

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Regular Board Meeting
Wednesday, May 21, 2014 – 9:00 AM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK

AGENDA

- 1. ROLL CALL FOR QUORUM**
- 2. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE APRIL 16, 2014 BOARD MEETING**
- 3. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY & QUARTERLY REPORT**
- 4. PRESENTATION BY INVESTMENT MANAGER(S):**
 - A. Frontier Capital Management (Small-Cap)
 - B. Geneva Capital Management
- 5. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT - *The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting***
- 6. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT**
See attached Investment Committee Agenda
- 7. DISCUSSION AND POSSIBLE ACTION ON COMMITTEE REPORTS:**
 - A. Governance Committee
 - B. Audit Committee
 - C. Executive Director Search Committee
- 8. DISCUSSION AND POSSIBLE ACTION ON AGENCY REPORTS:**
 - A. Client Services (70 O.S. 17-105)
 - B. Employer Reporting
 - C. Investments
 - D. Human Resources
 - E. Finance
 - F. General Counsel
 - G. Interim Executive Director
- 9. DISCUSSION AND POSSIBLE ACTION ON FISCAL YEAR 2015 BUDGET WORK PROGRAM**
- 10. DISCUSSION AND POSSIBLE ACTION ON EMERGENCY RULEMAKING REGARDING AMENDMENT TO 70 O.S. 17-106**
- 11. DISCUSSION AND POSSIBLE ACTION ON RENEWAL OF ING 403(B) CONTRACT FOR FISCAL YEAR 2015**
- 12. DISCUSSION AND POSSIBLE ACTION ON RENEWAL OF CONTRACT FOR EXTERNAL AUDITOR COLE & REED, PC.**

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AGENDA (cont.)

- 13. DISCUSSION AND POSSIBLE ACTION ON LEGAL SERVICE CONTRACT WITH ATTORNEY GENERAL FOR FISCAL YEAR 2015**
- 14. DISCUSSION AND POSSIBLE ACTION ON MEDICAL BOARD APPOINTMENT**
- 15. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 16. NEW BUSINESS**
- 17. ADJOURNMENT**

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

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Investment Committee Meeting
Tuesday, May 20, 2014 – 3:00 PM
TRS Administration Board Room
2500 N. Lincoln Blvd., 5th Floor, Oklahoma City, OK**

AGENDA

- 1. CALL TO ORDER**
- 2. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 3. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS REPORT**
- 4. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT QUARTERLY REPORT**
- 5. DISCUSSION AND POSSIBLE ACTION ON REAL ESTATE SEARCHES**
- 6. DISCUSSION AND POSSIBLE ACTION ON L&B NON-CORE PORTFOLIO**
- 7. DISCUSSION AND POSSIBLE ACTION ON ING 403(b) CONTRACT**
- 8. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 9. ADJOURNMENT**

***ALL BOARD MEMBERS ARE ENCOURAGED TO ATTEND INVESTMENT
COMMITTEE MEETINGS***

INVESTMENT COMMITTEE:

Chair: Bill Peacher

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

RETURNS



**OKLAHOMA TEACHERS
RETIREMENT SYSTEM**

OTRS GENERAL INFORMATION – Period Ended June 30, 2013

Client Types		Employers by Type	
Active	89,333	K12	532
Retirees	54,581	Regional University	23
Inactive	18,046	Comprehensive University	3
Total	161,960	Career Tech	30
		Other - Agencies	18
		Total	606

