvement can beat the market. The firm begins with a series of quantitative models that have been in development for two decades. Suitability screens are conducted, followed by sector-specific models to find the top 10% most attractive companies. Analysts focus their efforts on growing, well priced companies. Positions are sold when earnings expectations drop, more attractive opportunities are found or the manager realigns the portfolio. 60-80 positions are held and turnover averages 75%.

Founded: 1998

Return Profile	Since Inception	Last 5 Years		Last 3 Years		Last Year	Last Quarter		Last Month
Sawgrass	5.9	5.2	5.7	14.5	14.6	15.0	5.6	6.0	5.1
Russell 1000 Growth	6.3					13.4			4.3

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio	
Sawgrass	44	\$112.6 Billion	1.7%	17.0	4.1	
Russell 1000 Growth	986	\$41.2 Billion	2.2%	15.4	2.1	



OKLAHOMA TEACHERS RETIREMENT SYSTEM

**executive summary report
fourth quarter, 2012**



Trailing Year Total Fund Return

+14.8%

Portfolio Management Issues

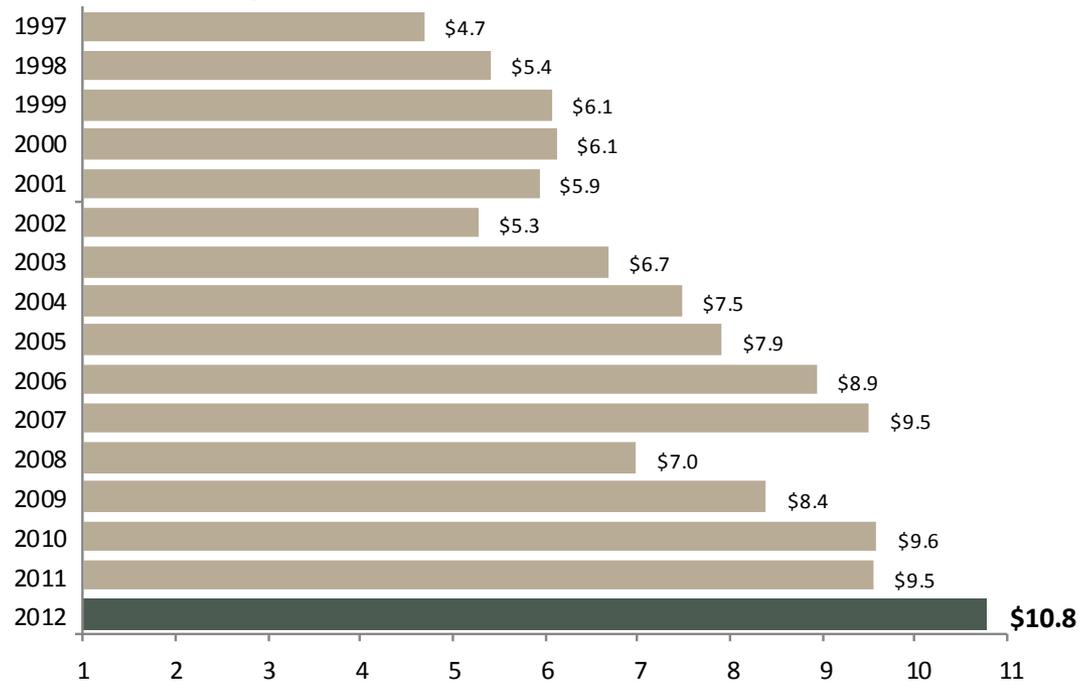
Qualitative Issues

- ▶ The liquidation of Tocqueville's Small Cap Value Equity portfolio has progressed ahead of schedule. The process was completed on February 21, 2013. AJO Partners managed the transition.

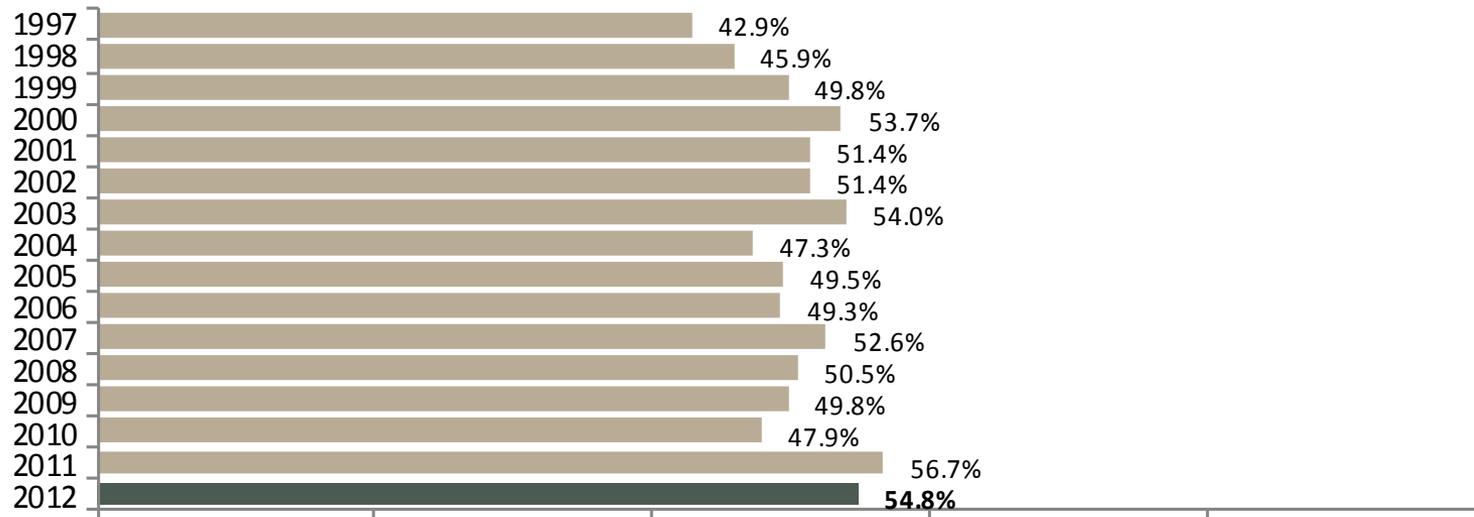
Quantitative Issues

- ▶ Wellington Management Mid Cap Growth Equity portfolio has underperformed over the past year. Poor individual stock selection responsible. Recent results have improved.
- ▶ PIMCO Distressed Mortgage I fund has fully paid out its investments. Returns were adequate. The DMF II fund is also paying out investors. It should be fully liquidated by the second quarter of 2013. Its returns should be substantially better than DMF I.

Total Fund Market Value (in billions)



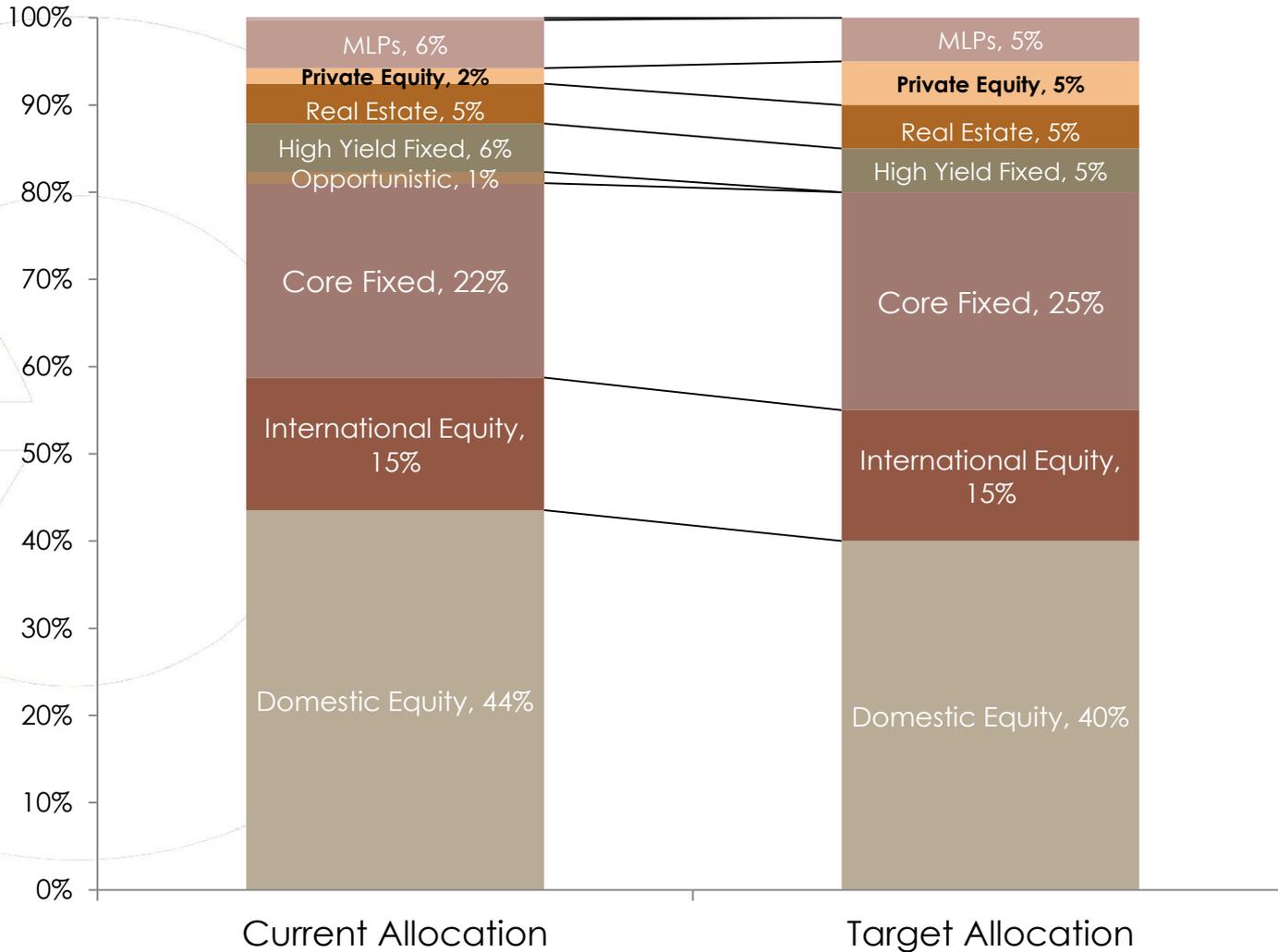
Funded Status History – As of Fiscal Year End



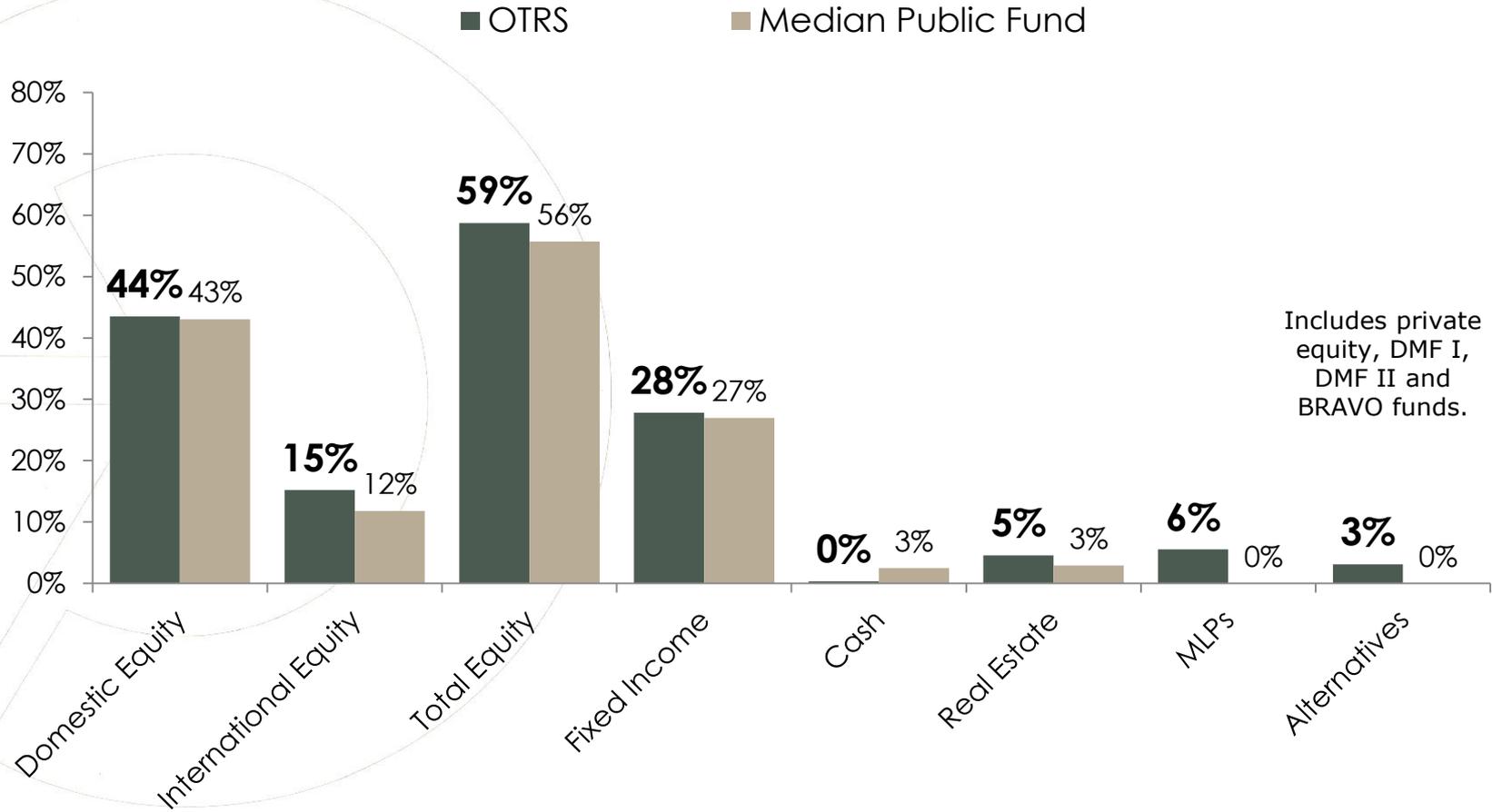
Observations – fourth quarter, 2012

- ▶ **INVESTMENT PERFORMANCE:** Total fund returns were outstanding during the quarter. The total fund posted a 2.3% gain for the quarter. Equity results were mostly positive during the quarter. Fixed income returns were also positive. The total fund's trailing returns were exceptionally good. The trailing year return was well above the actuarial assumption. The total fund ranked in the top quartile of public funds for all observation periods. The ten year return (+9.0%) ranked in the 3rd percentile of all public funds.
- ▶ **INVESTMENT MANAGEMENT:** Two large cap index fund portfolios were added last year. The new international small cap equity allocation is performing very well. The MLP allocation has also performed extremely well since funding. One of the System's small cap equity managers was terminated last year. We are nearing completion on the major project to reallocate the small cap portfolio.
- ▶ **ASSET ALLOCATION:** The total fund's allocations remained close to long-term targets. No additional allocations were made to the Opportunistic Portfolio although several investments are under consideration. The private equity portfolio called significantly more capital over the past year compared to previous years.

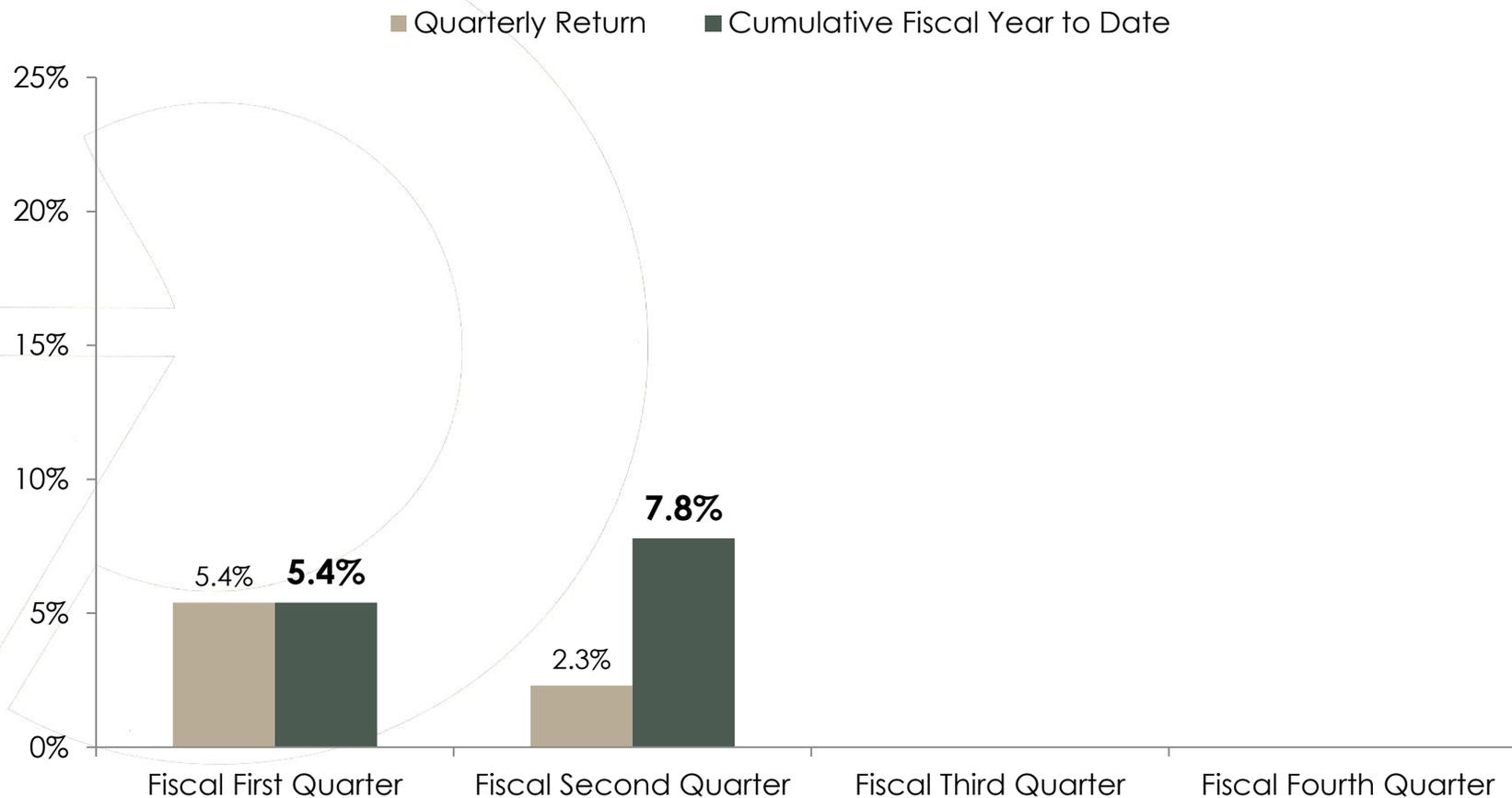
Asset Allocation Summary – Total Fund



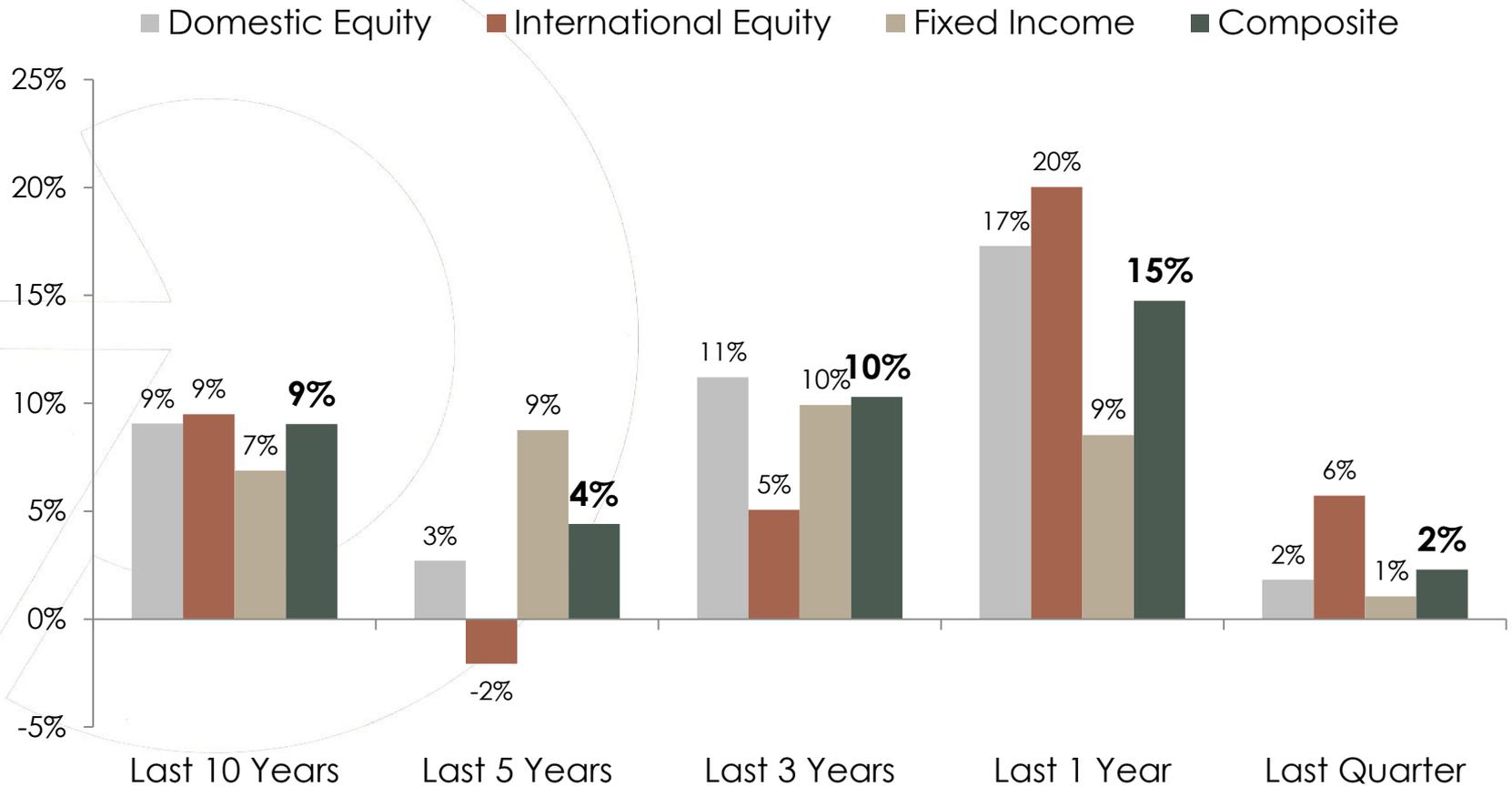
Total Fund Allocation vs. Median Public Fund



