

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Investment Committee Meeting
Tuesday, February 25, 2014 – 3:00 PM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. CALL TO ORDER**
- 2. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 3. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT QUARTERLY REPORT**
- 4. REVIEW OF OKLAHOMA PENSION COMMISSION REPORT**
- 5. UPDATE ON REAL ESTATE SEARCHES (RFPS)**
- 6. DISCUSSION AND POSSIBLE ACTION ON REAL ESTATE LEVERAGE DEFINITION**
- 7. DISCUSSION AND POSSIBLE ACTION ON L&B PORTFOLIO UPDATE**
- 8. DISCUSSION AND POSSIBLE ACTION TO AMEND INVESTMENT POLICY STATEMENT**
- 9. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT POLICY EXCEPTION REQUESTS**
 - A. Shapiro**
 - B. Hoisington**
- 10. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 11. ADJOURNMENT**

ALL BOARD MEMBERS ARE ENCOURAGED TO ATTEND INVESTMENT COMMITTEE MEETINGS

INVESTMENT COMMITTEE:

Chair: Bill Peacher

Members: James Dickson, Roger Gaddis, Jill Geiger, Vernon Florence, Gary Trennepohl

Manager Profile - Advisory Research



Asset Class:	International Small Cap Equity
Status:	In Compliance
Portfolio Size:	\$200,740,400
Inception Date:	12/1/2011
Target Allocation:	1.5%
Actual Allocation:	1.6%
Annual Management Fee:	0.70%
Location:	Chicago, Illinois
Structure:	Division of Piper Jaffrey
Portfolio Management Team:	Johnathan Brodsky Drew Edwards Marco Priani

Notes:

Under normal circumstances, the Fund will invest at least 80% of its net assets (including amounts borrowed for investment purposes) in equity securities of small capitalization companies and will invest at least 75% of its net assets in securities of companies located outside of the United States. The Fund considers small capitalization companies to be companies with market capitalizations within the range of those companies included in the MSCI EAFE Small Cap Index at the time of purchase. The Fund's advisor uses a bottom-up approach that seeks to identify companies with attractive valuations relative to net asset value. The strategy invests in stocks that it believes are profitable, undervalued on a price to book basis, and exhibit low levels of leverage. The Fund's investments in equity securities may include common stocks, preferred stocks and convertible securities.

Represented by: Chris D. Crawshaw - CEO
Johnathan P. Brodsky - Managing Director

Founded: 1974

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Advisory Research	20.0	-	-	17.1	-0.5	-2.5
MSCI EAFE Small Cap	20.5	-19.7	8.4	21.0	1.2	-1.5

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Advisory Research	72	\$2.9 Billion	2.9%	11.7	1.0

Manager Profile - Epoch

Asset Class:	International Small Cap Equity
Status:	In Compliance
Portfolio Size:	\$204,239,386
Inception Date:	12/1/2011
Target Allocation:	1.5%
Actual Allocation:	1.6%
Annual Management Fee:	
Location:	New York, New York
Structure:	Publicly Traded (ticker: EPHC)
Portfolio Management Team:	Eric Citerne - Portfolio Manager Mike Welhoelter - Quantitative Research & RM

Represented by:	Tom Pernice Eric Citerne John Morgan
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Notes:

Their International Small Cap strategy pursues long-term capital appreciation by investing in growing, attractively valued non-U.S. companies with market capitalizations below \$5 billion. It offers investors access to under-researched companies with high return potential in growing segments of non-U.S. markets. The strategy aims to exploit inefficiencies in the asset class by identifying long-term investment themes and selecting individual companies using a free cash flow valuation methodology. Their bottom-up security selection and risk management process leads to a portfolio of 125-175 stocks.

Founded: 2004

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Epoch	20.2	-	-	23.3	1.0	-1.8
MSCI EAFE Small Cap	20.5	-19.7	8.4	21.0	1.2	-1.5

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Epoch	137	\$3.1 Billion	1.6%	16.6	1.9

Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,704,810,839	20.9%	17.0%	3.9%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	1,845,449,102	14.3%	13.0%	1.3%	
Small Cap	1,345,053,006	10.4%	10.0%	0.4%	
Total Domestic Equity	5,895,312,947	45.6%	40.0%	5.6%	
Large Cap International Equity	1,436,301,453	11.1%	11.5%	-0.4%	
Small Cap International Equity	805,815,909	6.2%	6.0%	0.2%	
Total International Equity	2,242,117,362	17.3%	17.5%	-0.2%	
Core Fixed Income	2,016,237,604	15.6%	17.5%	-1.9%	
High Yield Bonds	741,833,617	5.7%	6.0%	-0.3%	Two searches underway
MLPs	975,961,278	7.5%	7.0%	0.5%	
Private Equity	295,323,875	2.3%	5.0%	-2.7%	
Real Estate	562,910,457	4.4%	7.0%	-2.6%	
Opportunistic Assets	175,239,545	1.4%	0.0%	1.4%	
Total Non-Core Assets	2,751,268,773	21.3%	25.0%	-3.7%	
Cash	33,463,449	0.3%	0.0%	0.3%	
Composite	12,938,464,902	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of January 31, 2014



	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	12,938,464,902	12/1/1991	22.2	9.7	8.2	16.6	11.7	17.1	11.7	2.1	-1.6
Total Fund (Net of Fees)				9.3	7.8	16.2	11.3	16.7	11.3	2.0	-1.6
<i>Allocation Index</i>				9.4	7.1	15.4	10.1	13.2	9.3	1.1	-1.5
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	5,895,312,947 S&P 500 45.6%	4/1/1990	23.9	10.9	8.4	21.8	14.8	26.8	15.2	2.6	-3.2
Total All Cap Equity	840,533,284 Russell 3000 6.5%	9/1/2006	7.4	6.7	-	18.7	13.1	22.6	11.1	0.9	-4.8
Total Large Cap Active Equity	1,005,730,352 S&P 500 7.8%	1/1/1995	19.1	10.4	7.3	20.1	16.4	27.3	14.2	3.0	-2.9
Total Mid Cap Equity	1,845,449,102 Russell Mid Cap 14.3%	11/1/1998	15.3	10.4	10.7	25.1	15.6	29.3	17.0	3.4	-2.8
Total Small Cap Equity	1,345,053,006 Russell 2000 10.4%	2/1/1998	16.0	9.6	8.7	23.1	13.4	30.8	18.3	2.8	-3.0
Total International Equity	2,242,117,362 MSCI ACWI ex-US 17.3%	2/1/1998	16.0	9.3	7.5	14.9	7.1	14.1	13.7	-1.4	-4.1
Core Fixed Income (ex- High Yield)	2,016,237,604 Barclays Aggregate 15.6%	4/1/1990	23.9	7.3	6.3	7.9	6.7	0.7	3.0	1.0	1.9
Master Limited Partnerships	975,961,278 Alerian MLP Index 7.5%	2/28/2011	2.9	19.8	-	-	19.8	25.5	11.5	7.4	1.4
High Yield Bonds	741,833,617 ML High Yield II 5.7%	2/1/2009	5.0	16.1	-	16.1	8.8	5.9	6.3	1.7	0.7
Core Real Estate	562,910,457 NCREIF 4.4%	4/1/2011	2.8	-	-	-	-	-	-	-	-
Cash	33,463,449 91 Day T-bill 0.3%	4/1/1990	23.9	-	-	-	-	-	-	-	-
					1.7	0.1	0.1	0.1	0.0	0.0	0.0

Equity Portfolios Summary

As of January 31, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
All Cap / Large Cap Domestic												
Hotchkis & Wiley Large Cap	518,913,336	4/1/1990	23.9	11.0	7.0	24.5	15.3	28.6	12.6	2.6	-3.4	
Russell 1000 Value	4.0%			10.0	7.0	18.7	13.8	20.0	10.3	1.7	-3.6	
Sawgrass	486,817,016	7/1/2006	7.6	8.4	-	19.8	17.2	26.0	15.9	3.5	-2.3	
Russell 1000 Growth	3.8%			8.5	-	20.9	14.4	24.3	16.0	2.7	-2.9	
ARI All Cap	418,642,299	9/1/2006	7.4	5.8	-	18.1	12.9	20.9	9.7	0.4	-4.9	
Russell 3000 Value	3.2%			7.0	-	20.0	14.2	22.6	13.4	2.3	-3.2	
EPOCH All Cap	421,890,985	9/1/2006	7.4	7.5	-	19.1	13.2	24.2	12.5	1.4	-4.7	
Russell 3000 Value	3.3%			7.0	-	20.0	14.2	22.6	13.4	2.3	-3.2	
Passive Domestic Equity												
NT Cap Weighted Passive	429,120,145	4/1/2012	1.8	16.7	-	-	-	21.1	12.0	1.8	-3.5	
S&P 500 Cap Weighted	3.3%			16.2	6.8	19.2	13.9	21.5	12.3	2.0	-3.5	
SSGA Eq Weighted Passive	429,427,058	4/1/2012	1.8	20.1	-	-	-	23.7	13.5	2.1	-2.9	
S&P 500 Equal Weighted	3.3%			-	9.3	24.6	15.0	24.0	-	2.2	-3.0	
Mid Cap Domestic Equity												
Frontier Capital	477,330,024	6/1/2002	11.7	10.5	11.0	21.3	14.0	25.5	18.2	4.4	-0.7	
Russell Mid Cap Growth	3.7%			9.4	9.2	24.0	14.0	25.1	15.8	3.2	-2.2	
Wellington Management	431,936,570	9/1/1998	15.4	10.8	9.6	24.2	11.6	33.5	20.7	3.6	-4.7	
Russell Mid Cap Growth	3.3%			8.9	9.2	24.0	14.0	25.1	15.8	3.2	-2.2	
AJO Partners	479,106,187	8/1/1998	15.5	11.1	10.3	23.6	17.2	28.7	17.0	3.4	-3.0	
Russell MidCap	3.7%			9.2	9.7	23.8	14.3	23.7	14.5	2.6	-1.9	
Hotchkis & Wiley Mid Cap	457,076,321	8/1/2002	11.5	14.4	11.4	32.9	19.5	29.3	12.5	2.2	-3.0	
Russell MidCap Value	3.5%			11.5	9.8	23.4	14.5	22.1	13.0	2.1	-1.7	
Small Cap Domestic Equity												
Shapiro Capital Management	617,871,595	2/1/1998	16.0	10.8	12.3	28.1	16.1	33.8	21.4	5.5	-2.4	
Russell 2000	4.8%			8.6	7.8	20.4	13.0	22.0	13.1	1.8	-3.9	
Geneva Capital	193,654,427	6/1/2013	0.7	21.6	-	-	-	-	21.5	1.4	-1.6	
Russell 2000 Growth	1.5%			19.2	-	-	-	-	19.9	4.4	-1.7	
Wasatch Advisors	174,845,477	6/1/2013	0.7	8.3	-	-	-	-	10.8	-1.5	-5.6	
Russell 2000 Growth	1.4%			19.2	-	-	-	-	19.9	1.8	-3.9	
Cove Street Capital	101,735,245	6/1/2013	0.7	12.3	-	-	-	-	13.9	-2.0	-5.5	
Russell 2000 Value	0.8%			12.6	-	-	-	-	13.1	1.8	-3.9	
Frontier Capital	149,518,558	6/1/2013	0.7	11.8	-	-	-	-	16.1	3.2	-2.4	
Russell 2000 Value	1.2%			12.6	-	-	-	-	13.1	1.8	-3.9	
Neumeier Poma	107,427,703	6/1/2013	0.7	16.2	-	-	-	-	15.5	2.1	-3.2	
Russell 2000 Value	0.8%			12.6	-	-	-	-	13.1	1.8	-3.9	
International Large Cap Equity												
Causeway Capital	516,359,094	5/1/2003	10.8	10.8	7.8	17.2	7.4	12.4	12.8	-2.2	-4.6	
MSCI ACWI Ex US	4.0%			9.7	6.8	14.4	6.4	12.4	13.3	-1.8	-4.0	
International Transition Account	50,686,707	-	-	-	-	-	-	-	-	-	-	
MSCI ACWI Ex US	0.4%			-	-	-	-	-	-	-	-	
Northern Trust Passive	407,738,837	9/1/2013	0.4	1.9	-	-	-	-	-	-1.8	-4.0	
MSCI EAFE	3.2%			9.0	6.3	13.8	5.9	11.9	9.0	-1.9	-4.0	
Thornburg	461,127,484	12/1/2005	8.2	6.7	-	14.0	3.6	4.5	7.8	-3.3	-6.3	
MSCI ACWI Ex US	3.6%			4.8	6.9	13.9	3.2	5.8	10.1	-3.5	-4.6	
International Small Cap Equity												
ARI Small Cap International	200,740,400	12/1/2011	2.2	20.0	-	-	-	17.1	15.7	-0.5	-2.5	
MSCI EAFE Small Cap	1.6%			20.5	8.8	19.7	8.4	21.0	20.5	1.2	-1.5	
Epoch Small Cap International	204,239,386	12/1/2011	2.2	20.2	-	-	-	23.3	20.6	1.0	-1.8	
MSCI EAFE Small Cap	1.6%			20.5	8.8	19.7	8.4	21.0	20.5	1.2	-1.5	
Wasatch Small Cap International	194,142,993	12/1/2011	2.2	26.3	-	-	-	19.8	12.5	-2.4	-3.9	
MSCI EAFE Small Cap	1.5%			20.5	8.8	19.7	8.4	21.0	20.5	1.2	-1.5	
Wellington Small Cap International	206,693,131	12/1/2011	2.2	27.2	-	-	-	27.0	21.0	2.1	-2.3	
MSCI EAFE Small Cap	1.6%			20.5	8.8	19.7	8.4	21.0	20.5	1.2	-1.5	

Fixed Income Portfolios Summary

As of January 31, 2014

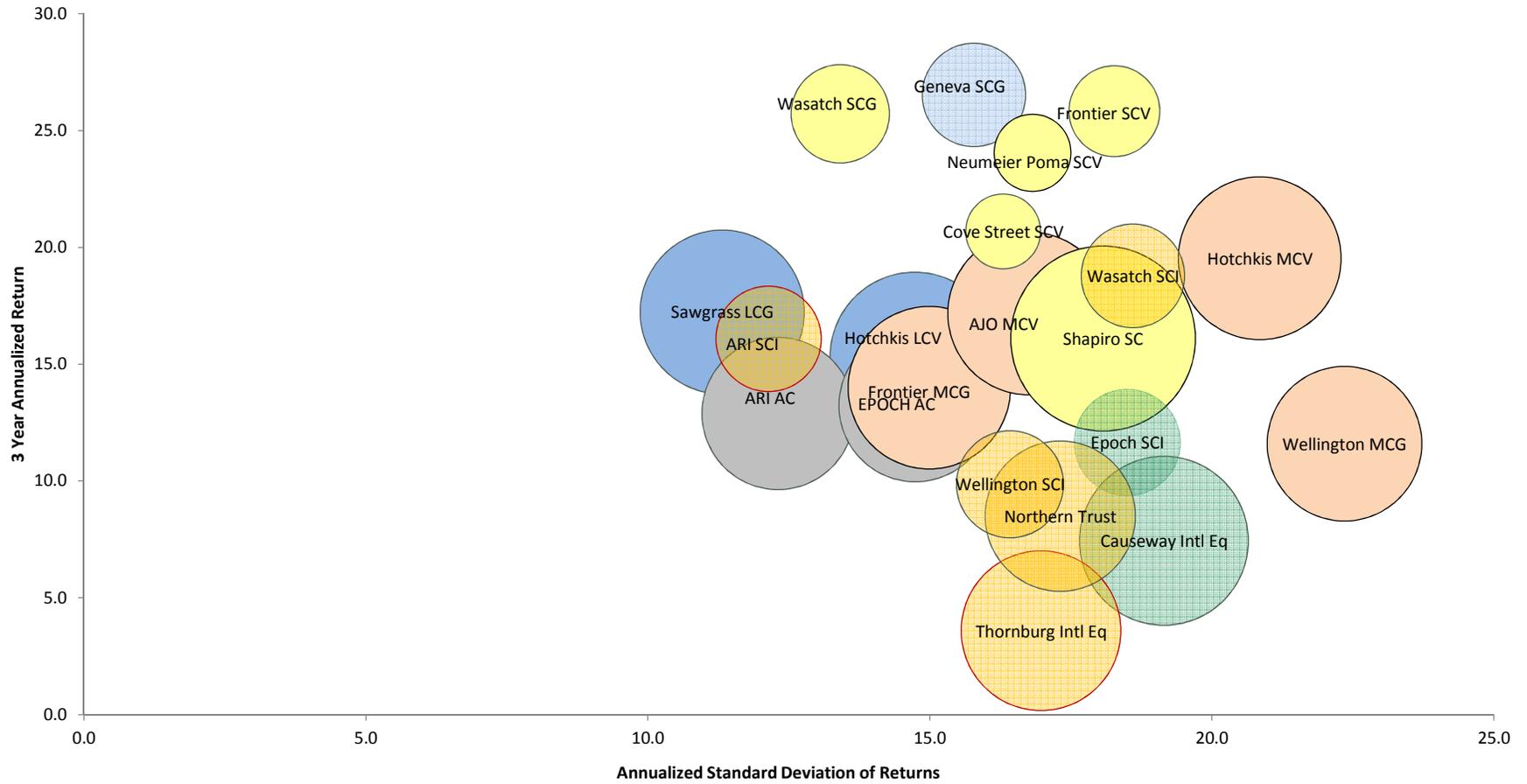


	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Core Fixed Income											
Loomis Sayles	583,474,672	8/1/1999	14.5	7.1	7.4	10.3	6.7	1.1	3.8	0.8	1.2
<i>Barclays Aggregate</i>	4.5%			5.7	4.6	4.9	3.7	0.1	1.9	0.5	1.5
Lord Abbett	581,431,166	11/1/2004	9.3	6.1	-	8.2	5.6	0.9	2.7	0.8	1.3
<i>Barclays Aggregate</i>	4.5%			4.6	4.6	4.9	3.7	0.1	1.9	0.5	1.5
Mackay Shields	588,674,154	11/1/2004	9.3	6.5	-	8.5	6.6	2.2	3.4	1.3	1.1
<i>Barclays Aggregate</i>	4.5%			4.6	4.6	4.9	3.7	0.1	1.9	0.5	1.5
Active Duration Fixed Income											
Hoisington	262,657,613	11/1/2004	9.3	7.4	-	5.4	10.9	-6.1	-0.4	1.4	7.0
<i>Barclays Aggregate</i>	2.0%			4.6	-	4.9	3.7	0.1	1.9	0.5	1.5
High Yield Fixed Income											
Loomis Sayles High Yield	245,336,522	2/1/2009	5.0	16.0	-	16.0	7.4	3.0	5.4	1.1	0.4
<i>Merrill Lynch High Yield II</i>	1.9%			17.6	8.4	17.6	8.5	6.7	6.6	1.8	0.7
Lord Abbett High Yield	247,604,302	2/1/2009	5.0	17.1	-	17.1	9.9	8.7	7.5	2.2	0.7
<i>Merrill Lynch High Yield II</i>	1.9%			17.6	8.4	17.6	8.5	6.7	6.6	1.8	0.7
Mackay Shields High Yield	248,892,747	2/1/2009	5.0	15.1	-	15.1	8.8	6.2	6.0	1.7	0.8
<i>Merrill Lynch High Yield II</i>	1.9%			17.6	8.4	17.6	8.5	6.7	6.6	1.8	0.7