*Pg. 8 2013 Actuarial

FINANCIAL SUMMARY – Period Ended June 30, 2013

Actuarial Information – Year Ended June 30, 2013	Financial Information – Year Ended June 30, 2013																																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Assets</td> <td style="text-align: center;">\$11,810 million</td> </tr> <tr> <td style="text-align: center;">Unfunded Liability</td> <td style="text-align: center;">8,112 million</td> </tr> <tr> <td style="text-align: center;">Funded Ratio</td> <td style="text-align: center;">57.2%</td> </tr> <tr> <td style="text-align: center;">Funding Period (years)</td> <td style="text-align: center;">17</td> </tr> </table>	Assets	\$11,810 million	Unfunded Liability	8,112 million	Funded Ratio	57.2%	Funding Period (years)	17	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Revenues</th> <th style="text-align: center;">Annual</th> <th style="text-align: center;">Percent</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Member Contributions</td> <td style="text-align: right;">290,044,395</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="padding-left: 20px;">Matching Funds</td> <td style="text-align: right;">26,995,423</td> <td style="text-align: center;">1%</td> </tr> <tr> <td style="padding-left: 20px;">State Contributions</td> <td style="text-align: right;">300,509,886</td> <td style="text-align: center;">11%</td> </tr> <tr> <td style="padding-left: 20px;">Employer Contributions</td> <td style="text-align: right;">373,789,020</td> <td style="text-align: center;">13%</td> </tr> <tr> <td style="padding-left: 20px;">Investment Earnings</td> <td style="text-align: right;">1,777,593,224</td> <td style="text-align: center;">64%</td> </tr> <tr style="background-color: #cccccc;"> <td style="padding-left: 20px;">Total Earnings</td> <td style="text-align: right;">2,768,931,948</td> <td></td> </tr> <tr> <th style="text-align: left;">Expenses</th> <th></th> <th></th> </tr> <tr> <td style="padding-left: 20px;">Refunds</td> <td style="text-align: right;">28,894,193</td> <td style="text-align: center;">3%</td> </tr> <tr> <td style="padding-left: 20px;">Benefit Payments</td> <td style="text-align: right;">1,095,144,055</td> <td style="text-align: center;">97%</td> </tr> <tr> <td style="padding-left: 20px;">Administrative</td> <td style="text-align: right;">4,156,867</td> <td style="text-align: center;">0%</td> </tr> <tr style="background-color: #cccccc;"> <td style="padding-left: 20px;">Total Expenditures</td> <td style="text-align: right;">1,128,195,115</td> <td></td> </tr> </tbody> </table>	Revenues	Annual	Percent	Member Contributions	290,044,395	10%	Matching Funds	26,995,423	1%	State Contributions	300,509,886	11%	Employer Contributions	373,789,020	13%	Investment Earnings	1,777,593,224	64%	Total Earnings	2,768,931,948		Expenses			Refunds	28,894,193	3%	Benefit Payments	1,095,144,055	97%	Administrative	4,156,867	0%	Total Expenditures	1,128,195,115	
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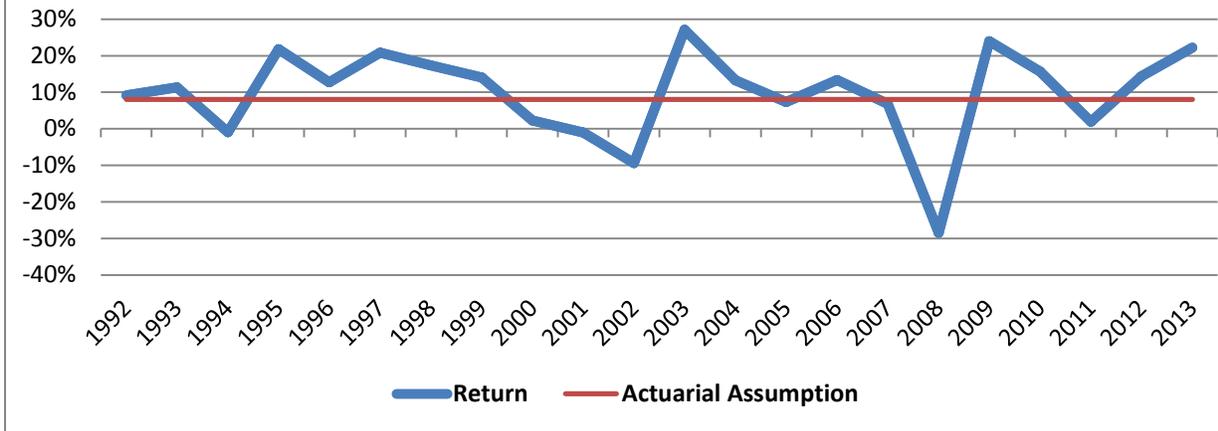
*Pg. 8 2013 Actuarial

*Source: 2013 CAFR

INVESTMENT INFORMATION – Calendar Year Ended December 31, 2013

Period	1 Year	3 Year	5 Year	10 Year	Inception
Performance	24.02%	12.80%	15.76%	8.62%	9.84%
Assumption	8%	8%	8%	8%	8%
Over/(Under)	16.02%	4.80%	7.76%	0.62%	1.84%
Market Value of Assets as of 12/31/2013				\$13.2 billion	

Historical Annualized Returns - Calendar Years Ended December 31st



ASSET ALLOCATION – YEAR ENDED JUNE 30, 2013

	Current Allocation	New Target Allocation	Difference
Domestic Equity	45.80%	40.00%	5.80%
International Equity	14.53%	17.50%	-2.97%
Core Fixed Income	19.77%	17.50%	2.27%
Opportunistic Assets	1.21%	0.00%	1.21%
High Yield Fixed Income	5.15%	6.00%	-0.85%
Real Estate	4.36%	7.00%	-2.64%
Private Equity	2.08%	5.00%	-2.92%
MLPs	6.33%	7.00%	-0.67%
Cash	0.76%	0.00%	0.76%
Total	100.00%	100.00%	0.00%

*Gregory Group August Report

INVESTMENT FEES –Calendar Year Ended December 31, 2013

Manager Fees	\$39.17 million	30 basis points
Investment Consultant	\$702,000	<1 basis point
Private Equity Consultant	\$2.99 million	2 basis points

*Does not include AEW, Heitman, L&B, and PIMCO

MEETING MINUTES
APRIL 16, 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 James Dickson, Chairman, at 9:07 a.m., in the Administration Board Room, 5th Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda were posted in accordance with 25 O.S. Section 311(A)(11).

TRUSTEES PRESENT:

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

TRUSTEES ABSENT:

none

TRS STAFF PRESENT:

Tom Spencer, *Interim Executive Director*
Julie Ezell, *General Counsel*
Dixie Moody, *Director of Client Services*
Riley Shaul, *Comptroller*
Kim Bold, *Director of Human Resources*
Debra Plog, *Manager of Employer Reporting*
Melissa Kempkes, *Investment Analyst*
Susan Yingling, *Executive Assistant*

OTHERS PRESENT:

Wayne Maxwell, *RPOE*

*Denotes late arrival or early departure.

ITEM 1 - ROLL CALL FOR QUORUM: Chairman Dickson called the Board meeting to order at 9:07 a.m. and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 2 – MEETING MINUTES: A motion was made by Mr. Florence with a second made by Mr. Peacher to approve the March 26, 2014 Board meeting minutes as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 3 -INVESTMENT CONSULTANT MONTHLY REPORT: Investment Consultants to the Board, Greg Weaver and Tony Kay of Gregory W. Group, gave their monthly report to the Board. No action was necessary.

ITEM 4 - PRESENTATION BY INVESTMENT MANAGER(S): Investment Managers, Cove Street Capital and MacKay Shields gave their respective reports to the Board. No action was necessary.

ITEM 5- MANAGER STATUS SUMMARY REPORT – Investment Consultants to the Board, Greg Weaver and Tony Kay of Gregory W. Group, gave the Board their Manager Status Summary Report. No action was necessary.

A break was taken from 10:45 a.m. to 10:57 a.m.