Composite Performance Summary as of December 31, 2012

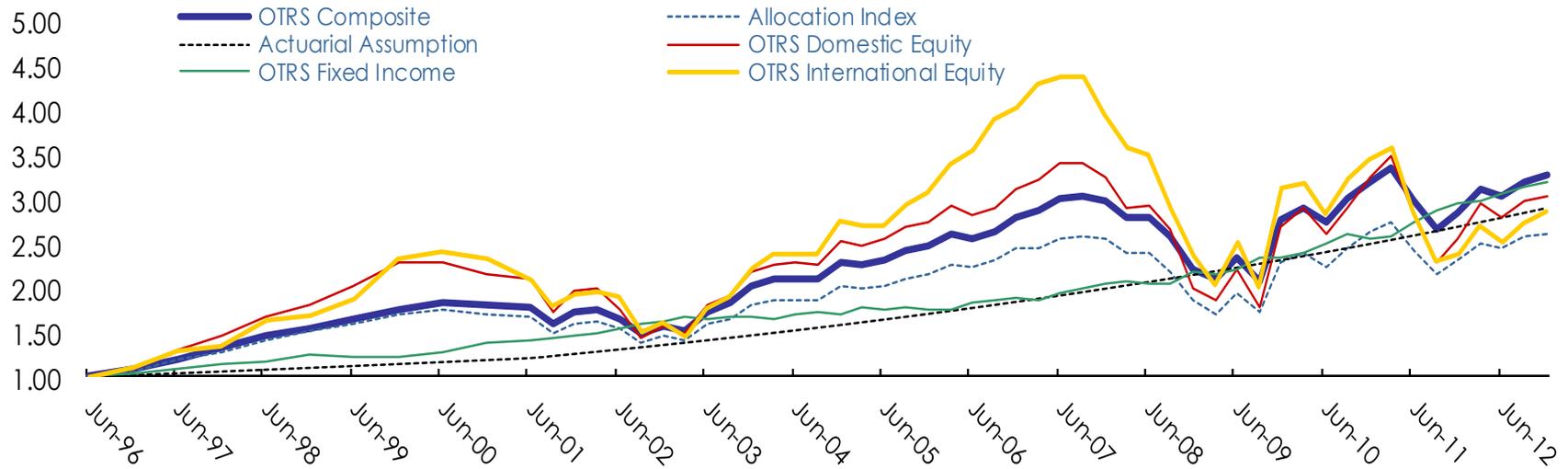


Composite Performance Summary as of December 31, 2012



Growth of a Dollar Over Time

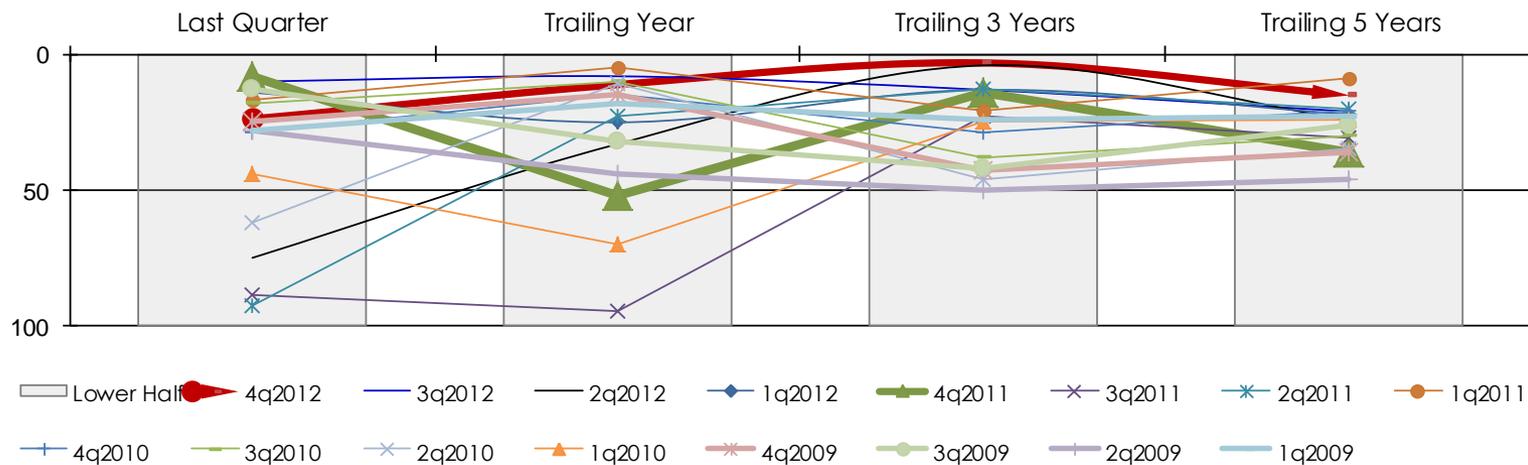
Period Ended December 31, 2012



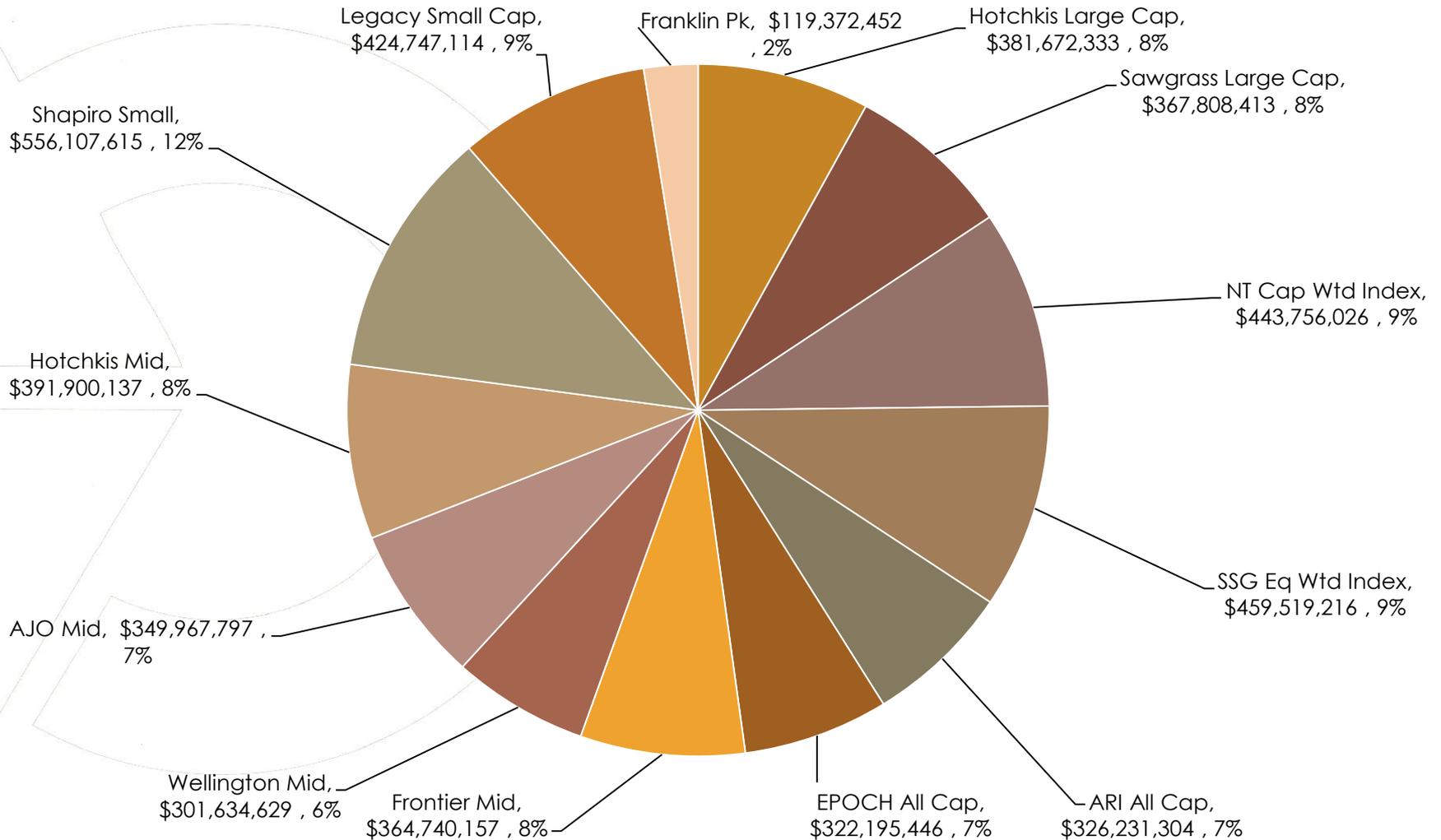
Performance – Total Fund

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Years	% Rank	Last Quarter	% Rank
Total Fund	9.0	3	4.4	15	10.3	3	14.8	11	2.3	24
Allocation Index	8.0		3.3		9.6		12.9		1.5	
Actuarial Assumption	8.0		8.0		8.0		8.0		1.9	
Total Domestic Equity	9.1	24	2.7	30	11.2	40	17.3	26	1.8	24
S&P 500	7.1		1.7		10.9		16.0		-0.4	
Total International Equity	9.5	55	-2.1	55	5.1	59	20.0	35	5.7	57
MSCI ACWI	10.2		-2.4		4.3		17.4		5.9	
Total Core Fixed Income	6.9	24	8.8	17	9.9	19	8.5	36	1.1	25
BC Aggregate	5.2		5.9		6.2		4.2		0.2	

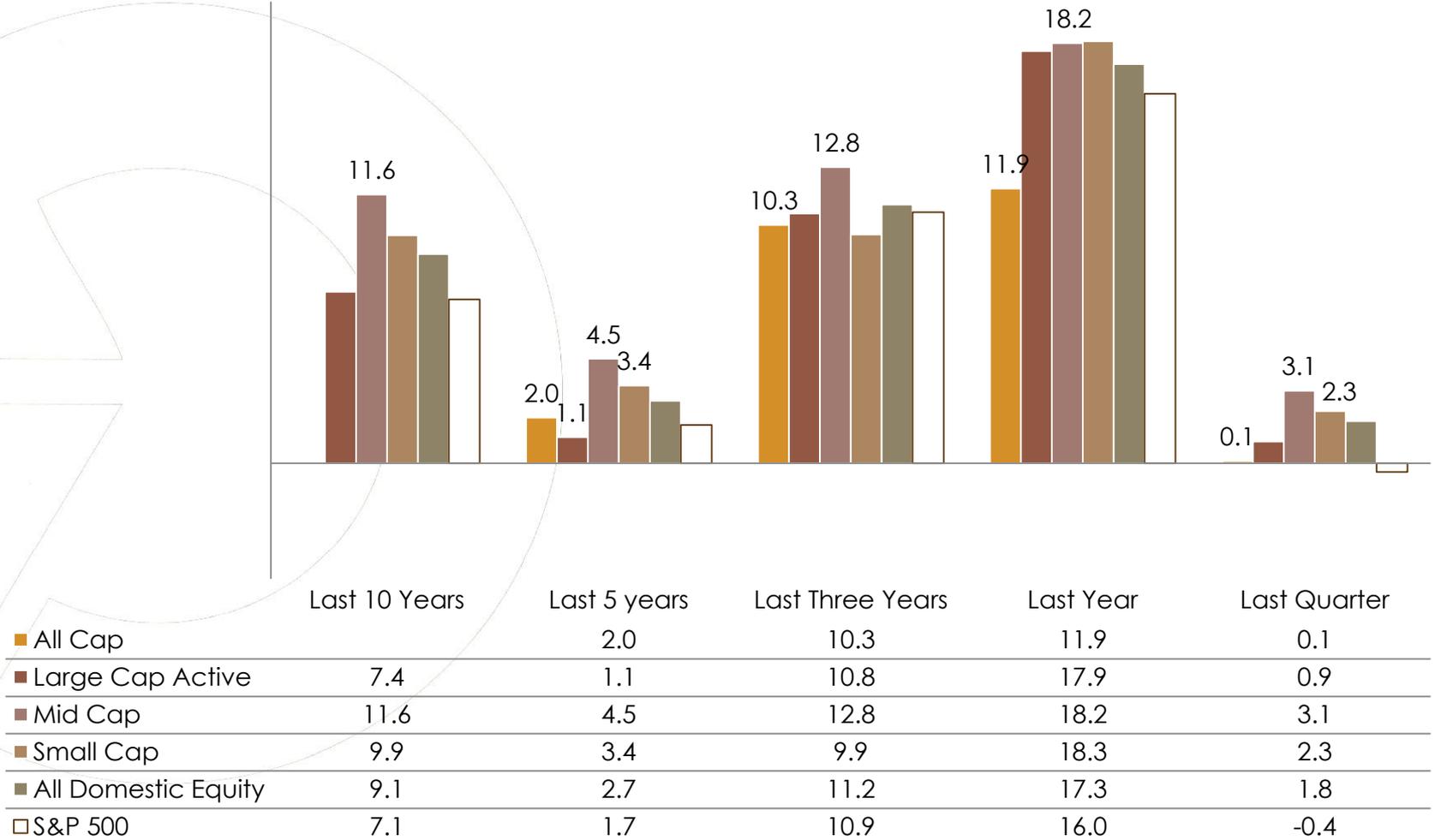
Composite Peer Rank History Periods Ended December 31, 2012



Asset Allocation Summary – Domestic Equity Allocation



Domestic Equity Performance: Capitalization Composites

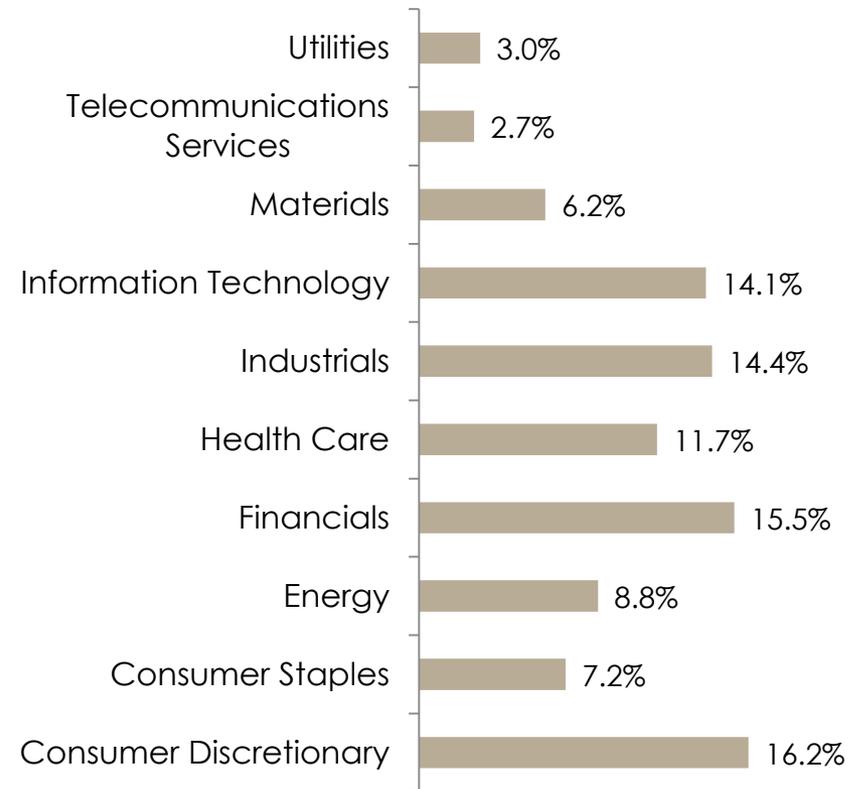


Total Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
PerkinElmer	0.60%
Exelis	0.52%
General Electric	0.51%
Babcock & Wilcox	0.51%
VCA Antech	0.40%
Live Nation Entertainment	0.49%
Penske Automotive	0.47%
WPX Energy	0.46%
Calgon Carbon	0.46%
Lender Processing Services	0.44%
Top Ten Total Weight	4.86%

Sector Weightings



Performance – All Cap and Large Cap Equity Managers

	Last 10 Years	% Rank	Last 5 Year	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Advisory Research	-	-	1.8	52	10.5	58	11.6	85	-0.7	78
EPOCH	-	-	2.0	43	10.1	68	12.0	84	0.9	30
<i>Russell 3000 Value</i>	7.5		0.8		10.9		17.6		1.7	
<i>Russell 3000</i>	7.7		2.0		11.2		16.4		0.3	
Hotchkis LCV	7.7	68	1.1	58	12.1	12	19.7	13	3.4	21
Sawgrass LCG	-		2.4	62	11.4	24	14.3	71	-1.5	75
<i>S&P 500</i>	7.1		1.7		10.9		16.0		-0.4	
<i>Russell 1000 Value</i>	7.4		0.6		10.9		17.5		1.5	
<i>Russell 1000 Growth</i>	-		3.1		11.4		15.3		-1.3	

Performance – Passive Large Cap Equity Managers

	Last Quarter	% Rank	Last Year	% Rank	Last 3 Years	% Rank	Last 5 Years	% Rank	Last 10 Years	% Rank
NT Cap Weighted	-0.4	74	-	-	-	-	-	-	-	-
SSGS Equal Weighted	2.8	73	-	-	-	-	-	-	-	-
<hr/>										
<i>S&P 500 Cap Weighted</i>	-0.4		16.0		10.9		1.7		7.1	
<i>S&P 500 Equal Weighted</i>	2.8		17.7		12.7		4.8		10.2	
<hr/>										

Both portfolios ranked in the Large Cap Core Equity manager universe.

Performance – Mid Cap and Small Cap Equity Managers

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
AJO MCC	11.0	79	4.1	63	13.6	28	17.1	69	1.9	89
Frontier MCG	12.1	29	4.3	45	11.9	57	18.3	42	2.1	48
Hotchkis MCV	13.1	-	9.0	1	18.1	3	32.1	1	5.6	2
Wellington MCG	10.1	79	1.2	82	7.9	95	6.0	94	2.8	27
Russell MC	8.7		3.6		13.2		17.3		2.9	
Russell MC Growth	10.3		3.2		12.9		15.8		1.7	
Russell MC Value	10.6		3.8		13.4		18.5		3.9	
Shapiro SCC	13.3	2	6.9	20	12.8	45	18.5	30	2.4	62
Russell 2000	9.7		3.6		12.3		16.4		1.9	
Russell 2000 Value	9.5		3.5		11.6		18.1		3.2	

Composite Equity Portfolio Characteristics – Trailing Five Years

	Average Market Cap	Dividend Yield	Tracking Error	Alpha	R ²	Sharpe Ratio	Standard Deviation
All Cap/Large Cap Equity	\$ 89.6 Billion	2.2%	5.8%	0.10%	0.95	0.07	20.5%
Mid Cap Equity	\$7.3 Billion	1.3%	6.8%	1.28%	0.94	0.18	24.6%
Small Cap Equity	\$19.1 Billion	1.4%	5.2%	1.87%	0.50	0.14	15.1%
International Equity	\$40.4 Billion	3.0%	3.7%	1.08%	0.73	-0.07	17.7%
Total Equity	\$43.5 Billion	2.1%	4.7%	0.92%	0.74	0.06	18.1%

Active Domestic Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. BC Aggregate
Hotchkis & Wiley	Large Cap Value	122%	124%	1.1%	0.95	0.14
Sawgrass	Large Cap Growth	85%	82%	2.4%	0.97	0.09
Advisory Research	All Cap	101%	99%	1.8%	0.97	0.12
EPOCH	All Cap	107%	106%	2.0%	0.98	0.07
AJO	Mid Cap Core	121%	113%	4.1%	0.97	-0.48
Frontier	Mid Cap Growth	109%	99%	4.3%	0.94	-0.05
Hotchkis & Wiley	Mid Cap Value	162%	137%	9.0%	0.93	-0.49
Wellington	Mid Cap Growth	137%	141%	1.2%	0.93	-0.48
Shapiro	Small Cap Core/Value	145%	123%	6.9%	0.92	-0.48

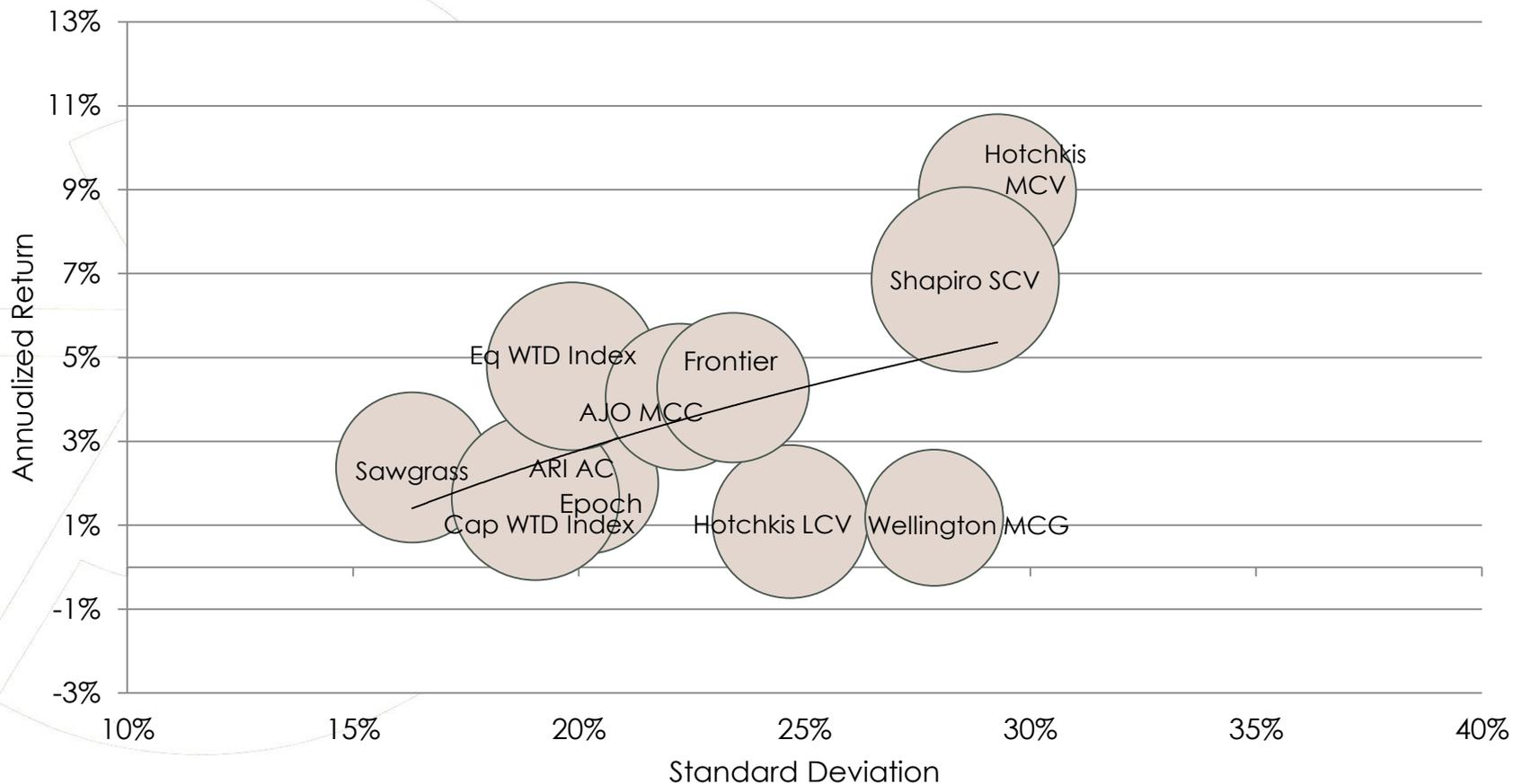
Upside and downside capture ratios measured against the S&P 500 index.

