

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, January 21, 2015 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. ROLL CALL FOR QUORUM**
- 2. SWEARING IN OF NEW TRUSTEES**
- 3. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE DECEMBER 17, 2014 BOARD MEETING**
- 4. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 5. PRESENTATION BY INVESTMENT MANAGER(S):**
 - A. ARI
 - B. Epoch
- 6. 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***
- 7. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT:**
 - A. Discussion and Possible Action on Investment Policy Statement Review
 - B. Discussion and Possible Action on Investment Department Report
 - C. Discussion and Possible Action on Investment Policy Exception from Lord Abbett
 - D. Discussion and Possible Action to Select a Provider of Master Custody, Securities Lending and Commission Recapture Services or Select Finalists to Interview
 - E. Discussion and Possible Action to issue an RFP for Investment Consultant services
- 8. DISCUSSION AND POSSIBLE ACTION ON COMMITTEE REPORTS:**
 - A. Governance Committee
 - B. Audit Committee
- 9. DISCUSSION AND POSSIBLE ACTION ON STAFF RECOMMENDATIONS ON PROPOSED LEGISLATION FOR THE 2015 SESSION**
- 10. DISCUSSION AND POSSIBLE ACTION ON AGENCY REPORTS:**
 - A. Client Services (70 O.S. 17-105)
 - B. Human Resources
 - C. Finance
 - D. General Counsel
 - E. Executive Director

11. QUESTIONS AND COMMENTS FROM TRUSTEES

12. NEW BUSINESS

13. ADJOURNMENT

Note: The Board of Trustees may discuss, vote to approve, vote to disapprove, or decide not to discuss any item on the agenda.

**MEETING MINUTES
DECEMBER 17, 2014
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 Bill Peacher, Chairman, at 9:02 a.m., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda were posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:

Bill Peacher, *Chairman*

Vernon Florence, *Vice Chair*

Beth Kerr, *Secretary*

James Dickson

Roger Gaddis

Jill Geiger*

Judie Harris

Philip Lewis

Billie Stephenson

Gary Trennepohl

Greg Winters

TRUSTEES ABSENT:

Stewart Meyers

Andrew Oster

TRS STAFF PRESENT:

Tom Spencer, *Executive Director*

Dixie Moody, *Director of Client Services*

Riley Shaull, *Comptroller*

Kim Bold, *Director of Human Resources*

Debra Plog, *Manager of Employer Reporting*

Melissa Kempkes, *Investment Analyst*

Susan Yingling, *Executive Assistant*

Lisa Van Liew, *Assistant Comptroller*

OTHERS PRESENT:

Wayne Maxwell, *RPOE*

Norman Cooper, *OREA*

Chancen Flick, *OEA*

Matt Stangl, *OAG*

*Denotes late arrival or early departure.

ITEM 1 - ROLL CALL FOR QUORUM: Chairman Peacher called the Board meeting to order at 9:02 a.m. and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 2 – MEETING MINUTES: A motion was made by Dr. Winters with a second made by Ms. Kerr to approve the November 19, 2014 Regular Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson,

Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 3 - DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT: Investment Consultants to the Board, Greg Weaver and Doug Anderson of Gregory W. Group, gave their monthly report to the Board. No action was necessary.

ITEM 4 - PRESENTATION BY INVESTMENT MANAGERS: Representatives from Franklin Park and PIMCO presented their respective reports to the Board. No action was necessary.

ITEM 5 - MANAGER STATUS SUMMARY REPORT: Investment Consultants to the Board, Greg Weaver and Doug Anderson of Gregory W. Group, gave the Board their Manager Status Summary Report. Mr. Weaver said that the “On Alert” status for two of the managers on the list, MacKay Shields LLC and Lord Abbett & Co., should be allowed to expire. Mr. Weaver then recommended the “On Alert” status for Geneva Capital Management LTD be extended through June 30, 2015. He said the Board should take more time to review any impact of the acquisition by Henderson Global. After some discussion, a motion was made by Mr. Dickson with a second made by Mr. Gaddis to extend the “On Alert” status for Geneva Capital Management LTD through June 30, 2015. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 6 - INVESTMENT COMMITTEE REPORT: Mr. Florence, Chair of the Investment Committee, presented the Investment Committee Report from the December 16, 2014 meeting. Mr. Florence advised the Board that there were several items up for a vote. He directed the Board to the handout listing the motions made by the Investment Committee members during the Investment Committee meeting.

6A) Mr. Florence told the Board that the Investment Committee had reviewed a request from Loomis Sayles to extend their Investment Policy Exception for three more years. The exception was to allow them to increase the maximum portfolio concentration in emerging markets from 10% to 30%, increase the maximum portfolio concentration in non-USD from 20% to 40%, and to establish a 10% allocation to preferred stock. The motion was made by Mr. Gaddis and seconded by Ms. Geiger to extend the Investment Policy Exception for three years. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher. (Ms. Geiger had been present at the Investment Committee meeting, but was not present for the vote during the Board meeting.)

6B) Mr. Florence told the Board that the Investment Committee had reviewed a request from Shapiro to extend their Investment Policy Exception for three more years. The exception was to allow Shapiro to maintain the ability to invest on a very selective basis in larger capitalization companies up to 15% of the portfolio. The motion was made by Mr. Gaddis and seconded by Mr. Dickson to approve the Investment Policy Exception request for three years. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

6C) Mr. Florence told the Board that the Investment Committee had reviewed a request from Wellington to extend their Investment Policy Exception for three more years and increase the

exception from 40% to 45% for the maximum allocation to Japan. Mr. Florence explained that the Investment Committee members felt it was more prudent to leave the allocation at 40%, which was a 5% increase from the official policy statement. He said the Investment Committee members also felt the length of time should be two years instead of three. A motion was made by Mr. Gaddis and seconded by Mr. Dickson to leave the Japan allocation at 40% for a period of two years for Wellington. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

6D) Greg Weaver and Douglas Anderson gave a brief review of the Real Estate Report. No action was necessary.

A break was taken from 10:55 – 11:05 a.m.

6E) Melissa Kempkes, Investment Analyst, reviewed the updated changes for the Investment Policy Statement.

Jill Geiger arrived at 11:35 a.m.

Ms. Kempkes explained that this is still a work in progress that would continue to be revisited for several months to come. After extensive discussion, the motion was made by Mr. Gaddis and seconded by Ms. Geiger to accept the changes to the Investment Policy Statement as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 7 –EXECUTIVE SESSION PURSUANT TO 25 O.S. 2011 SECTION 307(B)(4) FOR COMMUNICATIONS CONCERNING A PENDING ACTION OF THE BOARD RELATED TO OTRS CONSULTANT CONTRACTS, WITH THE ADVICE OF ITS ATTORNEY DETERMINES THAT DISCLOSURE WILL SERIOUSLY IMPAIR THE ABILITY OF THE BOARD TO CONDUCT A PENDING INVESTIGATION OR PROCEEDING IN THE PUBLIC INTEREST:

- A) A motion was made by Dr. Winters with a second made by Mr. Gaddis to resolve into Executive Session at 11:40 a.m. The motion passed with a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher. Executive Director, Tom Spencer and Assistant Attorney General, Matt Stangl, were also present during the Executive Session.
- B) A motion was made by Mr. Gaddis with a second by Dr. Lewis to return to Open Session at 11:55 a.m. The motion passed with a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

Open session reconvened at 11:55 a.m. No action was taken.

ITEM 10 – ACTION ON RENEWAL AND AMENDMENT OF CONTRACT WITH GREGORY W. GROUP: Mr. Florence, Chairman of the Investment Committee, reviewed the current contract with Gregory W. Group and explained to the Board that it needed to be extended through the end of the fiscal year. He said there would be a Request for Proposals for an Investment Consultant at some point in the near future, but it was necessary to extend the current contract with Gregory W. Group. He explained that the request from Gregory W. Group included an increase in payment. After some discussion, a motion was made by Mr. Gaddis with a second made by Ms. Geiger to extend the contract with Gregory W. Group through June 30, 2015 and

increase the contract amount by \$30,000 a month. The motion passed with a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

ITEM 8 – COMMITTEE REPORTS:

Dr. Trennepohl, Chair of the Governance Committee, said there was no report from the committee.

Ms. Kerr, speaking on behalf of Stewart Meyers, said there was no report from the committee.

A break for lunch was taken from 12:05 – 1:20 p.m.

ITEM 9 – CLIENT PORTAL PRESENTATION: Representatives from MyConsulting demonstrated the Client Portal to the Board. They explained that the Client Portal would allow OTRS Clients to log in and check their account information from the Internet. After much discussion, no action was necessary.

ITEM 11 - DISCUSSION AND POSSIBLE ACTION ON AGENCY REPORTS:

Dixie Moody, Director of Client Services, gave a brief presentation to the Board. After some discussion, a motion was made by Dr. Winters with a second made by Ms. Geiger to approve the monthly retirement report. The motion passed with a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher.

Melissa Kempkes, Investment Analyst, said her report had been covered during the Investment Committee report. No action was necessary.

Kim Bold, Director of Human Resources, gave her report to the Board. No action was necessary.

Debra Plog, Manager of Employer Reporting, gave her report to the Board. No action was necessary.

Riley Shaull, Comptroller, presented the Finance Report to the Board. He said this would be his last Board meeting as he had taken a position at another state agency. After a brief discussion, no action was necessary.

Tom Spencer, Executive Director, presented his report to the Board. After a brief discussion, no action was necessary.

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

ITEM 13 - NEW BUSINESS: There was no new business from the Board.

ITEM 14 – ADJOURNMENT: There being no further business, a motion was made by Dr. Winters with a second made by Ms. Geiger to adjourn the meeting. The motion passed with a unanimous voice vote. Trustees responding were as follows: Mr. Dickson, Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Harris, Ms. Kerr, Dr. Lewis, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Peacher. The meeting was adjourned at 1:50 p.m.

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
Bill Peacher, Chairman

ATTEST:

BY: _____
Beth Kerr, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on January 21, 2015.

BY: _____
Susan Yingling, Executive Assistant

December 2014 - Market Performance Update

Modest Close Another Double Digit Return Year

Equity Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	0.1	10.0	16.3	14.2
NASDAQ (prc chg only)	-1.2	13.4	22.1	15.9
S&P 500 cap weighted	-0.3	13.7	20.4	15.5
S&P 500 equal weighted	0.3	14.5	22.4	17.4
S&P Mid Cap	0.2	13.2	21.4	17.2
S&P Small Cap	2.9	5.8	2.2	17.3
S&P REIT	1.9	13.2	16.3	17.2
Alerian MLP	-5.6	4.8	11.9	16.7
Russell 1000 Growth	-1.0	13.1	20.3	15.8
Russell 1000 Value	0.6	13.5	20.9	15.4
Russell Mid Cap Growth	-0.3	11.9	20.7	16.9
Russell Mid Cap Value	0.8	14.8	22.0	17.4
Russell 2000 Growth	3.0	5.6	20.1	16.8
Russell 2000 Value	2.7	4.2	18.3	14.3
Russell Top 200	-0.4	13.3	20.3	15.0
Russell 1000	-0.2	13.2	20.6	15.6
Russell Mid Cap	0.2	13.2	21.4	17.2
Russell 2500	1.4	7.1	20.0	16.4
Russell 2000	2.9	4.9	19.2	15.6
MSCI World Ex US	-3.3	-4.3	10.5	5.2
MSCI World Ex US Growth	-3.2	-3.3	10.4	5.9
MSCI World Ex US Value	-3.5	-5.4	10.5	4.5
MSCI EAFE	-3.5	-4.9	11.1	5.3
MSCI Emerging Markets	-4.6	-2.2	4.0	1.8

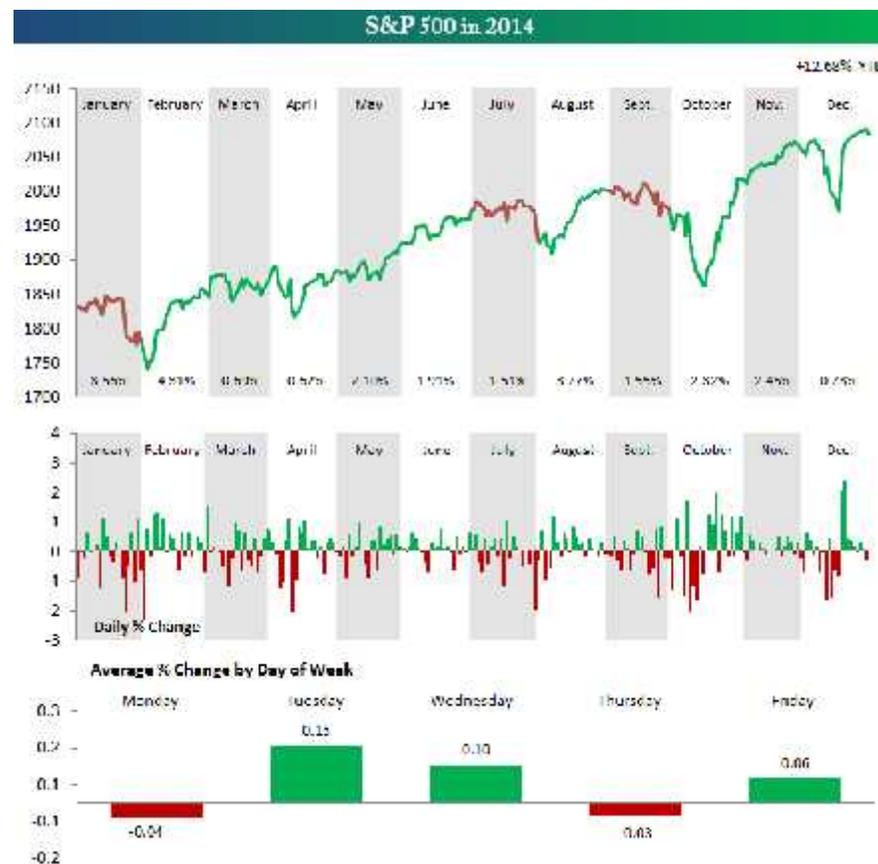
Financial markets had a relatively quiet end to 2014. Trading volumes were markedly decreased during the holiday period. The broad U.S. equity market suffered a modest loss for December while foreign equities suffered sharper declines. Oil prices continued to slide. The U.S. Dollar surged against foreign currencies.

Smaller companies recovered recent losses and led the market higher. Value led growth among large and mid caps while the reverse was true for small caps. Small stock returns still trail larger companies over the past year. Developed international market equity returns were hurt by the rising U.S. Dollar. Emerging markets equities were also down for the month. MLPs moved lower on oil price fears.

The aggregate bond market posted another modest return during December. Long Treasuries posted another strong return, gaining almost 3% during the month, bringing their 2014 return to 25.1%. This earned them the distinction of top performing asset category. Cash remained flat for the month and the year.

Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.0	0.1	0.1
BC Long Treasury	2.9	25.1	4.2	10.0
BC US Agg	0.1	6.0	2.7	4.5



Manager Profile - Advisory Research



Asset Class:	All Cap Domestic Equity
Status:	In Compliance
Portfolio Size:	\$475,502,016
Inception Date:	9/1/2006
Actual Allocation:	3.4%
Target Allocation:	3.5%
Annual Management Fee:	0.33%
Location:	Chicago, Illinois
Structure:	Division of Piper Jaffrey
Portfolio Management Team:	James Langer Matthew Swaim Bruce Zessar

Notes:

ARI's all cap portfolios are composed using the firm's small cap, mid cap and large cap investment disciplines. The firm has tailored its investment processes to each market segment. The small and mid cap teams concentrate on companies selling at discounted price/book ratios. Large cap positions are based on financial strength and sustainable franchise characteristics. Shares are purchased into the portfolios when they are trading at less than 90% of the firm's estimate of intrinsic value. The firm seeks to purchase companies that represent the most attractive value opportunities regardless of their current market capitalization. Portfolios will hold 50 - 60 positions with turnover around 25%.

Represented by:	Bruce Zessar - Managing Director Matthew Swaim - Managing Director Brian Macmillan - Vice President of Business Development
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Founded: 1974

Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Advisory Research	6.8	15.2	17.5	11.0	1.6	1.1
Russell 3000 Index	8.2	16.3	20.8	15.5	3.0	2.4
Russell 3000 Value Index	6.6	15.3	20.7	12.7	5.3	0.8

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Advisory Research	46	\$68.2 Billion	1.3%	17.7	2.1
Russell 3000 Index	3023	\$41.5 Billion	1.6%	19.0	2.7
Russell 3000 Value Index	-	\$40.1 Billion	1.9%	16.8	1.8

Manager Profile - Epoch



Asset Class:	All Cap Domestic Equity
Status:	In Compliance
Portfolio Size:	\$507,645,760
Inception Date:	9/1/2006
Actual Allocation:	3.6%
Target Allocation:	3.5%
Annual Management Fee:	0.44%
Location:	New York, New York
Structure:	Publicly Traded (ticker: EPHC)
Portfolio Management Team:	David N. Pearl - Co-Chief Investment Officer Bill Priest - Co-Chief Investment Officer Mike Welhoelter - Quantitative Research and Risk Management
Represented by:	David N. Pearl - Executive Vice President, Co-Chief Investment Officer and Portfolio Manager Thomas Pernice - Managing Director, Client Service

Notes:

Epoch seeks to produce superior risk-adjusted returns by constructing diversified portfolios of businesses with outstanding return profiles without a high degree of capital risk. Investments are evaluated on a private investor basis. Epoch uses a centralized decision process that composes the firm's best ideas into diversified but compact portfolios. Most of the firm's research is proprietary and based on their expectations of free cash flow growth. Analysis of a firm's operations and history guide a private market valuation based on discounted free cash flow models. Epoch meets with management either in their offices or on-site to assess their skill, honesty and integrity before purchase. Portfolios will hold 55 – 60 positions with turnover around 25%. 100% of their trading is electronic.