ITEM 6 - INVESTMENT COMMITTEE REPORT: Chairman James Dickson presented the Investment Committee report from the April 15, 2014 meeting. Chairman Dickson advised the Board that the Investment Committee had one motion for consideration and the motion was discussed.

A motion was made by Mr. Gaddis with a second made by Mr. Oster to table the motion from the Investment Committee until later in the meeting when the updated information from L & B Realty could be obtained. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 7 – COMMITTEE REPORTS: Dr. Gary Trennepohl, Chairman of the Governance Committee, told the Board there was no report this month from the committee. No action was necessary.

Mr. Stewart Meyers, Chairman of the Audit Committee, presented his report to the Board. He said that the internal audit contract with Stinnett & Associates was progressing. He said that Client Services and the Alice system would be the next on the audit plan. After some discussion, no action was necessary.

Dr. Trennepohl, Chairman of the Executive Director Search Committee, said the committee had received two responses to the Request for Proposals regarding executive search firms. Dr. Trennepohl said the committee had reviewed both proposals, one from Hudepohl & Associates and the other from EFL Associates. He said that after careful evaluation of both proposals, the committee decided to recommend Hudepohl & Associates. A motion was made by Dr. Trennepohl with a second made by Mr. Florence to hire Hudepohl & Associates as the executive director search firm. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

A break for lunch was taken from 11:45 a.m. to 12:09 p.m.

ITEM 8 – AGENCY REPORTS: Melissa Kempkes, Investment Analyst, 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.

Kim Bold, HR Director, gave her report to the Board. No action was necessary.

Riley Shaull, Comptroller, gave his report to the Board. No action was necessary.

Dixie Moody, Director of Client Services, presented her report to the Board. After a brief discussion, a motion was made by Dr. Winters with a second made by Mr. Oster to approve the client services report as presented. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Mr. Peacher, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

Julie Ezell, General Counsel, gave her report to the Board. No action was necessary.

Tom Spencer, Interim Executive Director, gave his report to the Board. No action was necessary.

ITEM 6 – The Board reviewed the updated information from L&B Realty regarding their proposed fee schedule.

Mr. Peacher left at 1:12 p.m.

After a lengthy discussion, a motion was made by Mr. Oster with a second made by Mr. Gaddis to amend the motion from the Investment Committee meeting to accept the updated terms on the Schedule C- Fees Asset by Asset Approach proposal. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson.

ITEM 9 – QUESTIONS AND COMMENTS FROM TRUSTEES: There were no questions or comments from the Trustees.

ITEM 10 - NEW BUSINESS: There was no new business from the Board.

ITEM 11 – ADJOURNMENT: There being no further business, a motion was made by Dr. Winters with a second made by Mr. Oster to adjourn the meeting. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Florence, Mr. Gaddis, Ms. Geiger, Ms. Kerr, Dr. Lewis, Mr. Meyers, Mr. Oster, Ms. Stephenson, Dr. Trennepohl, Dr. Winters, and Chairman Dickson. The meeting was adjourned at 1:15 p.m.

BOARD OF TRUSTEES, TEACHERS’ RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
James Dickson, Chairman

ATTEST:

BY: _____
Beth Kerr, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers’ Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on May 21, 2014.

BY: _____
Susan Yingling, Executive Assistant to the Executive Director

April 2014 - Market Performance Update

Mixed Returns During April

Equity Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	0.9	14.4	11.9	18.3
NASDAQ (prc chg only)	-2.0	23.6	12.7	19.1
S&P 500 cap weighted	0.7	20.4	13.8	19.1
S&P 500 equal weighted	0.4	23.1	14.3	22.4
S&P Mid Cap	-1.6	18.6	11.8	21.1
S&P Small Cap	-2.8	24.6	13.9	21.5
S&P REIT	3.4	0.9	9.8	22.7
Alerian MLP	4.3	12.1	13.9	25.7
Russell 1000 Growth	0.0	20.7	13.4	19.5
Russell 1000 Value	1.0	20.9	14.2	19.5
Russell Mid Cap Growth	-1.5	20.6	11.6	21.1
Russell Mid Cap Value	0.4	22.1	14.4	22.6
Russell 2000 Growth	-5.1	21.5	10.3	20.5
Russell 2000 Value	-2.6	19.6	11.2	19.1
Russell Top 200	0.9	20.6	14.1	18.6
Russell 1000	0.5	20.8	13.8	19.5
Russell Mid Cap	-0.6	21.3	13.1	21.9
Russell 2500	-2.3	20.8	12.0	21.2
Russell 2000	-3.9	20.5	10.7	19.8
MSCI World Ex US	1.6	13.1	5.0	13.5
MSCI World Ex US Growth	0.9	11.0	4.4	13.6
MSCI World Ex US Value	2.3	15.3	5.5	13.3
MSCI EAFE	1.5	13.4	5.7	13.6
MSCI Emerging Markets	0.3	-1.8	-3.7	11.1

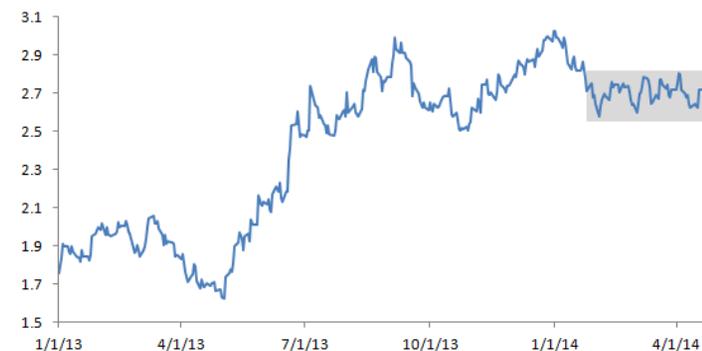
The instability in Ukraine plus uncertain economics kept investors on their toes during April. Share price volatility remained elevated as first quarter earnings reporting season grabbed headlines. Slowing growth in China's economy also worried investors. The domestic equity market was mixed. International equities provided positive returns. Developed markets outperformed emerging markets.