Domestic Equity Portfolios: Correlation Matrix (Five Years)

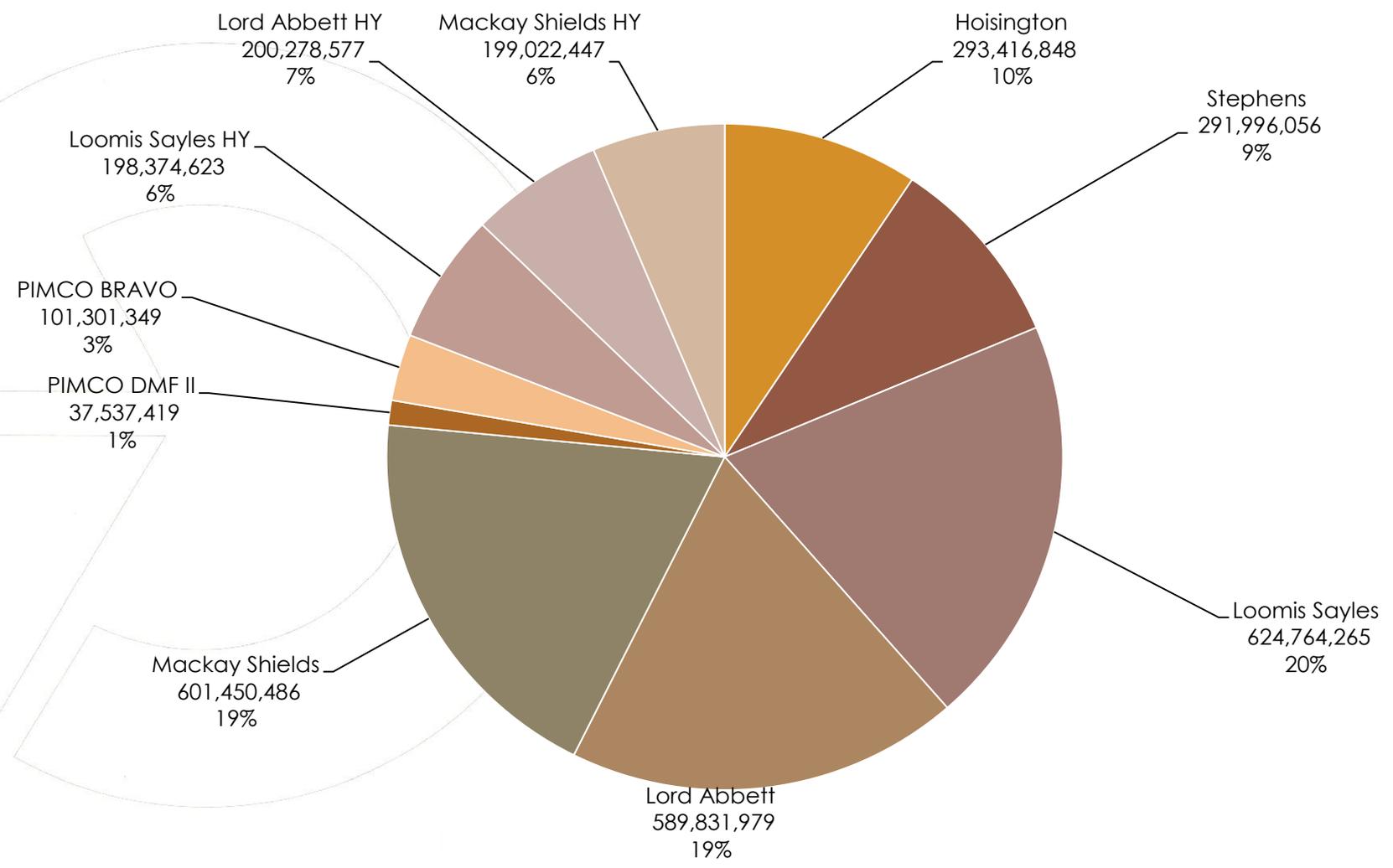
	AJO MC	ARI AC	Epoch AC	Frontier MC	Hotchkis MC	Hotchkis LC	Sawgrass LC	Shapiro SC	Wellington MC
AJO MC									
ARI AC	0.96								
Epoch AC	0.98	0.97							
Frontier MC	0.96	0.91	0.97						
Hotchkis MC	0.95	0.93	0.94	0.85					
Hotchkis LC	0.95	0.96	0.94	0.86	0.95				
Sawgrass LC	0.96	0.95	0.97	0.96	0.90	0.93			
Shapiro SC	0.95	0.95	0.93	0.90	0.91	0.91	0.90		
Wellington MC	0.98	0.94	0.95	0.95	0.95	0.96	0.92	0.93	

Domestic Equity Risk Return Comparison

Composite Data Used - Five Years Ended December 31, 2012



Asset Allocation Summary – Fixed Income Allocation



Performance – Fixed Income Managers

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last Year	% Rank	Last Quarter	% Rank
Loomis Sayles	8.3	4	10.6	2	10.5	13	12.1	16	1.8	19
Lord Abbett	-		8.2	25	8.4	33	8.7	23	1.2	23
Mackay Shields	-		8.6	19	9.4	21	10.0	20	1.6	20
Hoisington	-		11.1	10	17.3	3	3.4	97	-1.2	96
Stephens	-		5.4	81	4.4	85	3.5	95	0.3	73
BC Aggregate	5.2		5.9		6.2		4.2		0.2	
Loomis HY	-		-		11.6	35	23.3	5	4.9	3
Lord Abbett HY	-		-		12.6	19	16.4	24	3.6	22
Mackay HY	-		-		11.5	38	14.2	52	2.8	55
ML High Yield II	-		-		11.6		15.6		3.2	

Fixed Income Portfolio Characteristics – Trailing Five Years

	Asset Class	Credit Quality	Modified Duration	Maturity	Yield to Maturity	Sharpe Ratio
Loomis Sayles	Core Plus	AAA	6.1 Years	8.6 Years	3.2%	2.95
Lord Abbett	Core Plus	A	4.9 Years	6.8 Years	2.7%	3.49
Mackay Shields	Core Plus	A-	4.4 Years	7.0 Years	2.9%	3.12
Hoisington	Active Duration	AAA	20.2 Years	24.8 Years	2.9%	1.00
Stephens	Active Duration	AAA	4.2 Years	4.5 Years	1.0%	1.79
Core Fixed Income Composite	Core Plus	AAA	6.9 Years	9.3 Years	3.0%	2.75
Loomis Sayles	High Yield	BB	5.5 Years	9.3 Years	5.8%	1.56
Lord Abbett	High Yield	B	5.2 Years	7.0 Years	5.6%	1.61
Mackay Shields	High Yield	B+	3.3 Years	6.1 Years	5.3%	2.23
High Yield Composite	High Yield	BB	4.6 Years	7.5 Years	5.6%	1.80

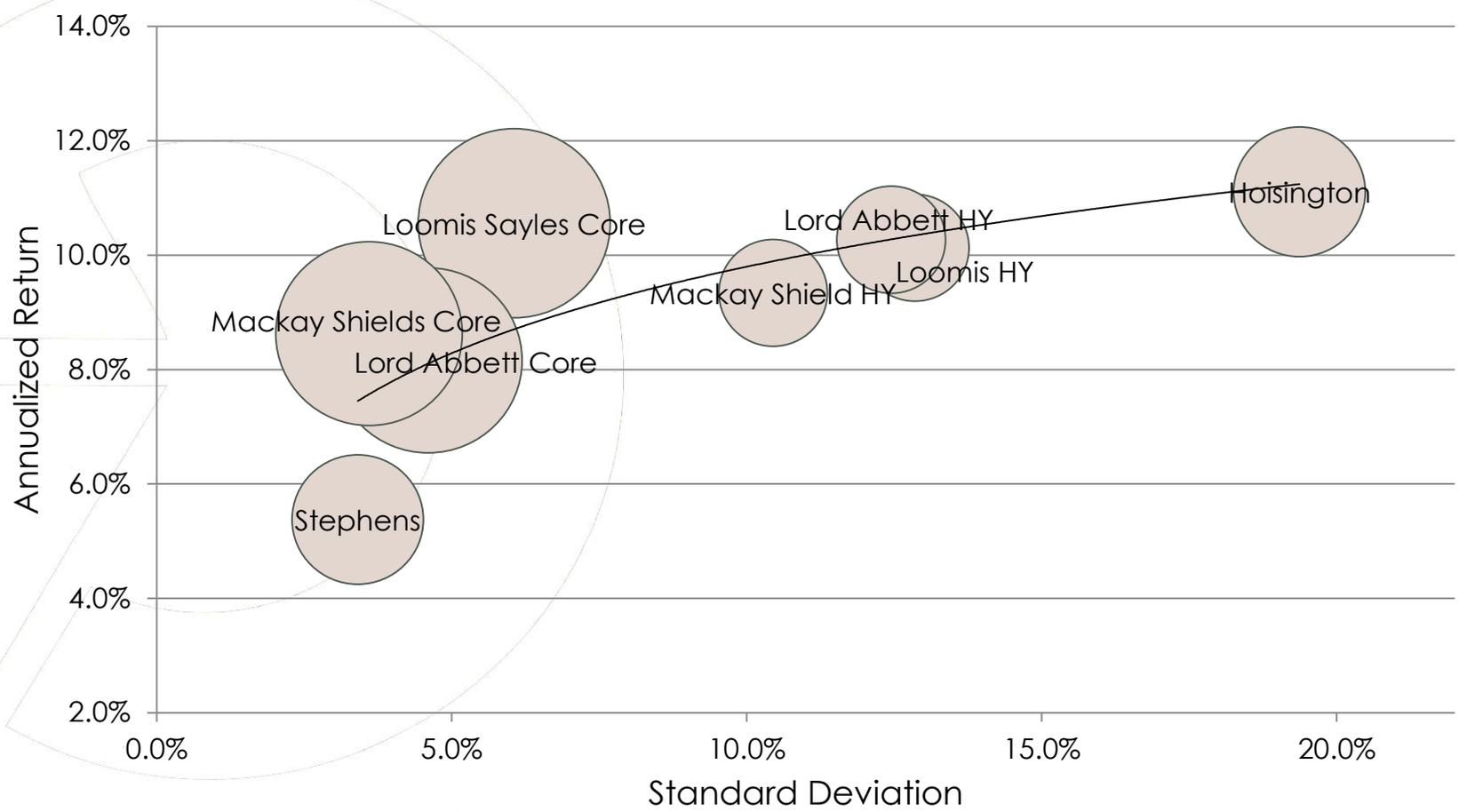
Fixed Income Performance Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. BC Aggregate	Correlation vs. S&P 500
Loomis Sayles	Core Plus	155%	126%	10.6%	0.77	0.55
Lord Abbett	Core Plus	124%	92%	8.2%	0.79	0.51
Mackay Shields	Core Plus	119%	75%	8.6%	0.71	0.15
Hoisington	Active Duration	256%	447%	11.1%	0.70	-0.79
Stephens	Active Duration	94%	74%	5.4%	0.92	0.12
Loomis Sayles	High Yield	172%	182%	10.1%	0.33	0.77
Lord Abbett	High Yield	145%	81%	10.3%	0.23	0.74
Mackay Shields	High Yield	137%	89%	9.3%	-0.03	0.75

Upside and downside capture ratios measured against the Barclays Capital Aggregate index.

Fixed Income Risk Return Comparison

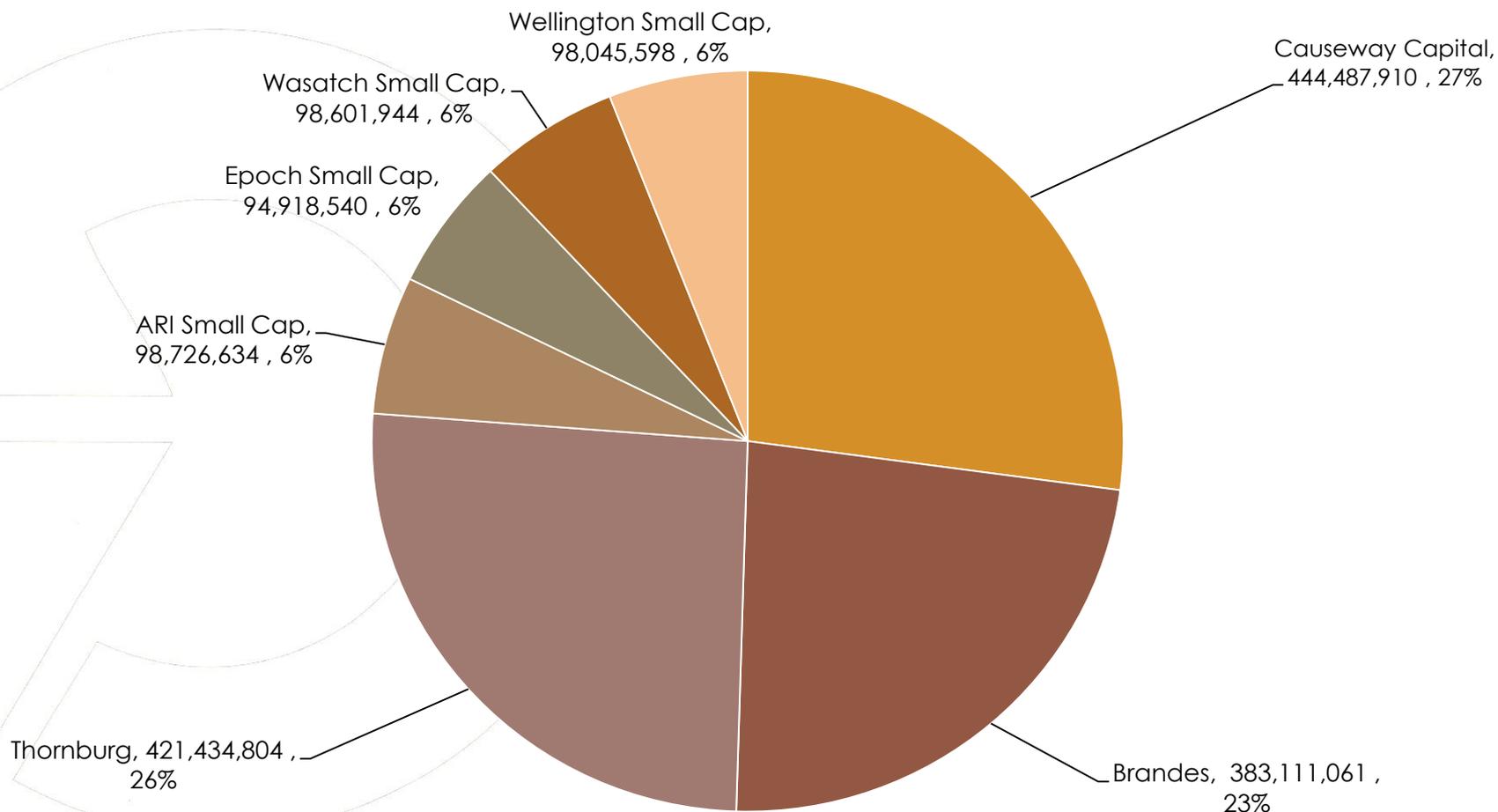
Composite Data Used - Five Years Ended December 31, 2012



Fixed Income Portfolios: Correlation Matrix

	Hoisington	Loomis Core	Loomis High Yield	Lord Abbett Core	Lord Abbett High Yield	Mackay Shields Core	Mackay Shields High Yield	Stephens
Hoisington								
Loomis Core	0.24							
Loomis High Yield	-0.28	0.78						
Lord Abbett Core	0.28	0.92	0.79					
Lord Abbett High Yield	-0.35	0.71	0.98	0.73				
Mackay Shields Core	0.43	0.80	0.60	0.86	0.52			
Mackay Shields High Yield	-0.33	0.68	0.97	0.73	0.98	0.51		
Stephens	0.08	0.65	0.49	0.69	0.41	0.78	0.38	

Asset Allocation Summary – International Equity Allocation



Performance – International Equity Managers

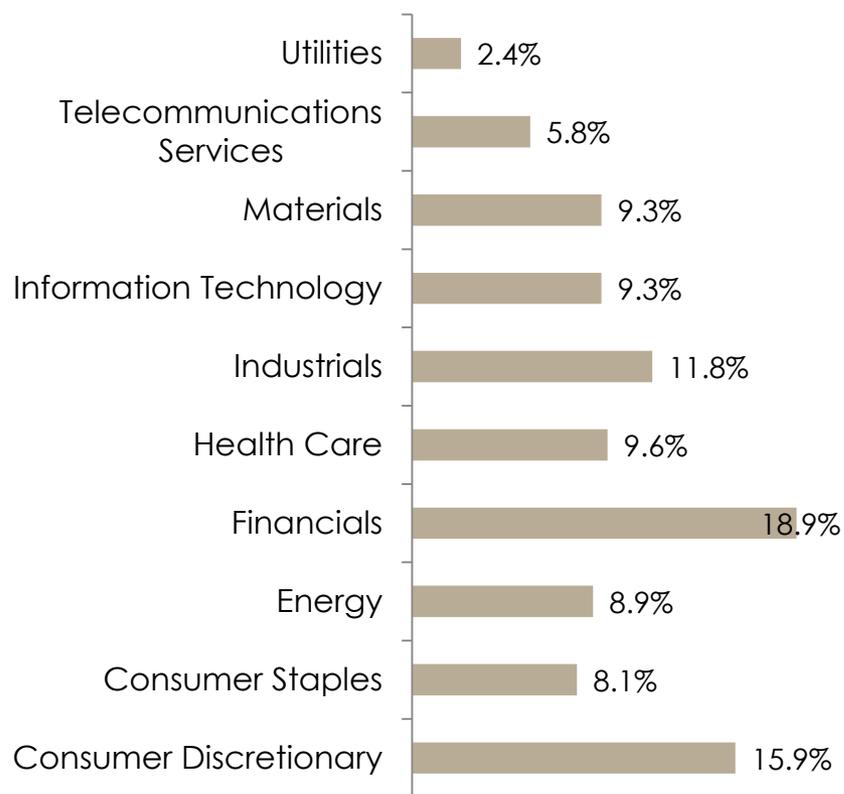
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Causeway	-		-0.5	25	7.7	20	25.5	2	6.6	33
<i>Brandes</i>	9.6	54	-3.7	77	2.1	89	13.0	88	5.0	76
Thornburg	-		-1.2	38	5.9	44	17.3	73	5.7	58
<i>MSCI ACWI Ex US</i>	10.2		-2.4		4.3		17.4		5.9	
ARI	-	-	-	-	-	-	24.2	10	5.3	72
EPOCH	-	-	-	-	-	-	20.2	34	3.7	85
Wasatch	-	-	-	-	-	-	33.5	1	5.5	64
Wellington	-	-	-	-	-	-	25.7	4	7.2	22
<i>MSCI EAFE Small Cap</i>	9.5		-3.3		4.6		16.9		5.7	

Total International Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Reed Elsevier	0.82%
Azko Novel	0.76%
ENI SPA	0.72%
Toyota	0.71%
Total	0.71%
LVHM MOET Hennessy	0.68%
Novo Nordisk	0.67%
GDF SUEX	0.66%
Carrefour Supermarche	0.66%
Sanofi	0.65%
Top Ten Total Weight	6.92%

Sector Weightings



Active International Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. MSCI ACWI ex US
Causeway	Large Cap Value	123.8%	99.7%	-1.9%	0.93	0.98
Thornburg	Large Cap Core	93.0%	94.6%	-2.1%	0.92	0.99
Advisory Research	Small Cap Value	103.9%	92.2%	0.7%*	0.86	0.96
EPOCH	Small Cap Value	121.7%	101.7%	-1.1%*	0.88	0.97
Wasatch	Small Cap Growth	166.5%	96.4%	5.8%*	0.80	0.96
Wellington	Small Cap Growth	104.4%	97.2%	-1.2%*	0.91	0.99

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

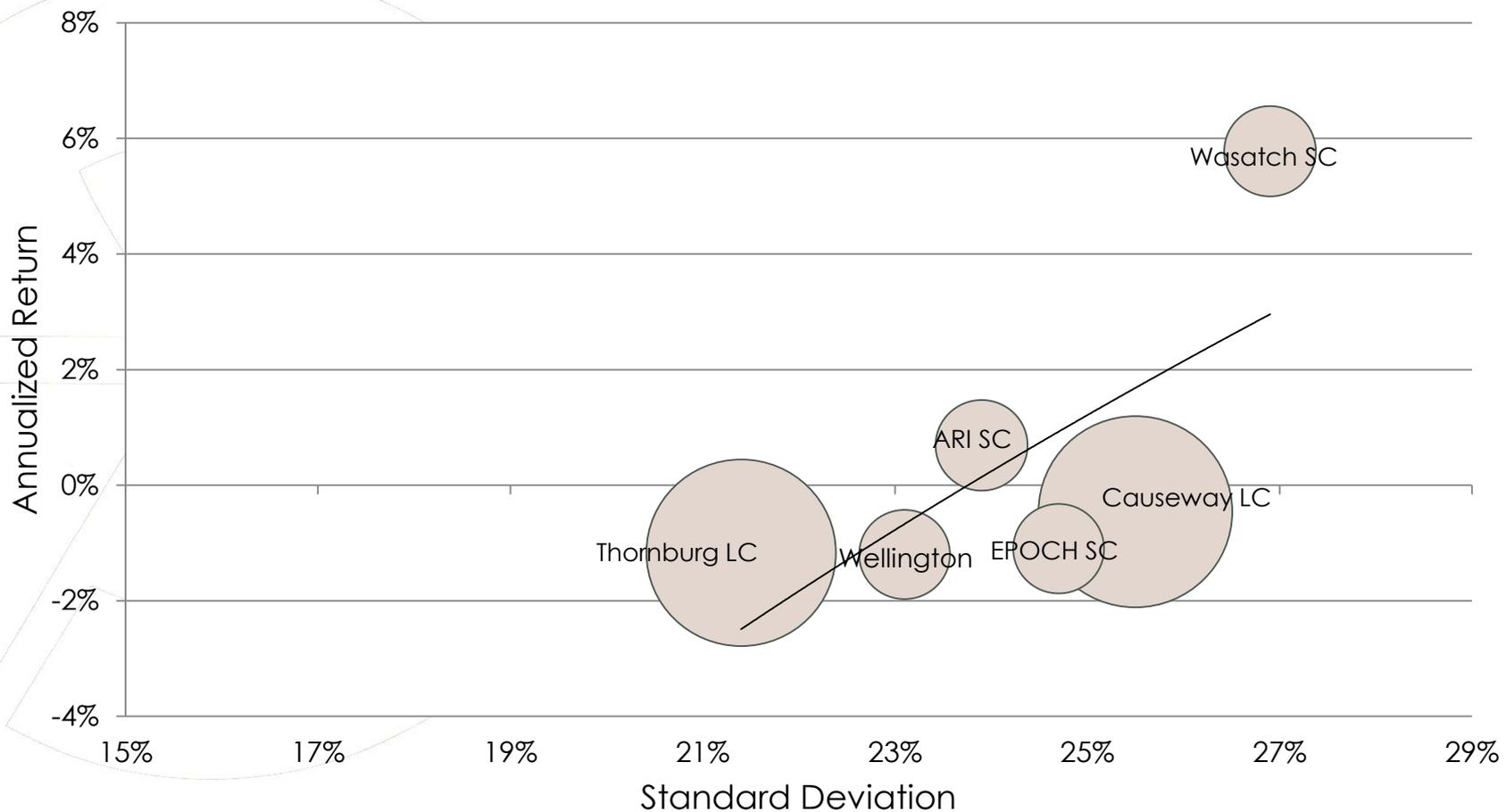
*Composite performance shown.