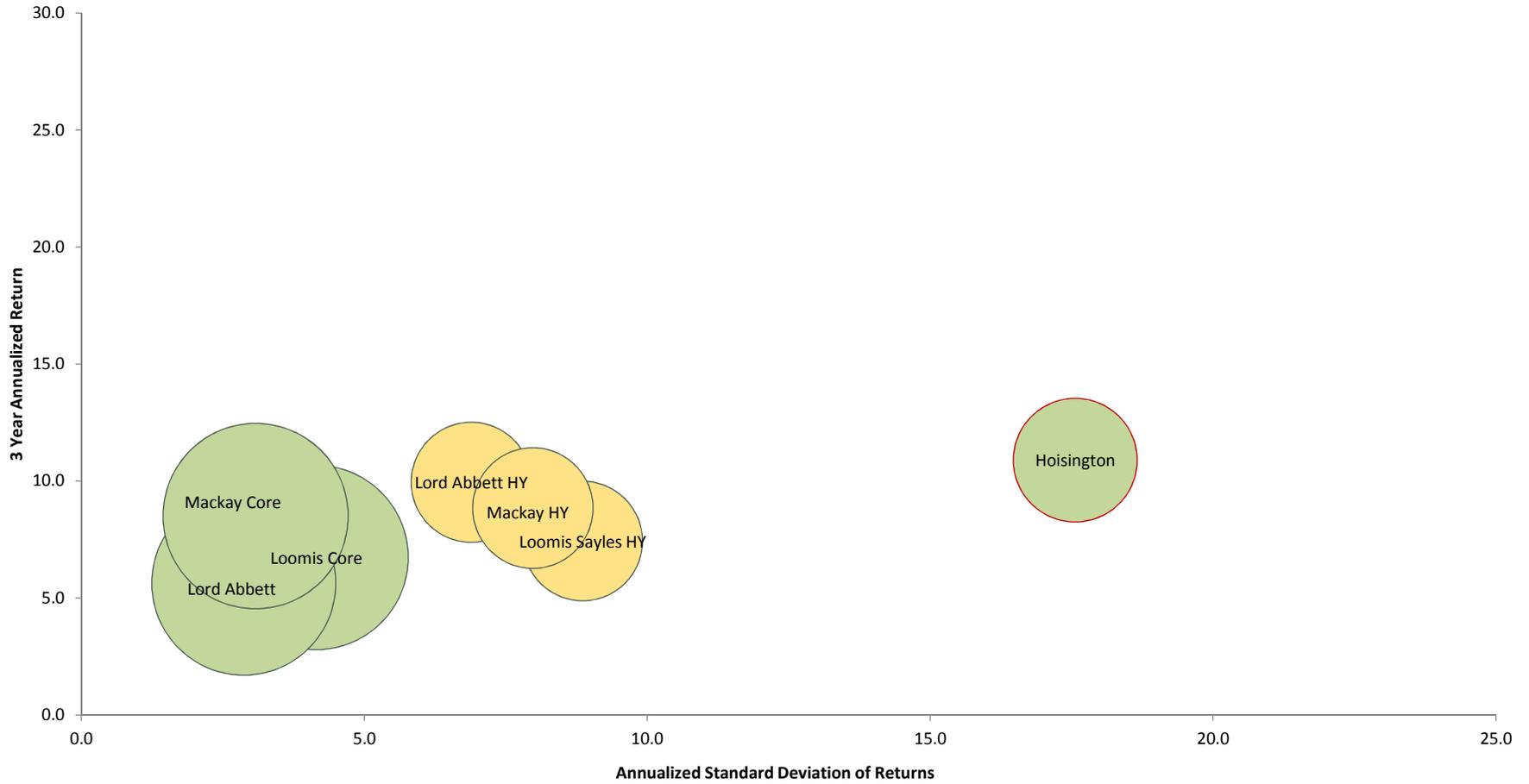
Non-Traditional Portfolios Summary

As of January 31, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Master Limited Partnerships											
Chickasaw Capital MLP	328,306,665	2/28/2011	2.9	27.9	-	-	27.9	35.4	18.3	10.2	2.2
<i>Alerian MLP Index</i>	2.5%			14.1	-	-	14.1	14.0	5.1	3.1	0.6
Cushing MLP Management	323,916,896	2/28/2011	2.9	20.6	-	-	20.6	30.7	14.7	8.8	1.2
<i>Alerian MLP Index</i>	2.5%			14.1	-	-	14.1	14.0	5.1	3.1	0.6
FAMCO MLP	323,737,717	2/28/2011	2.9	14.2	-	-	14.2	16.4	5.4	4.5	0.8
<i>Alerian MLP Index</i>	2.5%			14.1	-	-	14.1	14.0	5.1	3.1	0.6
Private Equity											
Legacy Private Equity Portfolio	70,107,978	10/1/2008	5.3	-	-	-	-	-	-	-	-
Franklin Park Private Equity	225,215,897	4/1/2010	3.8	-	-	-	-	-	-	-	-
	2.3%										
Real Estate											
AEW Real Estate	187,076,961	5/1/2011	2.8	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Heitman Real Estate	198,670,499	5/1/2011	2.8	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	177,162,997	4/1/2011	2.8	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Opportunistic Fixed Income											
PIMCO BRAVO	158,236,314	3/31/2011	2.8	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.2%			-	-	-	-	-	-	-	-
PIMCO BRAVO II	17,003,231	3/31/2013	0.8	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.1%			-	-	-	-	-	-	-	-



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



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



OKLAHOMA TEACHERS RETIREMENT SYSTEM

**executive summary report
fourth quarter, 2013**



Market¹² Environment – 2014: A Banner Year for Equity

2013 ended on a high note as the U.S. equity market enjoyed its strongest return in sixteen years. Developed foreign markets also moved higher during the year as the Great Financial Crisis somewhat faded from memory. Investors seemed to shrug off many of the year's worries during the fourth quarter. The U.S. Federal Reserve surprised investors by announcing that they were reducing their \$85 billion/month of asset purchases by \$10 billion/month. While this is seen as a statement of confidence by the Fed, many questioned if the move was taken too soon.

Unemployment continued to improve at a gradual pace. According to the Bureau of Labor Statistics (BLS), the unemployment rate dropped from 7.3% to 6.3%. Economic conditions and employment trends still vary dramatically by region in the U.S. However, labor force participation remains below long-term healthy standards. The U.S. economic growth outlook is below average. Thankfully, inflation has also stabilized at a very low level.

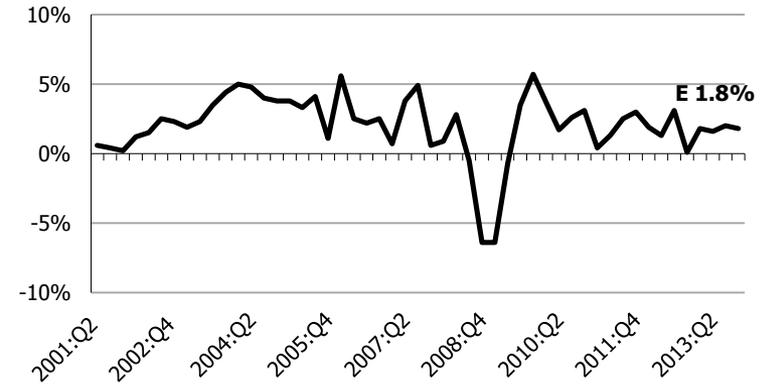
Worldwide economic growth remains hit and miss. U.S. growth was marginally better than expected during 2014 while Europe, China and emerging markets were disappointing. Emerging markets suffered a particularly poor year, showing losses vs. significant gains in the developed markets.

Bond markets continue to be dominated by monetary and fiscal policy. Since the Great Financial Crisis, natural demand for bonds has been supplemented by central banks attempting to spur real economic growth. These efforts have pushed interest rates to extremely low levels, forcing yield oriented investors to search for adequate yields. We expect these conditions to remain until well after economic growth improves.

West Texas Intermediate Oil ended the quarter at \$98.17/barrel, down from \$102.33 barrel last quarter. Natural gas prices started the quarter at \$3.48 before surging to \$4.31. Significant opportunities remain due to the U.S. energy production renaissance. Real estate investments were additive to portfolio returns as low interest rates and stable to improving economic conditions added to demand.

Hedge funds had a difficult time keeping up with the equity market. Hedge fund indexes lagged long only by significant margins during the quarter and over the year. Private equity had a positive year as rising public market prices boosted valuations and exits.

US Real GDP Growth - Annualized



	2011				2012				2013		
	First Quarter	third quarter	Third Quarter	Fourth Quarter	First Quarter	third quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter
Real GDP	0.1%	2.5%	1.3%	4.1%	2.0%	1.3%	3.1%	0.4%	1.8%	1.6%	2.5%
Unemployment	8.9%	9.1%	9.1%	8.7%	8.3%	8.2%	8.1%	7.8%	7.7%	7.6%	7.3
Inflation (CPI)	2.1%	3.4%	3.8%	3.3%	2.8%	1.9%	1.7%	1.9%	1.7%	1.4%	1.6
Prime Rate	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3
91 Day T-Bill Yield	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0
10 Yr Bond Yield	3.4%	3.2%	2.4%	2.0%	2.0%	1.8%	1.6%	1.7%	1.9%	2.1%	2.6



Market¹³ Environment – Domestic Equity

The domestic equity market ended 2013 in remarkable fashion. The S&P 500 gained 10.5% during the quarter to end the year up 32.4%. The index had gained 202.8% since the market low in March of 2009 and stands 35.5% higher than its previous high in October of 2007. All market sectors posted gains for the quarter and full year period. Earnings were less important than previous quarters as investors found confidence in the improving domestic economy. Corporate profits remained strong due more to cost cutting than growth. Corporate activity was relatively strong during 2013 with a number of high profile IPOs and merger activity.

By capitalization, large stocks were the quarter's best performers. Small cap narrowly edged mid caps for second place. Over the full year, small caps posted the highest return, gaining almost 39%. Mid caps gained almost 35% while large caps were up 33%. Style wise, growth outperformed value among large caps while the reverse was true among mid caps and small caps. Growth outperformed value across the board for the year. The dispersions were wide among small caps and mid caps. Since the March 2009 market low, domestic equities have been led higher by mid cap value stocks, which have a cumulative return of 275%. Over that period, value outperformed growth among large and mid caps while growth edged value among small caps.

The fourth quarter's top performing sectors were Industrials (+14% return), Technology (+13%), and Consumer Discretionary (+11%). Poorest performers were Utilities (+3%), Telecommunications (+6%), and Consumer Staples (9%).

The largest contributors to the S&P 500 Index for the year were Google (+58% return), Microsoft (+44%), and General Electric (+38%). The largest detractors were Newmont Mining (-49%), Intuitive Surgical (-22%), and CenturyLink (-13%).

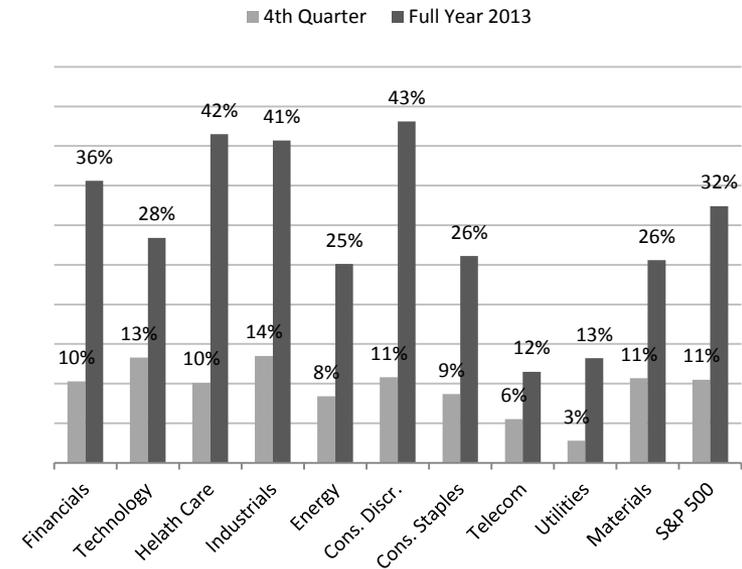
Despite the year's tremendous returns, domestic equity prices remain within a historically normal price range. The forward P/E ratio of the S&P 500 ended the quarter at 15.4x vs. 16.2x for its fifteen year average. It had a dividend yield of 1.9% vs. 1.7% for its twenty year average. The earnings yield of the S&P 500 (inverse of the forward p/e ratio) was 6.5% vs. 5.3% yield on a Baa rated corporate bond index, indicating stocks are relatively cheap versus bonds. The index's P/E ratio to earnings growth is 1.5x compared to 1.6x over the past fifteen years.

The world of private equity has thankfully passed below the horizon for most of the world. Returns have improved over recent years as deal sizes have normalized. Private equity investors still have plenty of capital to invest, but are more judicious and less prone to large, short-sighted deals. Activist investors seem to have taken part of the spotlight with their high profile, semi-hostile investments.

Energy remains a highly visible area of growth within the U.S. Recoverable reserves have increased dramatically since widespread adoption of new exploration and drilling technologies. Master Limited Partnerships, which are a group of specially organized companies that focus on energy infrastructure, continue to grow in prominence. Their returns during the quarter were attractive, gaining 5.3%. They gained 27.6% for the trailing year.

	4q2013			Full Year 2013		
	Value	Blend	Growth	Value	Blend	Growth
Large	10.0%	10.5%	10.4%	32.5%	32.4%	33.5%
Mid	8.6%	8.4%	8.2%	33.5%	34.8%	35.7%
Small	9.3%	8.7%	8.2%	34.5%	38.8%	43.3%

S&P 500 Sector Performance



Market Environment – International Equity

In U.S. Dollar terms, developed market international equities produced solid returns during 2013. Returns varied widely by country and region. A stark example was emerging markets, which trailed developed markets by nearly 30%. The MSCI ACWI ex-US index gained 5.6% in U.S. Dollar terms during the quarter as both share prices and foreign currencies rose. Europe posted the highest return among major regions, gaining almost 8% for the quarter and just over 25% for the full year. Marginal economic improvement encouraged investors to regain equity exposure. Japan gained just over -2% for the quarter but led all regions for the year, gaining 27%. The Pacific ex Japan region performed poorly in comparison, gaining less than 1% during the quarter and less than 6% for the full year. These performance disparities naturally caused wide dispersion of return among investment managers.

For the full year period, the top three performing equity markets (in U.S. \$ terms) were Ireland (+42%), Greece (+39%), and Finland (+36%). The three poorest performers were Indonesia (-24%), Chile (-22%), and Brazil (-17%). The Latin America region fell -15% for the year while Asia/Pacific and Western Europe gained 10% and 20% respectively. Top contributing international equity market sectors (ACWI ex-US) during the year 2013 were Financials (+17%), Consumer Discretionary (+30%), and Industrials (+22%). Materials (-7%), Utilities (+10%), and Energy (+4%) were the leading detractors.

The largest individual stock contributors to the ACWI ex-US 2013 return were Vodafone Group (+65% return), Roche Holding Ltd Genusssch. (+44%), and Softbank (+143%). The largest detractors were Barrick Gold (-49%), Samsung Electronics (-9%), and BHP Billiton Ltd (-9%).

Eurozone economic conditions remained slow but there were some signs that a recovery may finally be gaining traction. While the impediments to growth remain significant, the region should experience growth stemming from improvement in the manufacturing sector. Unemployment within the Eurozone remains high, but showed some improvement in the second half of the year. Japan is pursuing a bold economic experiment ("Abenomics") which is similar to the Quantitative Easing program of our own Federal Reserve.