Domestic stock index returns varied widely during the month. Larger was definitely better while value outperformed growth. High momentum stocks, which led the market during 2013, suffered punishing losses.

Long dated Treasuries outperformed the core bond market again during April. Investors remained interested in long-term Treasury bonds due to heightened uncertainty in equity markets and international economics. Short term interest rates remain locked near zero.

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	2.0	-6.0	8.4	6.4
BC US Agg	0.8	-0.3	3.6	4.9

10-Year Treasury Yield (%): 2013 - 2014



S&P 500 Current Sector Weightings (%)



Manager Profile - Frontier Capital Management



Asset Class:	Small Cap Value Equity
Status:	In Compliance
Portfolio Size:	\$157,138,449
Inception Date:	6/1/2013
Location:	Boston, Massachusetts
Structure:	Affiliate of AMG, remainder employee owned
Portfolio Management Team:	Thomas (T.J.) W. Duncan, Jr

Notes:

Frontier Capital Management Company, LLC is a Boston-based investment management firm. Founded in 1980, the firm manages \$13.3 billion in client assets in small, small/mid, mid and all cap U.S. equity strategies. Nearly all of the assets at Frontier are managed for institutional clients. They do not manage any hedge funds or proprietary mutual funds.

Represented by:	Thomas (T.J.) W. Duncan, Jr Christopher W. Premock
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Total Firm AUM: \$13.3 Billion Small Cap AUM: \$1.9 Billion
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Return Profile	Since Inception	Last 5 Years	Last 3 Years	Last Year	Last Quarter	Last Month
Frontier	17.5	-	-	-	5.1	-1.5
Russell 2000 Value	16.1	19.1	11.2	19.6	3.2	-2.6

Risk Characteristics	Number of Holdings	Average Mkt Cap	Dividend Yield	P/E Ratio	P/B Ratio
Frontier	79	2100	1.1%	17.4	2.1
Russell 2000 Value	-	1270	2.2%	17.8	1.5

Manager Profile - Geneva Capital Management



Asset Class:	Small Cap Growth Equity
Status:	In Compliance
Portfolio Size:	\$181,793,146
Inception Date:	6/1/2013
Location:	Milwaukee, Wisconsin
Structure:	100% employee owned
Portfolio Management Team:	Amy S. Croen William A. Priebe Michelle J. Picard W. Scott Priebe
Represented by:	Michelle J. Picard Amy S. Croen

Notes:

Geneva Capital Management Ltd. is an investment advisory firm offering portfolio management services to institutions and high-net worth individuals. Founded more than 25 years ago Geneva is 100% employee owned and is located in Milwaukee, Wisconsin. Geneva specializes in Midcap and Smallcap Growth equity investments.

Total Firm AUM: \$6.3 Billion
Total Small Cap AUM: \$1.1 Billion

Return Profile		Since Inception		Last 5 Years		Last 3 Years		Last Year		Last Quarter		Last Month
Geneva		14.2		-		-		-		-6.1		-4.8
	Russell 2000 Growth	15.6		20.5		10.3		21.5		-3.0		-5.1
Risk Characteristics		Number of Holdings		Average Mkt Cap		Dividend Yield		P/E Ratio		P/B Ratio		
Geneva		53		2700		0.4%		32.3		4.0		
	Russell 2000 Growth	-		1622		0.7%		32.6		3.7		

Monthly Asset Allocation Review



Asset Class	Total Market Value	Current Percentage	New Target Percentage	Difference	Notes
All Cap/Large Cap	2,845,937,023	21.0%	17.0%	4.0%	Excess allocation bound for Private Equity and Real Estate
Mid Cap	1,945,328,689	14.3%	13.0%	1.3%	
Small Cap	1,381,303,322	10.2%	10.0%	0.2%	
Total Domestic Equity	6,172,569,034	45.4%	40.0%	5.4%	
Large Cap International Equity	1,453,864,754	10.7%	11.5%	-0.8%	
Small Cap International Equity	834,193,335	6.1%	6.0%	0.1%	
Total International Equity	2,288,058,089	16.8%	17.5%	-0.7%	
Core Fixed Income	2,072,940,907	15.3%	17.5%	-2.2%	
High Yield Bonds	767,362,720	5.7%	6.0%	-0.3%	Two searches underway
MLPs	1,077,157,799	7.9%	7.0%	0.9%	
Private Equity	345,007,380	2.5%	5.0%	-2.5%	
Real Estate	576,546,442	4.2%	7.0%	-2.8%	
Opportunistic Assets	175,862,221	1.3%	0.0%	1.3%	
Total Non-Core Assets	2,941,936,562	21.7%	25.0%	-3.3%	
Cash	105,492,168	0.8%	0.0%	0.8%	
Composite	13,581,061,534	100.0%	100.0%	0.0%	