Founded: 2004

Return Profile	Since Inception	Last 5 Years		Last 3 Years		Last Year		Last Quarter		Last Month	
Epoch	9.1	16.6		20.7		17.1		4.7		3.6	
Russell 3000 Index	8.2	16.3		20.8		15.5		3.0		2.4	
Russell 3000 Value Index	6.6	15.3		20.7		12.7		5.3		0.8	

Risk Characteristics	Number of Holdings	Average Mkt Cap		Dividend Yield		P/E Ratio		P/B Ratio	
Epoch	60	\$97.0 Billion		1.8%		18.6		2.4	
Russell 3000 Index	3023	\$41.5 Billion		1.6%		19.0		2.7	
Russell 3000 Value Index	-	\$40.1 Billion		1.9%		16.8		1.8	

Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,941,997,736	21.0%	17.0%	4.0%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	2,103,869,643	15.0%	13.0%	2.0%	
Small Cap	1,459,504,680	10.4%	10.0%	0.4%	
Total Domestic Equity	6,505,372,059	46.5%	40.0%	6.5%	
Large Cap International Equity	1,381,039,339	9.9%	11.5%	-1.6%	
Small Cap International Equity	774,711,048	5.5%	6.0%	-0.5%	
International Transition Account	660,987				
Total International Equity	2,156,411,374	15.4%	17.5%	-2.1%	
Core Fixed Income	2,165,878,763	15.5%	17.5%	-2.0%	
High Yield Fixed Income	764,522,634	5.5%	6.0%	-0.5%	
MLPs	1,098,646,212	7.8%	7.0%	0.8%	
Private Equity	461,990,991	3.3%	5.0%	-1.7%	
Real Estate	677,020,279	4.8%	7.0%	-2.2%	
Opportunistic Assets	168,342,419	1.2%	0.0%	1.2%	
Total Non-Core Assets	3,170,522,536	22.6%	25.0%	-2.4%	
Cash	1,339,893	0.0%	0.0%	0.0%	
Composite	13,999,589,619	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of December 31, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Calendar YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	13,999,589,619	12/1/1991	23.1	9.8	8.1	12.5	15.5	8.1	0.3	8.1	1.9	-0.3
Total Fund (Net of Fees)				9.4	7.7	12.1	15.1	7.8	0.2	7.2	1.8	-0.3
<i>Allocation Index</i>				9.4	7.0	11.0	13.1	7.2	0.7	7.2	2.0	-0.6
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	2.4	6.2	1.9	0.6
Total Domestic Equity	6,505,372,059 46.5%	4/1/1990	24.8	11.1	8.5	16.2	21.8	10.6	3.2	10.6	5.7	0.5
<i>S&P 500</i>				9.9	7.7	15.5	20.4	13.7	6.1	13.7	4.9	-0.3
Total All Cap Equity	983,147,776 7.0%	9/1/2006	8.3	8.0	-	15.3	19.3	11.4	5.7	11.4	5.7	0.5
<i>Russell 3000</i>				8.1	-	15.6	20.5	12.6	5.3	12.6	5.2	0.0
Total Large Cap Active Equity	1,182,700,384 8.4%	1/1/1995	20.0	10.8	7.6	16.5	23.0	14.2	6.1	14.2	5.5	0.2
<i>S&P 500</i>				9.9	7.7	15.5	20.4	13.7	6.1	13.7	4.9	-0.3
Total Mid Cap Equity	2,103,869,643 15.0%	11/1/1998	16.2	10.6	10.5	17.8	23.2	10.8	2.5	10.8	5.7	0.6
<i>Russell Mid Cap</i>				10.1	9.6	17.2	21.4	13.2	4.2	13.2	5.9	0.2
Total Small Cap Equity	1,459,504,680 10.4%	2/1/1998	16.9	9.6	8.6	14.9	21.3	5.3	-1.0	5.3	6.0	1.0
<i>Russell 2000</i>				7.7	7.8	15.5	19.2	4.9	1.7	4.9	9.7	2.9
Active International Equity	1,295,673,204 9.3%	2/1/1998	16.9	8.6	5.3	6.1	11.6	-6.9	-9.0	-6.9	-4.2	-1.9
<i>MSCI ACWI ex-US</i>				-	5.6	4.9	9.5	-3.4	-8.8	-3.4	-3.8	-3.6
Small Cap International Equity	774,711,048 5.5%	2/1/1998	16.9	15.2	-	-	15.7	-6.4	-10.4	-6.4	-3.8	-1.1
<i>MSCI ACWI ex-US</i>				-	5.9	9.0	14.2	-4.6	-9.8	-4.6	-2.2	-0.5
Core Fixed Income (ex- High Yield)	2,165,878,763 15.5%	4/1/1990	24.8	7.3	6.6	7.4	5.3	9.5	2.5	9.5	2.2	0.3
<i>Barclays Aggregate</i>				6.6	4.7	4.4	2.7	6.0	2.0	6.0	1.8	0.1
Master Limited Partnerships	1,098,646,212 7.8%	2/28/2011	3.8	19.4	-	-	21.5	18.3	-8.4	18.3	-7.8	-2.3
<i>Alerian MLP Index</i>				11.8	-	-	11.9	4.8	-9.9	4.8	-12.3	-5.6
High Yield Bonds	764,522,634 5.5%	2/1/2009	5.9	14.0	-	9.3	9.5	3.7	-2.6	3.7	-0.9	-1.4
<i>ML High Yield II</i>				14.1	-	8.9	8.4	2.5	-3.0	2.5	-1.1	-1.5
Core Real Estate	631,362,029 4.5%	4/1/2011	3.8	-	-	-	-	-	-	-	-	-
<i>NCREIF</i>				-	-	-	-	-	-	-	-	-
Non-Core Real Estate	45,658,250 0.3%	7/1/2014	0.5	-	-	-	-	-	-	-	-	-
<i>NCREIF</i>				-	-	-	-	-	-	-	-	-
Cash	1,339,893 0.0%	4/1/1990	24.8	-	-	-	-	-	-	-	-	-
<i>91 Day T-bill</i>				-	1.5	0.1	0.1	0.0	0.0	0.0	0.0	0.0



Equity Portfolios Summary

As of December 31, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Calendar YTD	Last Quarter	Last Month
All Cap / Large Cap Domestic												
Hotchkis & Wiley Large Cap	615,184,529	4/1/1990	24.8	11.3	6.7	17.8	24.5	14.5	4.6	14.5	4.9	0.7
Russell 1000 Value	4.4%			10.4	7.3	15.4	20.9	13.5	4.8	13.5	5.0	0.6
Sawgrass	567,515,855	7/1/2006	8.5	9.4	-	16.4	20.8	13.9	7.8	13.9	6.1	-0.4
Russell 1000 Growth	4.1%			9.5	-	15.8	20.3	13.0	6.3	13.0	4.8	-1.0
ARI All Cap	475,502,016	9/1/2006	8.3	6.8	-	15.2	17.5	11.0	1.8	11.0	1.6	1.1
Russell 3000	3.4%			8.2	-	16.3	20.8	15.5	5.3	12.6	3.0	2.4
EPOCH All Cap	507,645,760	9/1/2006	8.3	9.1	-	16.6	20.7	17.1	8.6	17.1	4.7	3.6
Russell 3000	3.6%			8.2	-	16.3	20.8	15.5	5.3	12.6	3.0	2.4
Passive Domestic Equity												
NT Cap Weighted Passive	402,459,370	4/1/2012	2.8	17.6	-	-	-	13.6	6.0	13.6	4.8	-0.3
S&P 500 Cap Weighted	2.9%			17.3	7.7	15.5	20.4	13.7	6.1	13.7	4.9	-0.3
SSGA Eq Weighted Passive	373,690,206	4/1/2012	2.8	19.9	-	-	-	14.5	5.4	14.5	6.0	0.3
S&P 500 Equal Weighted	2.7%			19.4	9.5	17.4	22.4	14.5	5.4	14.5	6.1	0.3
Mid Cap Domestic Equity												
Frontier Capital	538,125,366	6/1/2002	12.6	10.8	11.6	16.0	21.1	11.9	2.9	11.9	6.9	0.0
Russell Mid Cap Growth	3.8%			9.9	9.4	16.9	20.7	11.9	5.1	11.9	5.8	-0.3
Wellington Management	472,953,370	9/1/1998	16.3	10.7	9.4	14.5	18.4	4.4	0.9	4.4	6.7	0.5
Russell Mid Cap Growth	3.4%			9.3	9.4	16.9	20.7	11.9	5.1	11.9	5.8	-0.3
AJO Partners	559,283,578	8/1/1998	16.4	11.5	10.1	18.7	23.5	13.2	4.6	13.2	4.6	-0.2
Russell MidCap	4.0%			9.6	9.6	17.2	21.4	13.2	4.2	13.2	5.9	0.2
Hotchkis & Wiley Mid Cap	533,507,329	8/1/2002	12.4	14.7	10.7	21.9	29.3	13.2	1.3	13.2	5.0	2.3
Russell MidCap Value	3.8%			12.0	9.4	17.4	22.0	14.7	3.2	14.7	6.1	0.7
Small Cap Domestic Equity												
Shapiro Capital Management	685,725,588	2/1/1998	16.9	10.9	11.3	17.7	23.2	8.4	-3.5	8.4	5.1	0.4
Russell 2000	4.9%			7.7	7.8	15.5	19.2	4.9	1.7	4.9	9.7	2.9
Geneva Capital	193,106,889	6/1/2013	1.6	13.8	-	-	-	-1.9	3.3	-1.9	6.7	2.0
Russell 2000 Growth	1.4%			16.9	7.8	15.5	19.2	4.9	1.7	4.9	9.7	2.9
Wasatch Advisors	193,241,255	6/1/2013	1.6	13.2	-	-	-	4.3	4.7	4.3	10.2	0.1
Russell 2000 Growth	1.4%			16.9	8.5	16.8	20.1	5.6	3.3	5.6	10.1	3.0
Cove Street Capital	104,426,757	6/1/2013	1.6	9.1	-	-	-	-3.0	-5.4	-3.0	0.8	1.2
Russell 2000 Value	0.7%			14.5	6.9	14.3	18.3	4.2	0.0	4.2	9.4	2.7
Frontier Capital	162,609,683	6/1/2013	1.6	14.8	-	-	-	6.2	-2.1	6.2	7.1	3.1
Russell 2000 Value	1.2%			14.5	-	-	-	4.2	0.0	4.2	9.4	2.7
Neumeier Poma	120,394,508	6/1/2013	1.6	18.2	-	-	-	8.5	3.9	8.5	6.5	1.3
Russell 2000 Value	0.9%			14.5	-	-	-	4.2	1.7	4.9	9.7	2.9
International Large Cap Equity												
Causeway Capital	519,396,975	5/1/2003	11.7	10.0	5.7	7.9	13.6	-4.0	-6.8	-4.0	-3.0	-3.1
MSCI ACWI Ex US	3.7%			9.1	-	-	14.1	4.2	-1.9	4.2	0.4	-1.9
Northern Trust Passive	860,738,170	9/1/2013	1.3	1.9	-	-	-	-3.4	-8.2	-3.4	-2.5	-3.4
MSCI EAFE	6.1%			4.4	-	-	-	-4.5	-9.2	-4.5	-3.5	-3.4
Transition Account - Northern	660,987	9/1/2014	0.3	-	-	-	-	-	-	-	-	-
-	0.0%			-	-	-	-	-	-	-	-	-
International Small Cap Equity												
ARI Small Cap International	203,445,135	12/1/2011	3.1	14.2	-	-	15.6	-1.2	-9.7	-1.2	-5.1	-1.2
MSCI EAFE Small Cap	1.5%			12.7	5.9	9.0	14.2	-4.6	-9.8	-4.6	-2.2	-0.5
Epoch Small Cap International	186,940,748	12/1/2011	3.1	10.6	-	-	12.5	-10.1	-14.0	-10.1	-5.6	-0.6
MSCI EAFE Small Cap	1.3%			12.7	5.9	9.0	14.2	-4.6	-9.8	-4.6	-2.2	-0.5
Wasatch Small Cap International	188,282,187	12/1/2011	3.1	16.6	-	-	17.5	-6.8	-6.5	-6.8	-0.8	-1.9
MSCI EAFE Small Cap	1.3%			12.7	5.9	9.0	14.2	-4.6	-9.8	-4.6	-2.2	-0.5
Wellington Small Cap International	196,042,978	12/1/2011	3.1	16.4	-	-	16.9	-7.4	-11.3	-7.4	-3.3	-0.7
MSCI EAFE Small Cap	1.4%			12.7	5.9	9.0	14.2	-4.6	-9.8	-4.6	-2.2	-0.5



Fixed Income Portfolios Summary

As of December 31, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Calendar YTD	Last Quarter	Last Month
Core Fixed Income												
Loomis Sayles	615,873,687	8/1/1999	15.4	7.1	7.5	7.6	6.1	6.9	0.0	6.9	0.4	-0.7
<i>Barclays Aggregate</i>	4.4%			5.6	4.7	4.4	2.7	6.0	2.0	6.0	1.8	0.1
Lord Abbett	612,440,653	11/1/2004	10.2	6.1	6.2	6.2	4.9	6.8	1.4	6.8	1.2	-0.2
<i>Barclays Aggregate</i>	4.4%			4.6	4.7	4.4	2.7	6.0	2.0	6.0	1.8	0.1
Mackay Shields	610,196,437	11/1/2004	10.2	6.3	6.3	6.8	5.3	4.8	0.3	4.8	0.6	-0.1
<i>Barclays Aggregate</i>	4.4%			4.6	4.7	4.4	2.7	6.0	2.0	6.0	1.8	0.1
Active Duration Fixed Income												
Hoisington	327,367,986	11/1/2004	10.2	9.0	8.9	12.5	4.9	33.4	15.2	33.4	11.1	3.9
<i>Barclays Aggregate</i>	2.3%			4.6	4.7	4.4	2.7	6.0	2.0	6.0	1.8	0.1
High Yield Fixed Income												
Loomis Sayles High Yield	255,208,274	2/1/2009	5.9	14.2	-	8.9	10.7	4.5	-2.6	4.5	-0.6	-1.4
<i>Merrill Lynch High Yield II</i>	1.8%			15.0	-	8.9	8.4	2.5	-3.0	2.5	-1.1	-1.5
Lord Abbett High Yield	255,716,182	2/1/2009	5.9	14.9	-	10.3	10.0	4.0	-2.8	4.0	-1.1	-1.6
<i>Merrill Lynch High Yield II</i>	1.8%			15.0	-	8.9	8.4	2.5	-3.0	2.5	-1.1	-1.5
MacKay Shields High Yield	253,598,177	2/1/2009	5.9	13.0	-	8.7	7.7	2.7	-2.6	2.7	-0.9	-1.4
<i>Merrill Lynch High Yield II</i>	1.8%			15.0	-	8.9	8.4	2.5	-3.0	2.5	-1.1	-1.5