Continuing their recent trend, emerging markets trailed developed markets during the quarter and for the one and three year periods just ended. China's economy has slowed from a growth rate of 10% in 2010 to 7.8% for 2012. Analysts expect a return of around 7% for 2013. Brazil's economy suffered a subpar growth year as agriculture and industrials declined. Investors seemed to abandon emerging markets en masse during the year as developed markets showed signs of improvement. However, valuations are starting to appear attractive. The forward P/E ratio for the overall EM index ended September at 10.2x vs. 13.8x for the ACWI. The EM index yielded 2.7% vs. 3.1% for the developed only EAFE Index. The P/E of China's market was 9.0x vs. 12.0x for its ten year average. Russia's market ended 2013 with a P/E of 4.8x and a yield of 4.2%, both substantially below average. It appears that investor interest in emerging markets peaked just before they began underperforming and now, after three difficult years of performance, they are moving out of the asset class.

	GDP Growth (2014 Estimate)*	GDP Growth Five Year 2012 – 2016 Estimated CAGR
Global Economy	3.0%	2.8%
USA	2.4%	2.4%
Euro Area	1.0%	0.4%
UK	2.3%	1.7%
Japan	1.5%	1.6%
Asia ex-Japan	6.1%	6.1%
Latin America	2.7%	2.7%

*source: Bloomberg and the World Bank.

12-Month Forward P/E Ratio Comparison	Current	10 Year Average	Dividend Yield
World (ACWI)	13.8	13.1	2.5%
EAFE	13.3	12.6	3.1%
USA	15.4	14.0	1.9%
Germany	12.5	11.2	3.7%
UK	12.3	11.5	3.0%
Japan	14.1	16.5	1.5%

Low interest rates continued to frustrate bond investors during 2013. The potential of rising interest rates punished bond prices, turning fourth quarter and full year returns negative. Because of their historically low starting values, it was almost inevitable that domestic and international bond returns were negative during 2013, with the Barclays Aggregate bond index falling -2.0%. The biggest driver of the loss was U.S. Treasuries – the Barclays Long Term Government index fell by -12.5% in 2013. Lower duration bonds outperformed as did corporate bonds. U.S. high yield bonds performed very well gaining 3.5% on the quarter and 7.4% for the year. Their one year return outperformed the Aggregate index by more than 9%.

The Federal Reserve surprised the markets in December by announcing that it would start to unwind the Quantitative Easing (QE) program. The program was launched in the fourth quarter of 2008 to stabilize financial markets. The market consensus was that "tapering" would begin during early 2014 as the economy hadn't gained enough traction to move forward without QE. The program had been buying \$85 billion in Treasury and Mortgage Backed securities before the December tapering announcement. Post December, the Fed would buy only \$75 billion per month. Regardless of the QE taper, the FOMC will maintain its target range for the federal funds rate at 0-0.25% for the foreseeable future. During the quarter, Janet Yellen was announced as Ben Bernanke's replacement. She was confirmed in early January assumed her Chairmanship of the Fed in early February. It is widely expected that she will follow in the footsteps of her predecessor

Treasury yields reacted to the Fed's action by rising, but not excessively as was the case earlier in the year. Ten year Treasury bond yields rose 42 basis points to end the year at 3.03% which was 0.14% higher than pre taper announcement. Interest rose during 2013 but not uniformly. The yield curve steepened as longer term debt yields rose further than short term bonds. Two year Treasuries ended the year with a yield of 0.38% while the thirty year bond yielded 3.97%, 1.02% higher than at the beginning of 2013.

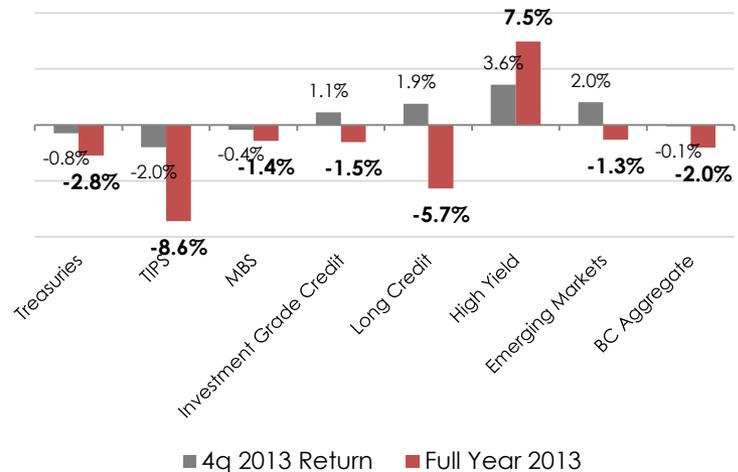
High yield bonds were the top performing segment of the U.S. fixed income market for the third consecutive quarter. High yield bond yield spreads vs. Treasuries ended the quarter at 4.4% vs. their long term average of 5.9%. Defaults remained extremely low at 0.7% vs. 4.1% long term average. Bond issuance remained strong through the quarter.

The U.S. unemployment trend showed modest improvement during the fourth quarter. However, looking deeper into the figures showed that the reported rate of unemployment edged slightly lower while the proportion of citizens actually working deteriorated.

Fixed income investors continued their search for yield outside of traditional asset categories. Real assets (real estate and infrastructure) were popular diversions for fixed income investors. During the year, some large, traditional fixed income investment managers saw significant outflows of client assets.

Risk Level	Time Horizon			
	One Year		Three Years (annualized)	
	Terminal Yield	Total Return	Terminal Yield	Total Return
Low Risk				
2 Year Treasury (YTM = 0.38%)	2.50%	-3.7%	4.00%	-2.0%
	1.25%	-1.3%	3.00%	-1.3%
	0.50%	0.1%	2.00%	-0.7%
Medium Risk				
10 Year Treasury (YTM = 3.03%)	4.50%	-8.7%	5.50%	-3.2%
	3.75%	-2.9%	4.50%	-0.8%
	2.05%	7.7%	3.50%	1.8%
High Risk				
30 Year Treasury (YTM = 3.97%)	5.50%	-18.3%	6.00%	-5.5%
	4.50%	-4.7%	5.00%	-1.1%
	3.00%	23.1%	4.00%	2.8%

Fourth Quarter 2013 Returns



16 Market Environment – Index Comparison

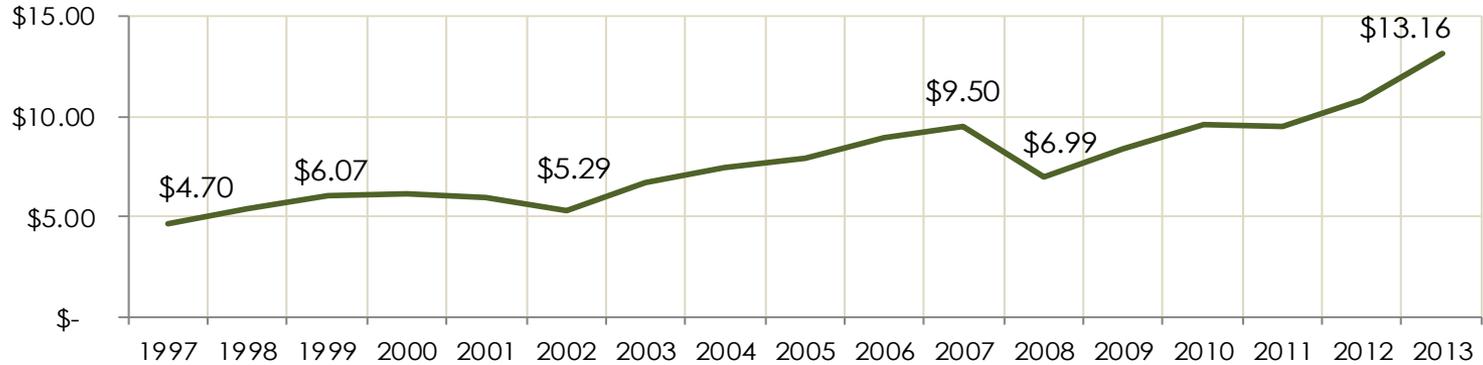
Domestic Equity	Last Quarter	Last Year	Last Three Years Annualized	Last Five Years Annualized	Last Ten Years Annualized
S&P 500	10.5	32.4	16.2	17.9	7.4
Russell 1000	10.2	33.1	16.3	18.6	7.8
Russell 1000 Value	10.0	32.5	16.1	16.7	7.6
Russell 1000 Growth	10.4	33.5	16.5	20.4	7.8
Russell 3000	10.1	33.6	16.2	18.7	7.9
Russell Midcap	8.4	34.8	15.9	22.4	10.2
Russell Midcap Value	8.6	33.5	16.0	21.2	10.3
Russell Midcap Growth	8.2	35.7	15.6	23.4	9.8
Russell 2000	8.7	38.8	15.7	20.1	9.1
Russell 2000 Value	9.3	34.5	14.5	17.6	8.6
Russell 2000 Growth	8.2	43.3	16.8	22.6	9.4
Alerian MLP	5.3	27.6	15.0	29.6	15.0
Fixed Income					
Barclays Capital Aggregate Bond	-0.1	-2.0	3.3	4.4	4.6
Barclays Capital Credit	0.9	-2.0	5.1	7.9	5.2
Barclays Capital Government	-0.7	-2.6	2.7	2.3	4.1
Barclays Capital Govt/Credit	0.0	-2.4	3.6	4.4	4.5
Barclays Capital Interm Credit	0.7	-0.2	4.4	7.3	4.9
Barclays Capital Interm Govt	-0.4	-1.3	2.1	2.2	3.7
Barclays Capital Interm Govt/Cred	0.0	-0.9	2.9	4.0	4.1
Barclays Capital Long Credit	1.5	-6.6	7.2	9.8	6.4
Barclays Capital Long Term Govt	-3.0	-12.5	5.5	2.4	5.9
Barclays Capital Long Govt/Credit	-0.1	-8.8	6.7	6.4	6.4
Barclays Capital Fixed Rate MBS	-0.4	-1.4	2.4	3.7	4.6
Merrill Lynch US High Yield Master II	3.5	7.4	9.0	18.7	8.5
91 Day T-Bill	0.0	0.1	0.1	0.1	1.6
Consumer Price Index	0.2	1.2	2.1	1.9	2.4
International					
MSCI EAFE	5.7	22.8	8.2	12.4	6.9
MSCI World ex US	5.6	21.0	7.3	12.5	7.1
MSCI Europe	7.9	25.2	9.9	13.4	7.3
MSCI Japan	2.3	27.2	5.6	7.7	4.2
MSCI Pacific ex Japan	0.3	5.5	4.7	18.3	11.2
MSCI Emerging Markets	1.5	-5.0	-4.5	12.1	8.5
Citigroup Non-\$ World Gov	-1.2	-4.6	0.6	2.3	4.1

Trailing Year Total Fund Return

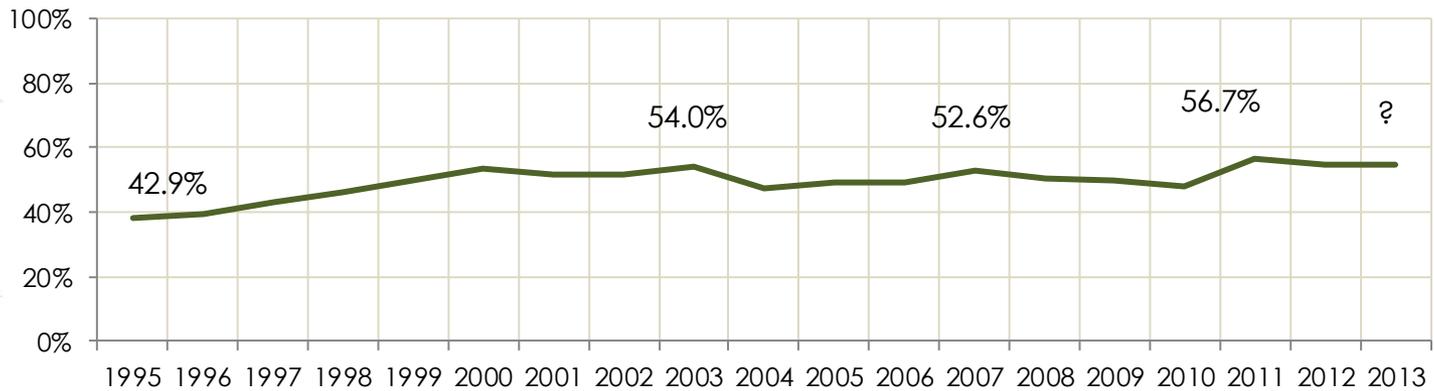
+24.0%

Plan History

Market Value History (\$Billions)



Funded Status History



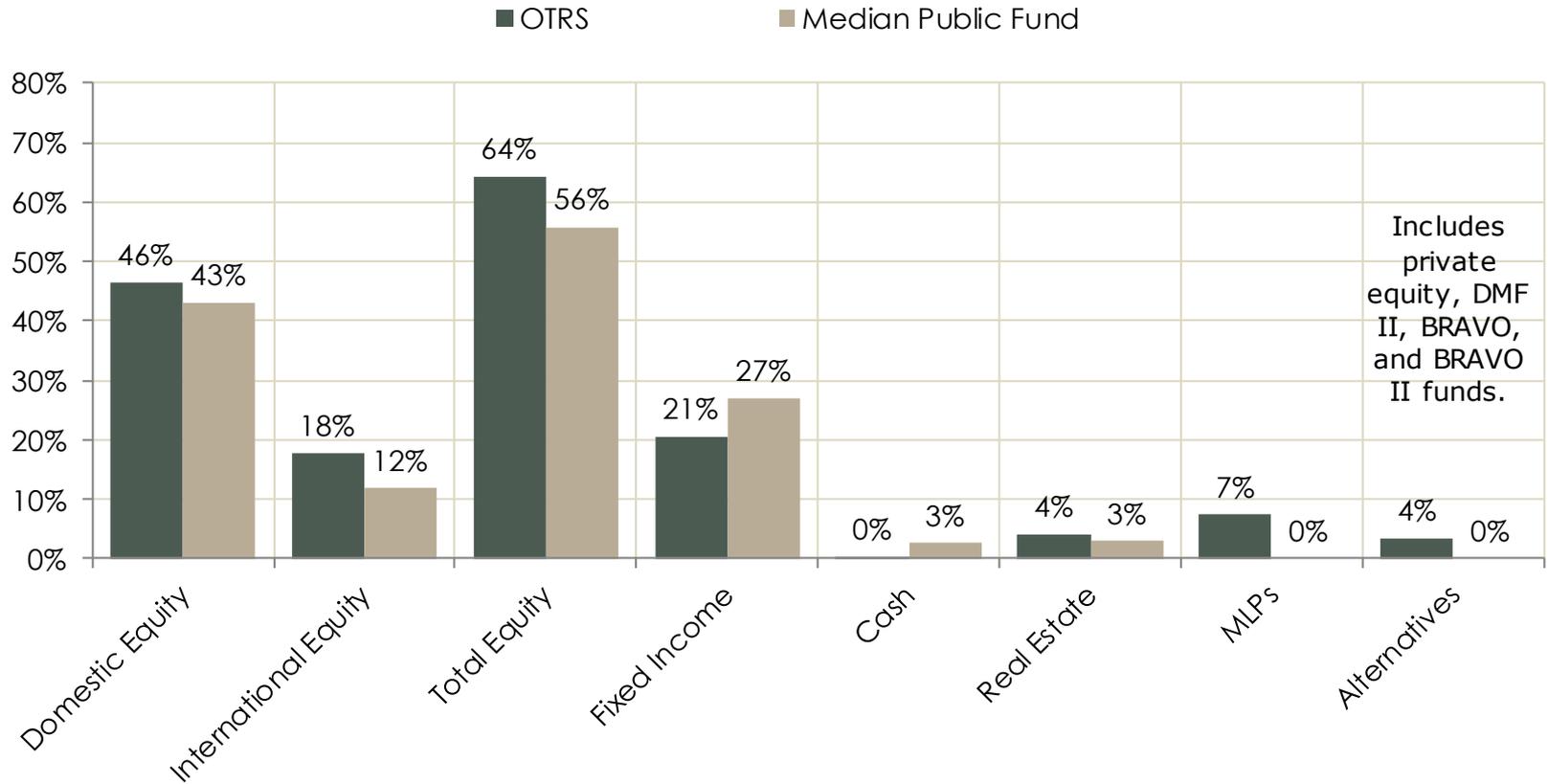
Observations – fourth quarter, 2013

- **INVESTMENT PERFORMANCE:** Total fund returns were positive during the quarter. The total fund earned a 6.9% return. Equity results were strongly positive. Core and High Yield fixed income results were also positive, although more modest. The total fund's trailing returns were exceptional. The trailing year return was well above the actuarial assumption, above the allocation index and ranked in the top 1 percent among peer Pension Funds. **The total fund ranked in the top decile of public funds for all long term observation periods.** The ten year return (+8.6%) ranked in the 1st percentile of all public funds.
- **INVESTMENT MANAGEMENT:** Two large cap index fund portfolios were added last year. The new international small cap equity allocation added returns during the quarter. The MLP allocation is performing well above expectation. Five new domestic small cap managers were funded during the second quarter of 2013. An international equity index fund was added during early 2013.
- **ASSET ALLOCATION:** A full asset allocation study was recently completed. The total fund's aggregate asset allocations are in the process of moving to new long-term targets. No additional allocations were made to the Opportunistic Portfolio although several investments are under consideration. The private equity portfolio called significantly more capital over the past year compared to previous years. The three real estate managers are fully invested, at their previous target level. A full review of real estate options is currently underway.