International Equity Portfolios: Correlation Matrix

	ARI SCI	Causeway LCI	EPOCH SCI	Thornburg LCI	Wasatch SCI	Wellington SCI
ARI SCI						
Causeway LC	0.94					
EPOCH SCI	0.95	0.95				
Thornburg LC	0.93	0.97	0.96			
Wasatch SCI	0.92	0.91	0.96	0.95		
Wellington SCI	0.94	0.98	0.97	0.98	0.95	

International Equity Risk Return Comparison

Composite Data Used - Five Years Ended December 31, 2012



Performance – MLP, Real Estate and Opportunistic Assets

	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Chickasaw	-	-	-	-	18.2	-	0.7	-
FAMCO	-	-	-	-	4.6	-	-2.3	-
Swank	-	-	-	-	9.2	-	0.1	-
<i>Alerian MLP</i>	12.5		27.5		4.8		-3.4	
AEW	-	-	-	-	7.6	-	2.6	
Heitman	-	-	-	-	10.9	-	3.7	
L&B	-	-	-	-	4.5	-	1.3	
<i>NCREIF - OEDCE</i>	-1.1		14.4		10.9		2.4	
PIMCO DMF	The final annualized IRR was 9.04%, net of fees.							
PIMCO DMF II	-	-	29.6	-	54.5	-	35.5	-
PIMCO BRAVO	-	-	-	-	29.1	-	12.8	-
<i>BC Aggregate</i>	5.9		6.2		4.2		0.2	



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Client Data Migration Report

February 27, 2013

DRAFT

Contents

Executive Summary.....	3
Comprehensive Report	4
Purpose:	4
Background:	4
Years of Creditable Service – Where it fits in.....	5
Service Credit Overhaul	6
Scope:.....	7
Definitions:.....	8
Process:	8
Follow Up Procedures:.....	10
Verification of Service	10
Manual Audits.....	10
Current Status	10
Appendix A – Project 2 – Employer Data Modernization	11
Appendix B – Project 3 - Service Credit Overhaul – Partial Service	1
Appendix C – Governance.....	3
Appendix D – Flow Charts	1
Group A:.....	1
Group B:	6
Group C: - Currently undergoing internal review	15
Group D: - Not started	15
Group E: - Not started.....	15
Group F: - Not started.....	15
Group G: - Not started	15

Executive Summary

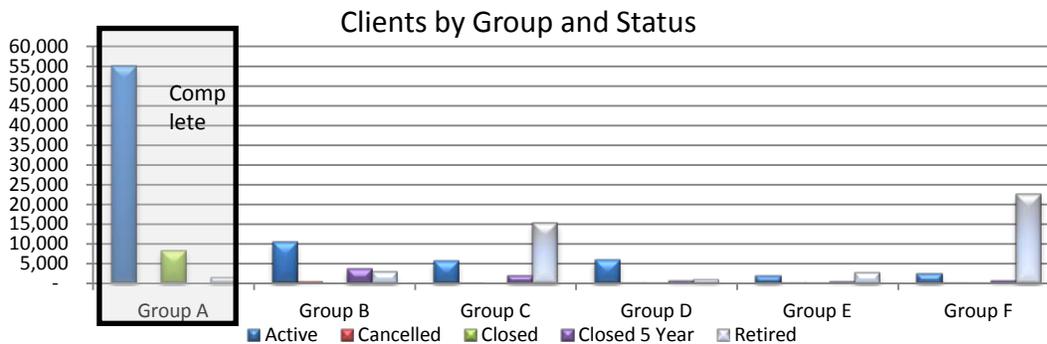
Project: Client Data Migration

Purpose: OTRS legacy data does not currently have the information required to award service credit (years of service) automatically for all years prior to June 30, 2011. The awarding of service credit is a critical step in both estimating retirement benefits and the retirement process.

Goal: To programmatically award service credit for all years worked by all clients.

Scope: OTRS has grouped each of the approximate 143,762 clients into strategic groups for the migration process based on their data. The groups and their numbers are illustrated below:

Status	Group A	Group B	Group C	Group D	Group E	Group F	Total
Active	55,009	10,483	5,656	5,854	1,811	2,525	81,338
Cancelled						715	715
Closed				60	45	15	120
Closed 5 Year	8,352	3,734	1,960	641	474	747	15,908
Retired	1,435	2,787	15,308	909	2,685	22,557	45,681
	64,796	17,004	22,924	7,464	5,015	26,559	143,762



Current Status

Group	Status	Phase	Proposed Completion Date	% of All Clients	% of Active Clients
A	Complete			45%	68%
B		2 – With Vendor	3/29/13	12%	13%
C		1 – Flow Chart complete – Internal Review	4/30/13	16%	7%
D		Pending	5/30/13	5%	7%
E		Pending	6/30/13	4%	2%
F		Pending	6/30/13	18%	3%

Comprehensive Report

Purpose:

OTRS legacy data does not currently have the data required to award service credit automatically for all years prior to June 30, 2013. The awarding of service credit is a critical step in both estimating retirement benefits and the retirement process.

Goal: To programmatically award service credit for all years worked by all clients.

Background:

The Oklahoma Teachers Retirement System (OTRS) is a defined-benefit retirement plan. OTRS receives retirement contributions from over 600 employers on a monthly basis on behalf of its 80,000+ active clients.

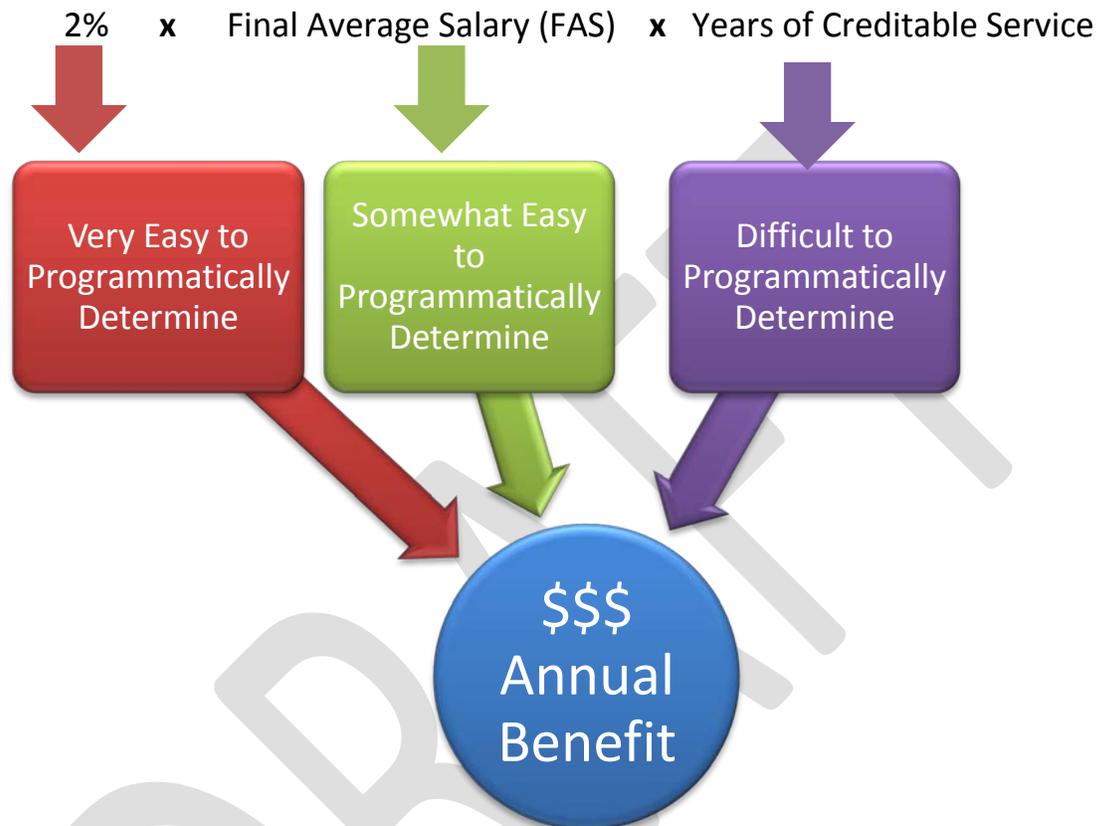
Employers (schools) make contributions to OTRS along with a set of data each month. This data is accumulated over the client's life and upon retirement, a counselor will manually review each year the client worked to calculate the annual retirement benefits.

This is an inefficient process for a number of reasons:

- (1) Clients do not have real time access to estimate their retirement because a manual audit of their service credit is required.
- (2) Counselors spend on average 30 minutes per client to complete a manual audit.
- (3) OTRS' current capacity is 10,000 clients per year to be audited, which means it would take over 9 years to audit each client's account once.

Years of Creditable Service – Where it fits in

Retirement Formula: When clients choose to retire, OTRS staff calculates what their retirement benefit will be based on the following formula:



Years of Creditable Service:

Service credit is the term used to define a year or years that a Client has both worked for an employer as a member of the retirement system and made the required contributions for the year they worked.

For example, if a Client is (1) employed and (2) eligible for membership, (3) completes the requirements of their annual contract, (4) duly contributes the required amount of their salary and (5) their employer duly contributes the required amount of their salary, they will be awarded a year of creditable service.

If a client does not meet all of these requirements they will not receive a year of service credit to be used in their retirement calculation. The accumulated body of awarded years of service is commonly referred to as “creditable service”, “service credit” or “years of service.”

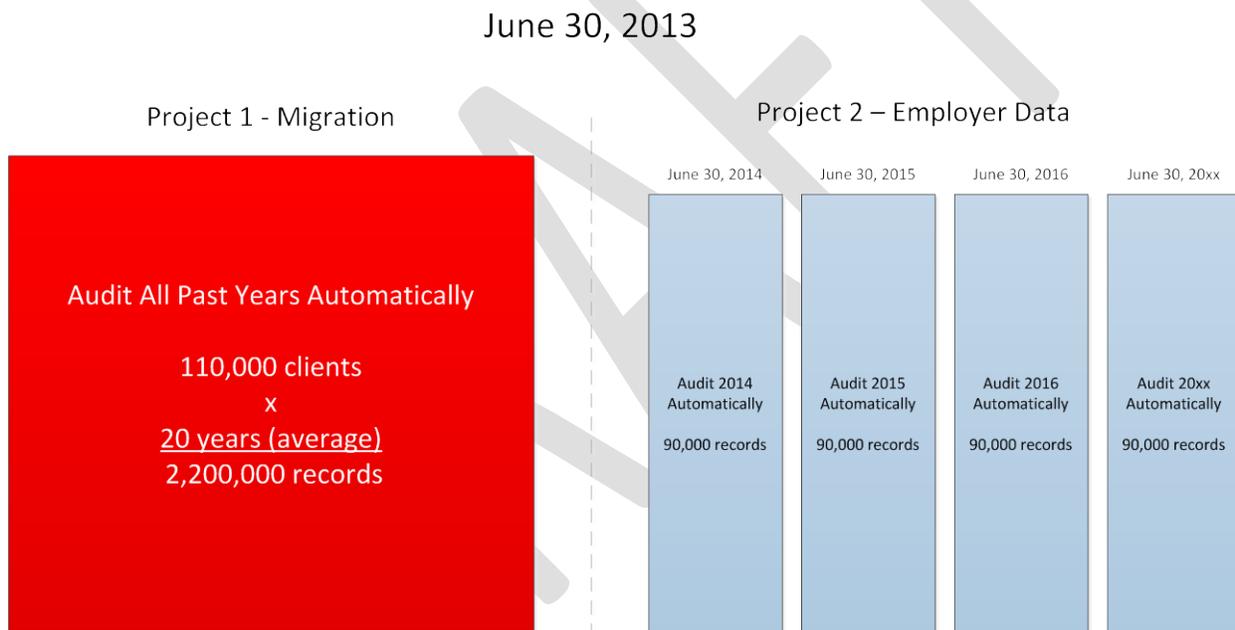
In order for OTRS to retire a client, a counselor must manually review every year a client worked to determine whether or not each year qualifies to earn a year of creditable service.

Service Credit Overhaul

OTRS is currently undergoing two major projects to remedy these problems. For purposes of this document, we will focus on project number one (1), the Migration, but it is important to see its overall placement in the Service Credit overhaul.

Projects

- (1) The development of an automated routine (Migration) to automatically award service credit to clients for all years prior to July 1, 2013.
- (2) The redesign of the employer data sent on behalf of clients to be used to determine service credit automatically and to include the information required to be able to award partial service where earned. (See Appendix A for more information)
- (3) Develop methods to award service credit as earned in accordance with new rules that require allowance of partial service. (See Appendix B for more information)



When completed, the migration effort will award service credit to all years earned prior to June 30, 2011. It will not, however, award future service credit earned which is where the migration will make the handoff to projects 2 and 3.

Scope:

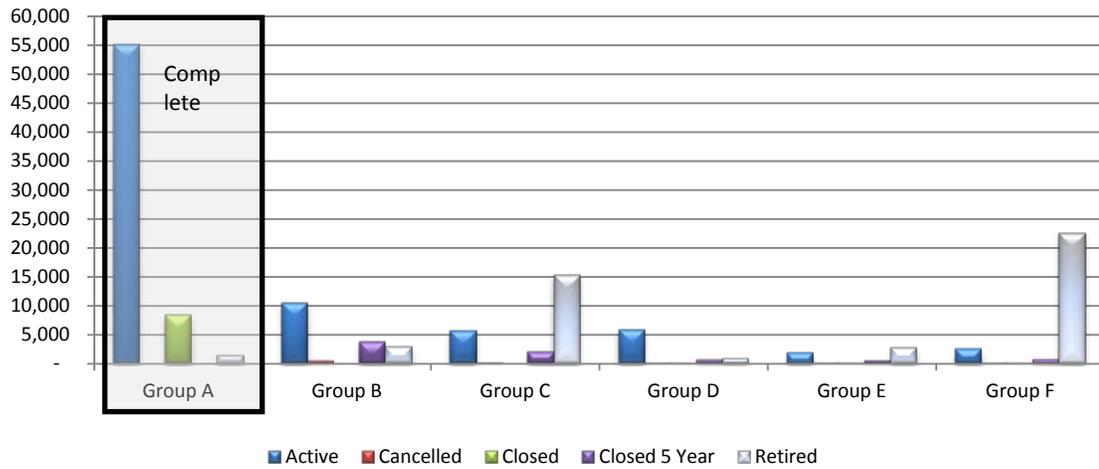
OTRS has grouped each of the 143,762 clients into strategic groups for the migration process based on their data. They are grouped into 3 main categories by their membership date and are subcategorized if they have had a past event such as a withdrawal or redeposit.

The groups and their numbers are illustrated below:

Group	Description	Clients
A	Clients who started service after June 30, 1995 (Rule of 90) – with no events	64,796
B	Clients who started service between July 1, 1988 and June 30, 1995 – with no events	17,004
C	Clients who started service before July 1, 1988 – with no events	22,924
D	Group A – with events (Withdrawal, Redeposit, Refund)	7,464
E	Group B – with events (Withdrawal, Redeposit, Refund)	5,015
F	Group C – with events (Withdrawal, Redeposit, Refund)	26,559

Status	Group A	Group B	Group C	Group D	Group E	Group F	Total
Active	55,009	10,483	5,656	5,854	1,811	2,525	81,338
Cancelled						715	715
Closed				60	45	15	120
Closed 5 Year	8,352	3,734	1,960	641	474	747	15,908
Retired	1,435	2,787	15,308	909	2,685	22,557	45,681
	64,796	17,004	22,924	7,464	5,015	26,559	143,762

Clients by Group and Status



Definitions:

Status	Description	Importance
Active	Currently Contributing to System – Not Retired	Critical
Cancelled	Contributed – Issued Refund	Low
Closed	Withdrawn	Low
Closed 5 Year	Non-Vested – not contributed in 5 year	Low
Retired	Has retired with OTRS	Low

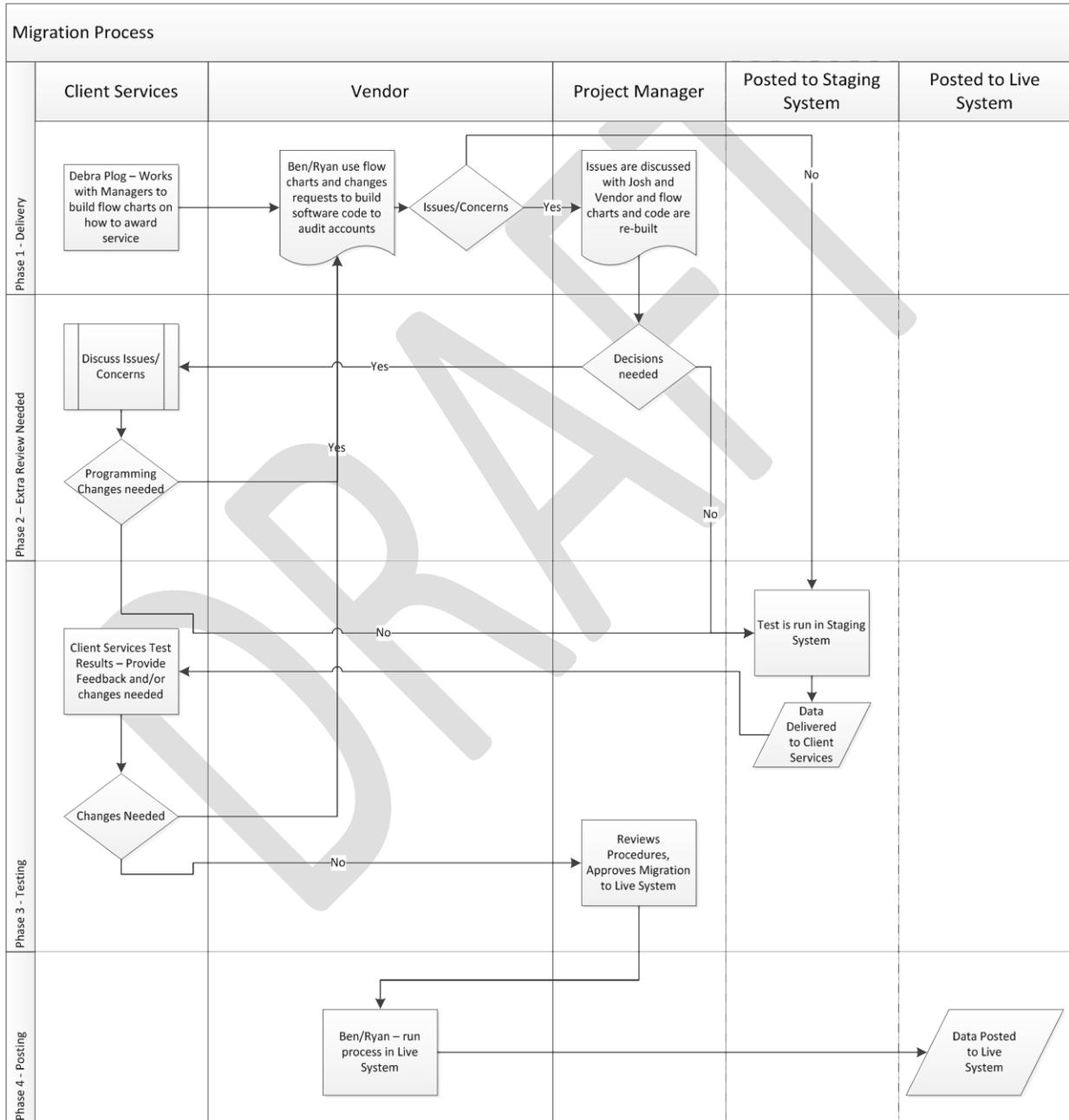
Process:

OTRS has two teams working on this project.