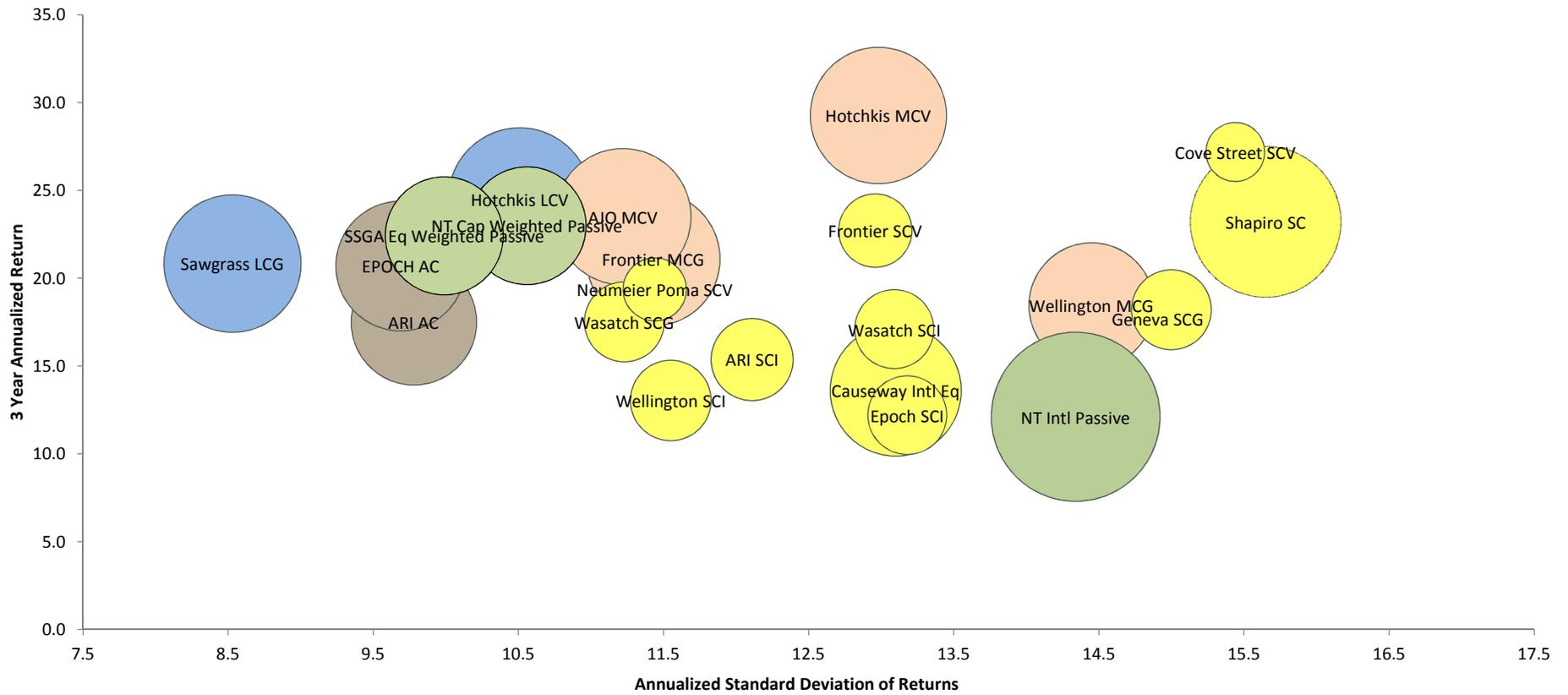
Non-Traditional Portfolios Summary

As of December 31, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Calendar YTD	Last Quarter	Last Month
Master Limited Partnerships												
Chickasaw Capital MLP	393,704,506	2/28/2011	3.8	26.4	-	-	29.4	22.5	-8.3	22.5	-7.3	-1.6
Alerian MLP Index	2.8%			11.8	-	-	11.9	4.8	-9.9	4.8	-12.3	-5.6
Cushing MLP Management	382,138,003	2/28/2011	3.8	20.4	-	-	23.5	19.4	-8.1	19.4	-7.8	-2.5
Alerian MLP Index	2.7%			11.8	-	-	11.9	4.8	-9.9	4.8	-12.3	-5.6
ARI MLP	322,803,703	2/28/2011	3.8	14.0	-	-	15.0	12.9	-8.8	12.9	-8.5	-2.8
Alerian MLP Index	2.3%			11.8	-	-	11.9	4.8	-9.9	4.8	-12.3	-5.6
Private Equity												
Legacy Private Equity Portfolio	61,847,010	10/1/2008	6.3	3.6	-	10.1	15.6	14.6	3.3	14.6	1.4	1.4
Franklin Park Private Equity	400,143,981	4/1/2010	4.8	-	-	0.0	0.0	18.5	7.1	18.5	3.2	3.2
Russell 1000 +4%	3.3%			-	-	19.6	24.6	17.2	7.6	17.2	5.9	0.1
Real Estate												
AEW Real Estate	217,202,202	5/1/2011	3.7	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	1.6%			-	-	-	-	-	-	-	-	-
Heitman Real Estate	220,910,082	5/1/2011	3.7	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	1.6%			-	-	-	-	-	-	-	-	-
L&B Real Estate	193,249,745	4/1/2011	3.8	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	1.4%			-	-	-	-	-	-	-	-	-
Antheus Capital	10,750,005	10/1/2014	0.2	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	0.1%			-	-	-	-	-	-	-	-	-
Dune	11,662,556	10/1/2014	0.2	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	0.1%			-	-	-	-	-	-	-	-	-
GreenOak Real Estate	12,221,254	10/1/2014	0.2	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	0.1%			-	-	-	-	-	-	-	-	-
L&B Golden Driller	1,341,974	7/1/2014	0.5	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	0.0%			-	-	-	-	-	-	-	-	-
Landmark Realty	3,323,561	12/1/2014	0.1	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	0.0%			-	-	-	-	-	-	-	-	-
American Realty	6,358,900	12/1/2014	0.1	-	-	-	-	-	-	-	-	-
NCREIF - OEDCE	0.0%			-	-	-	-	-	-	-	-	-
Opportunistic Fixed Income												
PIMCO BRAVO	98,024,338	3/31/2011	3.8	24.2	-	-	29.4	31.3	14.6	31.3	4.2	0.0
Barclays Aggregate	0.7%			4.1	-	-	3.0	5.3	1.9	5.9	1.0	0.7
PIMCO BRAVO II	70,318,081	3/31/2013	1.8	18.1	-	-	-	26.6	10.3	26.6	3.7	0.0
Barclays Aggregate	0.5%			2.2	-	-	-	5.3	1.9	5.9	1.0	0.7

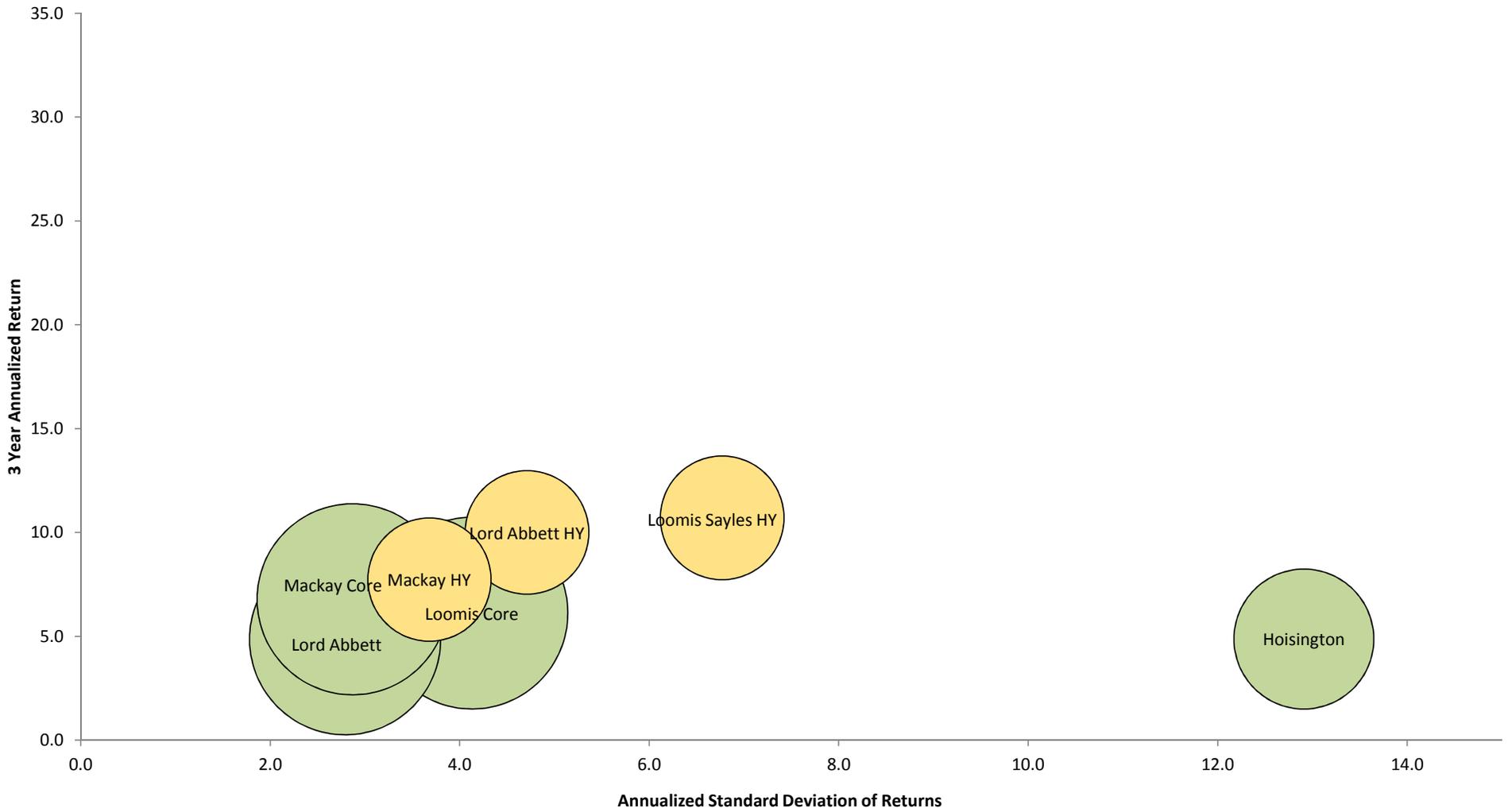


Three Year Risk/Return Review - Equity Portfolios



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

Three Year Risk/Return Review - Fixed Income Portfolios



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

January Manager Status Report

Manager	Mandate	Strategy	AUM	% of Portfolio	Current Status	Reason for Status Change	Status Change Effective Date	Date of Last Review	Date of Next Review	Expectations
Geneva Capital Management, LTD	Domestic Equity	Small Cap	193,106,889	1.38%	On Alert	Acquisition	July 2014	December 2014	June 2015	Maintain continuity of management practices and results

All other managers currently rated In Compliance



LORD ABBETT

January 12, 2015

Ms. Melissa Kempkes
Oklahoma Teachers Retirement System
P.O. Box 53524
Oklahoma City, OK 73152-3524

Dear Melissa:

According to the Investment Policy Statement of Oklahoma Teachers Retirement System, we are required to submit this letter through you to the Board of Trustees requesting exception under the Policy to continue to hold a security whose credit rating has been downgraded to below ‘CCC.’ On December 24, S&P downgraded from CCC to CCC-, a security that is held in the core plus portfolio we manage on behalf of the OTRS: MHP S.A. 8.25% bonds due 4/2/2020 Cusip: 55302TAC9 in a face amount of \$960,000. Fitch rates the debt CCC and Moody’s does not currently rate the issue. As of December 31, 2014, the portfolio’s exposure to this issue represented 0.11% (11 basis points) of the portfolio’s market value.

MHP S.A., an investment holding company, produces and sells food products in Ukraine, operating in three segments: Poultry, Grain and Other Agricultural Operations. The company was founded in 1998 and is headquartered in Kyiv, Ukraine. The ratings action by S&P was due less to company-specific factors than to its overall assessment of the sovereign’s creditworthiness and brings the rating into line with that of the country’s.

Given current market conditions, we would prefer to hold the MHP position for now in the expectation that conditions in Ukraine will further stabilize. We will keep this matter under close review and might of course at some point in the future decide that a disposition becomes the better course of action.

We appreciate your and the Board’s consideration of this request.

Sincerely yours,

Thomas J. McDonald III
Client Portfolio Manager

CC: Mr. Douglas Anderson, gregory.w.group

MEMORANDUM

TO: OTRS Board of Trustees and Investment Committee

FROM: OTRS Staff (Tom Spencer, Julie Ezell, Lisa Van Liew, and Melissa Kempkes)

DATE: January 16, 2015

RE: Master Custody/Securities Lending/Commission Recapture RFP Analysis and Recommendation

The Board of Trustees of the Oklahoma Teachers Retirement System issued an RFP for Master Custodian, Securities Lending and Commission Recapture Services on October 30, 2014. Responses from the following vendors were received prior to the deadline of December 18, 2014:

BNP Paribas
BNY Mellon
J.P. Morgan Chase Bank, N.A. (incumbent)
Northern Trust
State Street Bank and Trust Company

Staff and the Gregory W. Group conducted independent reviews of the submitted proposals.

The RFP required that all respondents have a minimum level of experience and qualifications in providing the desired services. All four firms, except BNP Paribas, met the following minimum qualifications, which are listed below:

- Headquartered in the United States
- Minimum of \$1 trillion in total assets under custody
- At least 250 institutional clients
- At least 30 institutional clients with \$1 billion in tax-exempt assets
- Minimum 10 years of providing custody services
- Account Administrator has minimum of five years of custody experience

BNP Paribas only has 22 custody clients and was excluded from consideration.

While not formally rejecting the proposals of the following firms, the staff has identified several negative features of two of the remaining proposals. They are documented below:

BNY Mellon

- Would not be a fiduciary for ForEx trades.
- Insists on limitations of liability for all services provided.
- Retains 3% of class action proceeds.
- Out of pocket expenses passed on to client plus 10% admin fee.
- Offers directed brokerage services rather than commission recapture services.
- Will not agree to an “MFN” clause for securities lending split.
- A little higher client to client service manager ratio than other banks.

- Didn't identify pending litigation and it was very difficult to find information on litigation. The only source was the bank's annual report which referred to unnamed pending securities lending suits as well as suits by former clients and public officials pertaining to ForEx trading practices

State Street Bank and Trust Company

- Not a fiduciary for Commission Recapture services or ForEx trading.
- Respondent is not bound by RFP responses and RFP not considered legally binding.
- Didn't answer request to describe indemnification on securities lending program.
- Indicated a pending ERISA class action lawsuit on Securities Lending splits which may or may not be settled. Like BNY Mellon, State Street is facing client lawsuits on ForEx trading practices as well as an action brought by the California Attorney General.
- Will not accept unlimited liability for breaches of any Securities Lending Agreement.
- If a portfolio is being transitioned and State Street isn't handling it, the bank charges \$10,000 plus \$25 per position.
- Will not agree to an "MFN" clause for securities lending split.

The OTRS Staff recommends excluding BNP Paribas, BNY Mellon and State Street from further consideration.

The staff is recommending that the Board interview J.P. Morgan (the incumbent) and Northern Trust. The pros and cons of each vendor are discussed below:

Northern Trust

Pros:

- Northern Trust had the OTRS contract before J.P. Morgan for many years. The bank is still familiar with OTRS.
- Northern Trust has a strong presence in Oklahoma. It has custody contracts with OPERS & OLETS.
- Northern Trust weathered the financial crisis in 2008 and 2009, and eventually made their securities lending clients whole after suffering initial losses in some of their cash collateral pools.
- Global Custody and Securities Lending are Northern Trust's signature businesses with a reputation of stability. The bank consistently derives more than 70% of its revenue from its custody/trust business.
- Northern Trust has not been sued for activities related to FX trading. A few sec. lending clients brought actions over losses they alleged were the fault of Northern. A settlement occurred in early 2014 that was in the neighborhood of \$19 million.
- Northern Trust's online reporting software appears to be more dynamic and intuitive than the incumbent's software. This includes comprehensive compliance monitoring tools that would allow staff to save time and effort researching policy breaches.
- On the surface Northern is the low bidder offering a flat rate of \$40,000 for custody services and an 88%-12% securities lending split.
- Northern represents that it can have fully audited financial reports within 3 to 5 business days after the close of the month.

Cons:

- While the bank's flat fee is low, the proposal contains a lot of expenses that would be passed on to OTRS. On class actions Northern charges 2% of the proceeds, but at least has a cap of \$1,000

per distribution. On non-U.S. direct investments there are market opening fees, and tax agent fees. There are administrative fees on ForEx activities such as wire fees.

- The Bank didn't accept without condition, several of the contract terms contained in the RFP. While not putting any subject off limits, the bank wants clarification on the audit clause, the extent of their fiduciary status, to what extent agreements are controlled by Oklahoma law, and confidentiality of OTRS data.
- Northern has much shorter document retention periods compared to the other vendors.

J.P. Morgan Chase

Pros:

- J.P. Morgan has been under contract with OTRS for several years. The bank knows OTRS and selecting the bank would avoid the need for data and system conversions.
- J.P. Morgan Chase is one of the largest companies in the United States with a huge balance sheet.
- The securities lending indemnification covers borrower default and similar events.
- The bank has 84 public and private pension fund clients.

Cons:

- Each member of the assigned team for OTRS has more clients to serve than the other vendors. The "Client Executive" has 11 clients and the Relationship Manager has 7 clients.
- Of its top 10 largest custody clients, none of them are pension funds.
- Custody/Securities Lending is not the main focus of J.P. Morgan Chase.
- The bank has lost several significant public plans in the last few years such as the Arizona State Treasurer, the New Mexico Educational Retirement Board, Public Employees Retirement Fund of Indiana, and the Employees Retirement System of Texas.
- The bank has no commission recapture or directed brokerage program.