Total Fund + Class Composite Summary

As of April 30, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Total Fund (Gross of Fees)	13,581,061,534	12/1/1991	22.4	9.8	8.8	16.2	11.3	16.5	17.2	4.9	0.5
Total Fund (Net of Fees)				9.4	8.4	15.8	10.9	16.1	16.8	4.8	0.4
<i>Allocation Index</i>				9.5	7.6	14.8	9.5	12.6	13.7	3.9	0.3
<i>Actuarial Assumption</i>				8.0	8.0	8.0	8.0	8.0	6.6	1.9	0.6
Total Domestic Equity	6,172,569,034 45.4%	4/1/1990	24.1	11.0	9.1	20.4	13.6	24.6	21.3	5.3	-0.5
<i>S&P 500</i>				9.7	7.7	19.1	13.8	20.4	19.3	6.2	0.7
Total All Cap Equity	886,946,547 6.5%	9/1/2006	7.7	7.3	-	18.7	11.8	20.0	17.3	5.5	-0.6
<i>Russell 3000</i>				7.5	-	19.5	13.5	20.8	19.5	5.4	0.1
Total Large Cap Active Equity	1,078,084,387 7.9%	1/1/1995	19.3	10.6	8.0	19.8	16.8	24.3	22.4	7.2	0.5
<i>S&P 500</i>				9.6	7.7	19.1	13.8	20.4	19.3	6.2	0.7
Total Mid Cap Equity	1,945,328,689 14.3%	11/1/1998	15.5	10.6	11.4	23.1	13.8	27.6	23.3	5.4	-1.0
<i>Russell Mid Cap</i>				9.8	10.4	21.9	13.1	21.3	20.2	5.0	-0.6
Total Small Cap Equity	1,381,303,322 10.2%	2/1/1998	16.3	9.6	9.5	19.7	11.0	28.0	21.5	2.7	-1.3
<i>Russell 2000</i>				7.5	8.7	19.8	10.7	20.5	16.5	0.0	-3.9
Total International Equity	2,288,058,089 16.8%	2/1/1998	16.3	9.3	7.7	13.9	5.8	13.1	17.6	3.5	-0.2
<i>MSCI ACWI ex-US</i>				-	8.1	13.4	3.4	10.2	17.8	6.9	1.4
Core Fixed Income (ex- High Yield)	2,072,940,907 15.3%	4/1/1990	24.1	7.3	6.7	8.1	6.8	1.0	5.9	2.8	1.1
<i>Barclays Aggregate</i>				-	4.8	4.9	3.6	-0.3	3.1	1.2	0.8
Master Limited Partnerships	1,077,157,799 7.9%	2/28/2011	3.2	21.8	-	-	21.5	26.1	23.1	10.4	3.6
<i>Alerian MLP Index</i>				14.9	-	-	13.9	12.1	11.0	5.6	4.3
High Yield Bonds	767,362,720 5.7%	2/1/2009	5.2	16.0	-	15.0	8.5	6.4	10.0	3.4	0.8
<i>ML High Yield II</i>				17.3	-	15.8	8.4	6.3	9.8	2.9	0.7
Core Real Estate	576,546,442 4.2%	4/1/2011	3.1	-	-	-	-	-	-	-	-
<i>NCREIF</i>				-	-	-	-	-	-	-	-
Cash	105,492,168 0.8%	4/1/1990	24.1	-	-	-	-	-	-	-	-
<i>91 Day T-bill</i>				-	1.6	0.1	0.1	0.1	0.0	0.0	0.0