Title	Internal Team	External Team
Director – Client Services	Dixie Moody	
Manager – Client Services	Debra Plog	
Director – SIRM	Josh Richardson	
Vendor		Ben Hornbacher
Vendor		Ryan Burk

Client Services creates flowcharts, defining each step taken by counselors when auditing a client manually. These steps differ depending on various factors for the client, such as type of employment, specific years worked, full time, part time, etc. These flow charts are then delivered to the software vendor. The process is broken into 4 phases:

- Phase 1: Delivery of Flowcharts to Vendor
- Phase 2: If necessary, additional review is needed
- Phase 3: Testing
- Phase 4: Posting



Follow Up Procedures:

OTRS has identified two types of follow up procedures: Manual audits for small or difficult groups and verification of service.

Verification of Service

The automation process creates a record in each client's data for each year they have worked. There are occasions when a year or more for a client needs further verification because of an inconsistency in the data. When this occurs, the year is flagged in the system as "needs verification". Without verification of these years, clients will not be able to receive complete estimates and accordingly, will not receive a meaningful annual statement.

Accordingly, OTRS has decided that each year, coinciding with the delivery of annual statements to clients, to send verification forms to these clients. These forms will be resent every year until the client verifies this service.

Manual Audits

For some number of clients, OTRS may decide that the population of similar clients is either too small or too difficult to program to justify creating special exceptions in the programming. These clients will be excluded from the migration and considered a special project by client services to audit manually.

Follow Up Projects Outstanding				
Group	Clients Needing Verification	Years Needing Verification	Manual Audits	Manual Audit Description
A	8,585	10,176	2,602	1403 – Clients with Refunds 1,199 – Optional Withdrawals
B				
C				
D				
E				
F				
Total	8,585	10,176	2,602	

Current Status

Group	Status	Phase	Proposed Completion Date	% of All Clients	% of Active Clients
A	Complete			45%	68%
B		2 – With Vendor	3/29/13	12%	13%
C		1 – Flow Chart complete – Internal Review	4/30/13	16%	7%
D		Pending	5/30/13	5%	7%
E		Pending	6/30/13	4%	2%
F		Pending	6/30/13	18%	3%

Appendix A – Project 2 – Employer Data Modernization

Problem Statement: OTRS is required to award partial service to clients who earn service credit starting July 1, 2013. The data currently required for employers to submit contains too many errors and too few elements to be considered a valid tool for awarding service.

Goal: To establish methods to eliminate the opportunity for errors in the data supplied by employers in order to automatically award service credit at the end of each employment year.

Process Improvement Approach: When the initial rule change was signed by the Governor’s office, OTRS formed an internal committee to review all the information OTRS would need to implement this change in the future. The team consisted of OTRS staff and OTRS’ external software development team.

OTRS had to identify the voice of the customer or in this case the voice of the customers, as OTRS’ ultimate customers- the clients, are represented by their employers. In some cases these two voices may be in conflict as is likely, information clients want from OTRS may put a burden on their employers in providing the necessary information to OTRS.

In order to find this balance we had a survey developed and sent by a third party to OTRS clients to help determine what information clients want. Additionally, OTRS held two roundtable discussions whereby we invited employers to send representatives to meetings onsite with us to discuss the pros, cons and feasibility of the changes OTRS needed to make.

Customer	Voice	Comment
Clients	Timely estimates of retirement benefits on demand	OTRS needs to automatically award service each year it is accrued by knowing if a contract is fulfilled
Employers	Minimal work to provide data required by OTRS	OTRS will work with employers software vendors to help make sure transition is as easy as possible
	Do not currently have data to determine whether a client has completed their contract	OTRS will require to know to what extent a contract has been fulfilled
	Do not desire to obtain information required to give OTRS contract fulfillment information	OTRS will require to know how many hours in general a client works in a given day or week or year
	Do not keep track of hours worked	OTRS will commit to developing some standard examples of how service will be awarded
	Want an easy way to know what clients need to do to earn a full year	
OTRS	Ability to deliver to client’s timely awards of service credit and on demand retirement estimates	Need adequate information from employers and automated software routine

Measure

Below are the measurements we took on the current employer reports along with the data elements, their purpose, and their defect rates. Additionally, we did a high level Measurement System Analysis for each measurement whereby the outside software team designed queries and our IT team reviewed them for accuracy – each query was ultimately approved.

Below is a list of each data field provided by employers each month. This information is compared to an annual report at the end of the fiscal year to review for accuracy; however it is clear that the number of errors in the monthly reports precludes OTRS from having meaningful information to compare to annual reports.

Data Fields and Errors (Defects) for FY2012

**All Records for FY12 (July 1, 2011 through June 30, 2012) – 1,500 thousand records for 99,825 clients.
All Data Obtained Through Queries Created by Software Team and Reviewed by IT Team**

Data Field Submitted	# of Records	Validation Desc	Defects	Defect %	Defect Description
Hours Per Week	99,825		45,261 (E)	45%	>60 hours per week
Regular Annual Compensation	99,825		54 (C) 6,883 (I)	.05% 7%	>\$250,000, not Higher Ed Regular Annual Compensation <Monthly Salary
Gross Salary Paid to Date	99,825		1,072 (G) 39,241 (G)	10% 41%	Gross Salary < Monthly Salary Gross Salary ~RAC
Federal Salary	99,825		634 (D)	1%	Federal Contributions with no Salary
Member Before Tax	99,825	Cannot take account below zero balance for pay period	20,065 (F)	20%	Employee Contributions different than Monthly Salary Report
State Credit	99,825	Cannot take account below zero balance for pay period	3,976 (H) \$800,000	4%	State Credit for year exceeds max of \$1,410.53
Federal Match	99,825		634 (D)	.6%	Federal Contributions with no Salary

Intended to Show Progress of Credit Earned	Required to Determine Credit Eligibility	Contribution Information
---	---	-----------------------------

Defect Summary (DPMO)

Defects		Description
Clients	99,824	Number of Clients in FY2012
Defects	117,217	Number of Defects Found in Review
Opportunities	8,385,216	Clients x 12 months x Fields Reviewed (7)
Defects/Opportunity	0.0139790	
DPMO	13,979.01	

Defective		Description
Clients	99,824	Number of Clients in FY2012
Defects	73,783	Number of Defectives Found in Review
Opportunities	99,824	Clients
Defects/Opportunity	0.7391309	
DPMO	739,131	

The total Defective Clients is 73,778 based on these initial defects, making a defect rate of 74%.

As illustrated in the table above, the fields required to determine credit eligibility in their current form have too many errors to be trusted to calculate service credit to the entire population of clients. Additionally, the portal by which employers submit their data, does not perform enough validations to restrict incoming errors before they are posted to client accounts. This causes defects in our client data and prevents OTRS from being able to award service automatically each year it is earned.

Each of these problems will be addressed in the improvement phase of this process

Current State and Value Stream Map

Each month Employers pay their employees (OTRS Clients) and subsequently pay OTRS contributions and submit a data file. Each employer submits at least one report per month. Daily OTRS posts employer reports to client accounts which then compile the body of data used to determine service credit and final average salaries.

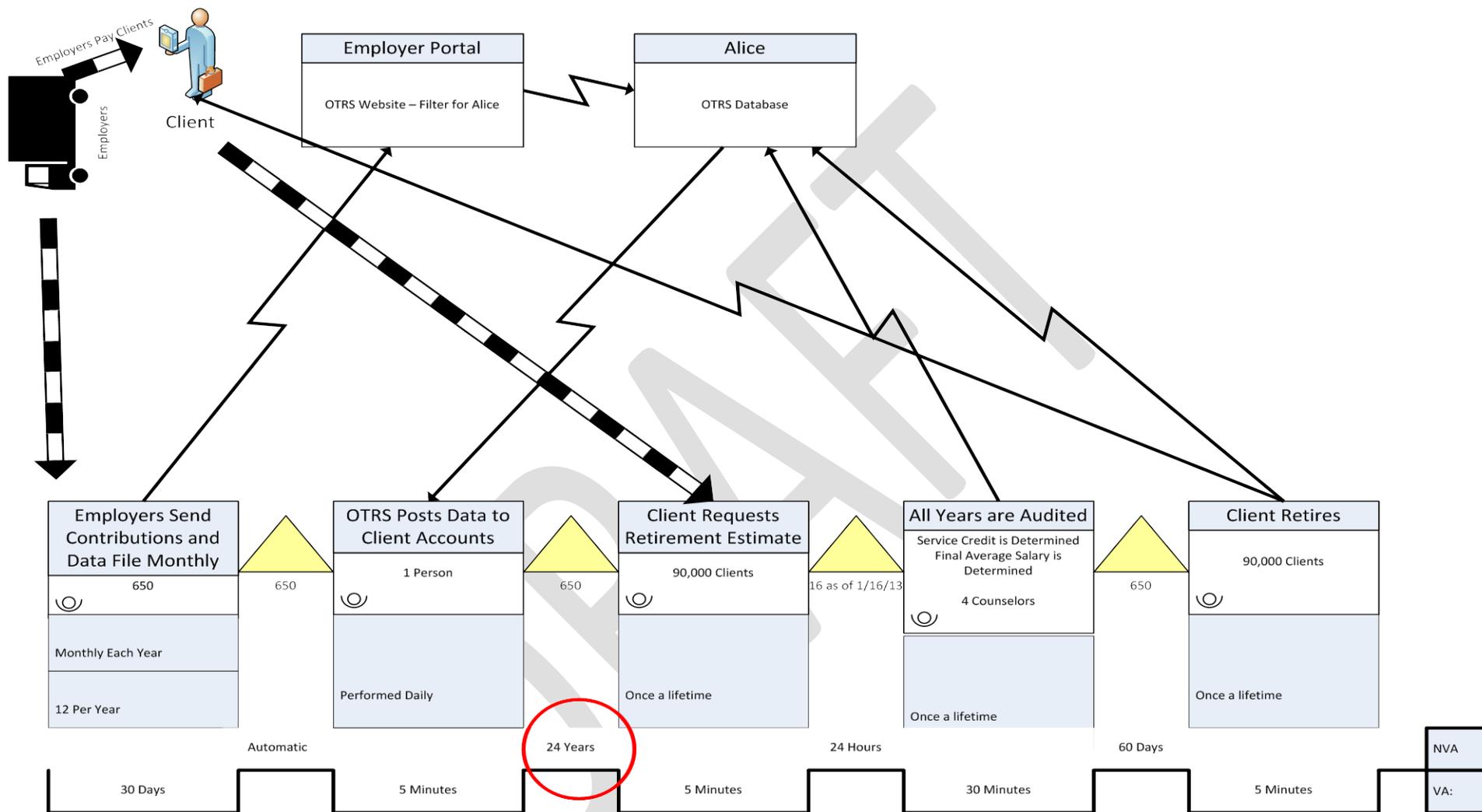
When a client is considering retiring, they will request a retirement estimate (they do not know their retirement amount because OTRS does not currently have service credit awarded for years worked in the past). An OTRS counselor will audit the client's account, which takes approximately 30 minutes.

This audit is meaningful for one year or less because it can only include years earned for the current time frame. Once the account is audited, an estimate is created and sent to the Client whereby they can choose to retire or not. This process must be performed for any client wishing to retire.

Consequently, this is a pull system, whereby a client only knows their retirement amount once they ask for it and the subsequent work is performed. It is OTRS' ultimate goal to push this information to clients on an annual basis; however this cannot be accomplished until every client's account is audited, and remains audited on an annual basis.

OTRS' current capacity is 10,000 clients per year to be audited, which means it would take over 9 years to audit each client's account once, assuming no new clients joined the system.

Auditing past years is part of the project mentioned earlier in this document. Keeping current years and future years "audited" or having service determined annually and automatically will be the goal of this project.



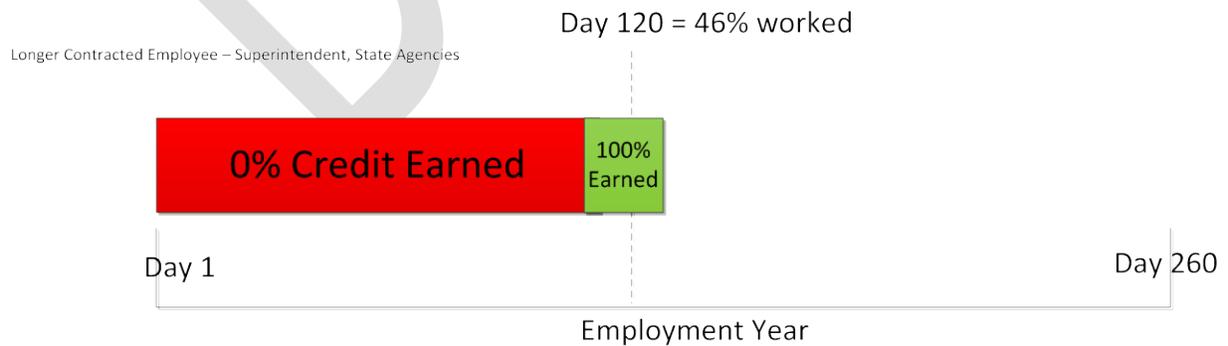
A major improvement goal for this project is to reduce the average cycle time from when a year is paid for and worked to when it is actually awarded from 24 years to 12 months.

Appendix B – Project 3 - Service Credit Overhaul – Partial Service

Determination of Service Credit Differences		
Description	Years prior to July 1, 2013	Years after June 30, 2013
Service Credit Method	Whole or None (1 or 0)	Partial/Fractional Service
Information Required	-Contributions Received -6 consecutive contributions	-Full Time or Part Time -Hours worked -Contributions Received -% of Contract Fulfilled
Year rounded	Yes, 120 days = One year	No, partial credit awarded

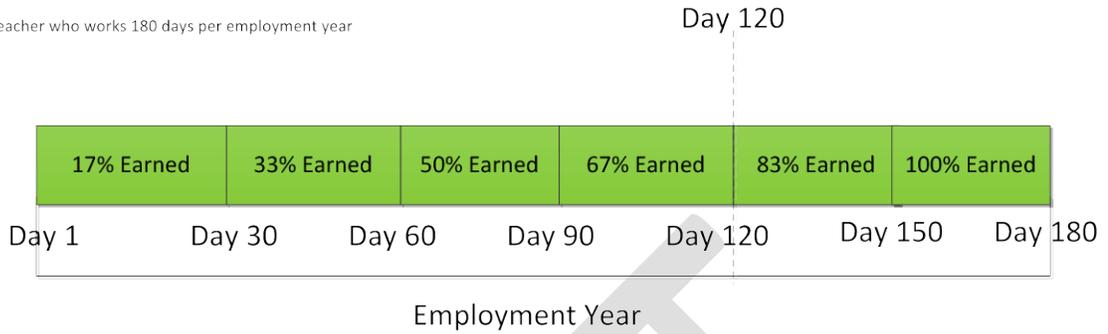
These differences are illustrated below:

Current Method – No Partial Credit

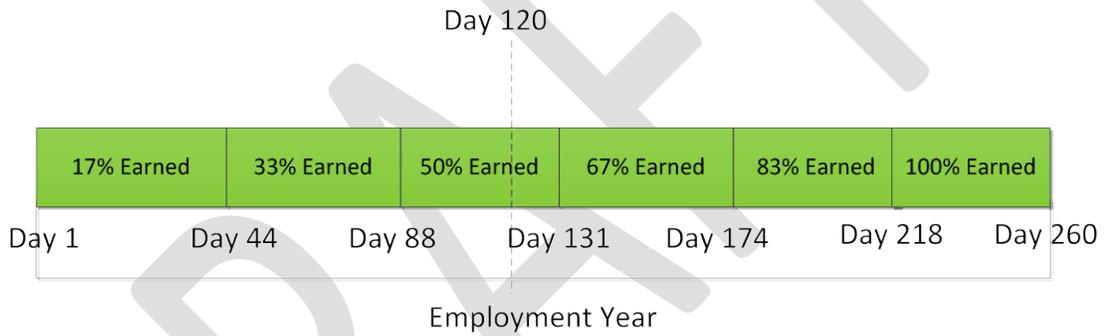


Future Method – Partial Credit

Average Teacher who works 180 days per employment year



Longer Contracted Employee – Superintendent, State Agencies



In summary, for years worked after June 30, 2013, partial service will be awarded based on the determination of:

- Whether client is full time or part time (6 hours per day, 30 hours per week)
- Percentage of Contract fulfilled during the employment year
- Years will not be rounded in any direction

Appendix C – Governance

The following information describes the information required to be known in order to correctly determine service credit:

Governance: [715:10-3-1](#)

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. No member shall receive one (1) year of service credit for less than 960 hours of employment. (This does not mean that a member working 960 hours is automatically entitled to receive one (1) year of creditable service.) No more than one (1) year of creditable service shall be awarded for all service in any one (1) school year. 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.

Requirements for fulltime service

Governance [715:10-3-2](#)

(a) For service performed prior to July 1, 2013, a member employed at least six (6) hours per day (30 hours per week) shall be considered a full-time employee.

(1) A full-time employee may receive one (1) year of creditable service after completing six (6) months or more of employment in a school year. (2) No member shall receive one (1) year of service credit for less than 720 hours of employment. (This does not mean that a member working 720 hours is automatically entitled to one (1) year of creditable service.)

(b) For service performed on or after July 1, 2013, creditable service will be awarded as outlined in [715:10-3-1](#).

Requirements for half-time service

Governance: [715:10-3-3](#)

(a) For service performed prior to July 1, 2013, a member employed at least four (4) but less than six (6) hours per day (at least 20 but less than 30 hours per week) shall be considered a half-time employee.

(1) A half-time employee may receive one-half (1/2) year of creditable service after completing six (6) months or more of employment in a school year.

(2) No member shall receive one-half (1/2) year of service credit for less than 480 hours of employment. (This does not mean that a member working 480 hours is automatically entitled to one-half (1/2) year of creditable service.)

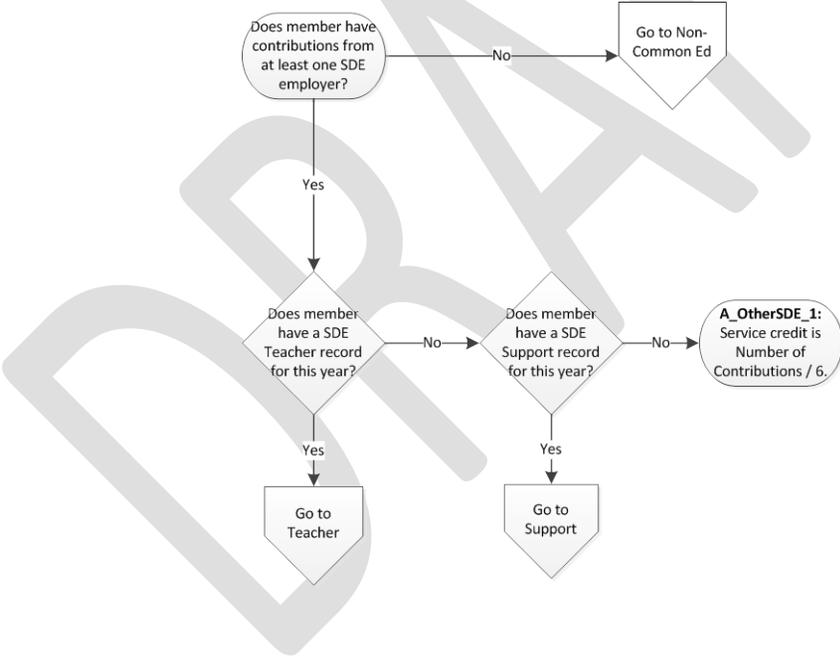
(3) A member who is employed one-half (1/2) the standard workload of other persons employed in similar positions shall not receive more than one-half (1/2) year of service credit even if total hours worked exceed 720 hours.

(4) Members who joined TRS prior to July 1, 1991, may receive one-half (1/2) credit for a minimum of three (3) hours per day (540 hours per school year) as long as they remain employed in the same or similar position for the same employing school. Any break in employment shall end this special provision and the member will be required to qualify for full-time or half-time credit as provided for in Subchapters 1 and 3 of this chapter.

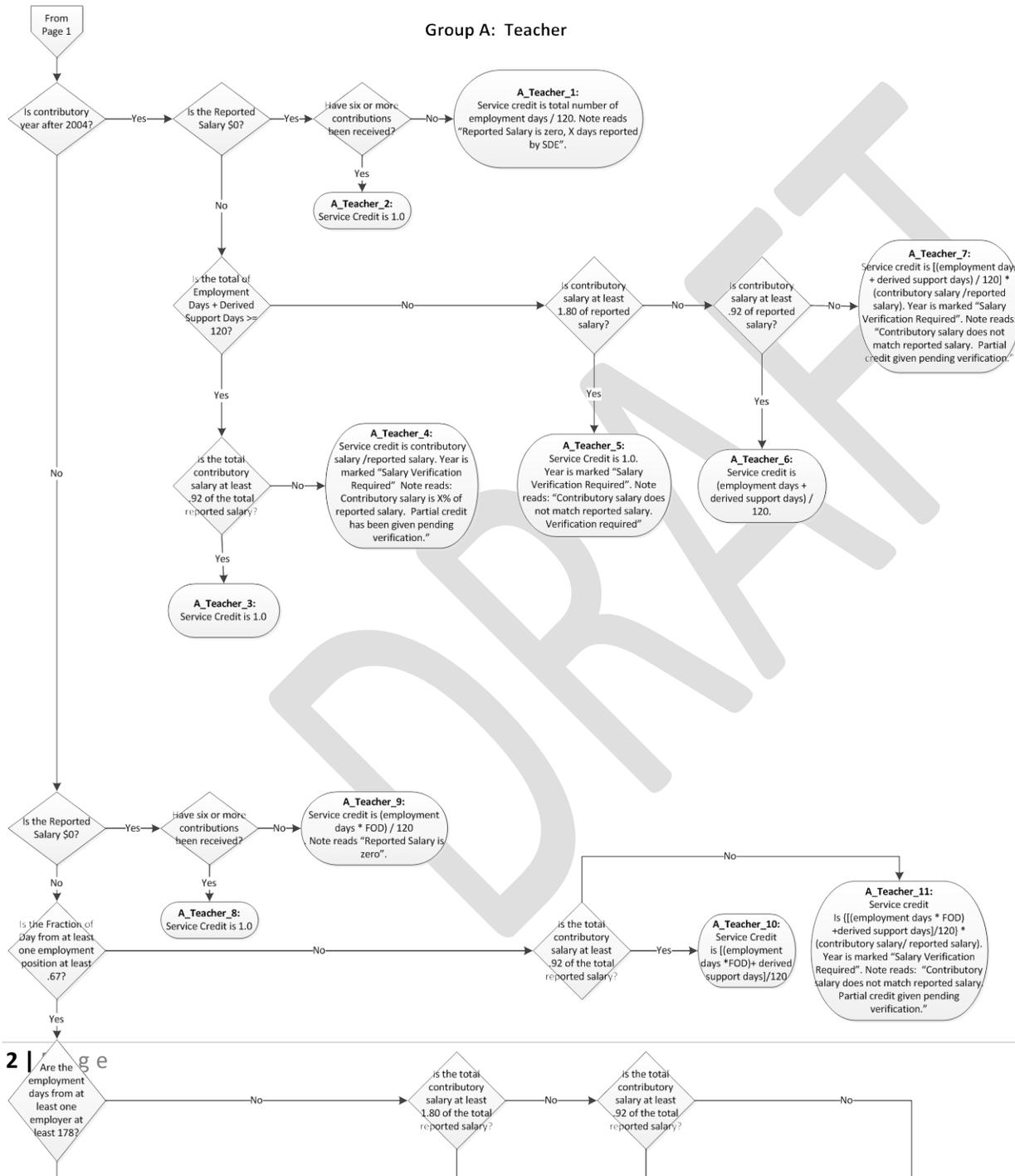
(b) For service performed on or after July 1, 2013, creditable service will be awarded as outlined in [715:10-3-1](#).