For a variety of reasons the staff is recommending that the Board interview J.P. Morgan. The bank is the incumbent provider. If selected the staff would not have any transition activity with a new vendor. Sometimes when parties enter into a brand new contract, past problems can be addressed and the relationship can be reset.

Based on the proposals, the staff is of the opinion that Northern Trust has presented the best option of any vendor. If the Board didn't conduct interviews, the staff would recommend the selection of Northern Trust.

Attached to this memo is an analysis that Melissa prepared showing the net financial benefit from picking Northern over the other vendors.

	BNP Paribas	BNY Mellon	JPMorgan Chase & Co	Northern Trust	State Street Global Services (SSGS)
Custody Fee Proposal					
Flat Fee (bps)	Waived (if SL revenues fall below a mutually agreed level, custody fees will be applied)	\$75,000	\$100,000	\$40,000	\$75,000
Securities Lending					
Proposed Securities Lending Split	90/10	1st \$5M: 85/15 over \$5M: 90/10	90/10	88/12	85/15
Estimated Client Revenue	\$18,096,607	\$21,323,545	\$17,901,486	\$15,834,075	\$5,049,906
Additional Fees					
STIF	STIF not offered	10 bps	18-59 bps	10 bps	8 bps
Class Action	-	3% of any proceeds	\$2,000 per claim per account and additional annual monitoring fees	2% of proceeds up to \$1000 per distribution w/ minimum charge of \$5	\$125 per filing of proof of claim per fund
Out-of-Pocket Expenses	Assessed	Assessed + Admin Fee of 10% (max \$250 per item)	Assessed	Assessed	Assessed
Non-US Direct Investments	out-of-pocket expenses (scrip fees, stamp duty)	out-of-pocket expenses (scrip fees, stamp duty)	out-of-pocket expenses (scrip fees, stamp duty)	mkt opening fees, tax agents, tax documentation filing, local agents (in addition to out-of-pocket)	out-of-pocket expenses (scrip fees, stamp duty)
FX Fees	-	-	-	admin fees (cost of wire transfers, corresponding bank fees)	processing fees
Transitions	-	-	-	-	\$10,000 for each event, \$25 per position (waived if they are transition mgr)
Custody Fee					
Total fee over 5 year contract	\$0	\$375,000	\$500,000	\$200,000	\$375,000
Estimated Securities Lending Revenue over 5 year Contract					
Assumes earnings remain constant over the contract (based on FY13 YE data)	\$90,483,035	\$106,617,725	\$89,507,430	\$79,170,375	\$25,249,530
Total Benefit to OTRS					
Estimated Securities Lending Revenue Net of Custody Fees over 5 years	\$90,483,035	\$106,242,725	\$89,007,430	\$78,970,375	\$24,874,530

THE OKLAHOMA TEACHERS RETIREMENT SYSTEM

REQUEST FOR PROPOSAL

#715-15-1002

INVESTMENT CONSULTING SERVICES

The Board of Trustees of the Oklahoma Teachers Retirement System (OTRS) is soliciting proposals from investment consulting firms to provide investment and financial consulting services on a contractual basis. OTRS administers a defined benefit plan. It also has responsibility to provide a 403(b) plan that is largely outsourced to a private vendor. The current vendor of the 403(b) plan is VOYA (formerly ING). The purpose of this Request for Proposal (RFP) is to provide information about OTRS and establish the specifications and requirements for submitting a proposal. The term “Vendor” as used in this RFP shall mean the company, firm or individual submitting proposals for consideration.

OTRS reserves the right to reject any or all proposals submitted. There is no express or implied obligation for OTRS to reimburse Vendors for any expenses incurred in preparing proposals in response to this RFP. In the event that none of the proposals are satisfactory to OTRS, no selection will be made. Proposals submitted in response to this RFP become the property of OTRS and are subject to public inspection. OTRS reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

This RFP is comprised of eleven (11) sections, and sixteen (16) pages total, as follows:

Section		Page #
I.	Proposal Cover Sheet (to be returned with Proposal)	2
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This RFP can be found at the OTRS website at www.ok.gov/trs. If you are unable to download the document you can also obtain an electronic copy of this RFP through e-mail. Send your request to Donna Spurrier at Donna.Spurrier@trs.ok.gov. Include the name of the RFP and the proposal number in your request. All responses to this RFP must be submitted in accordance with the instructions contained in the RFP. Electronic responses to this RFP will not be considered.

Regardless of the manner in which the RFP document is received by the Vendor, the contents of the RFP may not be altered in any way. The Vendor’s Affidavit and all questions must be identically reproduced in the submitted proposal. Any alterations to the contents of the RFP document will be grounds for rejection from consideration or termination of a resulting contract. By submitting a proposal, it is agreed by the Vendor that any misleading or false information given may be grounds for rejection from consideration, or termination of any resulting contract whenever and however discovered.

I. PROPOSAL COVER SHEET

(must be signed, notarized and submitted with the original proposal)

Proposal Number	Agency Requisition Number	Proposal Deadline
# 715-15-1002 (Investment Consulting Services)	15-1002	must be received by March 6, 2015

Vendor Identification:

Name of Firm:	_____
Address:	_____
City/State/Zip Code:	_____
Telephone Number:	_____
Facsimile Number:	_____

VENDOR'S AFFIDAVIT

STATE OF _____)
) SS:
 COUNTY OF _____)

_____ (Print Name), of lawful age, being first duly sworn, on oath says that:

- (S)he is the duly authorized agent of _____, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;
- (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals; and
- Neither the Vendor nor anyone subject to the Vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract.
- The information contained in this proposal is true, correct and accurate as presented.

Name/Title

Subscribed and sworn to before me this _____ day of _____, 20 _____

Notary Public

(seal)

My commission expires: _____

II. MANDATORY REQUIREMENTS FOR SUBMITTING A PROPOSAL

- A. Proposals must be received by the deadline only at the following address:

**Oklahoma Teachers Retirement System
Investment Consulting Services Proposal
Attention: Donna Spurrier
2500 N. Lincoln Blvd., 5th Floor
Oklahoma City, Oklahoma 73105**

- B. The deadline for receipt of proposals is **4:30 p.m.** Central Time, on March 6, 2015. Proposals submitted to the incorrect address or location or received after this date and time will be rejected and will not be considered.
- C. The original proposal must contain the proposal cover sheet, fully completed, signed and notarized. The Vendor shall submit an original printed version of its proposal, four (4) hard copies, and one (1) electronic versions of the complete proposal on a CD or thumb drive in PDF format that is searchable by key words. The CD or thumb drive must be clearly marked with the Vendor's name and proposal number.

The original proposal, the proposal cover sheet, four (4) hard copies, and the thumb drive must be submitted together in one completely sealed package, box or envelope. It must be clearly marked "OTRS Investment Consulting Proposal" on the outside face of the package containing the proposal in order that the receiving agent (see paragraph A above) can identify it without opening the package.

- D. Proposals may be either mailed or hand-delivered. If the proposal is sent by mail or express delivery service, the responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline. All timely proposals become the property of OTRS.
- E. All proposals, once opened, are considered to be public record and shall be available for viewing and reproduction by any person.
- F. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the Vendor relevant to the proposal or the services provided thereunder, are subject to examination by OTRS and the Oklahoma State Auditor and Inspector.
- G. In an effort to clarify any issues in this RFP, OTRS will respond only to questions that are presented through e-mail. Questions should be submitted to Donna Spurrier, Business Manager at Donna.Spurrier@trs.ok.gov. All questions and answers will be consolidated into a single Q&A document.

All questions must be received by **5:00 p.m.** Central Time on **February 13, 2015**. The Q&A document will be posted on the OTRS website at www.ok.gov/trs on or after **February 20, 2015**. This will be the only distribution method for the Q&A document.

- H. It is the responsibility of the Vendor to ensure compliance with all requirements and deadlines. Proposals that are not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria in this RFP. Proposals not satisfying the mandatory criteria will be rejected.

- J.** All costs of preparation and presentation associated with responding to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board if selected as a finalist. None of the costs associated with this presentation will be reimbursed by OTRS.
- L.** The selection of investment consultants for the state retirement systems is specifically exempt from the competitive bidding procedures established by Oklahoma Statutes (see 74 Oklahoma Statutes §85.7). OTRS reserves the right to request additional information from any vendor and to accept or reject any proposal without specifying the reason for its actions. OTRS reserves the right to request additional proposals. OTRS reserves the right to renegotiate for lower fees at any time with any Vendor.
- M.** The Board reserves the right to award all, part, or none of this contract. The Board reserves the right to award contracts to more than one investment consultant if deemed appropriate and desirable.
- N.** The Vendor shall be bound by the information and representations contained in any proposal submitted. Said proposal is deemed to be a binding offer on the part of the Vendor.
- O.** Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions within the RFP.
- P.** OTRS prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this investment consulting relationship with OTRS.
- Q.** All Vendors must:
 - 1.** Acknowledge and agree to be a fiduciary to the plan pursuant to Section 17-106.2 of Title 70 of the Oklahoma Statutes.
 - 2.** Agree that any resulting investment consulting contract and services will be subject to and interpreted by Oklahoma law.
 - 3.** Agree that this RFP and the Vendor's response will be incorporated by reference to any resulting investment consulting agreement.
 - 4.** Answer, to the best of its abilities, all questions in this RFP in a succinct manner and in the order presented. Do not add appendices to the end of this document unless specifically asked to do so. Please assume the term "current" herein refers to June 30, 2014 unless otherwise noted.
 - 5.** Fully disclose any proposed subcontracting of any of the required services.

III. BACKGROUND INFORMATION

A. Legal Authorization

The Board of Trustees of the Oklahoma Teachers Retirement System (OTRS) is charged with the investment of approximately \$14 billion in combined defined benefit retirement funds for education employees in addition to the administration of a 403(b) plan. Total assets in the 403(b) plan are approximately \$210 million. The OTRS Board has previously approved a broad array of investments available to participants in that plan. The statutory provision related to the 403(b) plan is set forth in Section 17-102.3, of Title 70 of the Oklahoma Statutes.

B. Board Composition

OTRS is administered by a Board of Trustees composed of 14 members including the State Superintendent of Public Instruction or designee, the Director of the Office of Management and Enterprise Services or designee, and members appointed by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the State Senate, and one non-voting member appointed by a retired educators association.

C. Support Services

OTRS has a current authorized staff of 52 employees. The Executive Director is the chief administrative officer of OTRS.

D. Allocation of Assets

The asset allocation target mix for OTRS as of June 30, 2014, is as follows:

TARGET MIXES FOR OTRS:

	TARGET
All Cap/Large Cap Domestic Equities	17.0%
Mid Cap Domestic Equities	13.0%
Small Cap Domestic Equities	10.0%
Large Cap International Equities	11.5%
Small Cap International Equities	6.0%
Core Fixed Income	17.5%
High Yield Fixed Income	6.0%
Cash Equivalents	0%
Real Estate	7.0%
Private Equity	5.0%
Master Limited Partnerships	7.0%

E. Investment Services Providers

The investment managers listed below manage the equities, fixed income and other portfolios for OTRS. Responding Vendors should anticipate that there could be one or more searches if needed.

CUSTODIAN BANK and SECURITIES LENDING

JP Morgan Chase

DOMESTIC EQUITY MANAGERS

Advisory Research, Inc., All-Capitalization
Aronson + Johnson + Ortiz, Mid-Capitalization Core
Cove Street Capital, LLC, Small-Capitalization Value
Epoch Investment Partners, Inc., All-Capitalization
Frontier Capital Management, Mid-Capitalization Growth
Frontier Capital Management Co. LLC, Small-Capitalization Value
Geneva Capital Management Ltd., Small-Capitalization Growth
Hotchkis & Wiley Investment, Large-Capitalization Value
Hotchkis & Wiley Investment, Mid-Capitalization Value
Northern Trust, Domestic Equity Index
Neumeier Poma Investment Counsel LLC, Small-Capitalization Growth
Sawgrass Asset Management, LLC, Large-Capitalization Growth
Shapiro Capital Management Company, Inc., Small-Capitalization Value
State Street Global Advisors, Domestic Equity Index
Wasatch Advisors, Inc., Small-Capitalization Growth
Wellington Management Company, LLP, Mid-Capitalization Growth

FIXED INCOME MANAGERS

Hoisington Investment Management Company, Interest Rate Sensitive
Loomis, Sayles & Company, LP, Active
Lord Abbett & Company, LLC, Core+ Active
MacKay Shields, LLC, Core+ Active

INTERNATIONAL EQUITY MANAGERS

Advisory Research, Inc., Small Capitalization
Causeway Capital Management, LLC
Epoch Investment Partners, Inc., Small Capitalization
Thornburg Investment Management, Inc.
Wasatch Funds, Small Capitalization
Wellington Management Company, LLP, Small Capitalization

MASTER LIMITED PARTNERSHIPS

Advisory Research, Inc
Chickasaw Capital Management
Cushing MLP

OPPORTUNISTIC FIXED INCOME

PIMCO BRAVO

PIMCO BRAVO II

PRIVATE EQUITY MANAGERS

Franklin Park, LLC, Private Equity

REAL ESTATE
 AEW Real Estate
 Heitman Real Estate
 L & B Real Estate
 Antheus Capital
 Dune
 GreenOak Real Estate
 L & B Golden Driller
 Landmark Real Estate Partners
 Starwood Capital Group

The 403(b) plan is currently outsourced to VOYA in a bundled arrangement with the firm providing recordkeeping services and certain investment options. VOYA provides the recordkeeping for all investment options. Participants are offered 16 mutual funds and investment options managed by various fund families. The current investment options offered through the 403(b) plan are:

Name	Type of Investment
American Funds EuroPacific Growth Fund®	Global/International
ING Fixed Plus Account III	Stability of Principal
VOYA FMR Diversified Mid Cap Portfolio	Small/Mid/Specialty
VOYA Index Solution 2015 Portfolio	Lifecycle-Index
VOYA Index Solution 2025 Portfolio	Lifecycle-Index
VOYA Index Solution 2035 Portfolio	Lifecycle-Index
VOYA Index Solution 2045 Portfolio	Lifecycle-Index
VOYA Index Solution 2055 Portfolio	Lifecycle-Index
VOYA Index Solution Income Portfolio	Lifecycle-Index
VOYA JPMorgan Small Cap Core Equity Portfolio	Small/Mid/Specialty
VOYA Invesco Equity and Income Portfolio	Large Cap Value
VOYA Large Cap Value Portfolio	Large Cap Value
VOYA Russell™ Large Cap Index Portfolio	Large Cap Value
VOYA INVESCO Growth and Income Portfolio	Large Cap Value
Loomis Sayles Investment Grade Bond Fund	Intermediate-Term Bond
American Funds The Growth Fund of America®	Large Cap Growth

Services of System vendors (e.g., investment managers, master custodian, defined contribution recordkeeper, investment consultant) are competitively bid through an RFP process. With the exception of the RFP for investment consulting services, the Investment Consultant is expected to work with Staff to conduct each of these RFP/search assignments.

F. Investment Guidelines

A copy of the current “Statement of Policy Guidelines and Investment Objectives” for OTRS is available on the OTRS website at www.ok.gov/trs.

IV. SCOPE OF ASSIGNMENT

OTRS is seeking the services of a general investment consultant to provide consulting advice relating to all investment activities of OTRS and the selection of investment options in the 403(b) plan. The Investment Consultant works directly with the staff, primarily the investment staff, to coordinate the presentation of routine and special topics to the Investment Committee and Board of Trustees. The Investment Consultant will be responsible for preparing and presenting all supporting materials. Currently OTRS master custodian, J.P. Morgan Chase, calculates all performance results for OTRS pension investments. The Investment Consultant will be expected to use these performance results from the custodian to produce quarterly performance reports.

The Investment Consultant will be responsible for presenting monthly and quarterly performance reviews of the defined benefit plan at the Investment Committee and Board meetings. The Investment Consultant will work with OTRS investment managers and custodian to compare and aid in the reconciliation of performance results.

The Investment Consultant will aid OTRS in monitoring compliance with the Investment Policy as well as suggesting changes thereto. The Investment Consultant will be expected to monitor and report to the investment staff any material developments impacting investment managers retained by OTRS. Additionally, the Investment Consultant will be expected to attend any special meetings as needed and to work with the investment staff to assist in the research of any special topics beyond those identified below.

OTRS retains external firms to provide various investment-related services. Currently these services include investment management, securities lending, commission recapture, 403(b) plan administration and global custodian. Other investment-related external service providers, though none is currently anticipated, may be required by OTRS.

If OTRS determines that an investment-related external services provider search is needed, the Investment Consultant will work with the investment staff to construct the RFP, evaluate responses, and prepare and present a detailed report to document the search. The report would include a detailed chronology of the search along with evaluation methodology, exhibits and recommendations. On-site visits with Staff and Board members in conjunction with searches may be requested.