Equity Portfolios Summary

As of April 30, 2014

	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
All Cap / Large Cap Domestic												
Hotchkis & Wiley Large Cap	569,914,399	4/1/1990	24.1	11.3	7.8	23.1	17.2	27.2	23.6	9.8	0.7	
Russell 1000 Value	4.2%			10.3	8.0	19.5	14.2	20.9	18.9	7.8	1.0	
Sawgrass	508,169,988	7/1/2006	7.8	8.7	-	19.2	15.8	21.2	21.0	4.4	0.2	
Russell 1000 Growth	3.7%			8.8	-	19.5	13.4	20.7	20.7	4.1	0.0	
ARI All Cap	444,338,813	9/1/2006	7.7	6.5	-	18.4	11.9	19.3	16.5	6.1	-0.2	
Russell 3000 Value	3.3%			7.5	-	19.5	13.5	20.8	19.5	5.4	0.1	
EPOCH All Cap	442,607,735	9/1/2006	7.7	7.9	-	18.9	11.7	20.7	18.1	4.9	-0.9	
Russell 3000 Value	3.3%			7.5	-	19.5	13.5	20.8	19.5	5.4	0.1	
Passive Domestic Equity												
NT Cap Weighted Passive	429,296,130	4/1/2012	2.1	17.9	-	-	-	20.1	19.0	6.3	0.8	
S&P 500 Cap Weighted	3.2%			17.5	7.7	19.1	13.8	20.4	19.3	6.2	0.7	
SSGA Eq Weighted Passive	451,609,958	4/1/2012	2.1	21.1	-	-	-	23.0	21.0	6.6	0.5	
S&P 500 Equal Weighted	3.3%			-	10.1	22.4	14.3	23.1	-	6.5	0.4	
Mid Cap Domestic Equity												
Frontier Capital	491,876,209	6/1/2002	11.9	10.6	11.6	19.9	12.1	22.5	21.8	3.0	-2.2	
Russell Mid Cap Growth	3.6%			9.4	9.6	21.1	11.6	20.6	19.0	2.8	-1.5	
Wellington Management	450,638,008	9/1/1998	15.7	10.9	10.3	20.6	9.1	32.8	25.9	4.3	-0.9	
Russell Mid Cap Growth	3.3%			9.0	9.6	21.1	11.6	20.6	19.0	2.8	-1.5	
AJO Partners	507,868,871	8/1/1998	15.8	11.3	11.1	23.3	15.3	26.9	24.0	6.0	-0.3	
Russell MidCap	3.7%			9.4	10.4	21.9	13.1	21.3	20.2	5.0	-0.6	
Hotchkis & Wiley Mid Cap	494,945,601	8/1/2002	11.8	14.9	12.1	29.0	18.7	28.6	21.9	8.3	-0.7	
Russell MidCap Value	3.6%			12.0	10.8	22.6	14.4	22.1	21.5	7.5	0.4	
Small Cap Domestic Equity												
Shapiro Capital Management	652,715,975	2/1/1998	16.3	11.0	12.9	24.7	14.9	35.1	28.2	5.6	0.8	
Russell 2000	4.8%			-	8.7	19.8	10.7	20.5	16.5	0.0	-3.9	
Geneva Capital	181,793,146	6/1/2013	0.9	14.2	-	-	-	-	14.0	-6.1	-4.8	
Russell 2000 Growth	1.3%			15.6	-	-	-	21.5	16.3	-3.0	-5.1	
Wasatch Advisors	178,359,938	6/1/2013	0.9	10.4	-	-	-	-	13.1	2.0	-2.7	
Russell 2000 Growth	1.3%			15.6	-	-	-	21.5	16.3	-3.0	-5.1	
Cove Street Capital	102,177,968	6/1/2013	0.9	12.8	-	-	-	-	14.4	0.4	-3.1	
Russell 2000 Value	0.8%			16.1	-	-	-	19.6	16.6	-2.6	-0.8	
Frontier Capital	157,138,449	6/1/2013	0.9	17.5	-	-	-	-	22.0	5.1	-1.5	
Russell 2000 Value	1.2%			16.1	-	-	-	19.6	16.6	-2.6	-0.8	
Neumeier Poma	109,117,846	6/1/2013	0.9	18.1	-	-	-	-	17.3	1.6	-3.6	
Russell 2000 Value	0.8%			16.1	-	-	-	19.6	16.6	-2.6	-0.8	
International Large Cap Equity												
Causeway Capital	545,687,717	5/1/2003	11.0	11.1	8.2	15.8	6.5	15.7	19.2	5.7	0.6	
MSCI ACWI Ex US	4.0%			10.3	7.6	12.9	3.0	9.8	17.5	6.7	1.3	
International Transition Account	7,901	-	-	-	-	-	-	-	-	-	-	
MSCI ACWI Ex US	0.0%			-	-	-	-	-	-	-	-	
Northern Trust Passive	435,584,179	9/1/2013	0.7	8.7	-	-	-	-	-	6.7	1.5	
MSCI EAFE	3.2%			15.9	6.9	13.6	5.7	13.4	20.4	6.4	1.5	
Thornburg	472,578,319	12/1/2005	8.4	6.8	-	12.5	1.3	5.5	10.5	2.5	0.2	
MSCI ACWI Ex US	3.5%			5.5	7.6	12.9	3.0	9.8	17.5	6.7	1.3	
International Small Cap Equity												
ARI Small Cap International	213,651,147	12/1/2011	2.4	20.8	-	-	-	19.9	23.1	6.4	0.7	
MSCI EAFE Small Cap	1.6%			20.2	8.8	18.1	7.3	18.0	25.4	4.1	-0.8	
Epoch Small Cap International	213,898,953	12/1/2011	2.4	20.2	-	-	-	22.2	26.3	4.7	-1.7	
MSCI EAFE Small Cap	1.6%			20.2	8.8	18.1	7.3	18.0	25.4	4.1	-0.8	
Wasatch Small Cap International	195,772,598	12/1/2011	2.4	23.7	-	-	-	7.5	13.5	0.8	-1.6	
MSCI EAFE Small Cap	1.4%			20.2	8.8	18.1	7.3	18.0	25.4	4.1	-0.8	
Wellington Small Cap International	210,870,638	12/1/2011	2.4	25.1	-	-	-	19.7	23.5	2.0	-1.6	
MSCI EAFE Small Cap	1.6%			20.2	8.8	18.1	7.3	18.0	25.4	4.1	-0.8	