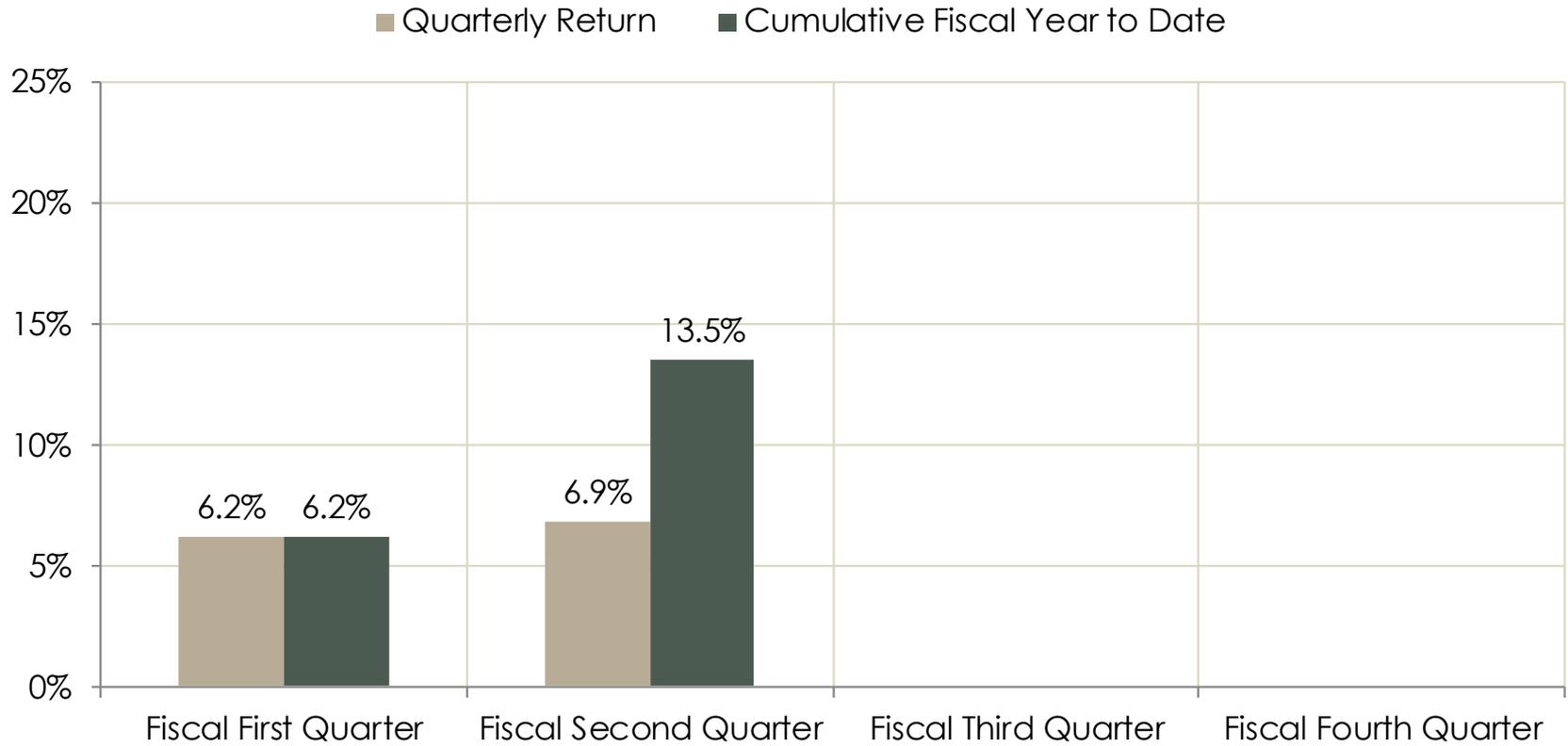
Asset Allocation Summary – Total Fund

	Current Allocation	New Target Allocation	Difference
Domestic Equity	46.39%	40.00%	6.39%
International Equity	17.75%	17.50%	0.25%
Core Fixed Income	14.98%	17.50%	-2.52%
Opportunistic Assets	1.30%	0.00%	1.30%
High Yield Fixed Income	5.60%	6.00%	-0.40%
Real Estate	4.15%	7.00%	-2.85%
Private Equity	2.20%	5.00%	-2.80%
MLPs	7.31%	7.00%	0.31%
Cash	0.32%	0.00%	0.32%
Total	100.00%	100.00%	0.00%

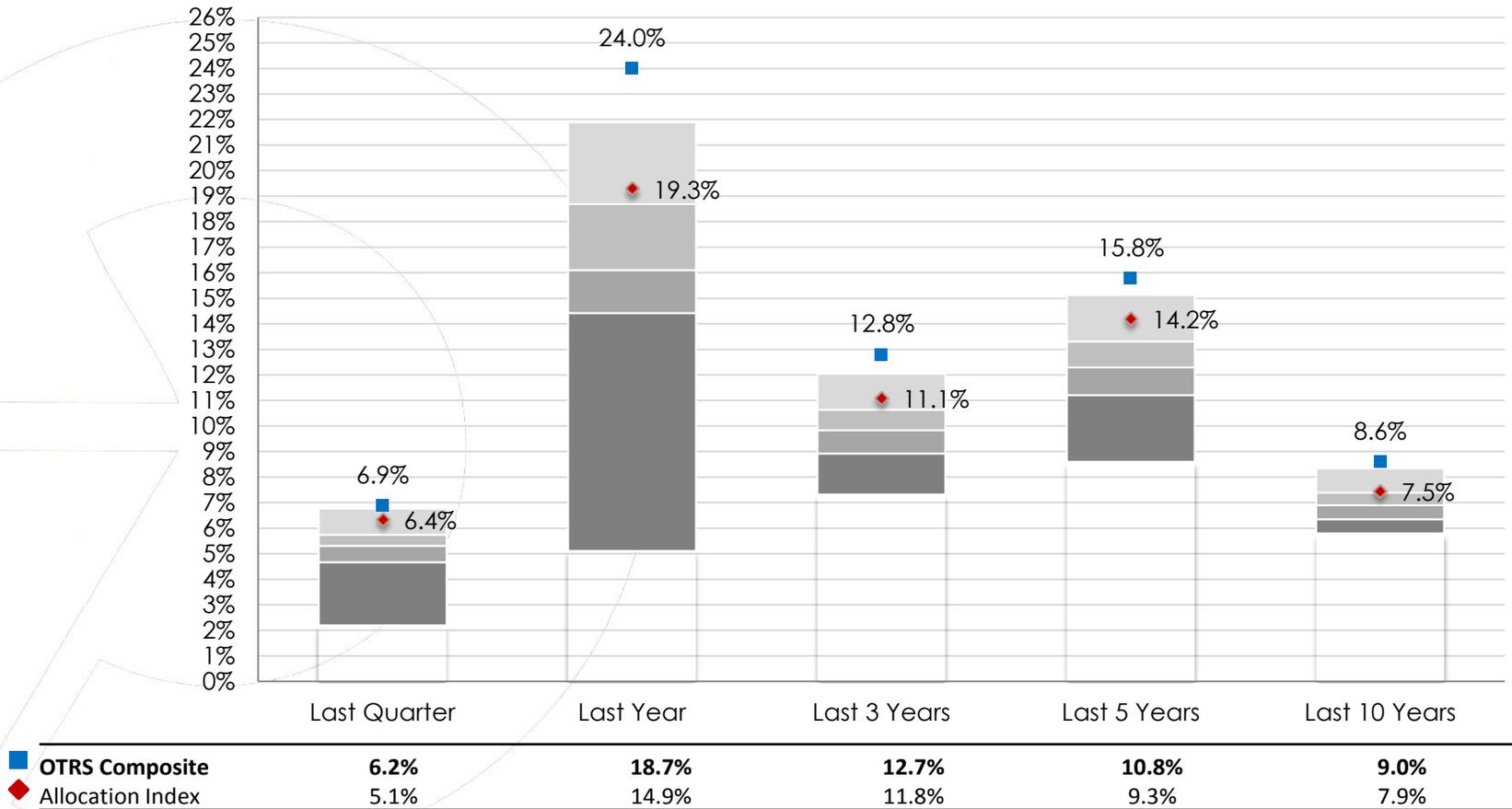
Total Fund Allocation vs. Median Public Fund



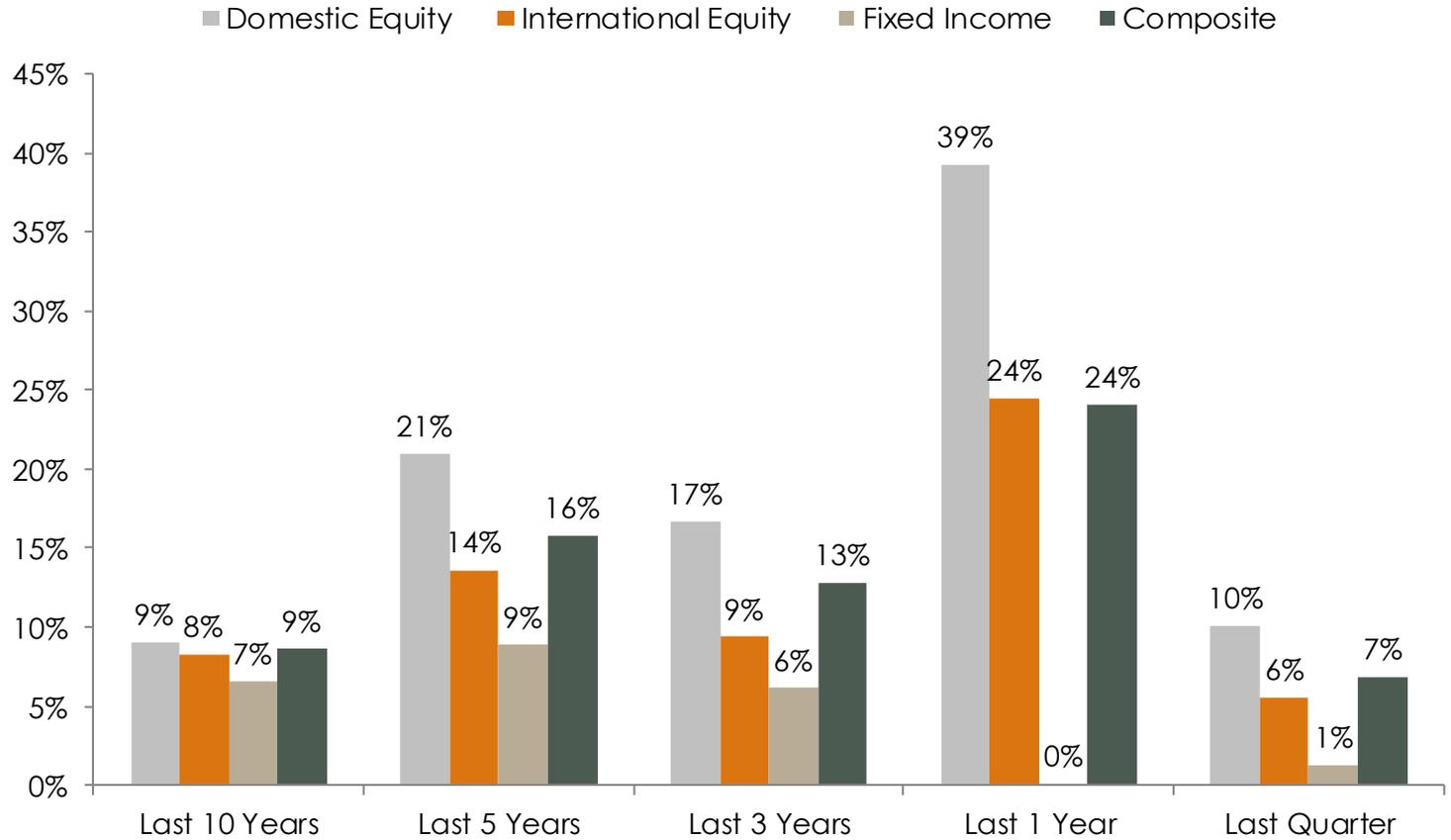
Composite Performance Summary as of December 31, 2013



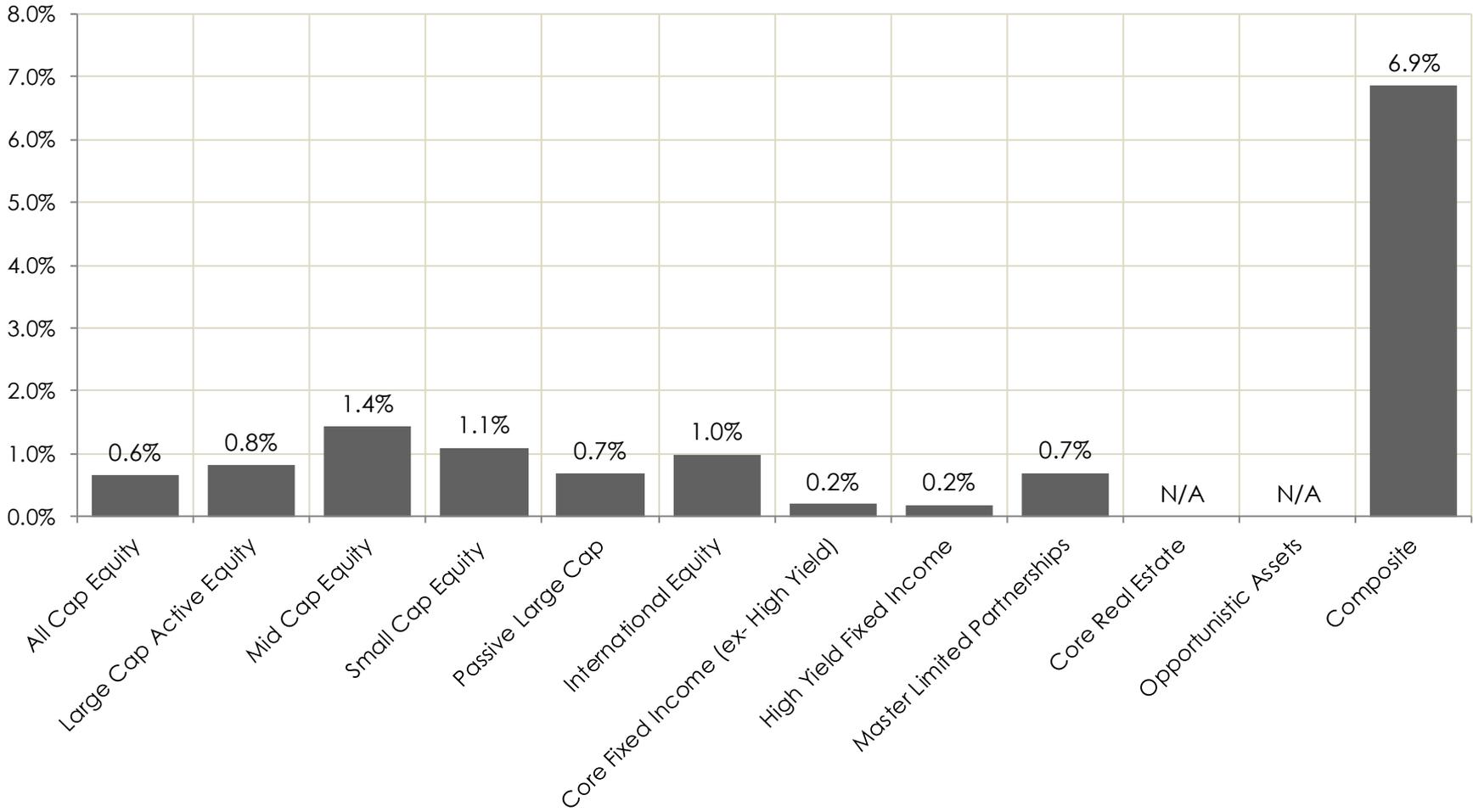
Total Fund vs. Public Fund Peer Universe



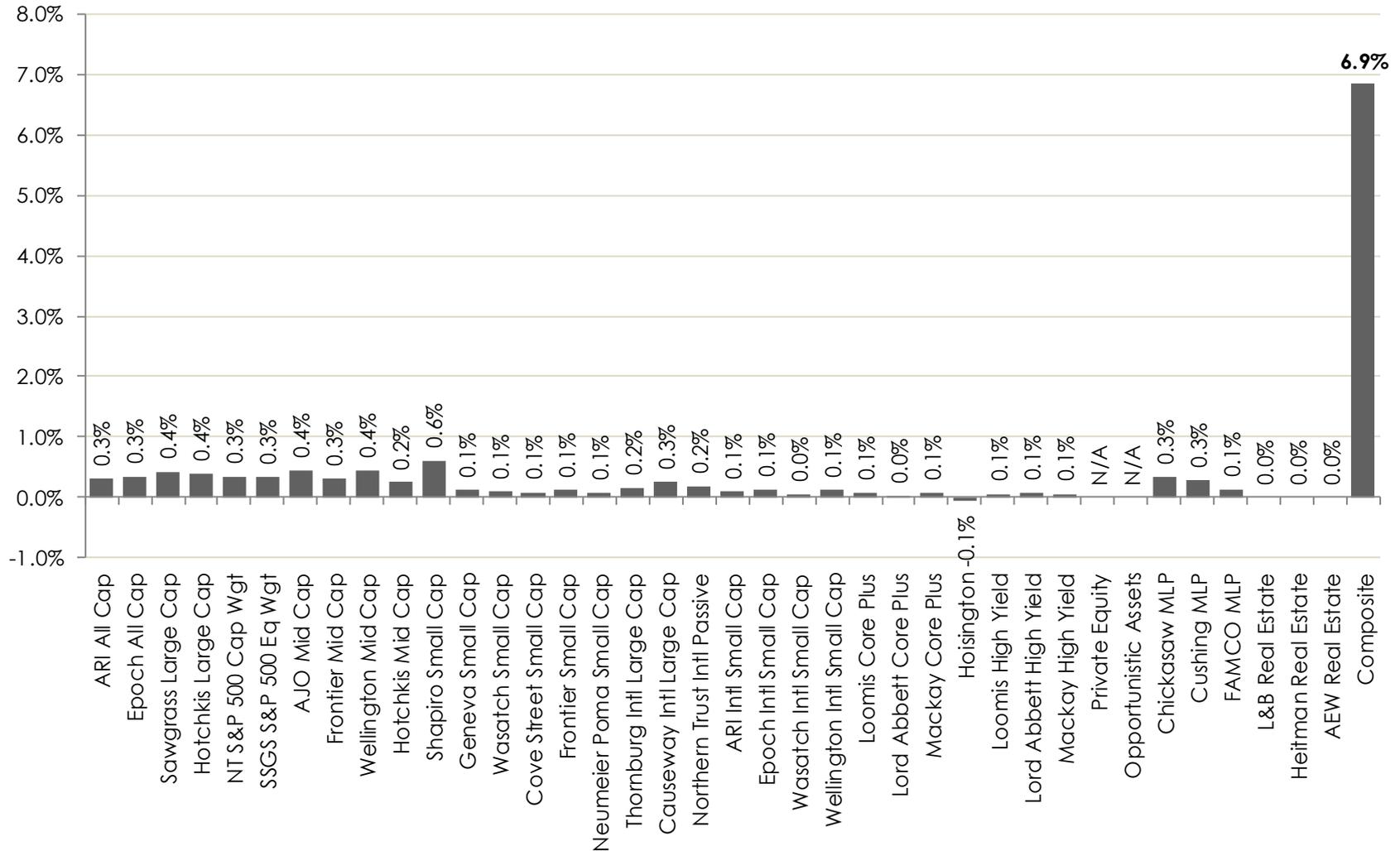
Composite Performance Summary as of December 31, 2013