The Investment Consultant will review and evaluate all of the 403(b) plan investment options at least annually. The Investment Consultant shall also assist in the selection of replacement investment options as necessary.

The Investment Consultant will provide the Consultant's Report required for the Investment Section of the annual Comprehensive Annual Financial Reports (CAFRs) for OTRS.

Once every six to seven years, the Investment Consultant works with the investment staff to coordinate OTRS preparation of and participation in the Annual Oklahoma Public Fund Trustee Education Conference. It is anticipated that OTRS will be the host retirement system around September 2016.

V. CRITERIA AND QUALIFICATIONS OF THE INVESTMENT CONSULTING FIRM

- A. Vendors should have substantial experience consulting to public defined benefit and defined contribution plans. The following criteria will apply and exceptions will not be granted:
1. Investment consulting must represent your firm's (including all affiliates) focus and only line of business. If the vendor derives revenue from other sources of business (i.e. investment management, brokerage, or from the sale of services to investment managers, etc) it will be deemed as having failed to meet the minimum criteria.
 2. The proposed investment consultant must have acted as full service consultant to at least 3 (three) public pension plans, with at least one of those clients having \$1 billion in assets, as of June 30, 2014.
 3. The senior investment professionals in charge of the proposed consulting services must have at least ten years of institutional experience within the industry.
- B. The fee quotes set forth in the response to the RFP will be a factor in determining semi-finalists for further consideration.
- C. Investment Guidelines

The "Statement of Policy Guidelines and Investment Objectives" for OTRS may be found on the OTRS website (www.ok.gov/trs).

VI. TIMELINE

The following timeline is an estimate and may be adjusted at OTRS discretion any time during this procurement process.

TASK	DATE
Distribution of RFP	January 22, 2015
Deadline for questions submitted in writing via e-mail (no later than 5:00 p.m. Central Time)	February 13, 2015
Date for answers to questions	On or after February 20, 2015
Proposals due (no later than 4:30 p.m. Central Time)	March 6, 2015
Finalist presentations (if necessary)	March 25, 2015
Award business	March 25 2015
Estimated contract start date (date contingent upon final negotiations)	July 1, 2015

VII. COMMUNICATION WITH OTRS

In an effort to clarify any issues in this RFP, OTRS will respond only to questions that are presented as described in Section II.G above. Vendors are responsible for checking the website periodically for updates to the RFP. Telephone questions will not be accepted.

OTRS policy prohibits direct contact between prospective service providers and OTRS Board members, consultants, or staff during this RFP process. This does not include communication with OTRS incumbent investment consultant for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract is executed and approved, all contacts and communications regarding this RFP are restricted to the Q&A process. Exceptions include communications with the OTRS staff member identified in Section II.G and OTRS staff members who are designated to conduct negotiations, participate in presentations, and contract award and execution, while they are engaged in those activities. Violation of these conditions may result in rejection of a Vendor's proposal.

Vendors who have submitted a proposal will not necessarily be notified of the Board's decision after the final selection has been made. The announcement of the preferred Vendor, if any, may be the only form of communication between the System and the Vendors. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

VIII. GENERAL TERMS AND CONDITIONS

A. Applicable Laws and Courts

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Oklahoma, and any litigation with respect thereto shall be brought in the District Court of Oklahoma County, Oklahoma. The Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

B. Ethics in Public Contracting

By submitting their bids or proposals, Vendors certify that their bids/proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other Vendor, supplier, manufacturer or subcontractor in connection with their bid/proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract.

C. Qualifications of Vendors

OTRS may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services/furnish the goods, and the Vendor shall furnish to OTRS all such information and data for this purpose as may be requested. OTRS reserves the right to make a site visit at the offices of the Vendor prior to award to satisfy questions regarding the Vendor's capabilities. OTRS further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Vendor show that the Vendor is not properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.

D. Business Continuity

The Vendor must indicate any recent or anticipated changes in its corporate structure such as mergers, acquisitions, new venture capital, stock issue, etc. The Vendor agrees to present to OTRS a business continuation plan for the services provided in this contract in the event of a natural or other disaster.

E. Assignment of Contract

The contract shall not be assignable by the Vendor in whole or in part without the written consent of OTRS.

F. Period of Contract

It is anticipated that the initial contract will begin on July 1, 2015. Thereafter, the contract may be renewed by the Board annually for up to five additional one-year contract periods, at the Board's discretion. The Board of Trustees reserves the right to terminate the contract upon 30 days' notice, with or without cause.

G. Ownership of Data and Work Product

There is a presumption that all work product generated for OTRS under this contract, as well as all data compiled by the Vendor while performing this contract, shall become the sole property of OTRS. OTRS must be given reasonable access to all such work product or data compiled by the Vendor in the performance of this contract.

H. Limitation of Liability, Hold Harmless Clauses & Indemnity

The State of Oklahoma and its agencies are constitutionally barred from limiting the liability of a private Vendor. Agencies are similarly prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. The contract between the successful Vendor and OTRS will not have any such terms.

IX. QUESTIONNAIRE

A. Organization

1. List your firm's name, address, and year founded, as well as the name, title, telephone, email address and facsimile numbers for the individual(s) responsible for new business contacts.
2. Describe the firm's ownership structure. Discuss the financial condition of your firm based on the most recent financial statements and annual report if an annual report is published.
3. Describe the services your firm provides and disclose all sources of revenue (organized by line of business).
4. Provide an organizational chart for your firm and specifically for your investment consulting and research divisions.
5. Has your firm undergone any restructuring or had any major organizational changes during the past eight years? Do you anticipate any ownership or organizational changes during the next two years? If so, explain.

6. Describe your succession plans for the management of the firm and the continuity of leadership within the investment consulting team.
7. Over the past five years, has your organization, affiliates, parent company, officers or principals been involved in litigation, legal proceedings, or SEC investigations related to your firm's activities? If so, provide a brief explanation including the current status and/or the resolution of this action.
8. Describe the compensation/incentive structure for the consulting professionals and/or the professional staff.
9. For each of the last five years, provide the following information regarding the firm's number of investment professionals. Provide the roles of these individuals as well.

Year Ending June 30	Investment Professional Additions	Investment Professional Departures	Total Investment Professionals
2014			
2013			
2012			
2011			
2010			

10. Detail the team members who would be responsible for the OTRS consulting relationship. The answer should include a brief biography of each professional.
11. Discuss the individuals' (listed above) account responsibilities, specifically the number of accounts managed, location and dollar value of assets under management. How are new accounts assigned to each consultant at the firm?
12. Has the firm experienced turnover at the senior management level in the last five years? If so, describe the situation including reason for departures/additions.
13. Does the firm receive direct or indirect compensation from any party other than consulting clients? Disclose any existing, perceived or potential conflicts of interest in regard to your consulting advice. How does the firm manage conflicts of interest (be specific)?

B. Consulting Services

1. Is your firm capable of fulfilling all of the items in Section IV Scope of Assignment and be a named fiduciary of the System?
2. Detail the client profile of the firm using the format below.

A. ENTIRE CONSULTING GROUP – **Number of plans** in each category:

Size (millions \$)	Public DB Plan	Corporate DB Plan	DC Plan	Endowments/ Foundations	Other
0-500					
501-1,000					
1,001-10,000					
Over 10,000					

B. PROPOSED CONSULTANT ONLY - **Number of plans** in each category:

Size (millions \$)	Public DB Plan	Corporate DB Plan	DC Plan	Endowments/ Foundations	Other
0-500					
501-1,000					
1,001-10,000					
Over 10,000					

3. Provide the approximate firm-wide client turnover using the format below.

	2014	2013	2012	2011
# of Clients Gained				
Assets (\$MM) Gained				
# of Clients Lost				
Assets (\$MM) Lost				

4. Specify the investment professionals (up to ten) who you consider key to managing the OTRS relationship.

Key Investment Professionals				
Name	Title/Current Responsibilities	Years With Firm	Years of Industry Experience	% Time Devoted to Consulting/ Research

5. Describe in detail the investment philosophy and strategy that forms the basis for consulting advice. What is the theoretical basis for your investment philosophy?
6. How is the strategic investment policy developed?
7. Describe the decision-making structure within the firm. Is capital markets research conducted by the consultant? Who conducts manager research (specify the team)?
8. Explain your firm's position on the use of active versus passive management in the major asset classes.
9. Describe the manager research/manager selection process, including the firm's competitive advantage relative to peers. Be sure to include quantitative and qualitative considerations (i.e. criteria for screens and how the investment staff is evaluated).
10. Describe the criteria for placing an investment manager on a watch list and/or terminating the relationship.
11. Do you track the consultant's manager selection results? If not, why?
12. What are the strengths and weaknesses of your investment strategy and the research process?
13. What systems are used to analyze client portfolios?
14. How are client objectives assessed, and how is success measured?
15. Does the firm maintain in-house peer universes or is the data derived from a third party? If data is derived outside the firm, describe the service.
16. Does the firm maintain in-house investment manager universes or is the data derived from a third party? If data is derived outside the firm, describe the service.
17. Provide your most current capital market assumptions and a brief rationale for the expected return for each asset class.
18. How are guidelines monitored to ensure manager compliance?
19. Describe the firm's flexibility in customizing client reports. Provide an example of a typical client reporting package (this should be attached to section XI).
20. What is the typical turn-around time for client reporting, expressed in days after period end?
21. Provide three references for the largest public fund clients who employ your firm. Include a contact name, phone number, and the market value of the assets your firm advises for each reference at inception and currently.
22. Provide the name, contact name, and phone number of three past consulting clients that terminated your firm during the last three years, the reason for termination and the dollars advised at the termination date.

23. Is your firm an SEC registered advisor or is it exempt from registration? If applicable, submit a copy of your most recent Form ADV, Parts I and II for the firm, as well as all Investment Adviser Representative Report Summary for any advisors in your firm that will be performing any work on this account if the contract is awarded.
24. Does the firm carry errors and omissions insurance? If so, what is the level of coverage?
25. Does the firm carry fiduciary liability insurance? Is so, what is the level of coverage?

X. FEE QUOTE

The fee quote set forth in the response to the RFP will be a factor in determining the successful Vendor. In responding to this RFP you are required to quote your fees according to the terms as specified in the following format. The format is a fixed fee quote and applies to all assets administered by the System. You are encouraged to have your legal counsel approve our terms prior to submitting your RFP.

The proposal should include the fee for the initial contract period of July 1, 2015 through June 30, 2016, and annual fee amounts for each of five years starting on the contract anniversary date of July 1st. This fee should be inclusive of the complete range of investment consulting services including travel and other out-of-pocket expenses and is the only fee that OTRS will pay.

The fee quote may also have an additional amount to cover travel and other out-of-pocket expenses related to due diligence trips to interview or investigate prospective investment managers. This must be quoted in a “not to exceed” amount. Any such expenses will be reimbursed by OTRS based on documented expenses. OTRS may only reimburse the vendor up to the “not to exceed” amount.

The fixed fee amount per year need not be the same amount per year. As long as the fee for each year is fixed, and the total of the fees over the possible contract term are fixed, it will be an acceptable fee proposal.

You may make the following assumptions in your fee estimate:

- The primary consultant is required as part of the contract to attend twelve (12) regularly scheduled Board meetings per year, and twelve (12) investment committee meetings which are currently held the afternoon before the Board meetings.
- Twelve monthly performance reports and four quarterly performance reports are required each year for OTRS. Base your quote using rates of return calculated by OTRS custodian for all pension accounts.
- At least one Asset Allocation Study (normally performed once every three years) with the next scheduled study to be done in May of 2018.
- Special research projects – estimate three over the next five years.
- All other anticipated projects as covered in the *Scope of Assignment* in Section IV.

State any additional assumptions required for the quote.

	Total Fee	“Not to Exceed” Expenses
Initial Contract Period (Year 1)		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6		

XI. Example of Client Reporting Package

Attach an example of the monthly or quarterly (specify) client reporting package here.

MEMORANDUM

TO: OTRS Board of Trustees
FROM: Tom Spencer, Executive Director
DATE: January 16, 2015
RE: Staff Comments on legislation in 2015

The following is a summary of relevant bills that were filed through 11:00am on January 16, 2015. The bill filing deadline is Thursday, January 22, at 4:00 P.M. which is the day after the next Board of Trustees meeting. We expect to see a large increase in the number of bills filed next week; especially on Thursday. In the “staff comment” section under each bill is the position the staff intends to take absent a contrary direction and vote of the Board. There will be an item on the agenda for the board meeting under which these bills can be discussed. If any board member would like the Board to take a position on a particular bill, such a motion would be in order under that agenda item as well.

HOUSE BILLS

HB 1005 (Rep. Randy McDaniel) This bill would permit employees of a comprehensive university to have their employee contributions not “picked up” (treated as “post-tax”) if the contributions were being reported that way prior to July 1, 1998 and since that time.
Position/Staff comments: Support. This is the OU request bill to permit OU to permit post-tax treatment of OTRS contributions on a defined and closed group of OU employees who were mistakenly permitted to make such contributions.
Status: Filed

SENATE BILLS

SB 66 (Sen. Anderson) This bill would raise the amount a retired teacher could earn from an OTRS employer within the first three (3) years after retirement, from \$15,000 to \$30,000.
Position/Staff comments: Neutral at this time. This bill has been designated as a fiscal impact bill by the Legislative Actuary. If it makes it out of the House and Senate, it will be analyzed after session by the Legislative Actuary and could only be enacted during the 2016 session if the cost of the legislation is funded. Anything that makes it easier for retired teachers to continue drawing a pension and return to work could incentivize retiring at the earliest possible time. Any incentive to retire sooner than a member would have otherwise generally increases the pension liability of OTRS. However, OTRS receives the employer and employee contributions on retirees who return to work and who continue to collect their pensions. Such retirees do not continue to earn service credit. So the extent of any fiscal impact is unknown at this time.
Status: Filed

SB 75 (Sen. Barrington) This bill would grant a one-time COLA or stipend of \$500 to OTRS retirees who retired prior to July 1, 2014.

Position/Staff comments: No position. While this bill has a fiscal impact on OTRS it will have to be funded by the Legislature and will be a one-time event.