Appendix D - Flow Charts

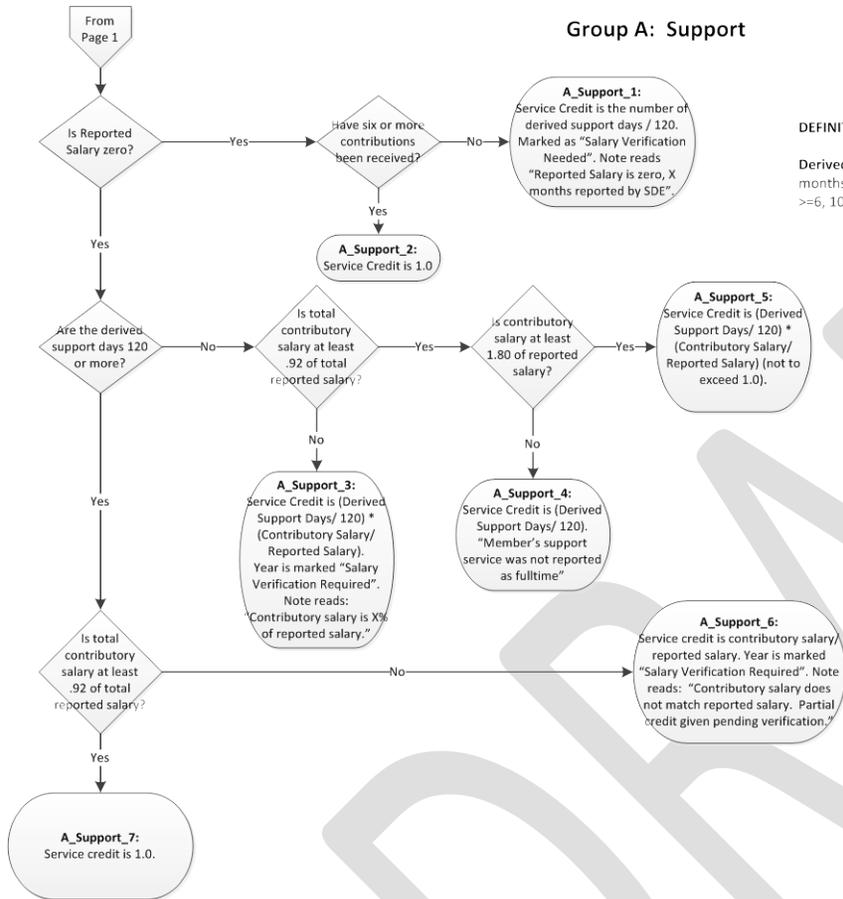
Group A:



Group A: Teacher



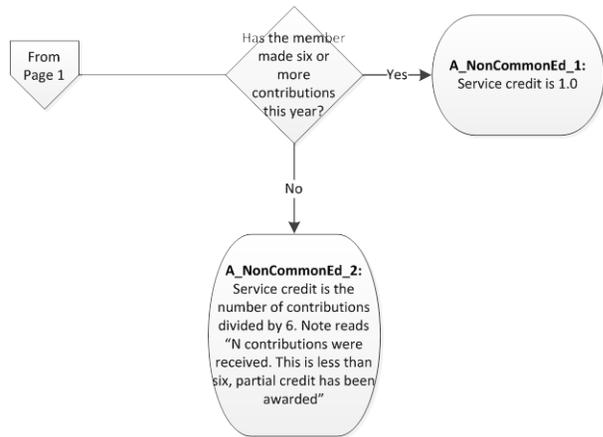
Group A: Support



DEFINITION OF TERMS

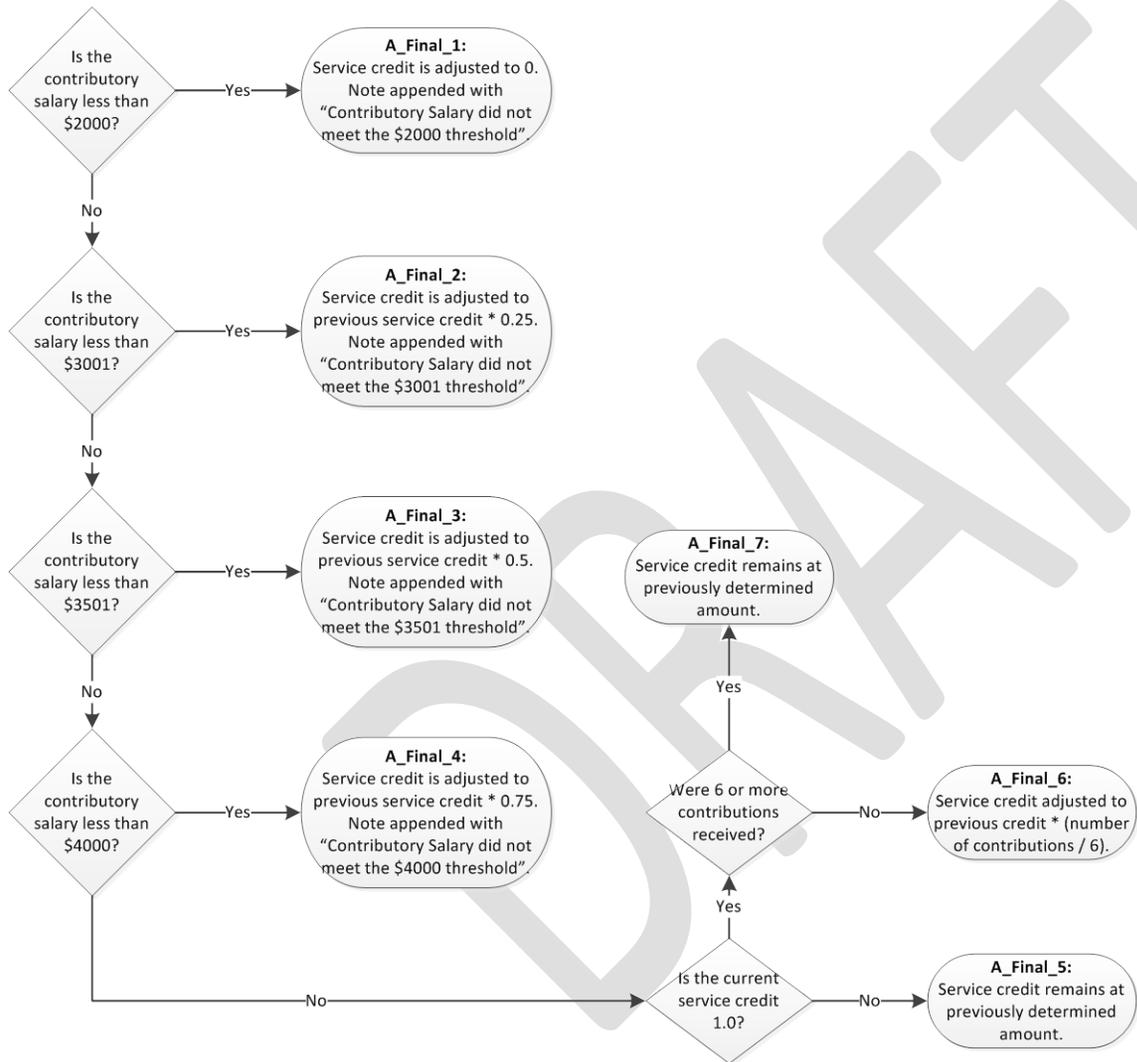
Derived Support Days: Based on SDE Support data, the number of months reported (From SDE Support) is multiplied by (20 if hours/day >=6, 10 if hours/day >=4 & < 6)

Group A: Non-Common Ed



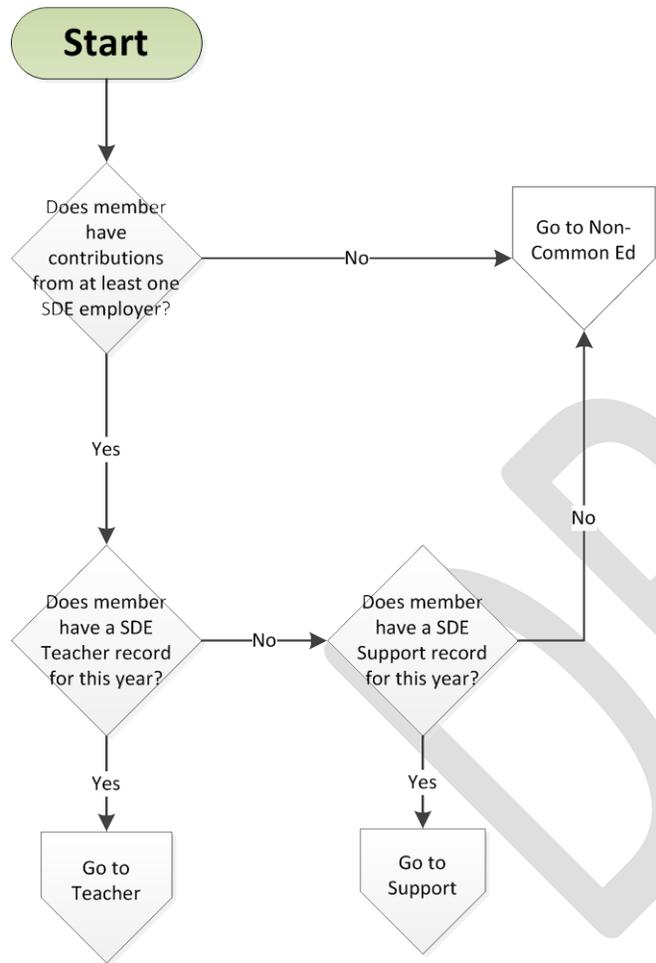
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Group A: Final Check

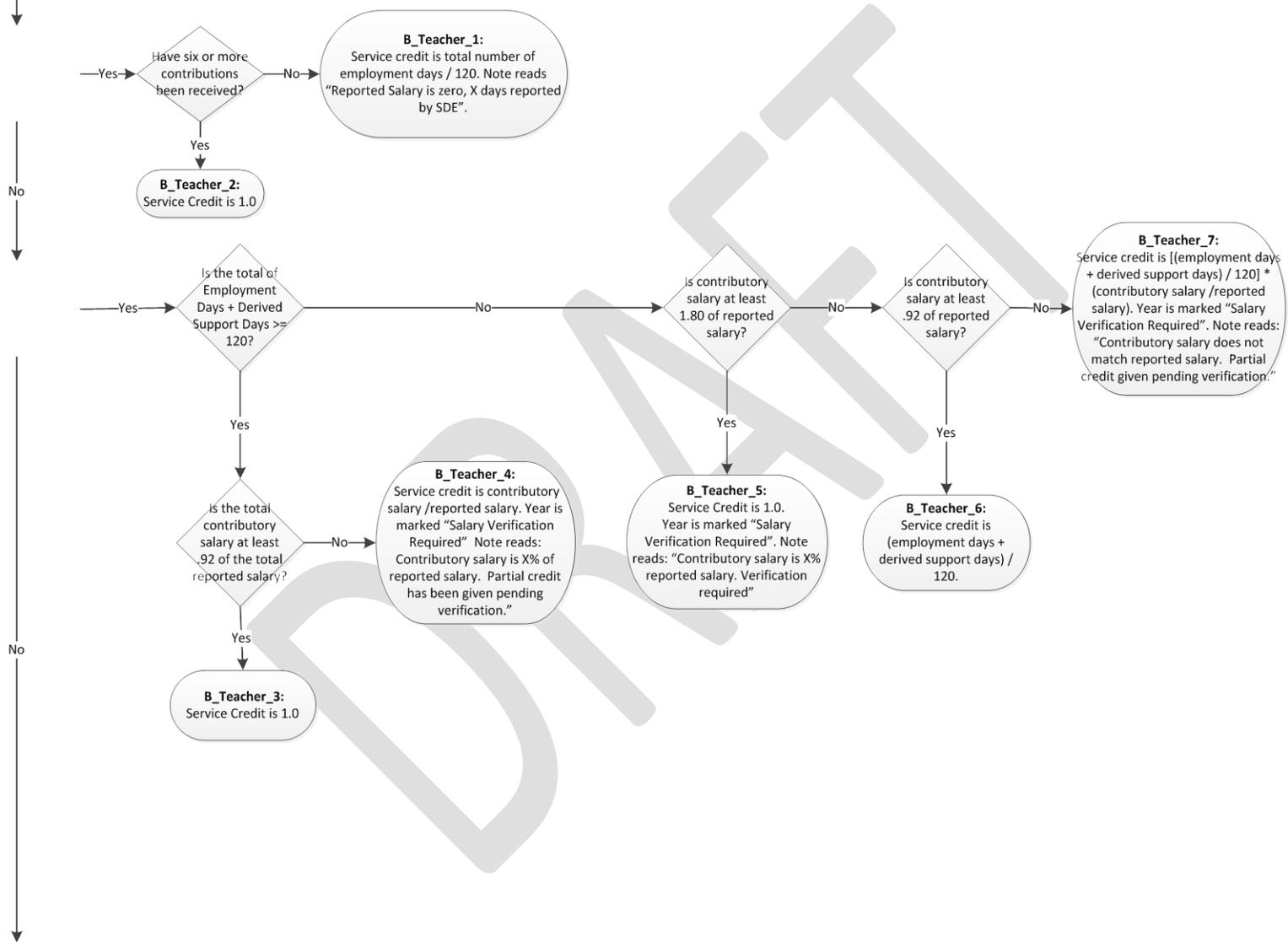


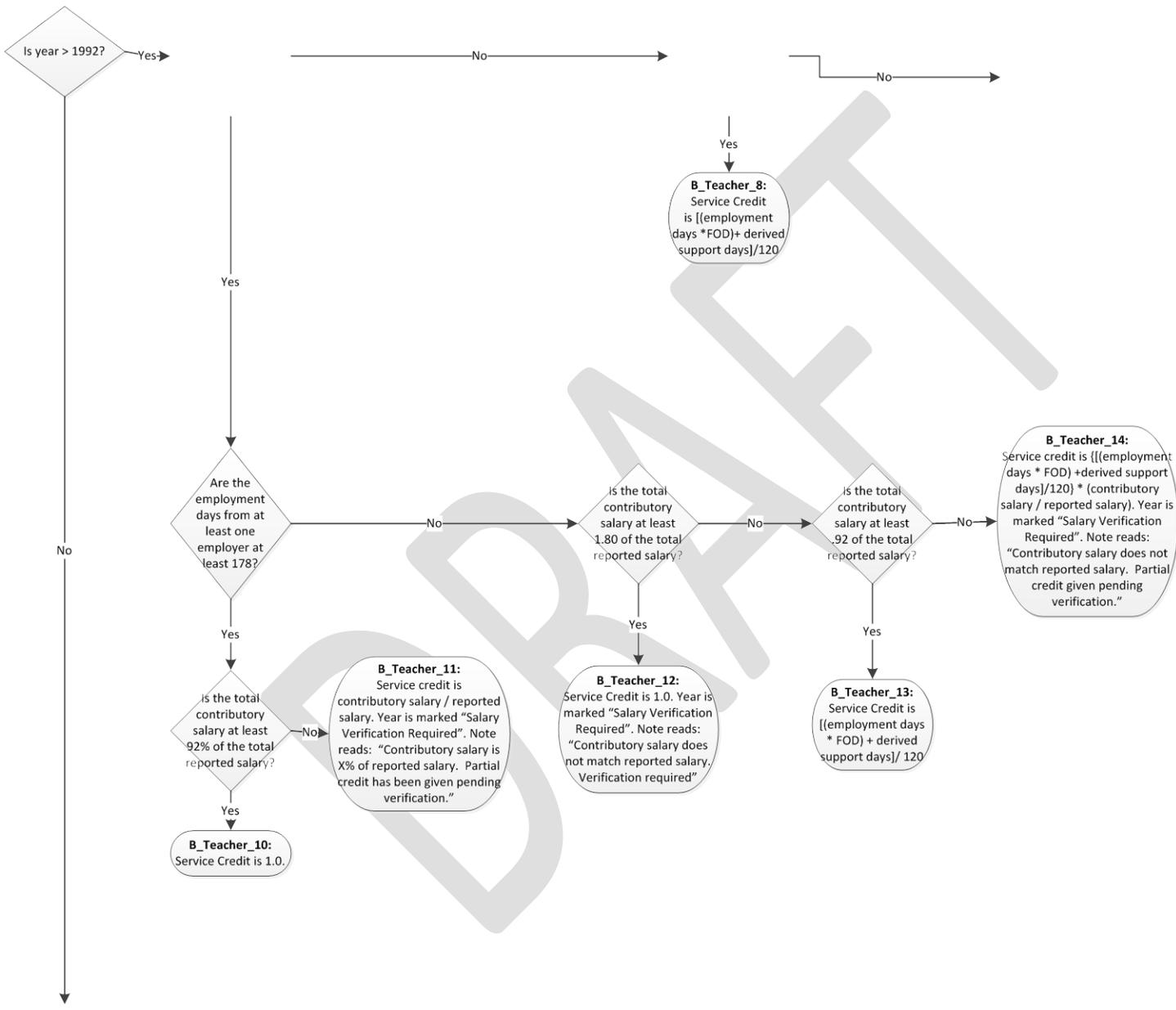
Group B:

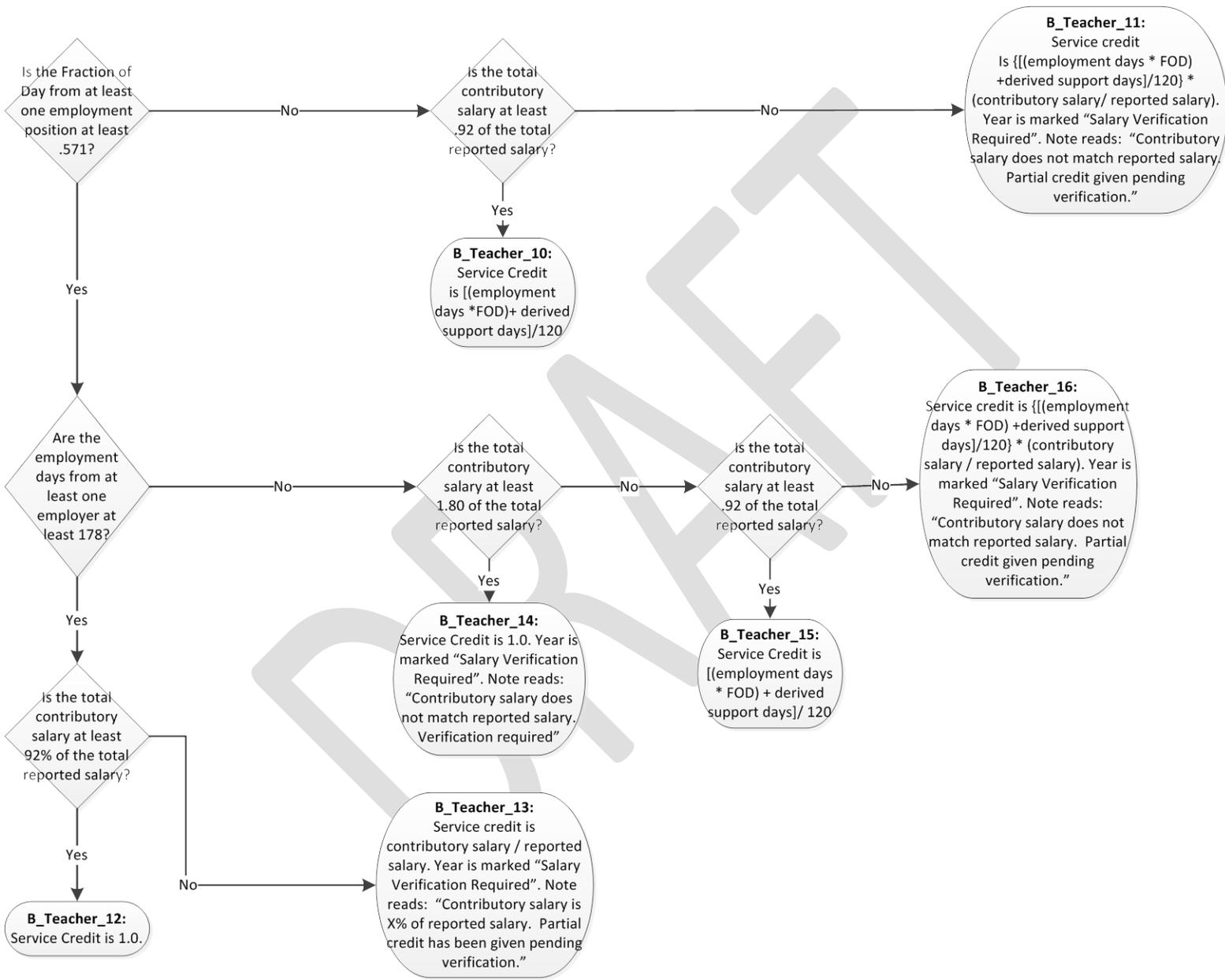
Group B: Credit Starting Page



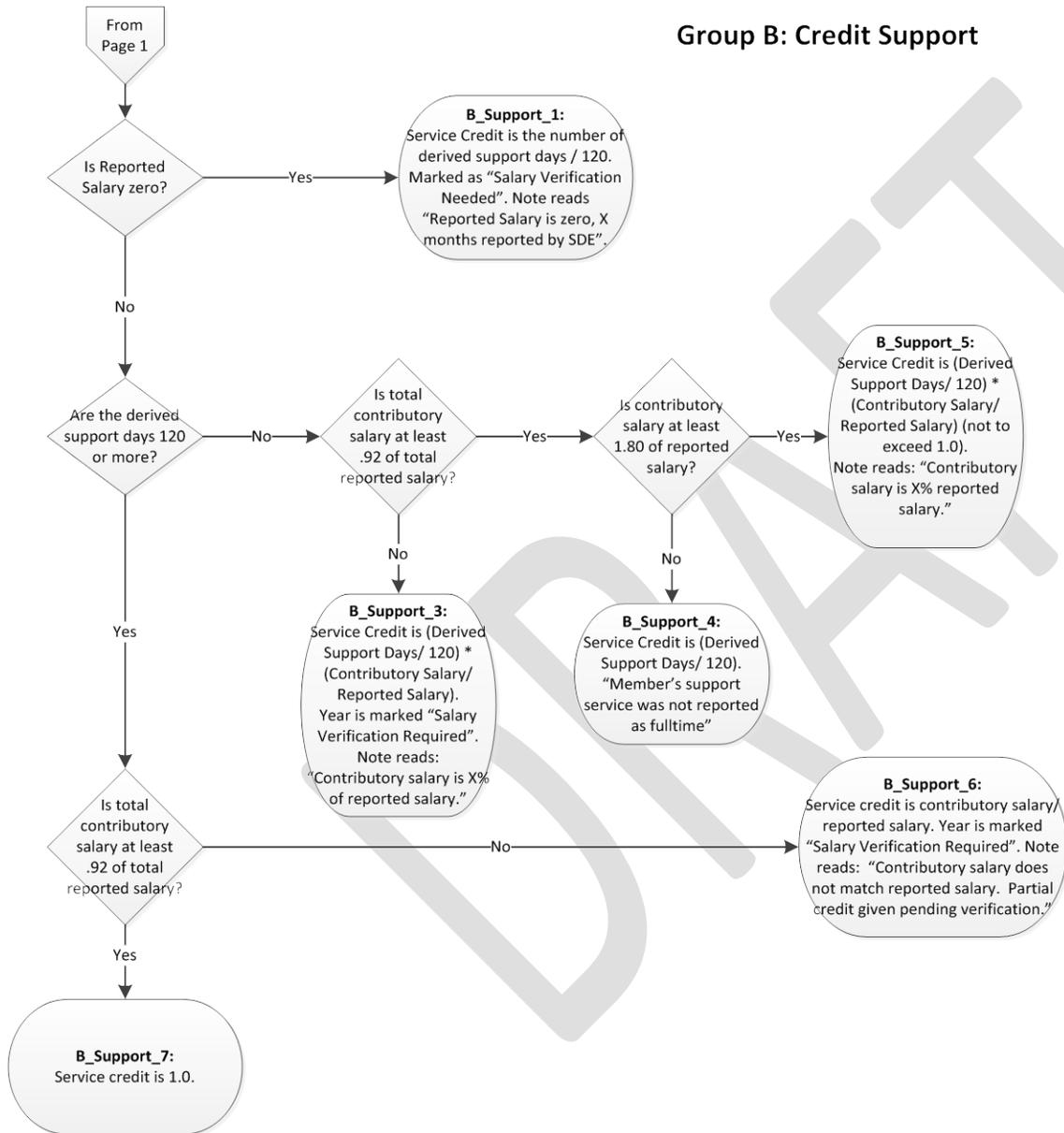
From Page 1



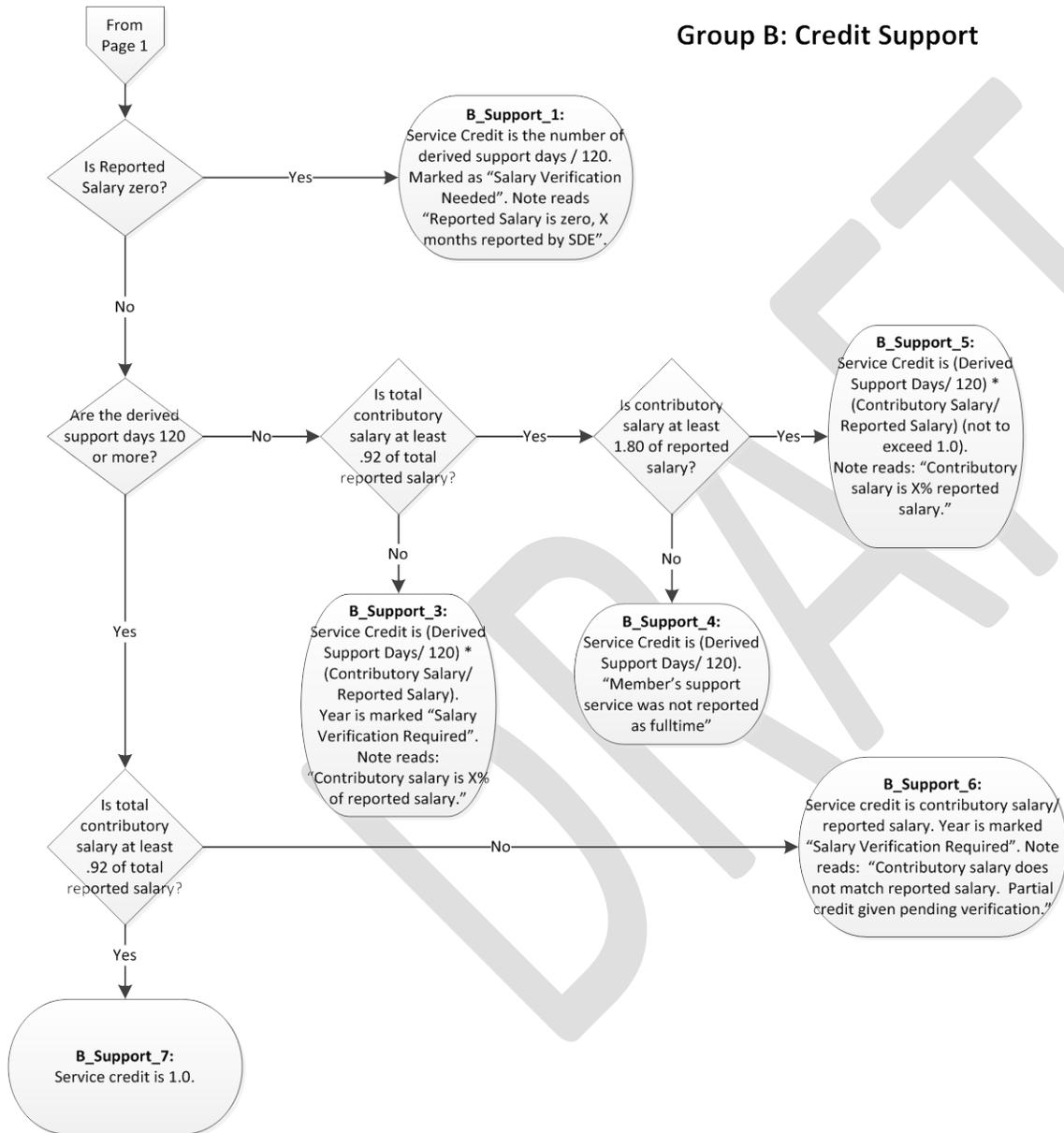




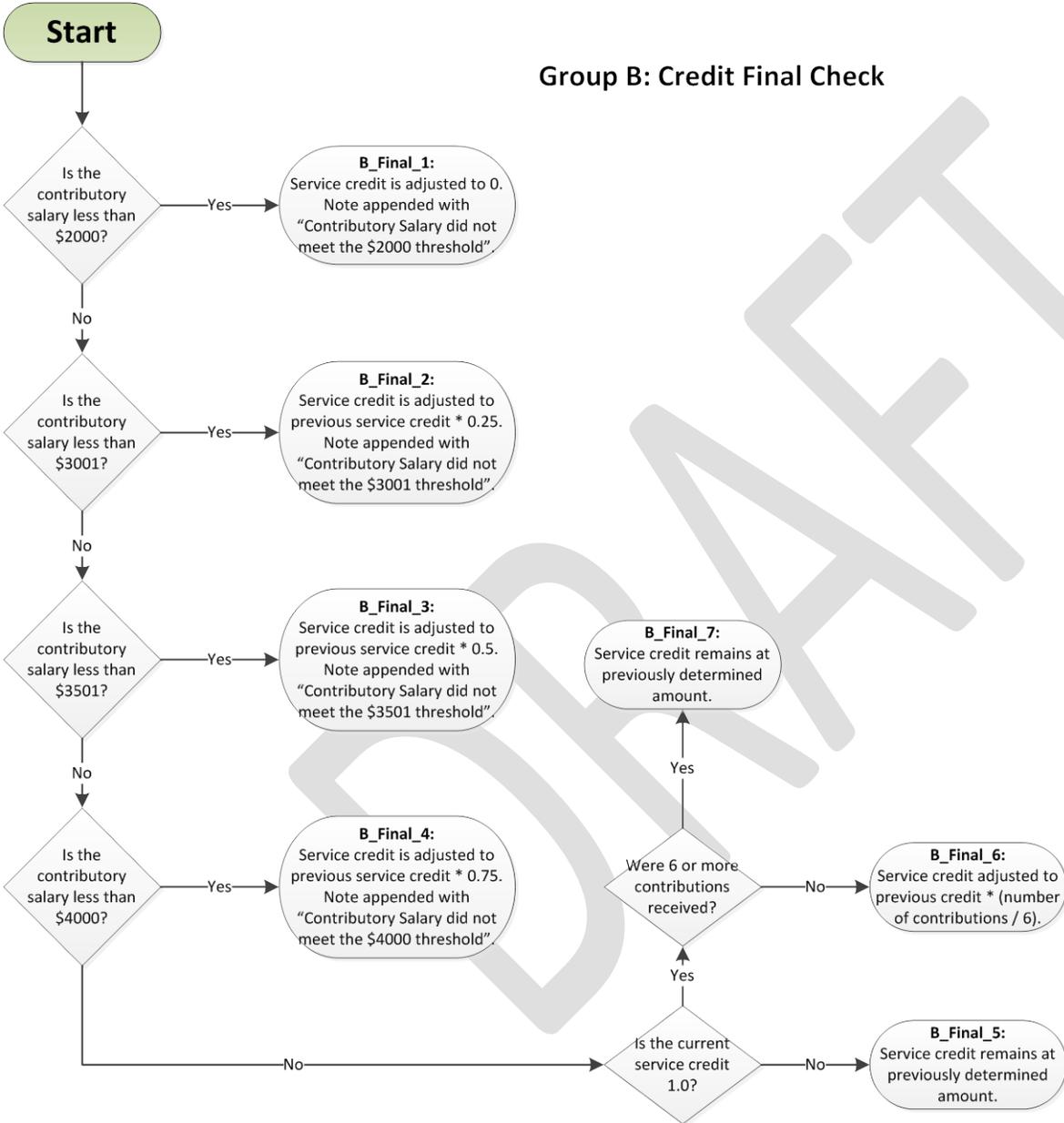
Group B: Credit Support



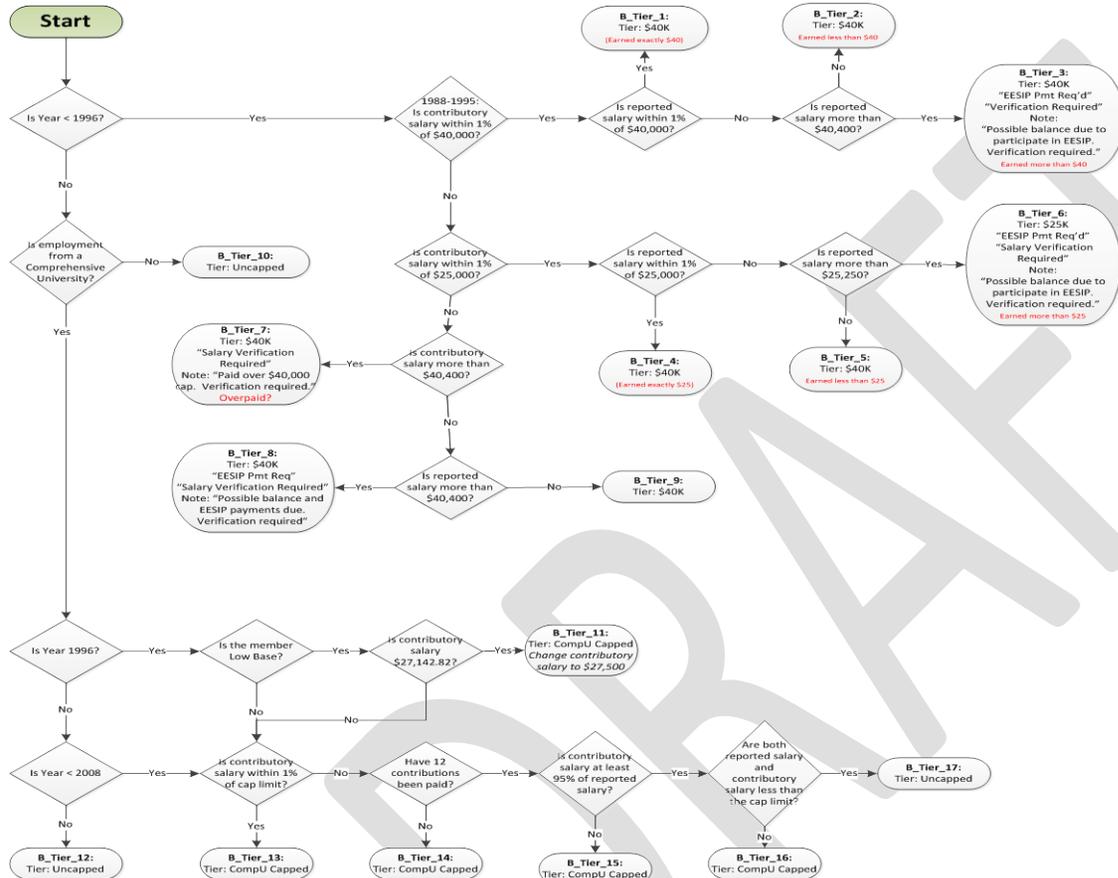
Group B: Credit Support



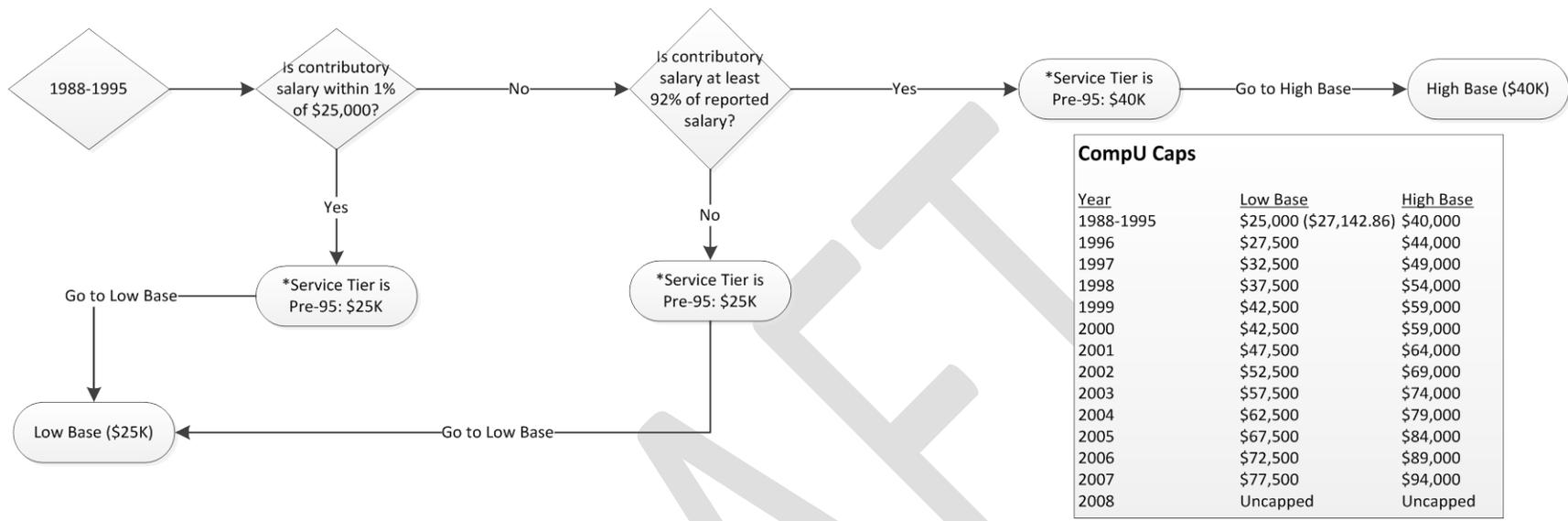
Group B: Credit Final Check



Group B: Service Tier



Year	Low Base	High Base
1988-1995	\$25,000 (\$27,142.86)	\$40,000
1996	\$27,500	\$44,000
1997	\$32,500	\$49,000
1998	\$37,500	\$54,000
1999	\$42,500	\$59,000
2000	\$42,500	\$59,000
2001	\$47,500	\$64,000
2002	\$52,500	\$69,000
2003	\$57,500	\$74,000
2004	\$62,500	\$79,000
2005	\$67,500	\$84,000
2006	\$72,500	\$89,000
2007	\$77,500	\$94,000
2008	Uncapped	Uncapped



CompU Caps

Year	Low Base	High Base
1988-1995	\$25,000 (\$27,142.86)	\$40,000
1996	\$27,500	\$44,000
1997	\$32,500	\$49,000
1998	\$37,500	\$54,000
1999	\$42,500	\$59,000
2000	\$42,500	\$59,000
2001	\$47,500	\$64,000
2002	\$52,500	\$69,000
2003	\$57,500	\$74,000
2004	\$62,500	\$79,000
2005	\$67,500	\$84,000
2006	\$72,500	\$89,000
2007	\$77,500	\$94,000
2008	Uncapped	Uncapped

Group C: - Currently undergoing internal review

Group D: - Not started

Group E: - Not started

Group F: - Not started

Group G: - Not started

DRAFT

**Promulgation of Permanent Rules
Report to Board of Trustees
Teachers' Retirement System of Oklahoma
February 27, 2013**

The Oklahoma Secretary of State's Office of Administrative Rules published the Notice of Proposed Permanent Rulemaking in the *Oklahoma Register* on January 15, 2013, (Volume 30, Number 9, page 194, Docket Number #12-1118).

The notice was mailed to all Teachers' Retirement System reporting entities and published on the TRS website (www.ok.gov/TRS/). The Notice of Rulemaking Intent, the Rule Impact Statement and the full text of the proposed permanent rules were published on the TRS website. The agency received no requests for copies of the Rule Impact Statement or the proposed rules.

The Teachers' Retirement System of Oklahoma held a public hearing on February 15, 2013, to receive comments regarding the proposed permanent rules. No one appeared at this hearing to make comments, nor did TRS receive written or oral comments about the proposed permanent rules.

The following is a summary of the provisions of each proposed rule:

**TITLE 715. TEACHERS' RETIREMENT SYSTEM
CHAPTER 10. GENERAL OPERATIONS**

SUBCHAPTER 5. ESTABLISHING OTHER SERVICE CREDITS

- **715:10-5-36** is being added to comply with the Post-EGTRRA Amendments specific to the Heroes Earnings Assistance and Tax Relief Act of 2008.

SUBCHAPTER 15. SERVICE RETIREMENT

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

SUBCHAPTER 17. POST-RETIREMENT EMPLOYMENT

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

**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.

The Board of Trustees is asked to adopt these rules, the full text of which follows.

Becky Wilson
Rules Liaison

2013 Proposed Permanent Rules

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

715:10-5-36 is being added to comply with the Post-EGTRRA Amendments specific to the Heroes Earnings Assistance and Tax Relief Act of 2008.

715:10-5-36. 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.

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

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) an 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~~ Participation. The maximum retirement benefits payable under OAR 715:10-15-26 to any member who has completed less than ten (10) years of service participation shall be the amount determined under subsection (e) OAR 715:10-15-26(c), as adjusted under OAR 715:10-15-26(d) and/or OAR 715:10-15-26(f), multiplied by a fraction, the numerator of which is the number of the member's years of service participation and the denominator of which is ten (10). The reduction provided by this subsection OAR 715:10-15-26(g) cannot reduce the maximum benefit below 10% of the limit determined without regard to OAR 715:10-15-26(g). The reduction provided for in this subsection OAR 715:10-15-26(g) shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.
- (h) Ten Thousand Dollar (\$10,000) Limit; Less than Ten (10) Years of Service. Notwithstanding the foregoing, anything in OAR 715:10-15-26 to the contrary, the retirement benefit payable with respect to a member shall be deemed not to exceed the 415-limit set forth in OAR 715:10-15-26(h) 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 at any time maintained a qualified defined contribution plan in which the member participated; 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).
- (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.