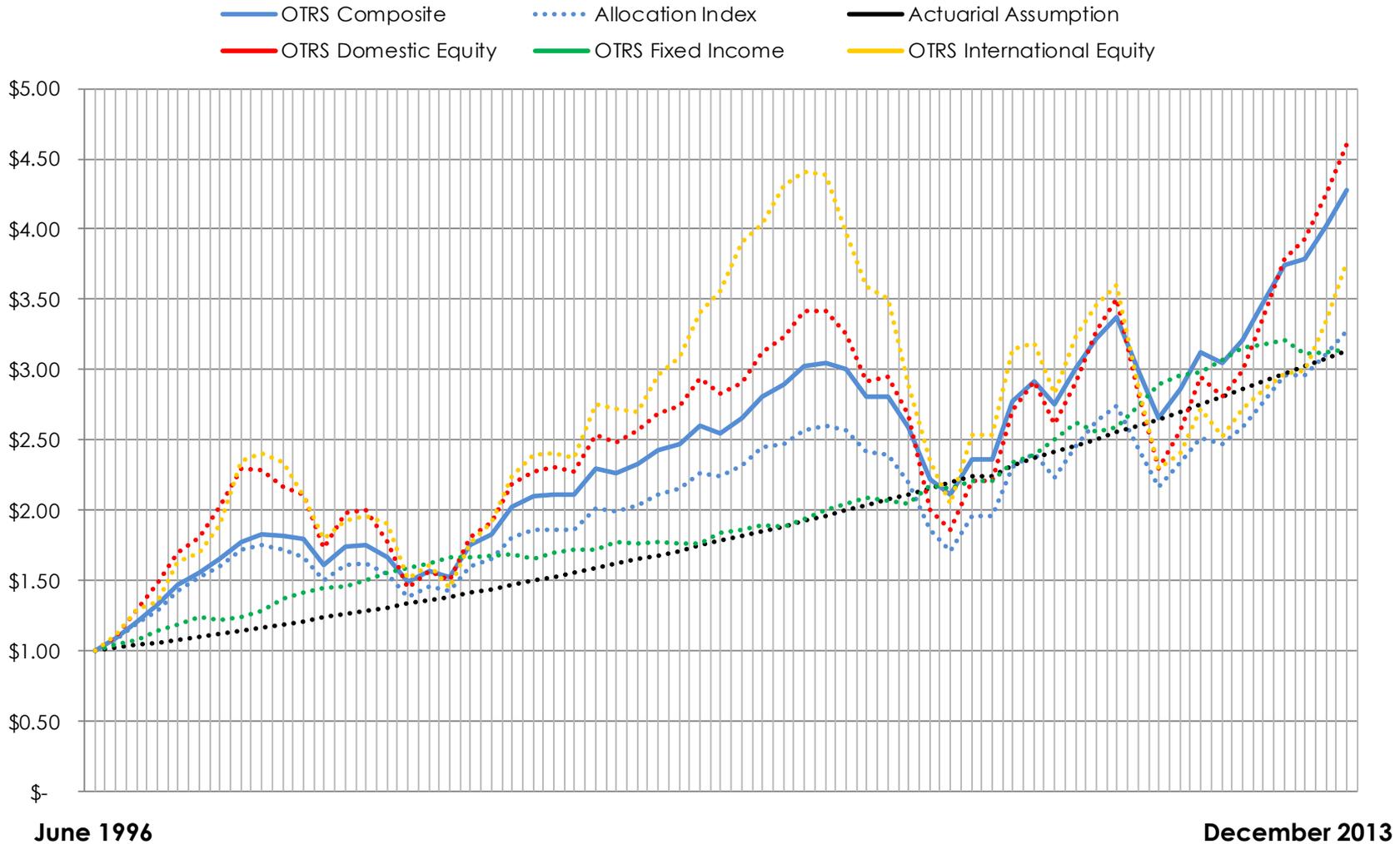
Composition of Quarterly Return by Asset Class



Composition of Quarterly Return by Portfolio



Growth of a Dollar Over Time: Period Ended December 31, 2013



Performance – Total Fund

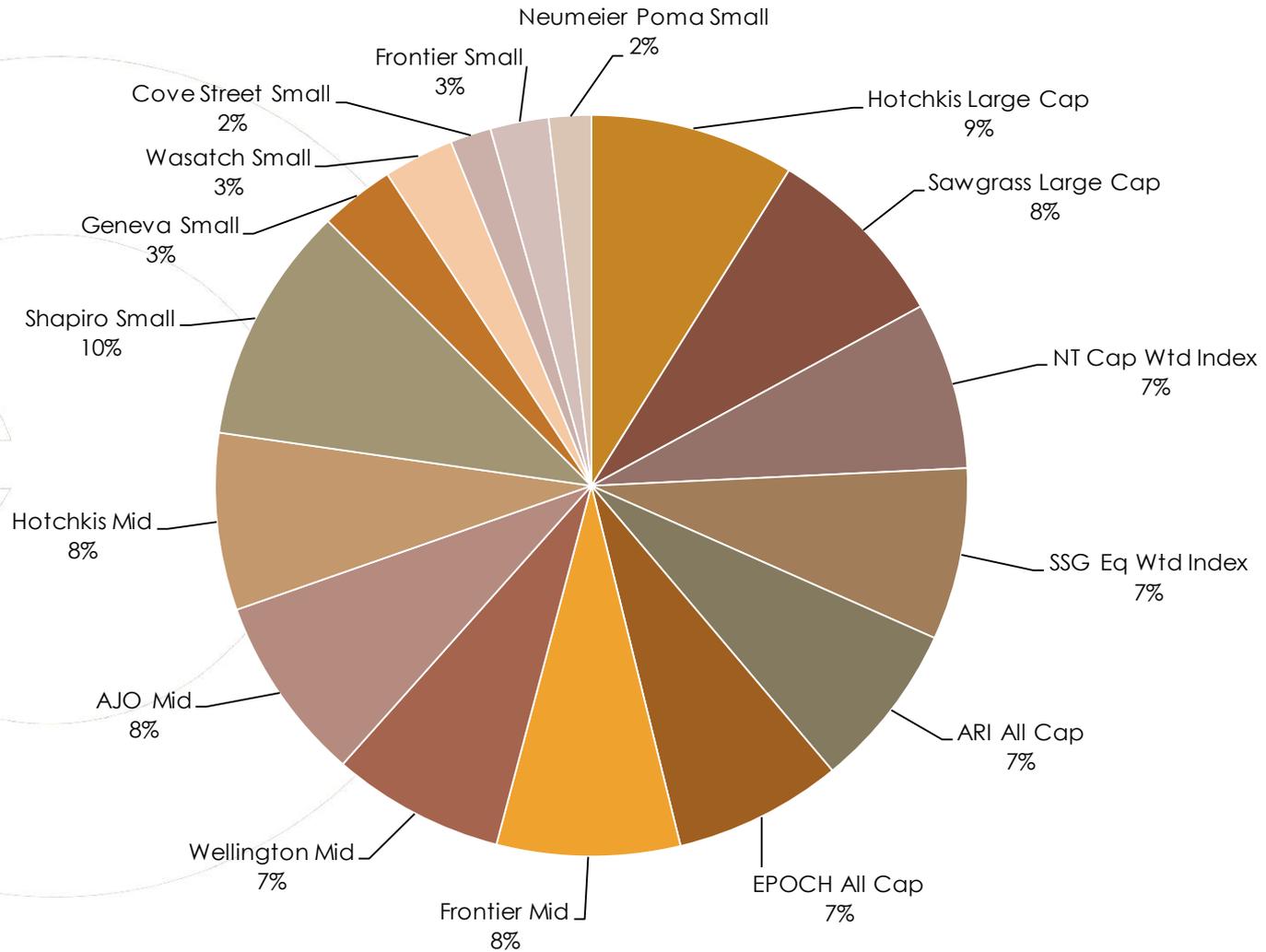
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Years	% Rank	Last Quarter	% Rank
Total Fund	8.6	1	15.8	1	12.8	1	24.0	1	6.9	2
<i>Allocation Index</i>	7.5		14.2		11.1		19.3		5.4	
<i>Actuarial Assumption</i>	8.0		8.0		8.0		8.0		1.9	
Total Domestic Equity	9.0	22	20.9	17	16.6	23	39.2	4	10.1	28
<i>S&P 500</i>	7.4		17.9		16.2		32.4		10.5	
Total International Equity	8.3	41	13.6	51	9.4	23	24.5	17	5.5	43
<i>MSCI ACWI ex-US</i>	8.0		13.3		5.6		15.8		4.8	
Total Core Fixed Income	6.5	17	8.8	19	6.1	19	0.1	35	1.3	20
<i>Barclays Aggregate</i>	4.6		4.4		3.3		-2.0		-0.1	

Composite Peer Ranking History

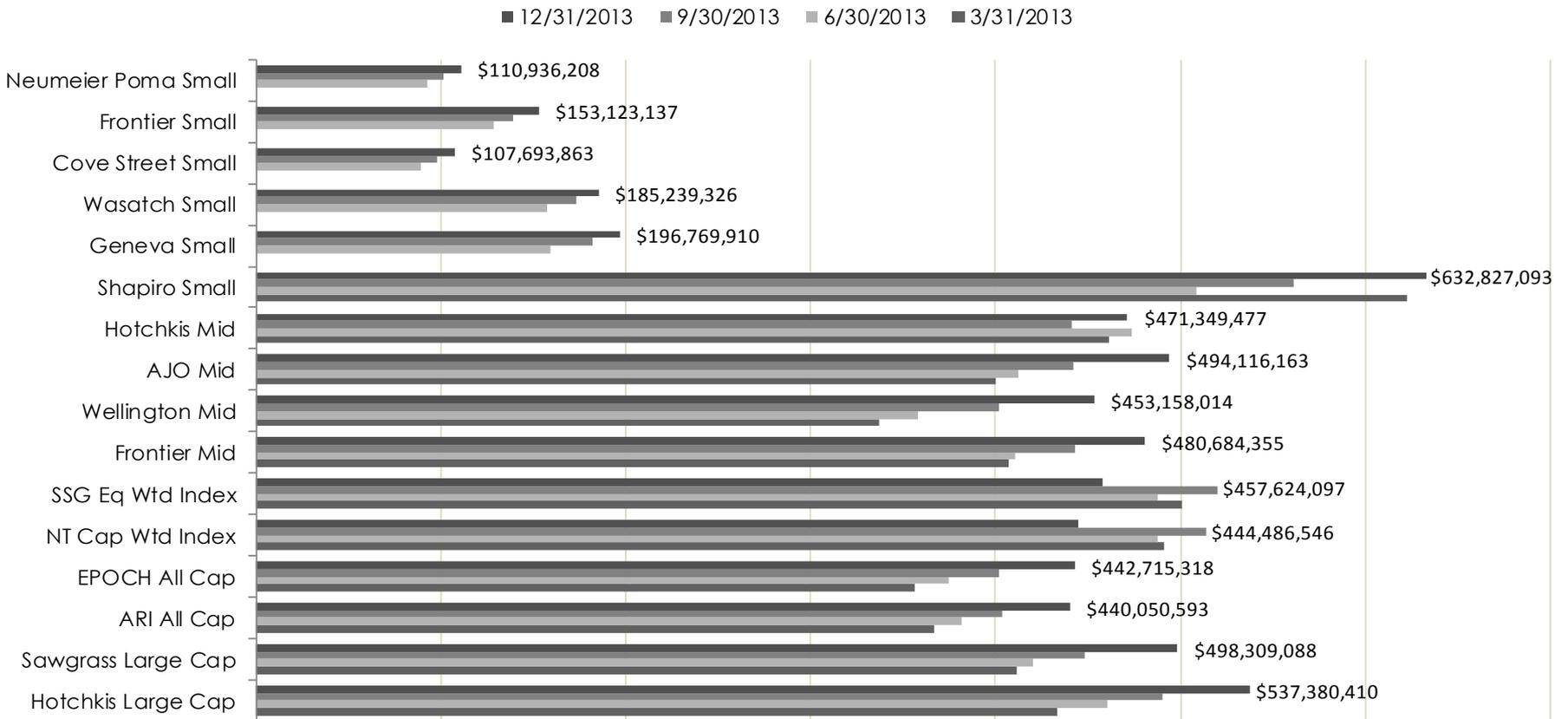
Periods Ended	Trailing 5 Years	Trailing 3 Years	Trailing Year	Last Quarter
4q2013	1	1	1	2
3q2013	2	3	1	14
2q2013	1	3	1	11
1q2013	3	4	4	3
4q2012	15	3	11	24
3q2012	21	13	8	10
2q2012	24	4	33	75
1q2012	22	13	25	14
4q2011	36	14	52	8
3q2011	31	23	95	89
2q2011	20	13	23	93
1q2011	9	21	5	17
4q2010	21	29	15	29
3q2010	30	38	10	18
2q2010	35	46	11	62
1q2010	24	25	70	44
4q2009	36	43	15	25
3q2009	26	42	32	13
2q2009	46	50	44	28
1q2009	23	24	18	28
4q2008	47	61	62	64
3q2008	24	59	67	48
2q2008	25	52	83	17
1q2008	19	49	83	79
4q2007	19	46	62	78
3q2007	18	36	37	87
2q 2007	10	29	18	34
1q 2007	15	27	38	19
4q 2006	23	44	59	36
3q 2006	15	24	69	57
Average Rank	21	28	35	38
% of Observations in Top Quartile	73%	50%	50%	47%
% of Observations Above Median	100%	90%	67%	70%

fourth quarter, 2013

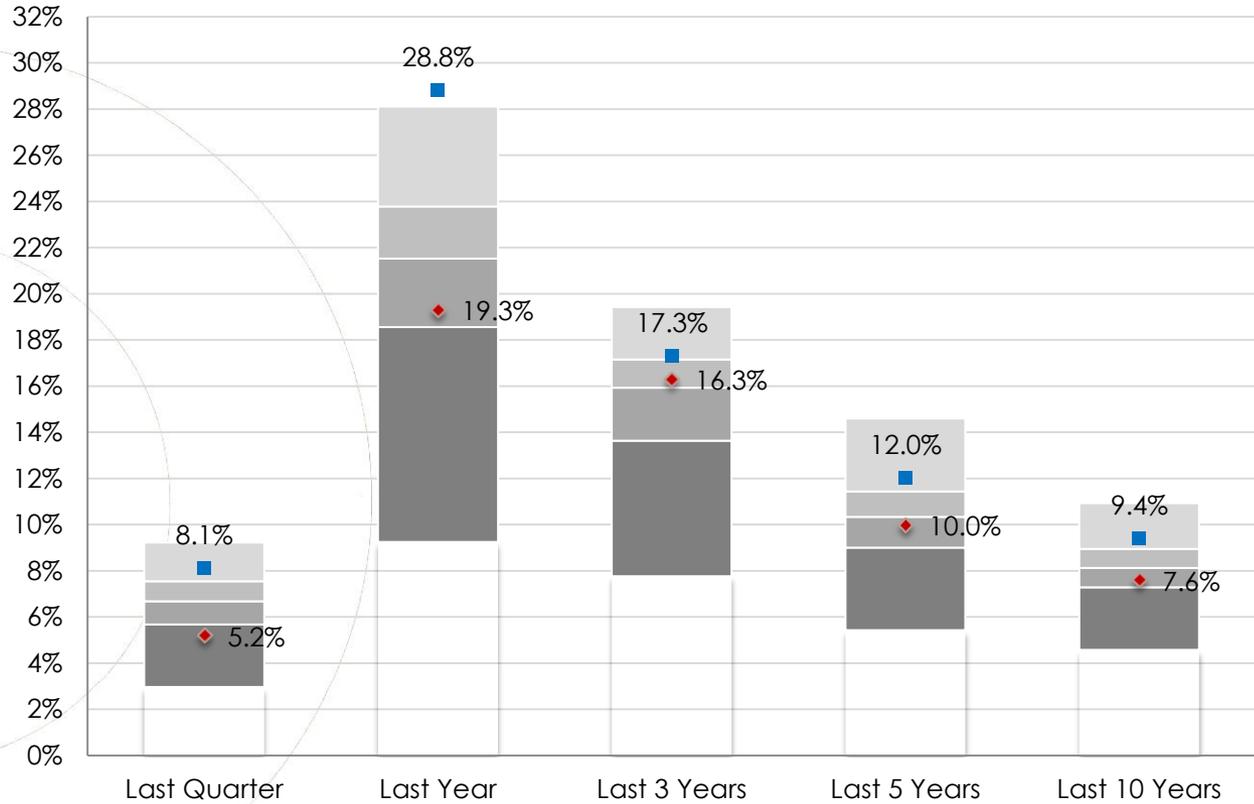
Asset Allocation Summary – Domestic Equity Allocation