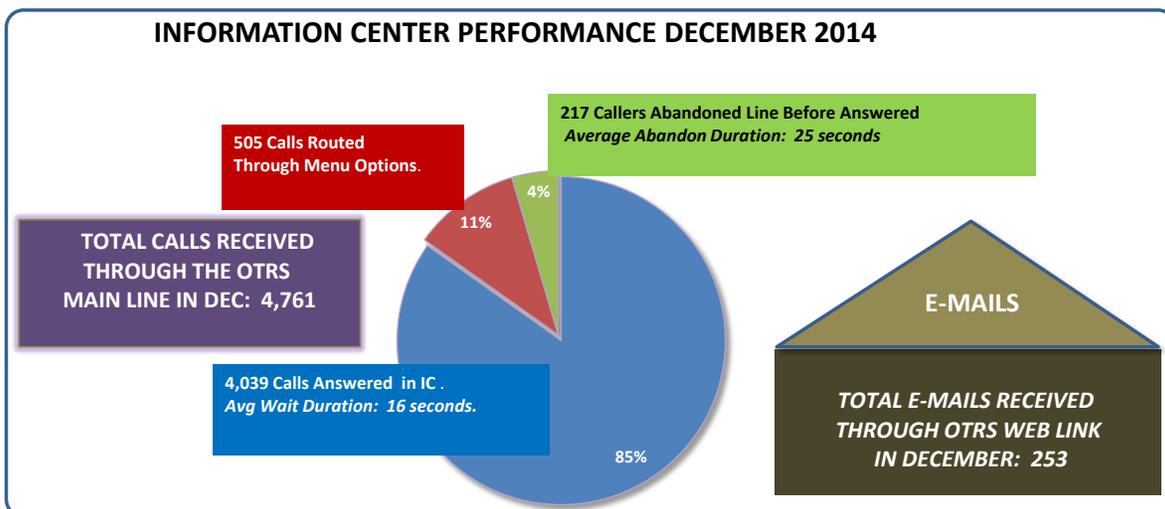
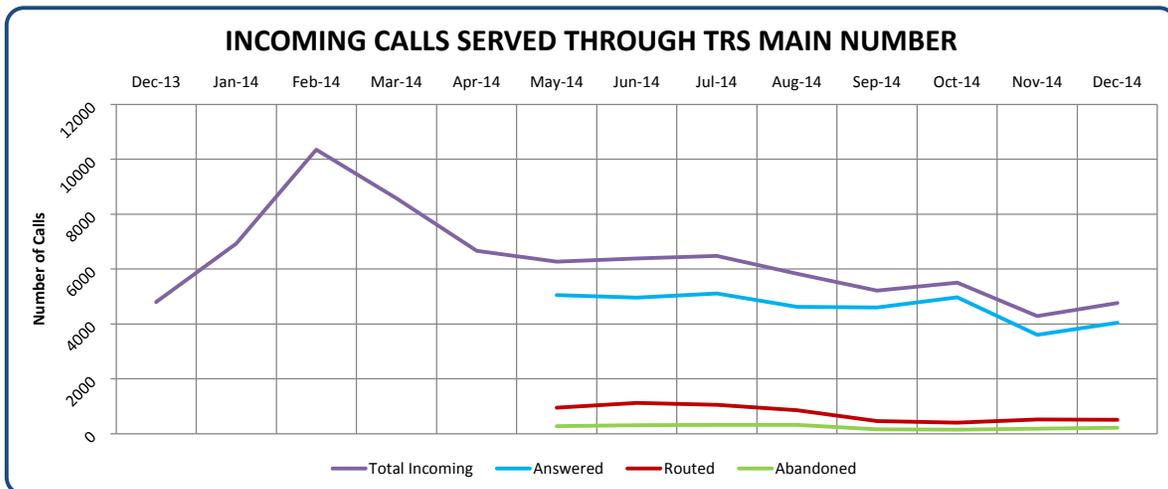
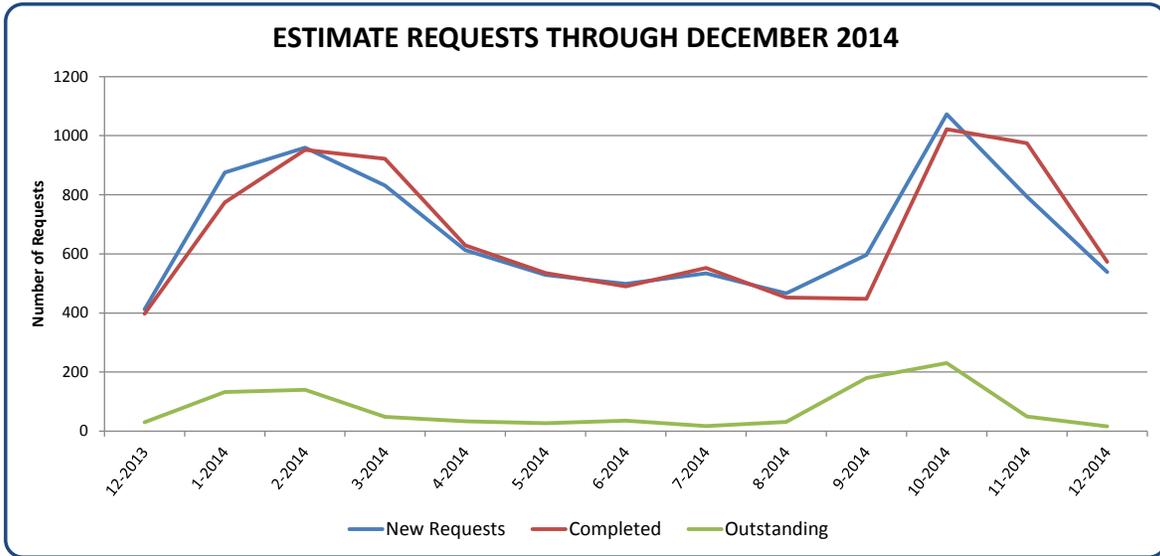
Status: Filed

SB 123 (Sen. Smalley) This bill would raise the amount a retired teacher could earn from an OTRS employer within the first three (3) years after retirement, from \$15,000 to \$30,000. It would also eliminate the 60 waiting period after retirement before any re-employment.

Position/Staff comments: Oppose the elimination of the 60 day waiting period. (See discussion of SB 66 above on the fiscal impact. Eliminating the 60-day waiting period could have IRS implications. Some actual retirement period is necessary to demonstrate the end of employment. Without severing one's service, it could be considered a sham retirement and put the pension distribution into question.

Status: Filed

CLIENT SERVICES PERFORMANCE METRICS THROUGH DECEMBER 2014





OKLAHOMA TEACHERS RETIREMENT SYSTEM

PO BOX 53524 OKLAHOMA CITY, OKLAHOMA 73152
 (405) 521-2387 OR TOLL FREE (877) 738-6365

Monthly Retirement Status Report

January 1, 2015

	Count	Benefit Total	Average Benefit	Average Years of Service	Average Age
New Retirements					
Disability	7	\$7,076.70	\$1,010.96	15.03	50.71
Normal	205	\$382,381.02	\$1,865.27	22.62	63.65
Total	212	\$389,457.72	\$1,837.06	22.37	63.23
Terminated Annuities					
	96	(\$134,388.26)	\$1399.88	25.02	80.21

NORMAL RETIREMENTS			January 1 2015		
Client Number	Years Of Service	Age	Estimate Ret. Date	Retirement Number	Benefit
Q0122359	32	66	1/1/2015	102907	\$6,021.45
Q0303774	7	64	1/1/2015	102692	\$384.90
Q0201591	21	61	1/1/2015	102863	\$1,054.74
Q0141604	26	65	1/1/2015	103004	\$3,477.50
Q0101373	28	72	1/1/2015	102792	\$2,420.25
Q0224219	12	63	1/1/2015	102693	\$1,636.50
Q0091264	36	58	1/1/2015	102758	\$3,209.66
Q0051242	19	57	1/1/2015	102810	\$801.53
Q0064456	18	68	1/1/2015	102694	\$924.57
Q0023975	12	66	1/1/2015	102852	\$863.14
Q0257422	25	57	1/1/2015	102759	\$2,529.73
Q0088021	31	58	1/1/2015	102760	\$3,528.09
Q0122893	37	66	1/1/2015	102955	\$4,154.91
Q0180339	16	63	1/1/2015	103147	\$1,045.38
Q0156842	25	77	1/1/2015	102985	\$624.06
Q0122132	12	63	1/1/2015	102811	\$526.63
Q0086320	22	63	1/1/2015	102853	\$836.33
Q0276269	8	66	1/1/2015	103012	\$280.63
Q0067261	31	62	1/1/2015	102736	\$2,582.20
Q0130252	33	50	1/1/2015	102943	\$2,167.55
Q0141144	26	67	1/1/2015	102697	\$1,721.01
Q0049401	26	60	1/1/2015	102698	\$1,232.15
Q0126265	35	61	1/1/2015	102984	\$3,014.68
Q0255494	10	62	1/1/2015	102930	\$354.49
Q0230101	19	72	1/1/2015	102708	\$1,435.38
Q0250268	45	71	1/1/2015	102945	\$3,393.42
Q0257304	31	67	1/1/2015	103001	\$2,045.63
Q0183580	23	63	1/1/2015	102812	\$1,116.19
Q0203001	15	63	1/1/2015	102834	\$921.29
Q0182967	13	61	1/1/2015	103005	\$550.27
Q0237505	14	73	1/1/2015	102983	\$321.03
Q0178444	40	68	1/1/2015	102709	\$5,121.74
Q0239202	19	60	1/1/2015	102710	\$2,107.91
Q0183341	30	63	1/1/2015	102956	\$1,696.90
Q0231511	50	76	1/1/2015	102813	\$4,847.60
Q0310106	6	63	1/1/2015	102711	\$156.61
Q0012712	10	65	1/1/2015	102854	\$387.53
Q0051780	12	56	1/1/2015	102712	\$392.17
Q0045693	33	68	1/1/2015	103006	\$3,732.46
Q0160862	31	67	1/1/2015	102756	\$2,061.90
Q0227738	19	69	1/1/2015	102890	\$1,564.42
Q0143492	8	64	1/1/2015	102982	\$336.12
Q0283640	8	64	1/1/2015	102835	\$175.04
Q0164871	26	60	1/1/2015	102839	\$2,764.25
Q0205444	35	58	1/1/2015	102815	\$4,263.72
Q0004093	24	57	1/1/2015	102981	\$2,205.09
Q0199675	14	66	1/1/2015	102980	\$715.28
Q0181856	27	61	1/1/2015	102908	\$2,086.88

Q0223415	5	62	1/1/2015	102891	\$931.02
Q0128957	24	56	1/1/2015	102909	\$991.02
Q0257904	27	63	1/1/2015	102714	\$3,223.73
Q0081693	12	71	1/1/2015	103007	\$980.69
Q0181935	10	63	1/1/2015	103008	\$415.40
Q0011185	24	64	1/1/2015	102864	\$3,177.37
Q0166755	29	55	1/1/2015	102793	\$2,112.23
Q0047311	9	62	1/1/2015	102979	\$876.09
Q0160450	44	66	1/1/2015	102931	\$3,144.58
Q0164853	15	63	1/1/2015	102794	\$1,261.95
Q0109140	35	56	1/1/2015	102957	\$2,450.58
Q0144347	8	63	1/1/2015	102910	\$498.27
Q0022441	34	66	1/1/2015	102869	\$2,858.95
Q0149107	29	54	1/1/2015	102932	\$2,654.13
Q0148747	27	54	1/1/2015	102933	\$4,006.58
Q0297808	5	62	1/1/2015	102750	\$257.39
Q0065324	18	66	1/1/2015	102715	\$755.37
Q0084076	27	67	1/1/2015	102795	\$2,953.81
Q0145889	33	60	1/1/2015	102771	\$2,511.75
Q0088693	37	61	1/1/2015	102926	\$5,020.97
Q0123479	28	67	1/1/2015	102866	\$4,449.43
Q0036757	18	60	1/1/2015	102978	\$770.54
Q0216694	23	66	1/1/2015	103148	\$3,296.23
Q0033285	31	54	1/1/2015	103016	\$2,138.27
Q0109966	12	56	1/1/2015	102927	\$756.81
Q0007727	13	71	1/1/2015	102876	\$1,019.21
Q0222939	36	78	1/1/2015	102928	\$1,630.75
Q0200529	24	67	1/1/2015	102947	\$2,529.38
Q0124454	34	66	1/1/2015	103009	\$2,199.52
Q0018252	14	62	1/1/2015	102878	\$1,040.37
Q0084560	10	63	1/1/2015	103003	\$352.11
Q0065293	8	68	1/1/2015	102911	\$577.81
Q0005466	15	60	1/1/2015	103010	\$360.08
Q0184718	20	61	1/1/2015	102816	\$1,217.57
Q0064561	28	67	1/1/2015	102958	\$1,630.13
Q0311339	5	65	1/1/2015	102720	\$451.95
Q0213489	14	67	1/1/2015	103149	\$1,114.95
Q0180070	33	65	1/1/2015	102959	\$2,003.88
Q0242577	15	62	1/1/2015	102817	\$756.31
Q0145090	21	63	1/1/2015	102934	\$1,574.94
Q0249570	23	67	1/1/2015	103013	\$680.22
Q0148773	27	54	1/1/2015	102892	\$1,926.64
Q0025173	28	67	1/1/2015	103011	\$2,243.16
Q0219666	25	79	1/1/2015	102818	\$1,993.23
Q0023226	35	67	1/1/2015	102912	\$3,350.11
Q0109176	35	56	1/1/2015	102819	\$3,046.28
Q0104994	11	64	1/1/2015	102797	\$555.40
Q0088143	39	63	1/1/2015	102796	\$2,592.29
Q0085640	15	66	1/1/2015	102722	\$517.76
Q0104829	7	64	1/1/2015	102757	\$205.19
Q0069207	11	59	1/1/2015	102733	\$499.64
Q0182688	42	63	1/1/2015	102820	\$5,553.59
Q0201406	18	62	1/1/2015	102798	\$1,066.22
Q0101979	19	63	1/1/2015	102723	\$1,717.60

Q0017707	17	68	1/1/2015	102724	\$988.48
Q0213377	28	72	1/1/2015	102893	\$3,033.46
Q0200760	15	64	1/1/2015	102836	\$1,301.49
Q0048778	26	63	1/1/2015	102725	\$2,251.54
Q0088384	21	60	1/1/2015	102960	\$603.38
Q0243913	29	53	1/1/2015	102799	\$2,619.15
Q0304308	7	66	1/1/2015	102994	\$284.08
Q0064665	16	66	1/1/2015	102867	\$1,318.03
Q0087203	26	64	1/1/2015	102840	\$2,337.57
Q0142366	11	61	1/1/2015	102977	\$524.78
Q0187472	29	55	1/1/2015	102913	\$3,572.68
Q0049824	22	63	1/1/2015	102734	\$1,413.90
Q0145174	37	60	1/1/2015	102935	\$2,136.37
Q0124434	31	63	1/1/2015	102735	\$2,531.10
Q0050208	25	57	1/1/2015	102949	\$879.67
Q0106140	30	61	1/1/2015	102944	\$3,615.81
Q0180657	40	67	1/1/2015	102974	\$4,128.13
Q0018923	23	57	1/1/2015	102561	\$1,839.31
Q0044729	27	70	1/1/2015	102625	\$1,803.12
Q0107631	12	60	1/1/2015	102753	\$1,160.42
Q0035476	11	66	1/1/2015	102915	\$356.54
Q0262025	31	63	1/1/2015	102950	\$1,568.89
Q0292285	8	66	1/1/2015	102939	\$423.21
Q0124073	40	64	1/1/2015	103033	\$2,569.10
Q0108935	33	56	1/1/2015	102829	\$2,831.15
Q0213510	24	66	1/1/2015	102851	\$1,756.90
Q0237093	13	64	1/1/2015	102973	\$720.99
Q0146570	36	58	1/1/2015	102997	\$2,592.86
Q0198242	12	70	1/1/2015	102804	\$513.90
Q0182357	18	63	1/1/2015	102762	\$1,861.30
Q0165207	25	59	1/1/2015	102591	\$1,982.33
Q0117470	30	78	1/1/2015	102996	\$1,976.54
Q0024422	24	70	1/1/2015	102999	\$3,641.73
Q0231084	34	69	1/1/2015	102844	\$3,342.51
Q0200254	17	66	1/1/2015	102805	\$1,048.47
Q0123375	31	65	1/1/2015	103150	\$1,593.53
Q0088064	31	63	1/1/2015	102938	\$2,042.02
Q0045927	11	62	1/1/2015	102895	\$372.49
Q0239024	16	67	1/1/2015	102875	\$1,531.67
Q0032995	25	59	1/1/2015	102699	\$2,734.84
Q0104082	13	63	1/1/2015	102881	\$934.84
Q0123408	36	65	1/1/2015	103038	\$3,775.66
Q0103393	6	65	1/1/2015	102822	\$339.79
Q0016444	14	66	1/1/2015	103032	\$372.44
Q0188158	30	51	1/1/2015	103000	\$3,531.35
Q0080630	17	75	1/1/2015	102873	\$598.64
Q0034574	26	58	1/1/2015	102842	\$1,005.83
Q0144116	30	65	1/1/2015	102536	\$3,797.34
Q0162474	25	66	1/1/2015	102814	\$2,411.16
Q0143955	23	66	1/1/2015	102827	\$581.32
Q0148706	24	57	1/1/2015	102743	\$1,166.03
Q0200703	18	67	1/1/2015	102961	\$1,102.33
Q0253469	31	68	1/1/2015	103031	\$3,781.60
Q0108435	38	61	1/1/2015	102860	\$3,581.65

Q0282623	9	67	1/1/2015	103094	\$631.33
Q0123272	28	67	1/1/2015	102965	\$1,959.72
Q0163987	24	62	1/1/2015	103002	\$1,224.58
Q0220657	12	65	1/1/2015	102896	\$587.24
Q0202112	29	65	1/1/2015	102777	\$1,967.86
Q0125736	14	61	1/1/2015	102767	\$260.22
Q0086806	15	63	1/1/2015	102765	\$1,382.87
Q0069694	24	57	1/1/2015	102857	\$2,437.24
Q0047201	15	66	1/1/2015	102937	\$468.83
Q0180165	21	67	1/1/2015	102849	\$1,571.26
Q0123765	33	64	1/1/2015	102828	\$3,949.09
Q0046794	17	65	1/1/2015	102923	\$701.62
Q0162093	28	67	1/1/2015	102375	\$2,458.63
Q0124812	25	62	1/1/2015	102954	\$2,183.77
Q0165467	28	54	1/1/2015	102841	\$3,017.04
Q0237046	15	64	1/1/2015	102824	\$1,300.89
Q0140865	17	69	1/1/2015	102872	\$1,052.35
Q0248420	30	56	1/1/2015	103151	\$2,526.99
Q0177740	29	71	1/1/2015	103057	\$1,912.45
Q0228289	30	68	1/1/2015	102898	\$3,310.49
Q0081694	7	70	1/1/2015	102920	\$441.82
Q0109631	13	56	1/1/2015	102821	\$519.56
Q0088530	20	61	1/1/2015	102726	\$1,934.95
Q0102690	17	63	1/1/2015	102919	\$824.31
Q0005428	36	66	1/1/2015	103029	\$3,255.33
Q0018599	17	65	1/1/2015	102728	\$924.78
Q0005837	22	62	1/1/2015	102953	\$2,353.19
Q0127426	30	57	1/1/2015	102975	\$2,470.91
Q0178629	23	68	1/1/2015	103017	\$1,959.75
Q0185782	36	58	1/1/2015	103030	\$4,493.50
Q0084993	31	66	1/1/2015	102780	\$955.40
Q0127233	28	60	1/1/2015	102846	\$1,965.61
Q0066362	14	63	1/1/2015	102610	\$758.50
Q0179717	21	69	1/1/2015	102773	\$7,560.61
Q0047095	39	64	1/1/2015	102900	\$3,209.36
Q0017783	25	61	1/1/2015	102918	\$3,342.12
Q0070903	27	54	1/1/2015	102963	\$1,913.71
Q0204365	22	60	1/1/2015	102845	\$2,103.90
Q0228768	17	63	1/1/2015	102620	\$1,126.96
Q0048962	32	63	1/1/2015	102899	\$2,738.12
Q0238817	44	70	1/1/2015	102744	\$4,356.03
Q0162362	17	65	1/1/2015	102946	\$1,462.00
Q0033655	12	75	1/1/2015	102831	\$412.76
Q0283401	8	57	1/1/2015	102763	\$335.31
Q0247286	14	67	1/1/2015	102832	\$601.24
Q0124951	13	63	1/1/2015	102962	\$786.70
Q0141154	17	64	1/1/2015	102861	\$1,589.06
Q0119661	42	73	1/1/2015	102976	\$5,016.82
Q0203631	14	63	1/1/2015	102801	\$590.46
Averages	22.62	63.65	Totals	205	\$1,865.27
					\$382,381.02