Fixed Income Portfolios Summary

As of April 30, 2014



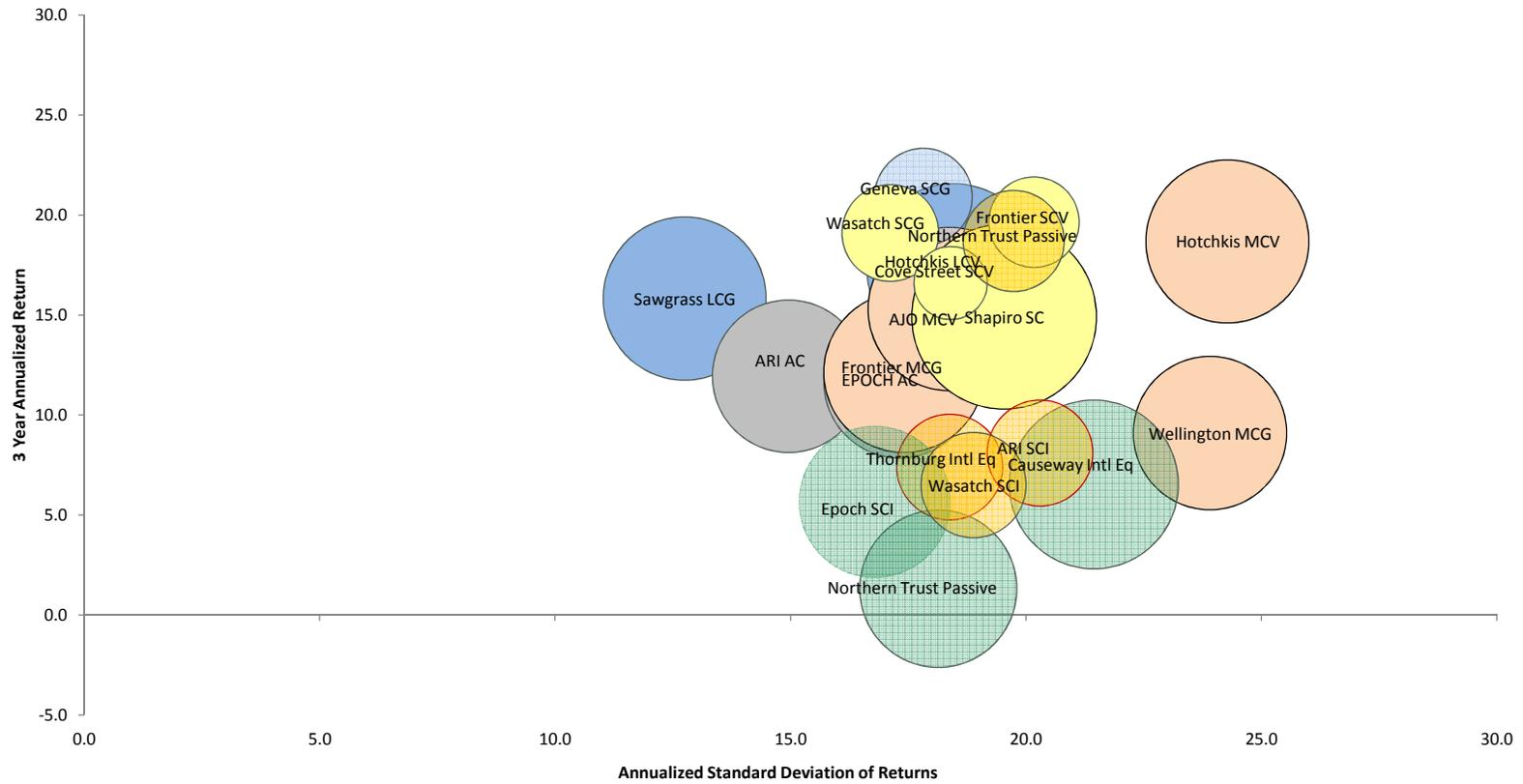
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month	
Core Fixed Income												
Loomis Sayles	603,573,269	8/1/1999	14.8	7.2	7.9	10.3	7.0	2.0	7.3	3.4	1.1	
<i>Barclays Aggregate</i>	4.4%			5.6	4.8	4.9	3.6	-0.3	3.1	1.2	0.8	
Lord Abbett	593,722,849	11/1/2004	9.5	6.2	-	7.8	5.6	1.0	4.8	2.1	1.0	
<i>Barclays Aggregate</i>	4.4%			4.6	-	4.9	3.6	-0.3	3.1	1.2	0.8	
Mackay Shields	600,696,123	11/1/2004	9.5	6.5	-	8.3	6.2	2.1	5.5	2.0	0.7	
<i>Barclays Aggregate</i>	4.4%			4.6	-	4.9	3.6	-0.3	3.1	1.2	0.8	
Active Duration Fixed Income												
Hoisington	274,948,666	11/1/2004	9.5	7.7	-	7.3	11.0	-7.6	4.3	4.7	2.5	
<i>Barclays Aggregate</i>	2.0%			4.6	-	4.9	3.6	-0.3	3.1	1.2	0.8	
High Yield Fixed Income												
Loomis Sayles High Yield	254,949,432	2/1/2009	5.2	16.1	-	14.8	6.9	4.5	9.5	3.9	0.8	
<i>Merrill Lynch High Yield II</i>	1.9%			17.3	-	15.8	8.4	6.3	9.8	2.9	0.7	
Lord Abbett High Yield	256,381,987	2/1/2009	5.2	17.0	-	16.3	9.8	8.2	11.4	3.5	0.9	
<i>Merrill Lynch High Yield II</i>	1.9%			17.3	-	15.8	8.4	6.3	9.8	2.9	0.7	
Mackay Shields High Yield	256,031,301	2/1/2009	5.2	15.0	-	13.7	8.8	6.4	9.0	2.9	0.6	
<i>Merrill Lynch High Yield II</i>	1.9%			17.3	-	15.8	8.4	6.3	9.8	2.9	0.7	