Asset Allocation Summary – Domestic Equity Allocation



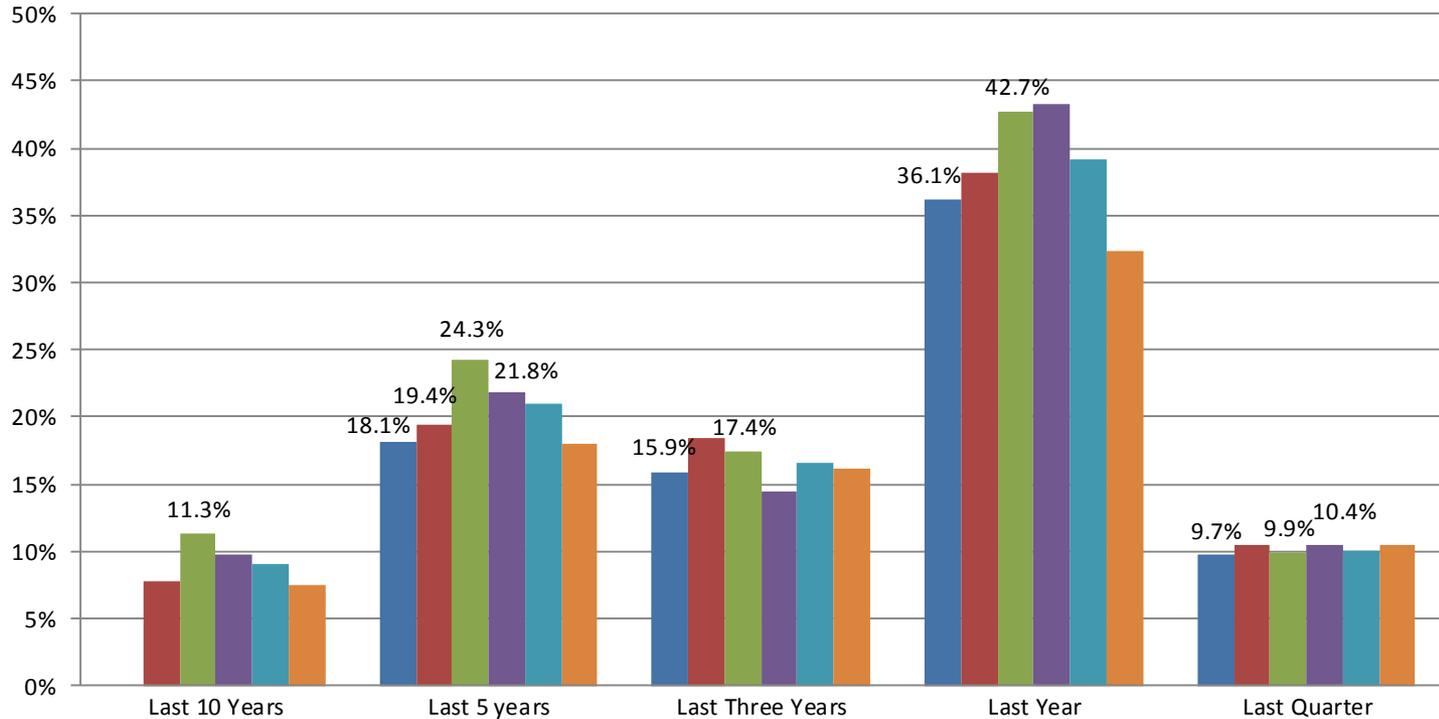
Domestic Equity Composite vs. U.S. Equity Allocation Peer Universe



■ OTRS Equity Composite
◆ S&P 500

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

Domestic Equity Performance: Capitalization Composites



Category	Last 10 Years	Last 5 years	Last Three Years	Last Year	Last Quarter
All Cap	7.7%	18.1%	15.9%	36.1%	9.7%
Large Cap Active	11.3%	19.4%	18.4%	38.2%	10.4%
Mid Cap	9.7%	24.3%	17.4%	42.7%	9.9%
Small Cap	7.4%	21.8%	14.4%	43.2%	10.4%
All Domestic Equity	9.0%	20.9%	16.6%	39.2%	10.1%
S&P 500	7.4%	17.9%	16.2%	32.4%	10.5%

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	-	-	17.1	67	15.7	42	34.9	26	9.1	54
EPOCH	-	-	18.9	42	16.1	33	37.4	13	10.2	26
<i>Russell 3000 Value</i>	-		18.7		16.2		33.6		10.1	
<i>Russell 3000</i>	-		18.7		16.2		33.6		10.1	
Hotchkis LCV	7.4	N/A	22.2	5	18.0	20	40.8	8	9.7	45
Sawgrass LCG	-		19.2	68	19.1	21	35.5	39	11.2	29
<i>S&P 500</i>	7.4		17.9		16.2		32.4		10.5	
<i>Russell 1000 Value</i>	7.6		16.7		16.1		32.5		10.0	
<i>Russell 1000 Growth</i>	-		20.4		16.5		33.5		10.4	
NT Cap Weighted	-	-	-	-	-	-	32.0	53	10.2	26
SSGA Equal Weighted	-	-	-	-	-	-	35.7	21	9.6	44
<i>S&P 500 Cap Weighted</i>	7.4		17.9		16.2		32.4		10.5	
<i>S&P 500 Equal Weighted</i>	9.8		23.3		17.0		36.2		9.9	

Performance – Mid Cap and Small Cap Equity Managers

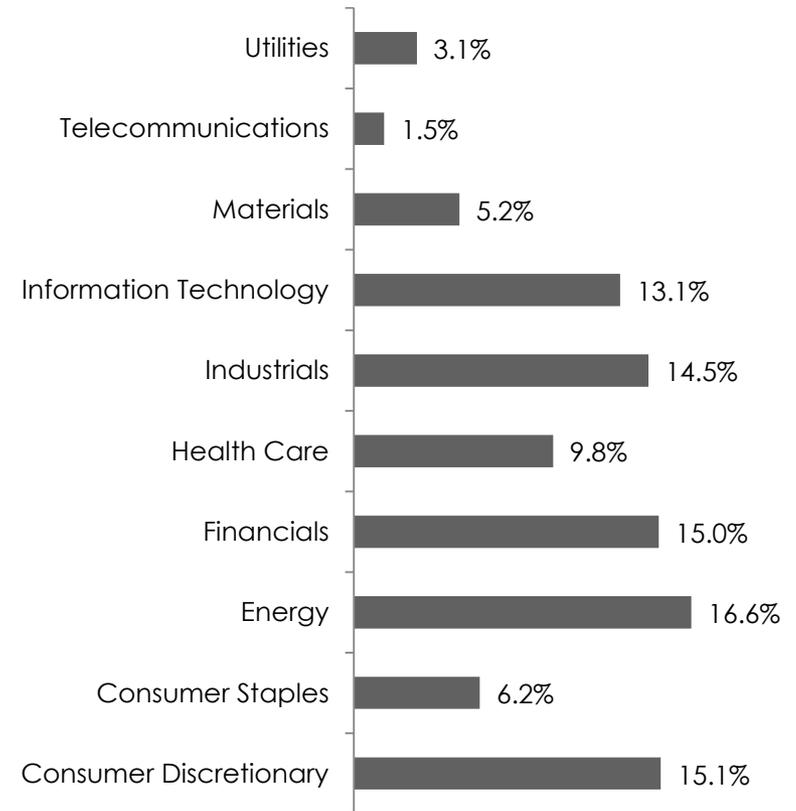
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
AJO MCC	10.8	74	22.7	30	19.2	14	42.1	23	11.8	1
Frontier MCG	11.5	63	20.7	91	15.0	67	34.2	76	8.5	67
Hotchkis MCV	12.0	N/A	30.4	5	20.8	8	44.4	4	6.8	61
Wellington MCG	10.5	74	24.3	40	14.3	78	50.2	1	12.9	1
<i>Russell MC</i>	<i>10.2</i>		<i>22.4</i>		<i>15.9</i>		<i>34.8</i>		<i>8.4</i>	
<i>Russell MC Growth</i>	<i>9.8</i>		<i>23.4</i>		<i>15.6</i>		<i>35.7</i>		<i>8.2</i>	
<i>Russell MC Value</i>	<i>10.3</i>		<i>21.2</i>		<i>16.0</i>		<i>33.5</i>		<i>8.6</i>	
Shapiro	13.1	10	27.5	7	17.7	29	45.7	10	12.7	1
Geneva	-	-	-	-	-	-	-	-	7.9	53
Wasatch	-	-	-	-	-	-	-	-	6.7	67
Cove Street	-	-	-	-	-	-	-	-	10.2	46
Frontier	-	-	-	-	-	-	-	-	9.9	52
Neumeier Poma	-	-	-	-	-	-	-	-	9.2	68
<i>Russell 2000</i>	<i>9.1</i>		<i>20.1</i>		<i>15.7</i>		<i>38.8</i>		<i>8.7</i>	
<i>Russell 2000 Value</i>	<i>8.6</i>		<i>17.6</i>		<i>14.5</i>		<i>34.5</i>		<i>9.3</i>	

Total Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Xylem	0.41%
Whitewave Foods	0.39%
Axiall	0.36%
WPX Energy	0.35%
General Electric	0.35%
Compass Minerals	0.35%
Energy Transfer Equity	0.34%
Lindsay Corp	0.33%
Live Nation Entertainment	0.32%
Babcock & Wilcox	0.31%
Top Ten Total Weight	3.51%

Sector Weightings



Composite Equity Portfolio Characteristics – Trailing Five Years

	Average Market Cap	Dividend Yield	Tracking Error	Alpha	R ²	Sharpe Ratio	Standard Deviation
Active All Cap/Large Cap Equity	\$114.06 billion	1.91%	4.78%	3.21	0.95	1.28	16.32
Mid Cap Equity	\$9.37 billion	1.04%	5.83%	0.08	0.94	1.19	18.04
Small Cap Equity	\$12.35 billion	0.88%	3.49%	5.41	0.40	0.59	9.86
International Equity	\$38.30 billion	2.21%	2.43%	1.15	0.52	0.43	10.65
Total Equity	\$42.52 billion	1.71%	2.77%	1.21	0.48	0.77	8.00

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	132.5	107.6	22.2%	0.96	-0.32
Sawgrass	Large Cap Growth	91.2	75.9	19.2%	0.98	-0.18
Advisory Research	All Cap	99.6	105.4	17.1%	0.98	-0.05
EPOCH	All Cap	111.9	108.4	18.9%	0.98	-0.13
AJO	Mid Cap Core	139.1	109.3	22.7%	0.96	-0.13
Frontier	Mid Cap Growth	103.5	80.8	20.7%	0.92	-0.18
Hotchkis & Wiley	Mid Cap Value	208.4	113.2	30.4%	0.93	-0.08
Wellington	Mid Cap Growth	177.8	131.2	24.3%	0.93	-0.33
Shapiro	Small Cap Value/Core	179.8	100.0	27.5%	0.91	-0.35
Cove Street	Small Cap Value	156.0	84.8	28.1%	0.94	-0.24
Neumeier Poma	Small Cap Value	135.9	109.2	22.2%	0.90	-0.28
Frontier	Small Cap Value	151.6	89.6	26.9%	0.94	-0.28
Geneva	Small Cap Growth	145.9	108.7	23.7%	0.82	-0.37
Wasatch	Small Cap Growth	126.2	68.8	25.8%	0.88	-0.37