DISABILITY RETIREMENTS			January 1, 2015		
Client Number	Years Of Service	Age	Estimate Ret. Date	Retirement Number	Benefit
Q0125300	13	62	1/1/2015	D102883	\$1,370.30
Q0057213	14	48	1/1/2015	D103139	\$319.53
Q0074443	17	44	1/1/2015	D103140	\$1,226.67
Q0252682	12	56	1/1/2015	D102882	\$1,031.77
Q0223717	10	38	1/1/2015	D103142	\$595.62
Q0091190	20	56	1/1/2015	D103044	\$1,382.60
Q0053935	18	51	1/1/2015	D103143	\$1,150.21
Averages	15.03	50.71			
			Totals	7	\$1,010.96
					\$7,076.70

TERMINATIONS**January 1, 2015**

Termination Type	Years Of Service	Age	Death Date	Termination Date	Retirement Number	Benefit
Deceased	30	99	11/18/2014	12/1/2014	015561	\$1,403.76
Deceased	19	101	11/30/2014	12/1/2014	016421	\$927.43
Deceased	12	95	11/21/2014	12/1/2014	018105	\$328.22
Deceased	38	96	11/2/2014	12/1/2014	019659	\$1,912.35
Deceased	19	94	11/28/2014	12/1/2014	020690	\$893.53
Deceased	20	94	11/2/2014	12/1/2014	020989	\$768.62
Deceased	26	94	11/17/2014	12/1/2014	021087	\$807.31
Deceased	37	93	11/27/2014	12/1/2014	021363	\$1,775.51
Deceased	16	93	11/29/2014	12/1/2014	021691	\$593.58
Deceased	31	94	11/9/2014	12/1/2014	022018	\$937.99
Deceased	20	89	11/16/2014	12/1/2014	022038	\$698.26
Deceased	37	88	11/7/2014	12/1/2014	022288	\$1,670.49
Deceased	39	93	11/5/2014	12/1/2014	023004	\$1,891.11
Deceased	33	83	11/14/2014	12/1/2014	023691	\$953.58
Deceased	38	94	11/12/2014	12/1/2014	023949	\$2,355.06
Deceased	37	87	11/4/2014	12/1/2014	024030	\$2,298.91
Deceased	17	95	11/4/2014	12/1/2014	024094	\$1,010.64
Deceased	23	92	11/23/2014	12/1/2014	025231	\$1,428.72
Deceased	33	95	11/13/2014	12/1/2014	026348	\$1,799.22
Deceased	37	94	11/20/2014	12/1/2014	026612	\$2,309.62
Deceased	37	88	11/13/2014	12/1/2014	026923	\$2,215.92
Deceased	39	95	11/25/2014	12/1/2014	027228	\$2,279.40
Deceased	21	88	11/17/2014	12/1/2014	027235	\$1,095.64
Deceased	12	82	11/13/2014	12/1/2014	028121	\$115.12
Deceased	20	87	11/8/2014	12/1/2014	028389	\$982.55
Deceased	13	84	11/2/2014	12/1/2014	028829	\$206.39
Deceased	10	80	11/20/2014	12/1/2014	030387	\$79.31
Deceased	10	87	11/1/2014	12/1/2014	030492	\$131.63
Deceased	11	88	11/26/2014	12/1/2014	030670	\$222.16
Deceased	24	87	11/17/2014	12/1/2014	030866	\$1,398.89
Deceased	10	81	11/12/2014	12/1/2014	030906	\$255.91
Deceased	27	78	11/14/2014	12/1/2014	030924	\$1,281.82
Deceased	17	91	11/16/2014	12/1/2014	031223	\$263.50
Deceased	35	86	11/28/2014	12/1/2014	031780	\$2,221.18
Deceased	13	87	11/24/2014	12/1/2014	032065	\$236.63
Deceased	16	89	11/15/2014	12/1/2014	032249	\$509.67
Deceased	29	76	11/27/2014	12/1/2014	032576	\$1,553.18
Deceased	12	90	11/8/2014	12/1/2014	032681	\$235.97
Deceased	28	80	11/18/2014	12/1/2014	032694	\$925.93
Deceased	36	99	11/29/2014	12/1/2014	033717	\$1,647.40
Deceased	37	88	11/17/2014	12/1/2014	033794	\$2,609.73
Deceased	16	85	11/5/2014	12/1/2014	034508	\$676.45
Deceased	28	75	11/17/2014	12/1/2014	035071	\$1,959.75
Deceased	12	79	11/25/2014	12/1/2014	035837	\$365.94
Deceased	34	80	11/5/2014	12/1/2014	036689	\$1,892.52
Deceased	19	89	11/17/2014	12/1/2014	036804	\$1,071.40
Deceased	24	83	11/22/2014	12/1/2014	037329	\$1,543.92
Deceased	30	83	11/9/2014	12/1/2014	037706	\$2,357.46
Deceased	14	82	11/11/2014	12/1/2014	037986	\$521.12
Deceased	32	74	11/22/2014	12/1/2014	038355	\$1,560.14

Deceased	38	82	11/12/2014	12/1/2014	038414	\$2,733.87
Deceased	27	84	11/22/2014	12/1/2014	040230	\$1,546.99
Deceased	33	81	11/18/2014	12/1/2014	040706	\$1,807.51
Deceased	25	83	11/26/2014	12/1/2014	040792	\$1,747.10
Deceased	16	80	11/1/2014	12/1/2014	041662	\$753.21
Deceased	32	80	11/25/2014	12/1/2014	042633	\$2,453.96
Deceased	23	75	11/29/2014	12/1/2014	042965	\$1,777.30
Deceased	21	78	11/14/2014	12/1/2014	043086	\$974.16
Deceased	22	73	11/6/2014	12/1/2014	043232	\$814.22
Deceased	24	74	11/22/2014	12/1/2014	043332	\$1,867.84
Deceased	25	83	11/28/2014	12/1/2014	043996	\$1,840.25
Deceased	22	76	11/28/2014	12/1/2014	044724	\$1,588.42
Deceased	23	84	11/3/2014	12/1/2014	046143	\$597.54
Deceased	43	92	11/28/2014	12/1/2014	046591	\$1,614.37
Deceased	31	71	11/5/2014	12/1/2014	047723	\$1,997.33
Deceased	21	78	11/20/2014	12/1/2014	048026	\$1,301.32
Deceased	33	67	11/4/2014	12/1/2014	051260	\$2,727.73
Deceased	12	71	11/15/2014	12/1/2014	051381	\$142.30
Deceased	28	67	11/12/2014	12/1/2014	053777	\$1,967.27
Deceased	28	68	11/26/2014	12/1/2014	053991	\$1,787.00
Deceased	30	80	11/4/2014	12/1/2014	054392	\$1,952.88
Deceased	10	74	11/26/2014	12/1/2014	055109	\$861.77
Deceased	31	65	11/11/2014	12/1/2014	056734	\$2,070.04
Deceased	29	62	11/20/2014	12/1/2014	057258	\$2,025.36
Deceased	15	73	11/11/2014	12/1/2014	057493	\$865.67
Deceased	23	71	11/18/2014	12/1/2014	058590	\$1,705.02
Deceased	13	77	11/24/2014	12/1/2014	059354	\$315.86
Deceased	27	64	11/3/2014	12/1/2014	061052	\$1,652.86
Deceased	30	77	11/11/2014	12/1/2014	061187	\$1,198.59
Deceased	27	76	11/19/2014	12/1/2014	066889	\$2,428.84
Deceased	18	67	11/17/2014	12/1/2014	070223	\$964.00
Deceased	40	83	11/26/2014	12/1/2014	072534	\$644.60
Deceased	28	68	11/11/2014	12/1/2014	072979	\$2,025.89
Deceased	41	67	11/10/2014	12/1/2014	074567	\$6,212.77
Deceased	14	66	11/11/2014	12/1/2014	075758	\$622.30
Deceased	47	79	11/6/2014	12/1/2014	078525	\$3,121.18
Deceased	31	59	11/27/2014	12/1/2014	094697	\$2,408.81
Deceased	24	61	11/8/2014	12/1/2014	096545	\$1,507.33
Deceased	34	61	11/29/2014	12/1/2014	096921	\$2,071.64
Deceased	24	61	11/6/2014	12/1/2014	099560	\$1,568.38
Deceased	32	68	11/29/2014	12/1/2014	100050	\$3,013.79
Deceased	19	66	11/17/2014	12/1/2014	D02020	\$1,186.85
Deceased	11	73	11/29/2014	12/1/2014	D02063	\$357.70
Deceased	21	57	11/30/2014	12/1/2014	D02905	\$953.23
Deceased	18	55	11/18/2014	12/1/2014	D03055	\$951.39
Deceased	10	59	11/17/2014	12/1/2014	D102213	\$481.28

Averages	25.02	80.21				\$1,399.88
			Totals	96		\$134,388.26



**OKLAHOMA TEACHERS
RETIREMENT SYSTEM**

**HR STATUS REPORT
1/21/2015**

HR STATUS REPORT

• **New Hires (December 2014):**

Employee: 147588
Title: Retirement Planning Consultant (information center)
Salary: \$38,090
Effective: 12/02/2014

Employee: 100782
Title: Retirement Planning Consultant (information center)
Salary: \$38,090
Effective: 12/02/2014

• **Resignations/Terminations/Retirements (December 2014):**

Employee: 100122
Title: Comptroller
Salary: \$82,425
Effective: 12/27/2014

• **Promotion (December 2014):**

n/a

MISCELLANEOUS PAYMENTS (December 2014)

• **Severance Payments:**

n/a

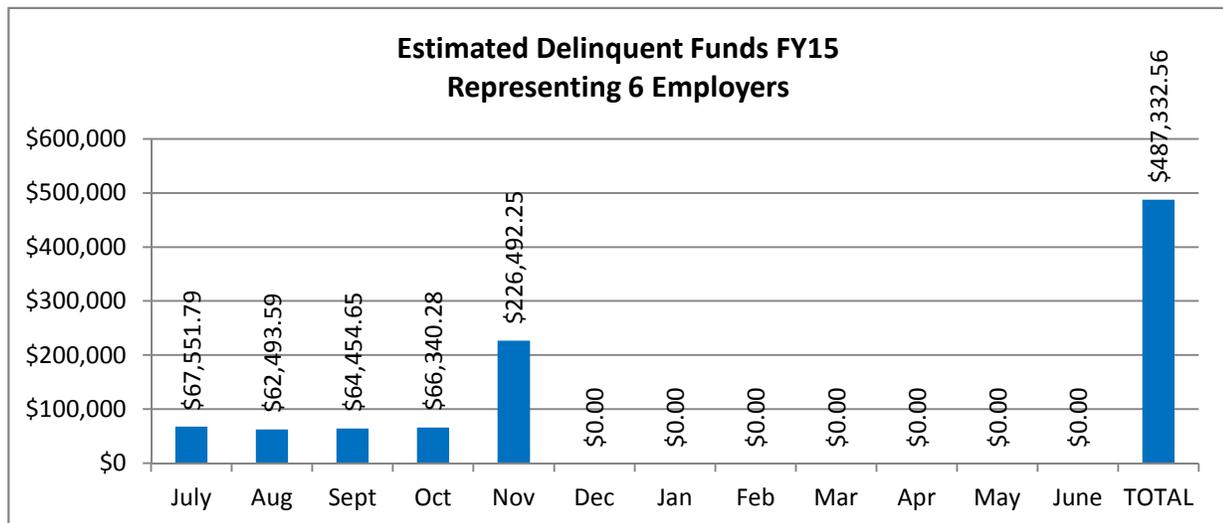
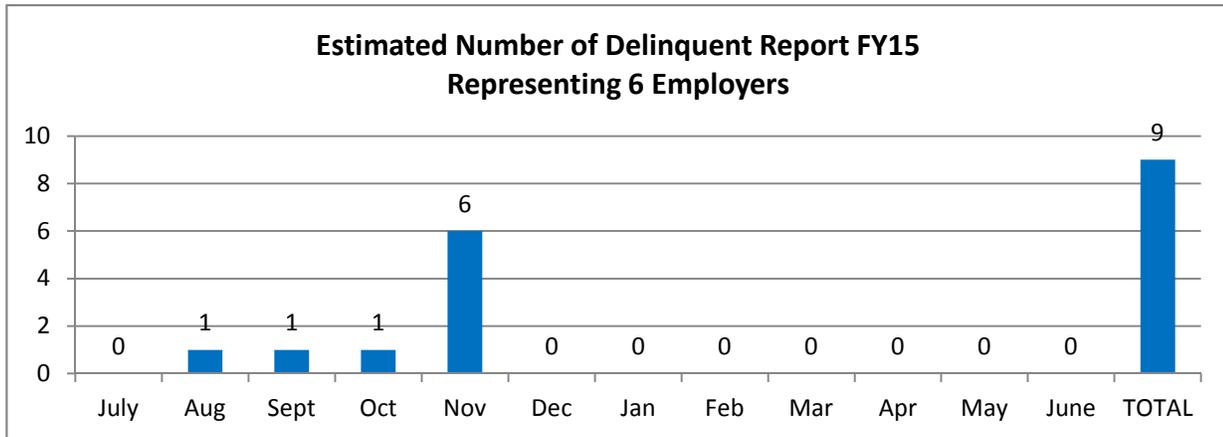
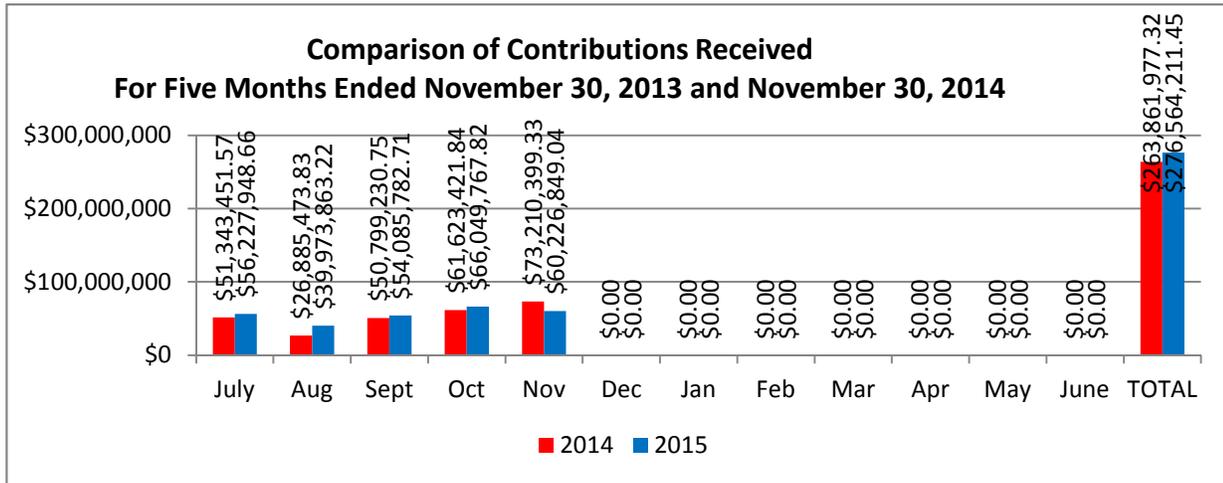
NEW HIRES, RESIGNATIONS, RETIREMENTS OR OTHER CHANGES PENDING

- Financial Accountant – resignation – effective Jan 2015

(Feb 2015 report)