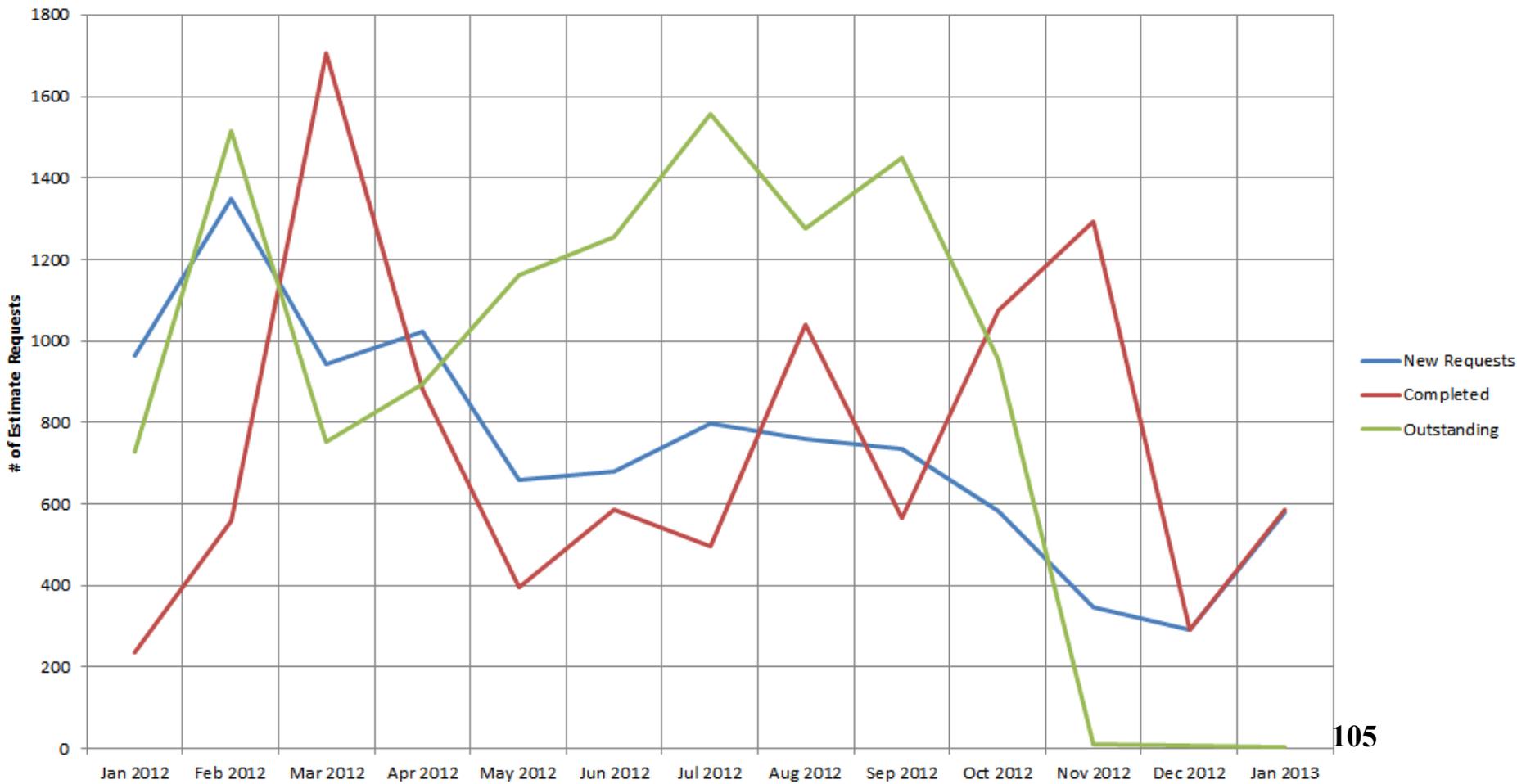
(e) Contributions to the Retirement Medical Benefit Fund must be subordinate to the contributions to the Retirement Benefit Fund for retirement benefits. At no time shall the aggregate actual contributions to the Retirement Medical Benefit Fund (when added to actual contributions for life insurance protection 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.

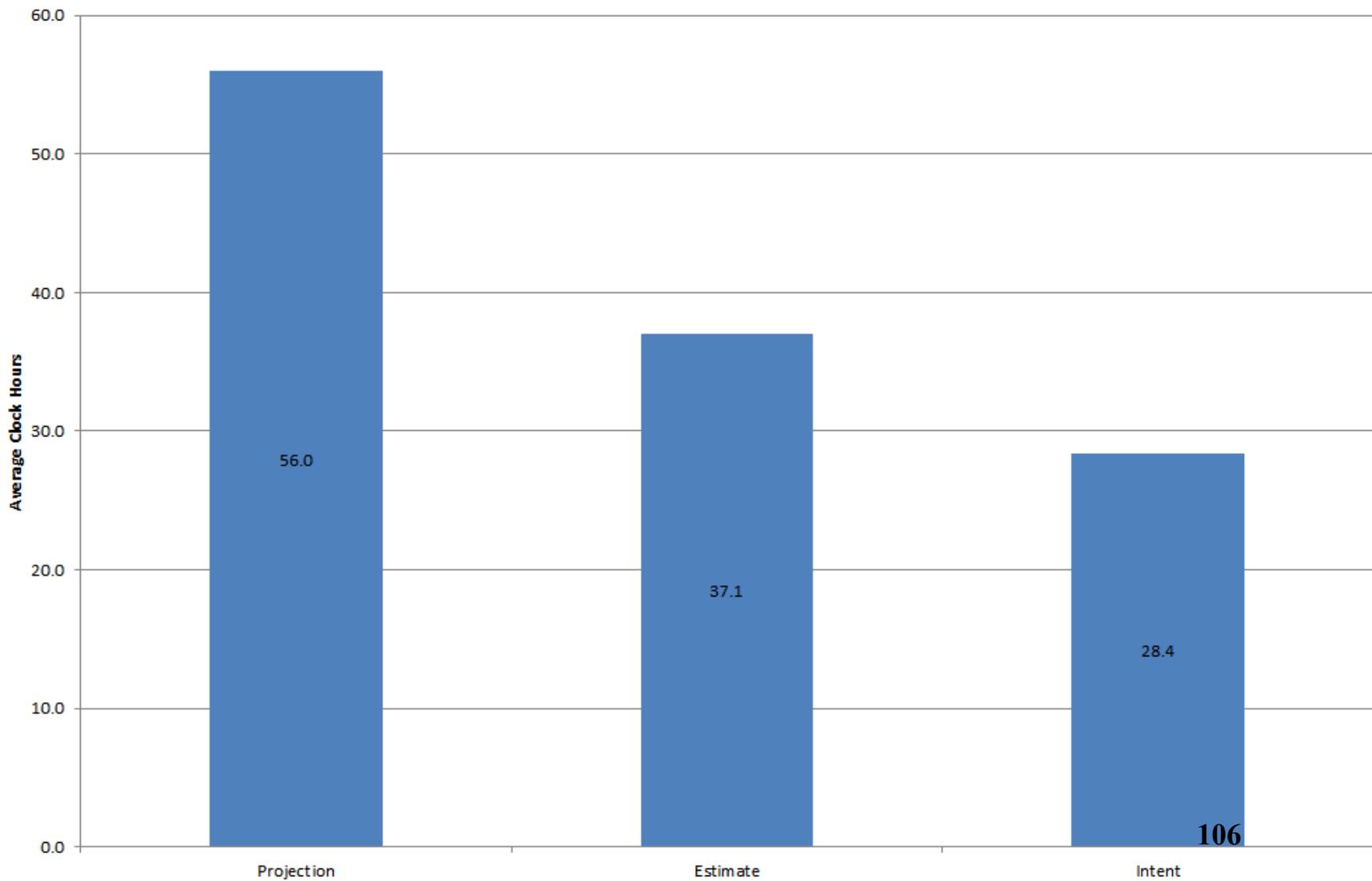
(h) The provisions of section 401(h)(5) of the Internal Revenue Code of 1986, as amended from time to time, shall apply upon the satisfaction of all liabilities under law and the Retirement Benefit Fund.

Estimate Request - Jan 2012 to Jan 2013



105

Time to Complete Requests by Type - Jan 2013



*Teachers' Retirement System of Oklahoma
Client Status Update Report - Finance Division
January 31, 2013*

Board Meeting February 27, 2012

<i>Cash Basis</i>	January 2012	January 2013		
<i>Monthly Contributions:</i>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$20,088,750.15	\$26,583,929.24	\$6,495,179.09	32.33%
Employer Contributions	28,532,913.49	31,838,906.98	3,305,993.49	11.59%
State Revenue	<u>27,899,912.65</u>	<u>29,050,343.10</u>	<u>1,150,430.45</u>	<u>4.12%</u>
Total Retirement Receipts	76,521,576.29	87,473,179.32	10,951,603.03	14.31%
 <i>Monthly Distributions:</i>				
Retirement Benefits	75,901,597.74	88,326,600.85	12,425,003.11	16.37%
Withdrawals and Death Benefits	<u>1,413,437.06</u>	<u>3,493,302.93</u>	<u>2,079,865.87</u>	<u>147.15%</u>
Total Benefit Payments	<u>77,315,034.80</u>	<u>91,819,903.78</u>	<u>14,504,868.98</u>	<u>18.76%</u>
Net (Receipts - Payments)	<u>(\$793,458.51)</u>	<u>(\$4,346,724.46)</u>	<u>(\$3,553,265.95)</u>	<u>447.82%</u>
	Year to Date	Year to Date		
<i>Year to Date Contributions:</i>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$166,081,994.26	\$172,577,173.35	\$6,495,179.09	3.91%
Employer Contributions	225,266,459.01	228,572,452.50	3,305,993.49	1.47%
State Revenue	<u>173,864,931.83</u>	<u>175,015,362.28</u>	<u>1,150,430.45</u>	<u>0.66%</u>
Total Retirement Receipts	565,213,385.10	576,164,988.13	10,951,603.03	1.94%
 <i>Year to Date Distributions:</i>				
Retirement Benefits	622,881,662.63	635,306,665.74	12,425,003.11	1.99%
Withdrawals and Death Benefits	<u>26,278,736.40</u>	<u>28,358,602.27</u>	<u>2,079,865.87</u>	<u>7.91%</u>
Total Benefit Payments	649,160,399.03	663,665,268.01	14,504,868.98	2.23%
Net (Receipts - Payments)	<u>(\$83,947,013.93)</u>	<u>(\$87,500,279.88)</u>	<u>(\$3,553,265.95)</u>	<u>4.23%</u>



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Monthly Retirement Status Report - February 2013

New Retirements

<u>Type</u>	<u>Count</u>	<u>Benefit Total</u>
Disability	4	\$3,480.81
Normal	103	\$181,972.60
Total	<u>107</u>	<u>\$185,453.41</u>

Terminated Retirements	28	<u>\$37,611.86</u>
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Net Change	79	<u>\$147,841.55</u>
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NORMAL RETIREMENTS
2/1/2013

Client #	Client Name		Estimate	Retirement	Benefit
			Ret. Date	Number	
Q0179986	DEAN	W ALFORD	2/1/2013	096518	\$1,842.91
Q0143224	DELTA	C ARMSTRONG	2/1/2013	096176	\$402.27
Q0224389	CYNTHIA	D BARCHUE	2/1/2013	096178	\$3,002.16
Q0162170	PHILLIP	L BERKENBILE	2/1/2013	096594	\$7,224.71
Q0083441	JAMES	D BRANSCUM	2/1/2013	096233	\$5,040.60
Q0240017	CHERYL	BREWER	2/1/2013	096234	\$211.25
Q0109472	DEBRA	S BROCK	2/1/2013	096237	\$2,177.06
Q0081168	BARBARA	K BROWN	2/1/2013	096238	\$951.19
Q0050652	CATHY	L BROWN	2/1/2013	096336	\$2,231.46
Q0122312	ROBERT	L BURNS	2/1/2013	096491	\$2,163.84
Q0227176	GERAINE	L BURROWS	2/1/2013	096492	\$1,083.96
Q0247189	LAURICE	BUTLER	2/1/2013	096496	\$2,344.75
Q0048528	NANCY	E BUTLER	2/1/2013	096499	\$1,055.10
Q0302535	LARRY	D CAROTHERS	2/1/2013	096500	\$594.26
Q0225063	BRENDA	G COX	2/1/2013	096501	\$629.79
Q0199337	BRENDA	COX	2/1/2013	096502	\$3,748.03
Q0025681	NELSON	T CUMMINS	2/1/2013	096503	\$1,163.42
Q0207575	JULIE	D CUNNINGHAM	2/1/2013	096504	\$1,385.19
Q0184105	EVELYN	DULL	2/1/2013	096505	\$1,872.47
Q0179966	THOMAS	E DUNN	2/1/2013	096506	\$1,209.58
Q0162545	MARY	G DYER	2/1/2013	096507	\$387.99
Q0027021	LOREN	M FARR	2/1/2013	096508	\$1,739.48
Q0108408	TERESA	FISHER	2/1/2013	096509	\$1,935.48
Q0280359	MILDA	A FOX	2/1/2013	096510	\$518.91
Q0086862	MARTHA	A GARRIOTT	2/1/2013	096511	\$1,122.89
Q0027027	ESTELLA	L GARSIDE	2/1/2013	096512	\$354.00
Q0180910	PRISCILLA	D GOERGEN	2/1/2013	096513	\$620.47
Q0048508	BEVERLY	J GRIFFIN	2/1/2013	096514	\$2,865.27
Q0060691	LORETTA	D GRYLLES	2/1/2013	096515	\$230.20
Q0221555	GAIL	R HALL	2/1/2013	096516	\$1,149.57
Q0179032	MARY	HALLMAN	2/1/2013	096517	\$1,532.67
Q0078980	LENDELL	M HAMMAN	2/1/2013	096519	\$2,141.25
Q0292350	BECKY	K HAMMER	2/1/2013	096520	\$171.64
Q0202168	KATHRYN	E HILL	2/1/2013	096521	\$1,908.74
Q0027769	DIANA	R HOLSTEN	2/1/2013	096522	\$498.20
Q0261948	DEBBIE	HOUSE	2/1/2013	096523	\$969.61
Q0086601	BARBARA	S HUDGINS	2/1/2013	096524	\$1,753.22
Q0247782	LARRY	D HUNTZINGER	2/1/2013	096525	\$4,126.75
Q0184616	YOLANDA	G IKARD-HOLMAN	2/1/2013	096526	\$2,840.56
Q0160922	BILL	INMAN	2/1/2013	096527	\$1,740.36
Q0084378	CAROL	INMAN	2/1/2013	096529	\$1,474.15
Q0181532	DIANA	M JACOBS	2/1/2013	096530	\$2,081.26
Q0065761	DALA	R JAROLIM	2/1/2013	096531	\$1,541.36
Q0051318	KARLA	J JARRETT	2/1/2013	096532	\$1,912.32
Q0188360	JONI	JETER	2/1/2013	096533	\$3,250.31
Q0145260	BRENDA	JOHNSTON	2/1/2013	096566	\$2,378.14
Q0184190	PATRICIA	E JONES	2/1/2013	096534	\$1,615.75
Q0106837	PAMELA	K KLOIBER	2/1/2013	096535	\$1,090.59
Q0295779	WINETTA	LAMB	2/1/2013	096536	\$215.46
Q0178277	MONA	A LANE	2/1/2013	096537	\$2,974.82

Q0045372	JENEVA	M	LENHART		2/1/2013	096538	\$866.10
Q0198756	JAMES	H	LEWIS		2/1/2013	096539	\$1,927.89
Q0164371	KENNETH		LIMORE		2/1/2013	096540	\$4,114.14
Q0087175	SUSAN	K	LOVELACE		2/1/2013	096541	\$2,038.55
Q0213815	DEBRA	A	LYONS		2/1/2013	096542	\$2,030.59
Q0006521	CYNTHIA	A	MAROSE		2/1/2013	096543	\$1,961.81
Q0162937	VIRGINIA	A	MARSHALL		2/1/2013	096544	\$733.40
Q0007230	CHRISTOPHER	K	MCKEE		2/1/2013	096545	\$1,452.85
Q0184087	SAM	M	MCLEAN		2/1/2013	096547	\$1,636.60
Q0068879	DAVID	J	MCNUTT		2/1/2013	096546	\$2,039.08
Q0247305	CARTHEL	R	MEDLOCK		2/1/2013	096548	\$1,154.49
Q0089933	LENA	M	MILLER		2/1/2013	096549	\$1,770.20
Q0159694	JAMES	S	MITCHELL		2/1/2013	096550	\$3,033.57
Q0161436	LEANNA	L	MIZE		2/1/2013	096551	\$4,458.11
Q0183817	SUSAN	N	MURRAY		2/1/2013	096552	\$3,157.12
Q0081405	BARBARA	R	NEAS		2/1/2013	096553	\$3,420.88
Q0067220	GAYLA	V	NIDA		2/1/2013	096554	\$3,257.87
Q0103608	JUDITH		NILES		2/1/2013	096555	\$3,115.85
Q0106921	CHERYL	A	OTTMAN		2/1/2013	096556	\$2,188.50
Q0103698	BRENDA	L	PATE		2/1/2013	096557	\$1,178.11
Q0086351	GLORIA	J	PEARSON		2/1/2013	096558	\$845.39
Q0019383	FREDERICK	P	PECK		2/1/2013	096559	\$1,443.77
Q0050836	TERESA		PERKINS		2/1/2013	096584	\$1,935.54
Q0291030	DALE	R	PINKSTON		2/1/2013	096560	\$224.96
Q0139837	BARBARA	J	PITTMAN		2/1/2013	096561	\$3,655.16
Q0069020	LISA	A	PRICE		2/1/2013	096562	\$4,023.25
Q0066992	LAVENE	R	REDDEN		2/1/2013	096563	\$296.76
Q0158445	EUNICE	K	REED		2/1/2013	096564	\$299.49
Q0151757	SANA	S	RETTIG		2/1/2013	096565	\$2,163.96
Q0023346	ISRAEL		RODRIGUEZ		2/1/2013	096567	\$402.73
Q0166065	DAISY	M	ROGERS		2/1/2013	096568	\$2,148.13
Q0201373	LARRY	B	ROGERS		2/1/2013	096569	\$998.34
Q0123843	ALICE	F	ROSS		2/1/2013	096571	\$626.95
Q0179212	SHELIA	S	SAMPSON		2/1/2013	096572	\$987.81
Q0047699	LAWRENCE		SCARPITTI		2/1/2013	096574	\$4,407.74
Q0212876	GLORIA	K	SEYMOUR		2/1/2013	096575	\$1,918.39
Q0042018	MIKE	D	SILER		2/1/2013	096577	\$495.70
Q0182351	RODNEY	C	SMART		2/1/2013	096578	\$521.63
Q0199926	BARBARA	A	SMITH		2/1/2013	096579	\$1,855.88
Q0070270	DARRELL	E	SMITH		2/1/2013	096580	\$1,358.98
Q0020742	MARGO	K	SMITH		2/1/2013	096581	\$745.44
Q0229864	SHELVA	L	SOOTER		2/1/2013	096582	\$1,498.30
Q0124092	SUSAN	E	SOSSAMON		2/1/2013	096583	\$1,867.00
Q0183099	RAENELL	F	SPIES		2/1/2013	096585	\$1,180.94
Q0295563	ROGER	W	TAYLOR		2/1/2013	096586	\$577.18
Q0008707	WILLIAM	S	TRICE	II	2/1/2013	096587	\$1,004.86
Q0124423	STEPHEN		WALKER		2/1/2013	096588	\$503.51
Q0089537	LISA		WALLING		2/1/2013	096570	\$2,697.23
Q0009910	JANE	L	WEBER		2/1/2013	096589	\$2,959.32
Q0157799	TRESSA	M	WELCH		2/1/2013	096590	\$912.75
Q0161363	NOEL	W	WHITTON	JR	2/1/2013	096591	\$2,868.31
Q0085628	JOHNNIE	R	WILLIAMSON		2/1/2013	096592	\$1,232.17
Q0287601	STANLEY	R	WILSON		2/1/2013	096593	\$303.90
NORMAL							
\$181,972.60							

**Disability Retirements
February 2013**

Client #	Client Name		Estimate Ret. Date	Retirement Number	Benefit
Q0183712	REBEECC	ARNOLD	2/1/2013	D096573	\$335.40
Q0207575	JULIE	D CUNNINGHAM	2/1/2013	D096576	\$1,385.19
Q0147486	CYNTHIA	L WISE	2/1/2013	D096573	\$338.86
Q0161881	PATRICIA	A WOOD	2/1/2013	D096576	\$1,421.36
Disability					\$3,480.81

**Terminations
February 2013**

Termination	Retire. #	Annuitant Name	Death	Termination	Benefit
Deceased	031342	LAVETA W AUSTIN	01/25/2013	02/01/2013	\$1,574.06
Deceased	060259	BARBARA K BERRY	12/09/2012	02/01/2013	\$686.50
Deceased	054926	VICTORIA A BRENNAN	01/27/2013	02/01/2013	\$1,566.64
Deceased	022093	CAVANNAH M CLARK	01/28/2013	02/01/2013	\$1,985.99
Deceased	027515	JIM L COFFEY	01/29/2013	02/01/2013	\$2,294.77
Deceased	029393	ALVA G COMER	11/12/2012	02/01/2013	\$322.06
Deceased	049087	CYNTHIA COWAN	01/29/2013	02/01/2013	\$2,001.90
Deceased	043764	SALLY CRUSOE	01/27/2013	02/01/2013	\$1,399.12
Deceased	043372	JO A CULVER	01/02/2013	02/01/2013	\$1,107.51
Deceased	040840	LARRY A DUNN	01/25/2013	02/01/2013	\$2,357.46
Deceased	040238	CHARLES FULLBRIGHT	12/30/2012	02/01/2013	\$680.45
Deceased	025623	OPAL L GARMAN	01/31/2013	02/01/2013	\$425.10
Deceased	073553	MARGARET A GOODWIN	01/29/2013	02/01/2013	\$1,786.37
Deceased	025755	LEO H HARRIS	01/09/2013	02/01/2013	\$2,122.36
Deceased	021789	MARGIE R HUDDLESTON	01/17/2013	02/01/2013	\$880.33
Deceased	040894	JACK E KING	01/28/2013	02/01/2013	\$716.57
Deceased	D03201	JANE M LANGSTON	12/03/2011	02/01/2013	\$1,219.13
Deceased	042132	GWENDOLYON J LEAZER	12/20/2012	02/01/2013	\$1,336.42
Deceased	033116	WANDA J LEMONS	01/13/2013	02/01/2013	\$885.77
Deceased	023371	NETTIE R MCCORMICK	01/27/2013	02/01/2013	\$1,023.12
Deceased	018808	RUTH J MCKINNEY	09/30/2012	02/01/2013	\$1,815.57
Deceased	031975	AUDREY E OAKS	01/26/2013	02/01/2013	\$2,545.33
Deceased	045031	HORACE E ROGERS	01/29/2013	02/01/2013	\$237.62
Deceased	029108	GEORGE A ROWLEY	01/31/2013	02/01/2013	\$3,382.51
Deceased	031261	EARNEST D SHAMBLIN	01/29/2013	02/01/2013	\$747.93
Deceased	018293	VEDA M STEWARD	01/22/2013	02/01/2013	\$1,707.44
Deceased	030376	EMMA L STEWART	01/22/2013	02/01/2013	\$369.74
Deceased	033940	CHARLOTTE N WINGFIELD	01/27/2013	02/01/2013	\$434.09
Total Deceased					\$37,611.86