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

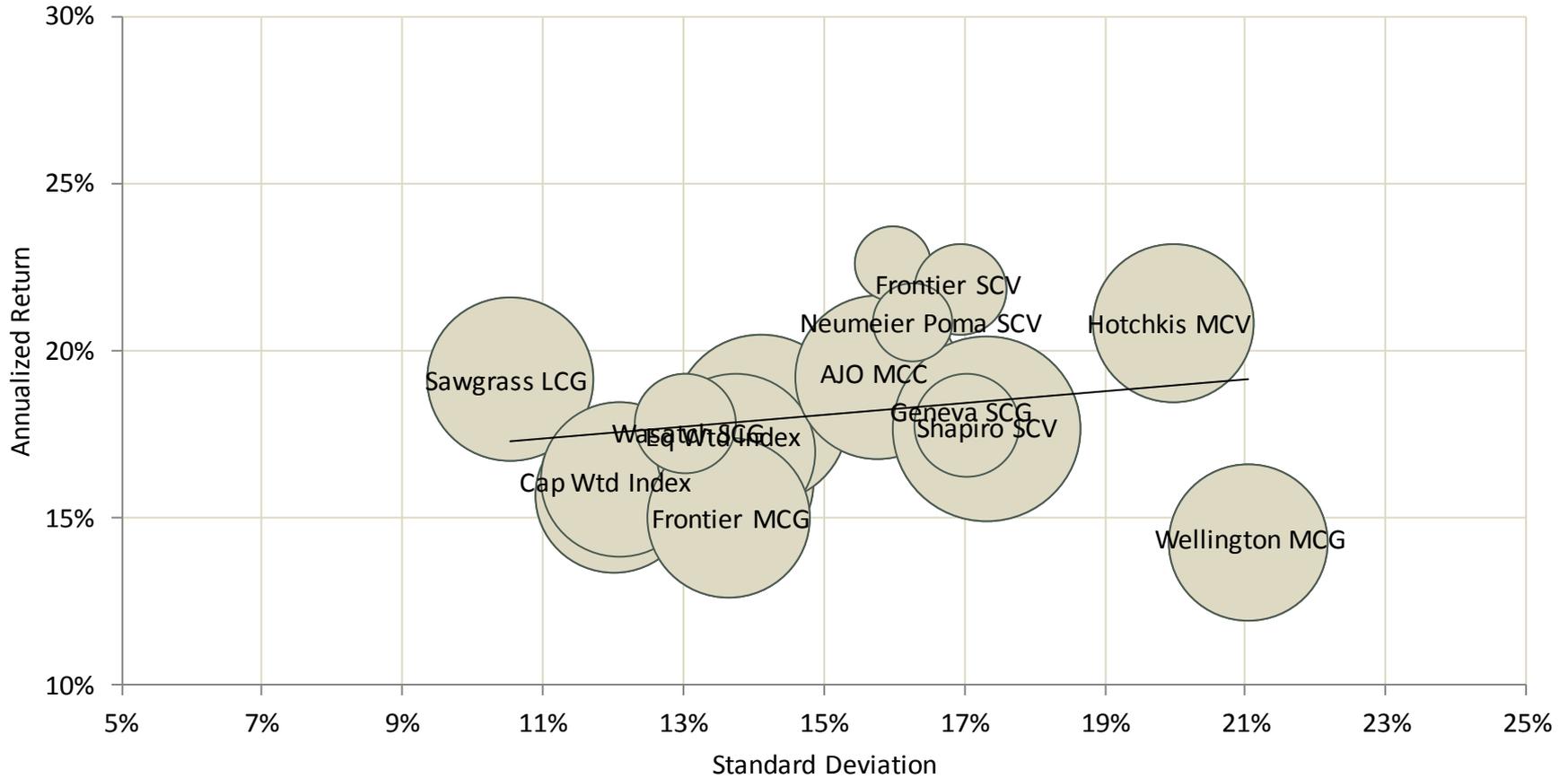
fourth quarter, 2013

Domestic Equity Portfolios: 5 Year Correlation Matrix

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

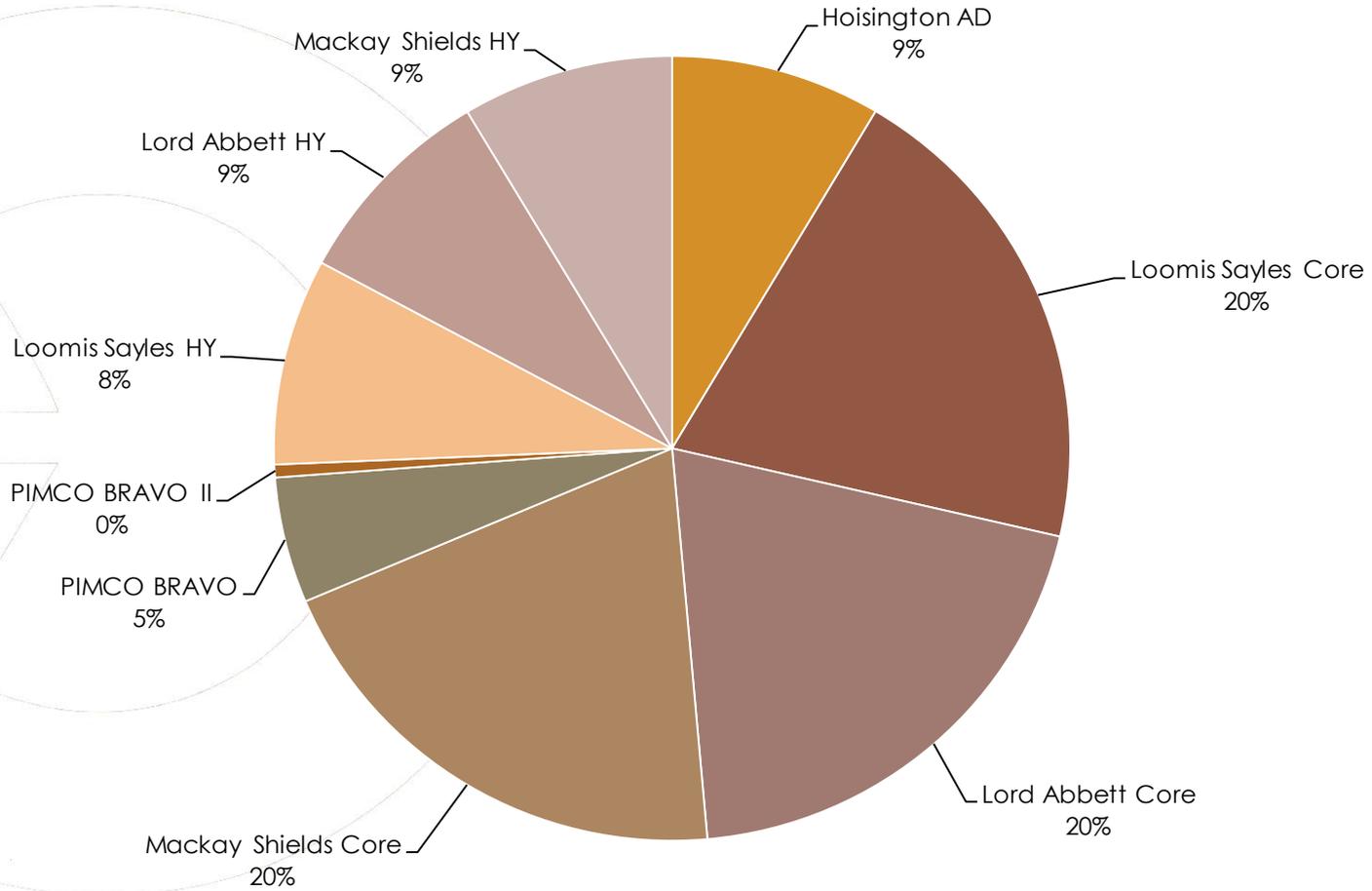
Domestic Equity Risk Return Comparison

Composite Data Used – Three Years Ended December 31, 2013

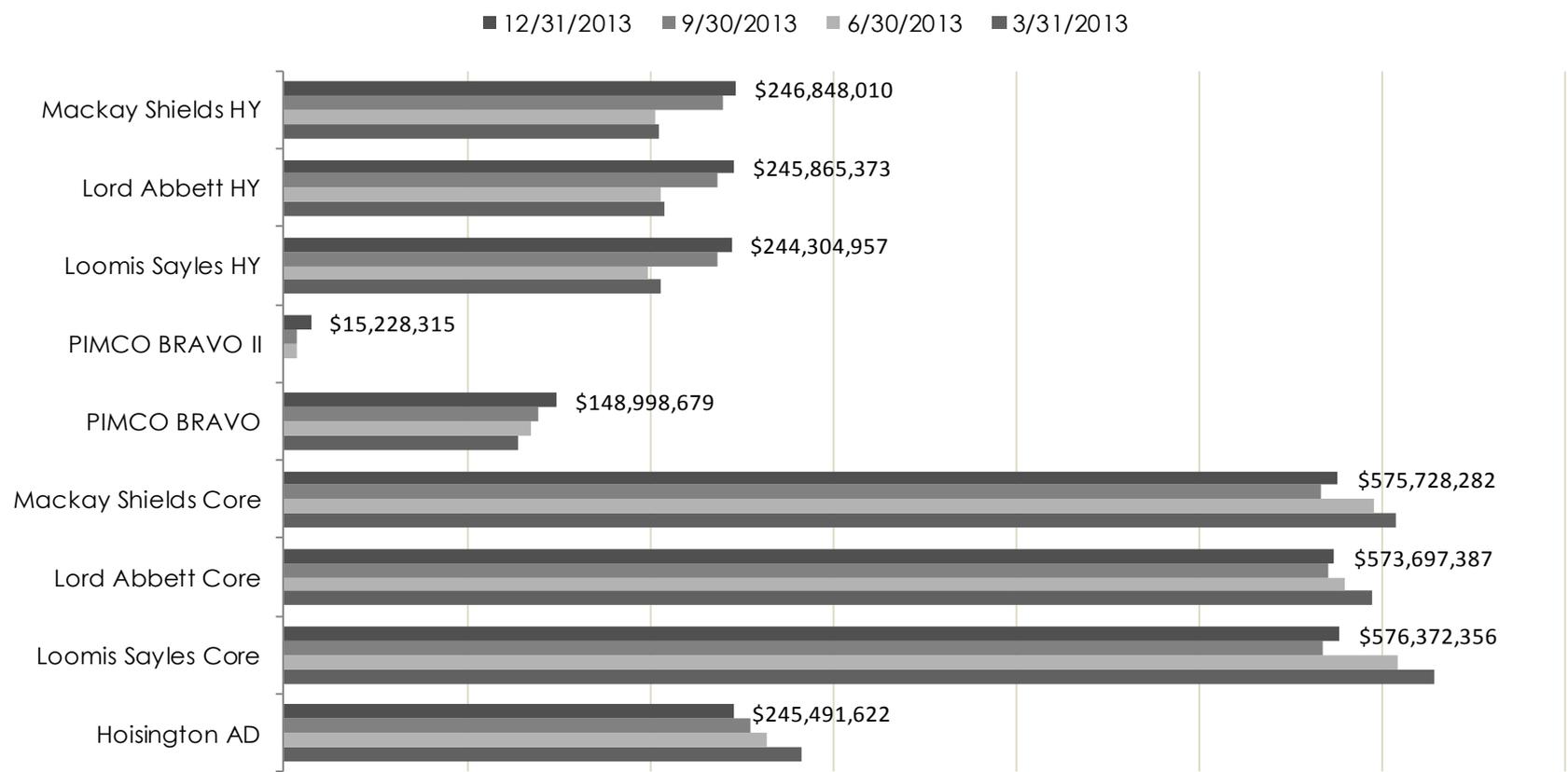


*Composite performance used when necessary.

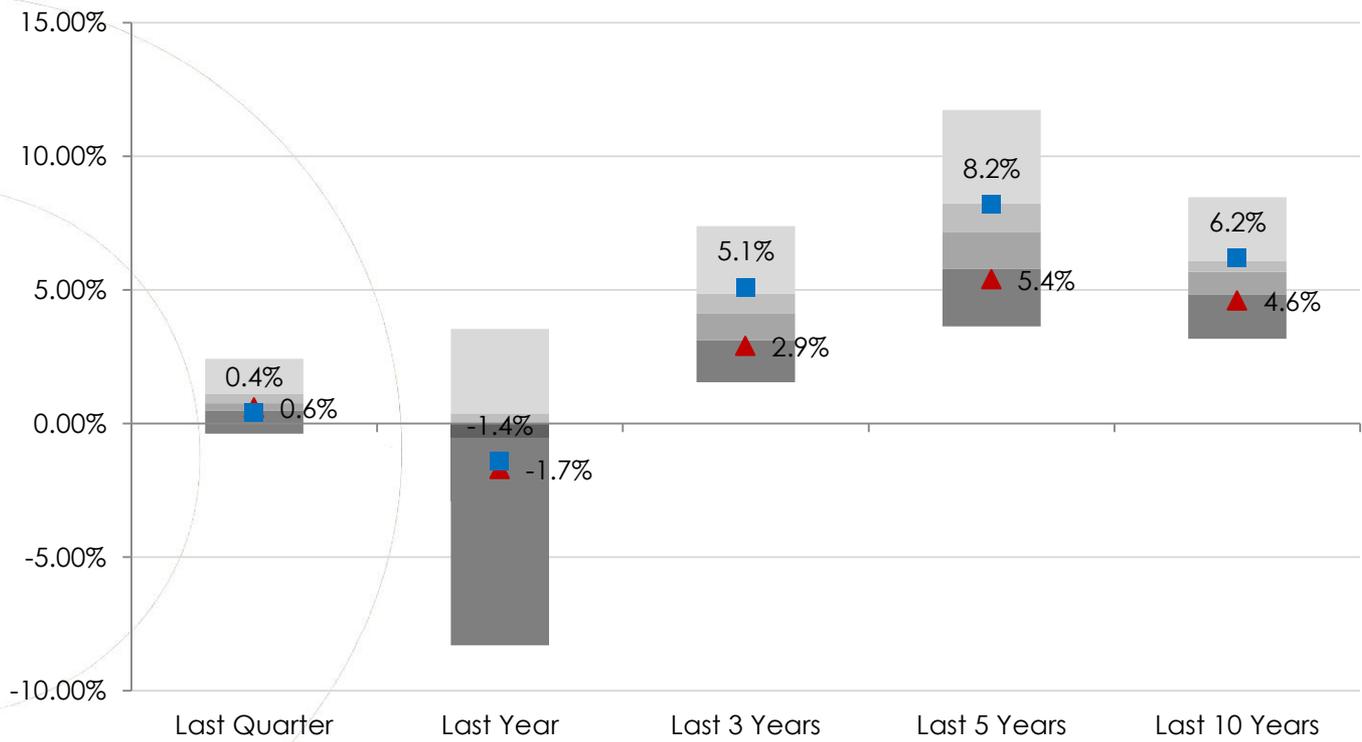
Asset Allocation Summary – Fixed Income Allocation



Asset Allocation Summary – Fixed Income Allocation



Fixed Income Composite vs. Core Fixed Income Peer Universe



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

Performance – Fixed Income Managers

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last Year	% Rank	Last Quarter	% Rank
Loomis Sayles	7.4	7	10.0	11	6.6	16	-0.2	40	1.6	15
Lord Abbett	-	-	8.2	22	5.3	26	-0.6	47	0.6	39
Mackay Shields	-	-	8.2	22	6.5	16	1.2	23	1.6	15
Hoisington	-	-	0.9	91	6.9	71	-16.3	99	-3.7	95
<i>BC Aggregate</i>	4.6		4.4		3.3		-2.0		-0.1	
Loomis HY	-	-	-		7.9	79	5.4	76	3.0	70
Lord Abbett HY	-	-	-		10.5	13	10.0	17	3.9	20
Mackay HY	-	-	-		9.2	49	6.6	59	3.0	70
<i>ML High Yield II</i>	-		-		9.0		7.4		3.5	

Fixed Income Portfolio Characteristics – Trailing Five Years

	Asset Class	Credit Quality	Modified Duration	Maturity	Yield to Maturity
Loomis Sayles	Core Plus	A-	6.2	9.4	4.05%
Lord Abbett	Core Plus	A	5.1	7.1	3.18%
Mackay Shields	Core Plus	A+	2.9	8.3	2.93%
Hoisington	Active Duration	Govt	19.1	23.8	3.92%
Core Fixed Income Composite	Core Plus	A	8.3	12.2	3.52%
Loomis Sayles	High Yield	B	4.9	8.1	5.53%
Lord Abbett	High Yield	B-	5.3	6.7	N/A
Mackay Shields	High Yield	B+	3.4	6.1	5.2%
High Yield Composite	High Yield	B	4.5	7.0	5.37%

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	210.2%	42.1%	10.0%	0.73	0.48
Lord Abbett	Core Plus	173.7%	53.4%	8.2%	0.83	0.28
Mackay Shields	Core Plus	153.4%	28.4%	8.2%	0.86	0.29
Hoisington	Active Duration	120.8%	593.7%	0.9%	0.70	-0.37
Loomis Sayles	High Yield	439.9%	-260.3%	20.3%	0.13	0.66
Lord Abbett	High Yield	387.2%	-305.0%	19.0%	0.06	0.60
Mackay Shields	High Yield	339.6%	-207.5%	16.6%	0.27	0.86

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

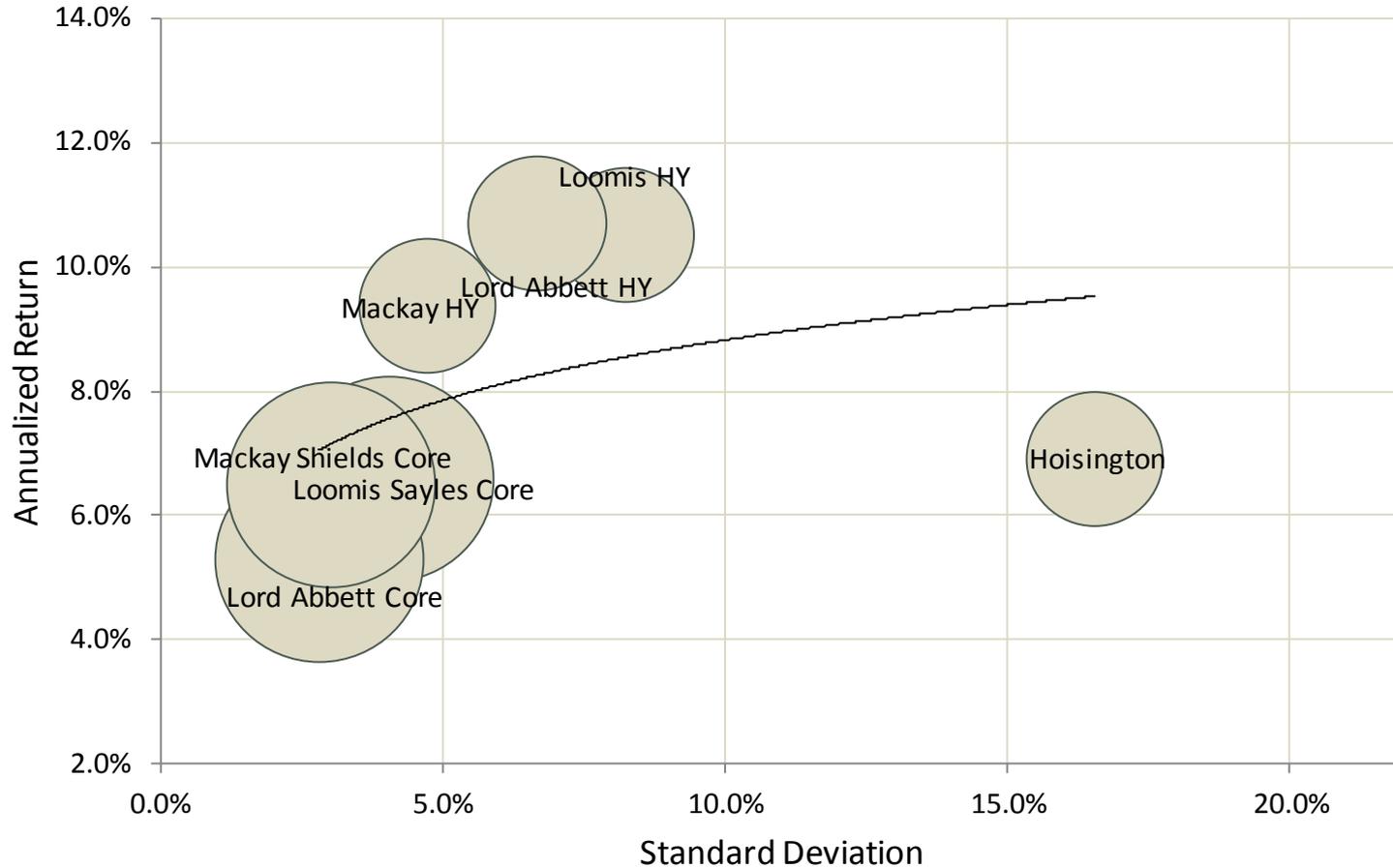
Fixed Income Portfolios: 5 Year Correlation Matrix

Trailing Five Years	Hoisington	Loomis Core	Loomis High Yield	Lord Abbett Core	Lord Abbett High Yield	Mackay Shields Core	Mackay Shields High Yield
Hoisington	-						
Loomis Core	0.17	-					
Loomis High Yield	-0.49	0.72	-				
Lord Abbett Core	0.31	0.91	0.59	-			
Lord Abbett High Yield	-0.53	0.66	0.97	0.53	-		
Mackay Shields Core	0.38	0.91	0.51	0.88	0.46	-	
Mackay Shields High Yield	-0.43	0.73	0.96	0.63	0.97	0.52	-

*Composite performance used when necessary.