Employer Reporting

Analysis of Employee and Employer Contributions Received





**BALANCE SHEET
DECEMBER 31, 2014**

<u>CURRENT ASSETS:</u>	
Cash Not Available For Investment	\$6,981,753.12
Equities (At Market Value)	10,875,035,651.28
Fixed Income (At Market Value)	2,863,598,896.21
Short-Term Investment Account	381,856,799.55
Due From/(To) Broker	(161,867,549.86)
Accounts Receivable Installment Payments	1,237,028.93
Prepaid Retirement Benefits	77,071,266.85
Accrued Income	<u>40,965,822.19</u>
Total Current Assets	14,084,879,668.27
<u>CAPITAL ASSETS:</u>	
Office Furniture and Equipment	3,098,149.51
Accumulated Depreciation	<u>(249,578.54)</u>
TOTAL ASSETS	<u>\$14,087,728,239.24</u>
<u>CURRENT LIABILITIES:</u>	
Teachers' Savings Fund	\$4,424,500,135.93
Retirement Benefit Fund	9,533,680,946.23
Interest Fund	42,363,505.98
Expense Fund	47,630,874.34
Suspense Fund	<u>36,244,929.53</u>
Total Current Liabilities	14,084,420,392.01
TRs Capital Investment	<u>3,307,847.23</u>
TOTAL LIABILITIES AND CAPITAL INVESTMENT	<u>\$14,087,728,239.24</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
FOR THE SIX MONTHS ENDED DECEMBER 31

	<u>Year to Date</u> (FY 2015)	<u>Year to Date</u> (FY 2014)	<u>% Change</u>
Balance of Cash and Investments Net Position, Beginning of Year	\$14,201,669,559.43	\$11,817,761,245.40	
<u>RECEIPTS:</u>			
Members' Deposits	130,218,211.41	124,263,768.31	4.79%
Employer Contributions	189,053,209.44	181,588,323.99	4.11%
State Credits	18,387,560.50	19,107,243.00	-3.77%
Reimbursed Administrative	2,883.05	86,813.98	-96.68%
Matching Funds from Schools	11,578,206.93	12,069,095.49	-4.07%
Lottery Revenue	1,346,654.50	1,417,526.50	-5.00%
Cigarette Sales Tax Revenue	819,477.76	839,712.82	-2.41%
Dedicated Revenue	150,938,154.41	141,506,916.45	6.66%
Total Retirement Receipts	502,344,358.00	480,879,400.54	4.46%
Interest Income (Fixed Income and Short-Term)	63,260,501.10	63,340,377.01	-0.13%
Dividend Income	101,350,296.24	95,811,207.62	5.78%
Net Realized Gain/(Loss)	435,838,944.19	475,846,267.57	-8.41%
Net Unrealized Gain/(Loss)	(563,325,016.16)	939,522,554.18	-159.96%
Investment Operations Income:			
Class Action Lawsuit Proceeds	108.64	310,667.11	-99.97%
Other Income	67,616.12	31,438.07	115.08%
Securities Lending Income	5,171,055.85	3,898,336.50	32.65%
Total Investment Income	42,363,505.98	1,578,760,848.06	-97.32%
TOTAL RECEIPTS	544,707,863.98	2,059,640,248.60	-73.55%
<u>DISBURSEMENTS:</u>			
Retirement Benefits	585,372,278.72	559,657,053.51	4.59%
Insurance Premiums Paid for Retirees	15,231,733.00	15,123,232.00	0.72%
Death Benefits	7,495,901.47	8,252,886.23	-9.17%
Withdrawals of Accounts	17,928,780.56	16,562,611.39	8.25%
Total Benefit Payments	626,028,693.75	599,595,783.13	4.41%
Administrative Expense:			
General Operations	2,528,887.84	2,631,076.79	-3.88%
Investment Expense	25,998,917.09	20,354,109.89	27.73%
Total Administrative Expenses	28,527,804.93	22,985,186.68	24.11%
TOTAL DISBURSEMENTS	654,556,498.68	622,580,969.81	5.14%
NET INCREASE/(NET DECREASE)	(109,848,634.70)	1,437,059,278.79	-107.64%
Balance of Cash and Investments, December 31	<u>\$14,091,820,924.73</u>	<u>\$13,254,820,524.19</u>	



SCHEDULE I
Comparison of Actual Expenditures Fiscal Year 2014 and Fiscal Year 2015
6 Month Ended December 31, 2014

Object of Expenditure	FY-2014 YTD Actual Expenditures 12/31/2013	FY-2015 YTD Actual Expenditures 12/31/2014	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay Expenses	940,366	873,938	(66,428)	-7.1%
Taxes, Benefits, and Other Expenses	459,180	438,003	(21,177)	-4.6%
Subtotal Personal Services	1,399,546	1,311,941	(87,605)	-6.3%
Professional Services				
Investment Manager Expenses	10,710,317	12,581,954	1,871,637	17.5%
Investment Consultant Expenses	351,000	351,000	0	0.0%
Investment Custodian Expenses	22,356	0	(22,356)	-100.0%
Pension Commission Expenses	13,949	15,016	1,068	0.0%
Subtotal Investment Expenses	11,097,622	12,947,970	1,850,348	16.7%
Legal Services - Special Projects	2,006	14,482	12,476	621.9%
Legal Services - Attorney General	35,868	105	(35,763)	-99.7%
Administrative Hearings	0	0	0	0.0%
Auditing Services	92,038	153,095	61,057	66.3%
Actuarial Services	76,305	49,293	(27,012)	-35.4%
Medical Hearings	3,600	5,100	1,500	41.7%
Reimbursement for Executive Director Services	0	29,444	29,444	0.0%
Marketing Consultant	12,694	0	(12,694)	-100.0%
Miscellaneous Services	42,853	51,824	8,971	20.9%
Subtotal Professional Services	265,364	303,343	37,979	14.3%
Total Professional Services	11,362,985	13,251,313	1,888,328	16.6%
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	19,681	14,492	(5,189)	-26.4%
Employee Training	9,730	1,913	(7,817)	-80.3%
Employee Travel Expenses	18,978	12,436	(6,543)	-34.5%
Subtotal Travel and Per Diem Expenses	48,389	28,841	(19,549)	-40.4%
Administrative Expenses				
Postage	14,562	89,540	74,978	514.9%
Telecommunications Services	13,229	12,501	(728)	-5.5%
Printing and Binding Contracts	22,931	12,807	(10,124)	-44.2%
Informational Services	40,959	14,557	(26,402)	-64.5%
Rent and Maintenance	119,792	89,529	(30,264)	-25.3%
Office Supplies	11,240	13,857	2,617	23.3%
Buildings and Other Structures Construction and Renovation	4,689	0	(4,689)	-100.0%
Miscellaneous Administrative Expenses	12,849	11,937	(912)	-7.1%
Subtotal Administrative Expenses	240,251	244,727	4,476	1.9%
Data Processing Expenses				
Professional Services	433,769	360,698	(73,070)	-16.8%
Rent and Maintenance	2,318	1,040	(1,278)	-55.1%
Office Supplies	2,523	0	(2,523)	-100.0%
Equipment - Telecommunications	0	1,128	1,128	0.0%
Subtotal Data Processing Expenses	438,610	362,867	(75,743)	-17.3%
Total Expenses	13,489,781	15,199,688	1,709,907	12.7%
Total Investment Expenses Only	11,097,622	12,947,970	1,850,348	16.7%
Total Data Processing Expenses Only	438,610	362,867	(75,743)	-17.3%
Total except Investment & Data Processing Expenses	1,953,549	1,888,851	(64,698)	-3.3%



SCHEDULE II
Comparison of FY2015 Budget to Actual Expenses
6 Months ended December 31, 2014 Year to Date Comparison

Object of Expenditure	6 Month FY-2015 YTD Budget	6 Month FY-2015 YTD Actual	Over (Under) Amount	Over (Under) Percentage
Personal Services				
Salary and Longevity Pay Expenses	1,214,672	873,938	(340,734)	-28.1%
Taxes, Benefits, and Other Expenses	651,331	438,003	(213,328)	-32.8%
Subtotal Personal Services	1,866,003	1,311,941	(554,062)	-29.7%
Professional Services				
Investment Manager Expenses	13,305,480	12,581,954	(723,526)	0.0%
Investment Consultant Expenses	351,000	351,000	0	0.0%
Investment Custodian Expenses	23,000	0	(23,000)	0.0%
Pension Commission Expenses	17,500	15,016	(2,484)	0.0%
Subtotal Investment Expenses	13,696,980	12,947,970	(749,010)	-5.5%
Legal Services - Special Projects	4,200	14,482	10,282	244.8%
Legal Services - Attorney General	3,750	105	(3,645)	-97.2%
Administrative Hearings	2,490	0	(2,490)	-100.0%
Auditing Services	126,000	153,095	27,095	21.5%
Actuarial Services	80,000	49,293	(30,707)	-38.4%
Medical Hearings	7,710	5,100	(2,610)	-33.9%
Reimbursement for Executive Director Services	0	29,444	29,444	0.0%
Marketing Consultant	25,000	0	(25,000)	0.0%
Miscellaneous Services	20,588	51,824	31,236	151.7%
Subtotal Professional Services	269,738	303,343	33,605	12.5%
Total Professional Services	13,966,718	13,251,313	(715,405)	-5.1%
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	25,800	14,492	(11,308)	-43.8%
Employee Training	12,955	1,913	(11,042)	-85.2%
Employee Travel Expenses	48,972	12,436	(36,536)	-74.6%
Subtotal Travel and Per Diem Expenses	87,727	28,841	(58,886)	-67.1%
Administrative Expenses				
Postage	127,500	89,540	(37,960)	-29.8%
Telecommunications Services	19,998	12,501	(7,497)	-37.5%
Printing and Binding Contracts	45,000	12,807	(32,193)	-71.5%
Informational Services	27,393	14,557	(12,836)	-46.9%
Rent and Maintenance	139,603	89,529	(50,074)	-35.9%
Office Supplies	19,060	13,857	(5,203)	-27.3%
Equipment	6,335	0	(6,335)	-100.0%
Buildings-Purch, Construction Repairs	0	0	0	0.0%
Miscellaneous Administrative Expenses	15,062	11,937	(3,125)	-20.7%
Subtotal Administrative Expenses	399,951	244,728	(155,223)	-38.8%
Data Processing Expenses				
Professional Services	491,659	360,698	(130,961)	-26.6%
Travel and Per Diem Expenses	0	0	0	0.0%
Rent and Maintenance	2,650	1,040	(1,610)	-60.8%
Office Supplies	3,748	0	(3,748)	-100.0%
Equipment - Telecommunications	18,000	1,128	(16,872)	-93.7%
Miscellaneous Administrative Expenses	0	0	0	0.0%
Subtotal Data Processing Expenses	516,057	362,866	(153,191)	-29.7%
Total Expenses	16,836,456	15,199,689	(1,636,767)	-9.7%
Total Investment Expenses Only	13,696,980	12,947,970	(749,010)	-5.5%
Total Data Processing Expenses Only	516,057	362,866	(153,191)	-29.7%
Total except Investment and Data Processing Expenses	2,623,419	1,888,853	(734,566)	-28.0%



Miscellaneous Professional Services Expenses

	Budget	Expenses	Expenses
	<u>2015</u>	<u>2015</u>	<u>2014</u>
Background Checks	40.00	95.00	38.00
Management Consultant	5,000.00	0.00	35,298.99
Interim Director Search	0.00	43,008.65	0.00
Document Destruction	1,800.00	1,081.00	1,215.52
Security	4,398.00	529.76	0.00
Business Service Center	2,400.00	4,809.56	1,764.53
Computer Professional Services	6,950.00	0.00	0.00
NAVEX Hotline - Ethics	0.00	2,300.02	4,536.02
	<u>\$20,588.00</u>	<u>\$51,823.99</u>	<u>\$42,853.06</u>

Miscellaneous Administrative Expenses

	Budget	Expenses	Expenses
	<u>2015</u>	<u>2015</u>	<u>2014</u>
Bank Service Charges	3,720.00	3,151.37	4,516.91
ERP Systems - PeopleSoft	1,632.00	1,062.00	1,593.00
Licenses, Permits, Certificates and Other Rights	1,095.00	748.50	363.00
Membership in Organizations	3,895.00	4,590.00	2,125.00
Advertising	1,720.00	813.52	1,679.86
Property and Liability Insurance	3,000.00	0.00	2,571.33
Tuition Vo-Tech Schools and Other Training	0.00	1,410.00	0.00
Interest on Withholding Taxes	0.00	161.42	0.00
	<u>\$15,062.00</u>	<u>\$11,936.81</u>	<u>\$12,849.10</u>



**CLAIMS FOR AUTHORIZED EXPENDITURES
DECEMBER 31, 2014**

Expenses of Board

-			
Trustee	Meeting, November 19 travel	\$	128.96
Trustee	Meeting, December 17 travel		131.20
Trustee	Meeting, December 17 travel		238.93
Trustee	Meeting, December 17 travel		248.25
Trustee	Meeting, December 17 travel		128.96
			876.30

Travel of Employees

Assistant Comptroller	Lodging - P2F2 Conference, Nashville, TN	789.08
Client Services	Per Diem - Tulsa retirement seminar	191.69
Client Services	Per Diem - McAlester retirement seminar	276.00
Client Services	Per Diem - Lawton retirement seminar	13.03
Client Services	Mileage - court	53.40
General Counsel	Mileage - court date in Chandler	53.20
Human Resources Director	Lodging - HR Southwest Conference	(224.25)
		1,152.15

Communications

AT&T	Wireless, OneNet charges	371.16
Comptroller	Freight	22.42
Cox Communications	Cable charges	43.56
FBM Holding LLC	OK employment law letter subscription	437.00
JP Morgan Chase Bank, NA	Account analysis bank fees	620.46
Office of Management and Enterprise Services	Telecommunications, transaction fees	1,597.34
Oklahoma Free Press	Open meeting and records book	15.00
University of Oklahoma	Advisor newsletter	10,000.00
		13,106.94



**CLAIMS FOR AUTHORIZED EXPENDITURES
DECEMBER 31, 2014**

Contingency, Maintenance, Insurance, Rent, Etc.

ABM Automation	Maintenance, check signer machine	\$ 489.30
Assistant Comptroller	Board meeting refreshments	16.02
Comptroller	Board meeting refreshments	38.60
Dell	Computer video card for Client Services	85.49
Department of Libraries	Records storage - October	511.20
Eastern State College	Retirement seminar refreshments	25.00
Ethics Commission	Lobbyist/liaison registration	100.00
NAPPA	Membership 2015	450.00
Office of Management and Enterprise Services	Office rent - December	13,195.27
Oklahoma Bar Association	Membership 2015	275.00
Oklahoma Department of Corrections	Office chair	298.99
Oklahoma State Bureau of Investigations	Background checks	57.00
Staples	Office supplies	495.76
Zio's Italian Kitchen	Catering - December board meeting	242.92
		16,280.55

Investment Expenditures

Chickasaw Capital Management	Investment management fees first quarter	856,780.12
Gregory W Group	November and December 2014 consultant fees	117,000.00
State Street Global Advisors	Investment management fees first quarter	32,830.68
		1,006,610.80

Professional Services, Workers Comp Insurance

Cole and Reed, LLC	Audit fees	10,800.00
Dathan Jay MD	December 2014 medical board	300.00
Gabriel, Roeder Smith & Co.	Actuarial evaluation and consulting	30,095.50
George R Jay MD	December 2014 medical board	300.00
MY Consulting Inc.	ALICE development	66,900.00
Office of Management and Enterprise Services	Interagency mail/postage	6,188.26
Office of Management and Enterprise Services	Server support, disk storage & network support	1,944.00
Office of Management and Enterprise Services	Desktop, laptop, email support	3,399.88
OPERS	Interim Executive Director fees	22,801.29
Payton Osborne MD	December 2014 medical board	300.00
State Auditor and Inspector	Investment pension performance analysis	15,016.26
Stinnett & Associates LLC	Audit Fees - Audit support November 2014	16,352.88
		174,398.07



**CLAIMS FOR AUTHORIZED EXPENDITURES
DECEMBER 31, 2014**

Salaries and Fringe Benefits

Salaries	Administrative department	\$ 29,726.18
Salaries	Finance/Accounting department	31,655.67
Salaries	Client Services department	86,686.06
Salaries	Investment department	5,000.00
Longevity Payroll		3,376.00
Excess Benefit Allowance		3,874.24
FICA/MQFE	Social Security and Medicare	11,436.68
Oklahoma State Deferred Savings Incentive Plan	Savings incentive plan and administrative fee	849.60
Oklahoma Group Insurance	Employee health, dental, and life	31,119.32
Teachers' Retirement System of Oklahoma	Employees retirement contributions	34,106.89
Unemployment compensation	Unemployment for Agency payroll	238.70
		<hr/>
		238,069.34
 Grand Total		 <hr/> \$ 1,450,494.15