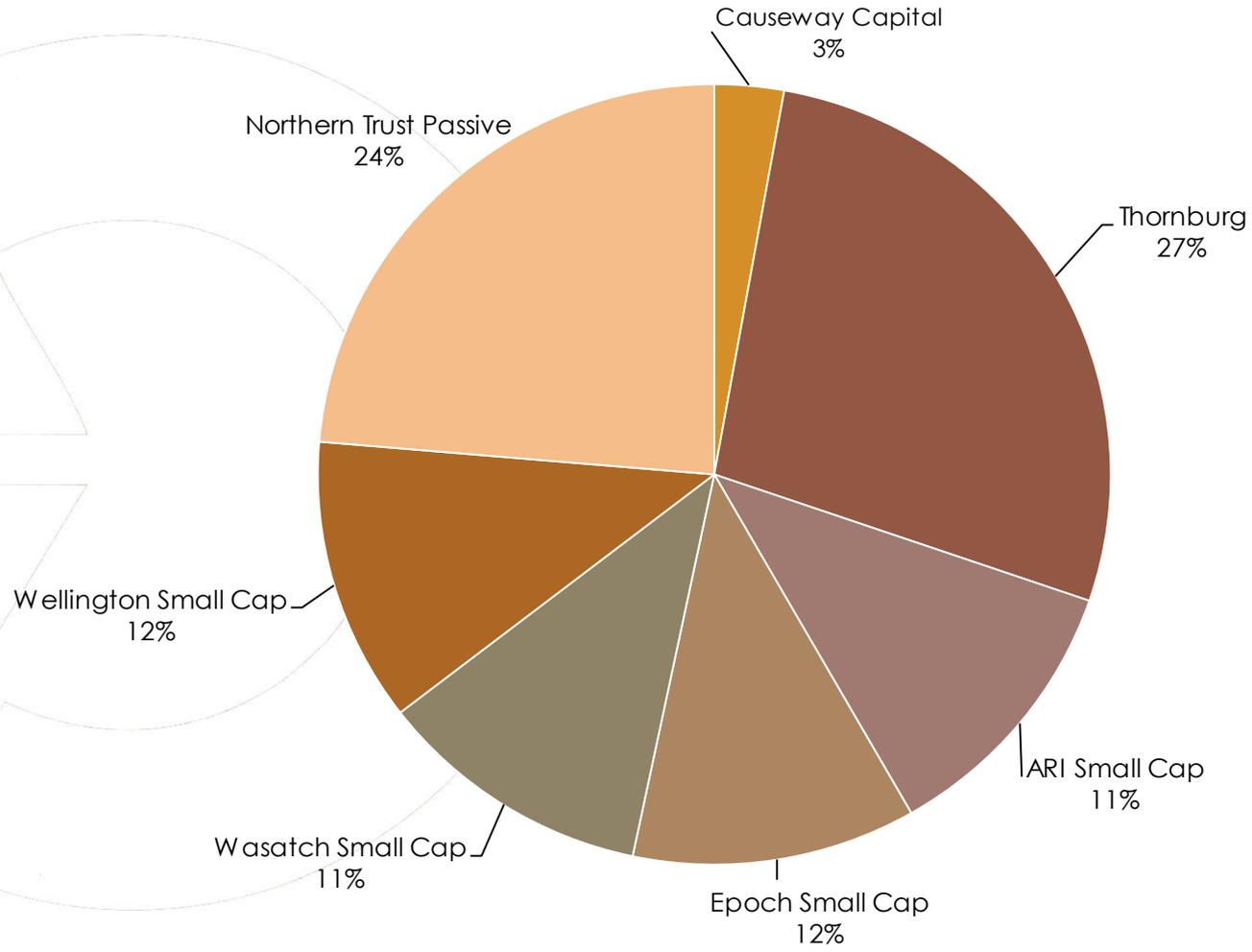
Fixed Income Risk Return Comparison

Composite Data Used – Three Years Ended December 31, 2013

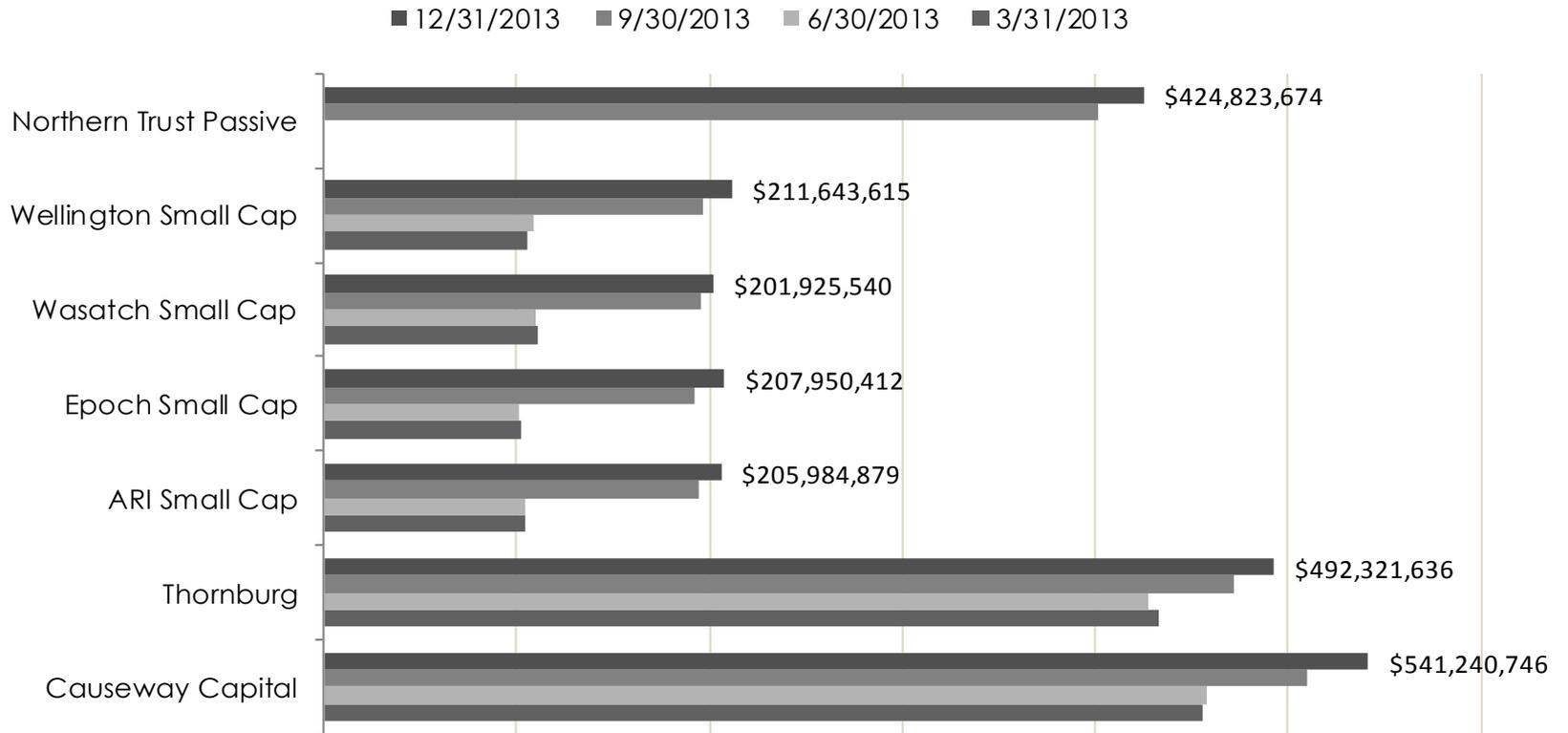


*Composite performance used when necessary to calculate figures.

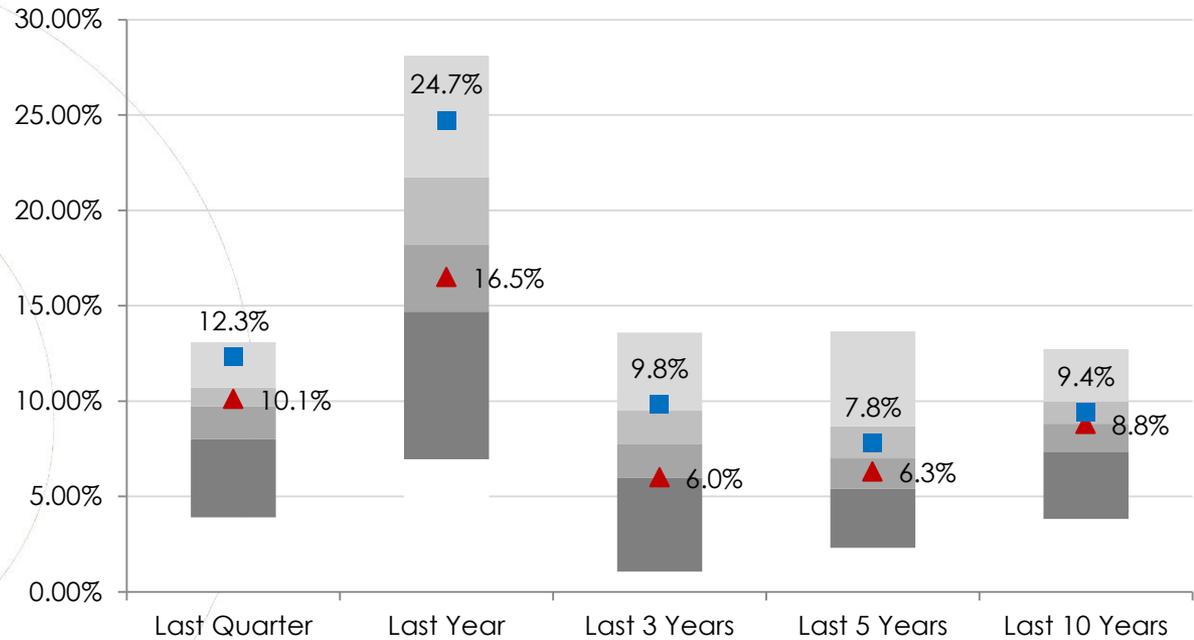
Asset Allocation Summary – International Equity Allocation



Asset Allocation Summary – International Equity Allocation



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



■ OTRS International Equity Composite

◆ MSCI ACWI Ex-US

12.3%

10.1%

24.7 %

16.5%

9.8%

6.0%

7.8%

6.3%

9.4%

8.8%

Performance – International Equity Managers

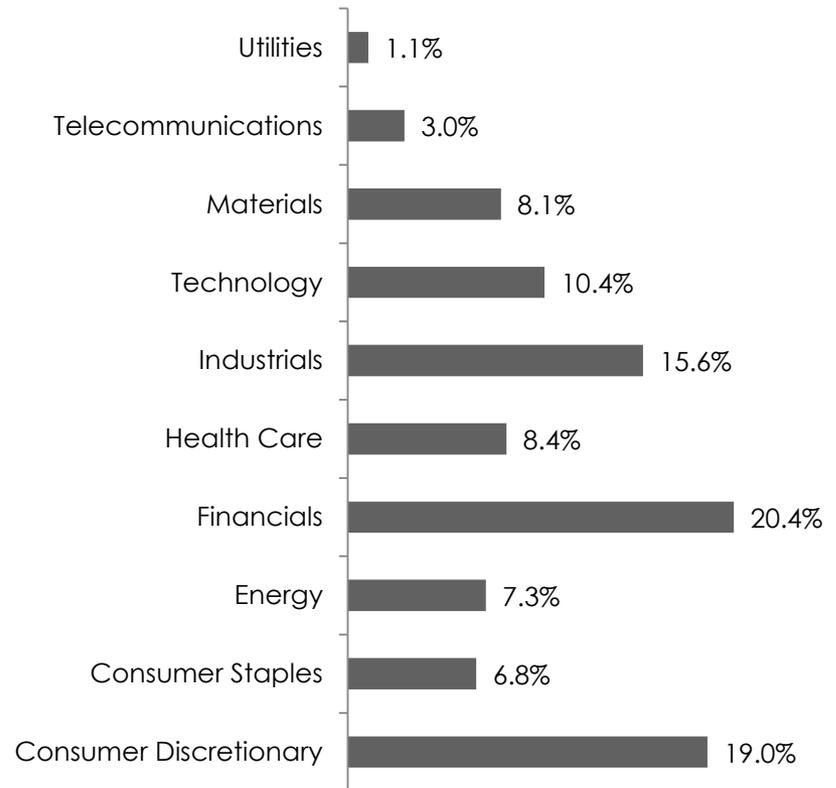
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Causeway	8.8	32	15.9	23	10.3	12	21.8	27	6.3	24
Northern Trust Passive	-		-		-		-		5.7	
Thornburg	-		13.5	51	6.2	60	16.8	56	4.4	72
<i>MSCI ACWI Ex US</i>	6.9		-		-		-		-	
ARI	-	-	-	-	-	-	26.0	13	6.1	28
EPOCH	-	-	-	-	-	-	31.6	2	7.9	8
Wasatch	-	-	-	-	-	-	30.4	3	3.2	85
Wellington	-	-	-	-	-	-	37.3	1	7.5	12
<i>MSCI EAFE Small Cap</i>	9.5		18.5		9.3		29.3		5.9	

Total International Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Reed Elsevier	0.98%
Mitsubishi UFJ Financial	0.84%
Toyota Motor Corp	0.80%
AKZO Nobel	0.80%
Siemens AG	0.75%
Novartis AG	0.74%
Sanofi	0.73%
Daimler	0.71%
KDDI	0.69%
Novo Nordisk	0.68%
Top Ten Total Weight	7.73%

Sector Weightings



Active International Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. MSCI ACWI ex US
Causeway	Large Cap Core	125.3%	96.5%	15.9%	0.92	0.97
Northern Trust	Passive Index	100.0%	100.0%	18.0%	0.88	0.99
Thornburg	Large Cap Core	196.2%	92.2%	13.5%	0.92	0.99
Advisory Research	Small Cap Value	109.6%	83.8%	17.4%	0.85	0.95
EPOCH	Small Cal Value	132.1%	95.8%	19.2%	0.89	0.97
Wasatch	Small Cap Growth	183.4%	79.2%	28.8%	0.86	0.95
Wellington	Small Cap Growth	103.6%	90.2%	15.4%	0.92	0.99

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

*Composite performance used when necessary.

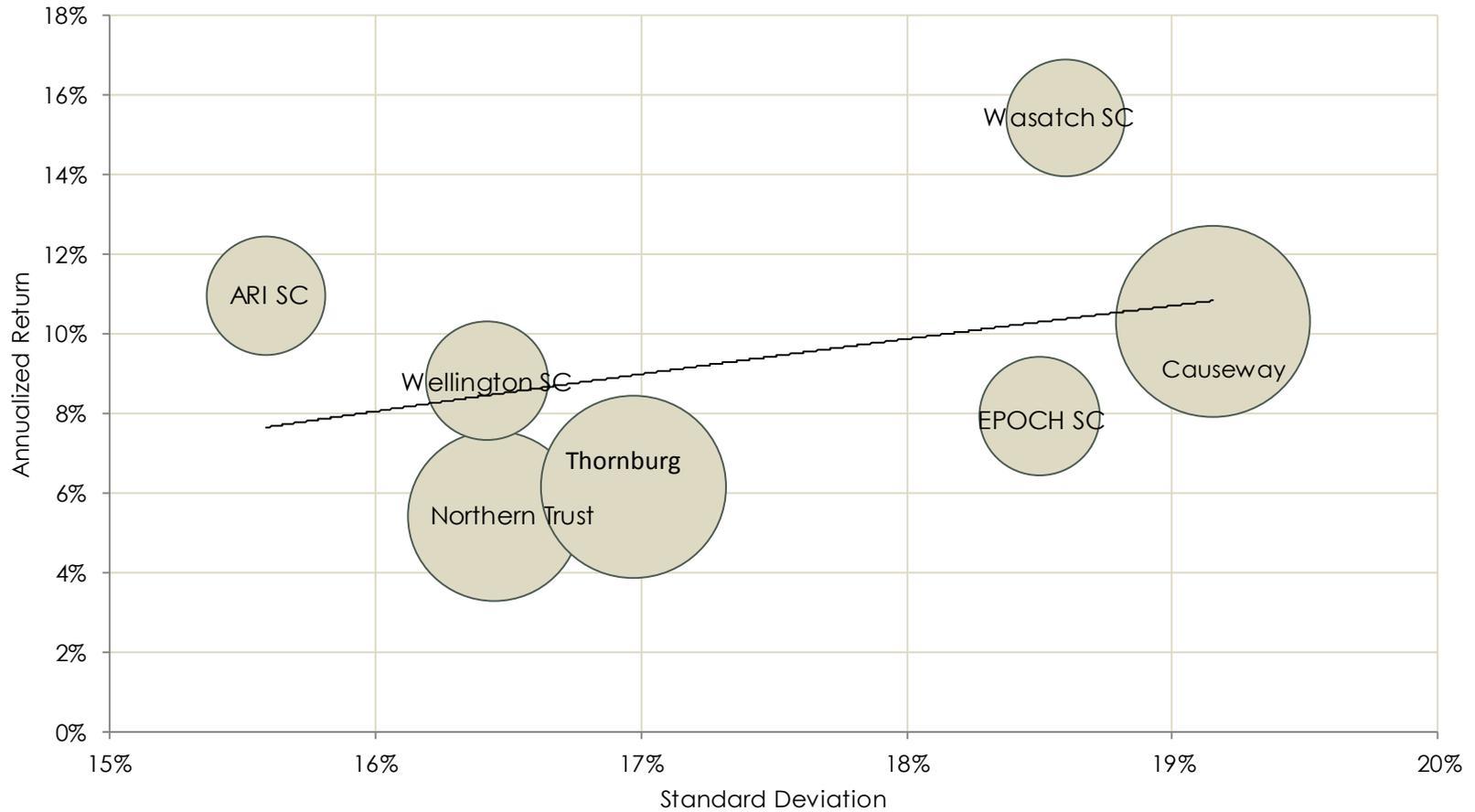
International Equity Portfolios: 5 Year Correlation Matrix

Trailing Five Years	ARI SCI	Causeway LCI	EPOCH SCI	Northern Trust	Thornburg LCI	Wasatch SCI	Wellington SCI
ARI SCI	-						
Causeway LCI	0.92	-					
EPOCH SCI	0.93	0.94	-				
Northern Trust Passive	0.93	0.97	0.96	-			
Thornburg LCI	0.90	0.96	0.95	0.98	-		
Wasatch SCI	0.87	0.88	0.94	0.94	0.93	-	
Wellington SCI	0.92	0.98	0.96	0.99	0.98	0.93	-

*Composite performance used when necessary.

International Equity Risk Return Comparison

Composite Data Used – Three Years Ended December 31, 2013



Performance – MLPs and Real Estate

	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Chickasaw	-	-	-	-	49.7	-	13.8	-
FAMCO	-	-	-	-	28.9	-	5.5	-
Swank	-	-	-	-	44.7	-	11.7	-
<i>Alerian MLP</i>	-		-		27.6		5.3	

David M. Hoisington
Executive Vice President

January 8, 2014

Board of Trustees
Teachers' Retirement System of Oklahoma
P. O. Box 53524
Oklahoma City, OK 73152-3524

RE: Investment Policy Statement

Dear Board Members,

Hoisington Management requests renewal of our three-year exemption from the fixed income manager restriction of holding a maximum of 5% in cash or cash equivalents. As you know, our strategy is to be 100% invested in long treasury bonds and strips when the rate of inflation is in a multi-year decline, and hold 100% cash equivalents or TIPS in periods of a multi-year rise in inflation. If we move into TIPS, the transition from bonds/strips may require a period of greater than 5% cash equivalents. Monthly reporting illustrating the contribution to total return will be provided.

Best Regards,



David M. Hoisington