Non-Traditional Portfolios Summary

As of April 30, 2014

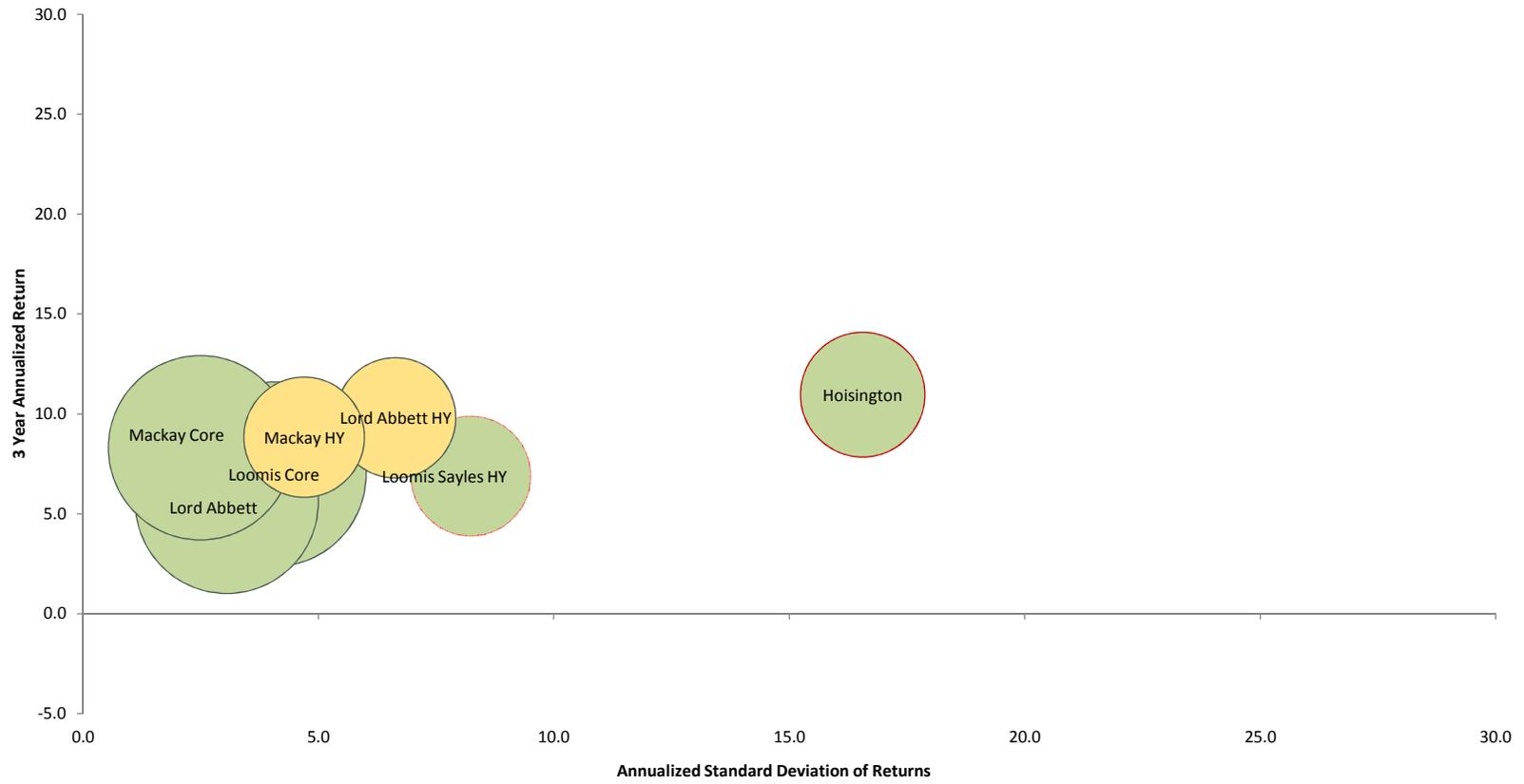
	Market Value	Inception Date	Time Since Inception (Years)	Since Inception	10 Years	5 Years	3 Years	1 Year	Fiscal YTD	Last Quarter	Last Month
Master Limited Partnerships											
Chickasaw Capital MLP	367,298,938	2/28/2011	3.2	29.9	-	-	30.2	35.0	32.3	11.9	4.0
<i>Alerian MLP Index</i>	2.7%			14.9	-	-	13.9	12.1	11.0	5.6	4.3
Cushing MLP Management	361,105,883	2/28/2011	3.2	23.0	-	-	22.6	31.4	27.8	11.5	3.7
<i>Alerian MLP Index</i>	2.7%			14.9	-	-	13.9	12.1	11.0	5.6	4.3
FAMCO MLP	348,752,977	2/28/2011	3.2	15.7	-	-	15.4	16.3	13.5	7.7	3.1
<i>Alerian MLP Index</i>	2.6%			14.9	-	-	13.9	12.1	11.0	5.6	4.3
Private Equity											
Legacy Private Equity Portfolio	69,352,611	10/1/2008	5.6	-	-	-	-	-	-	-	-
Franklin Park Private Equity	275,654,769	4/1/2010	4.1	-	-	-	-	-	-	-	-
	2.5%			-	-	-	-	-	-	-	-
Real Estate											
AEW Real Estate	192,034,573	5/1/2011	3.0	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.4%			-	-	-	-	-	-	-	-
Heitman Real Estate	202,938,892	5/1/2011	3.0	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.5%			-	-	-	-	-	-	-	-
L&B Real Estate	181,572,977	4/1/2011	3.1	-	-	-	-	-	-	-	-
<i>NCREIF - OEDCE</i>	1.3%			-	-	-	-	-	-	-	-
Opportunistic Fixed Income											
PIMCO BRAVO	147,272,472	3/31/2011	3.1	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	1.1%			-	-	-	-	-	-	-	-
PIMCO BRAVO II	28,589,749	3/31/2013	1.1	-	-	-	-	-	-	-	-
<i>Barclays Aggregate</i>	0.2%			-	-	-	-	-	-	-	-

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.



OKLAHOMA TEACHERS RETIREMENT SYSTEM

**executive summary report
first quarter, 2014**



March 2014 - Market Performance Update

Mixed Month for Investors

Equity Total Returns				
Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	0.9	15.7	13.1	19.9
NASDAQ (prc chg only)	-2.5	28.5	14.7	22.4
S&P 500 cap weighted	0.8	21.9	14.7	21.2
S&P 500 equal weighted	0.7	24.6	15.4	26.6
S&P Mid Cap	0.4	21.2	13.4	24.9
S&P Small Cap	0.7	27.8	16.0	26.2
S&P REIT	0.5	4.2	10.6	28.7
Alerian MLP	1.5	8.5	13.5	27.3
Russell 1000 Growth	-1.0	23.2	14.6	21.7
Russell 1000 Value	2.4	21.6	14.8	21.8
Russell Mid Cap Growth	-1.9	24.2	13.5	24.7
Russell Mid Cap Value	1.5	23.0	15.2	26.4
Russell 2000 Growth	-2.5	27.2	13.6	25.2
Russell 2000 Value	1.2	22.7	12.7	23.3
Russell Top 200	1.1	21.9	14.9	20.3
Russell 1000	0.6	22.4	14.8	21.7
Russell Mid Cap	-0.3	23.5	14.4	25.6
Russell 2500	-0.4	24.0	14.0	25.3
Russell 2000	-0.7	24.9	13.2	24.3
MSCI World Ex US	-0.5	16.5	6.3	15.9
MSCI World Ex US Growth	-0.5	13.9	5.9	15.3
MSCI World Ex US Value	-0.5	19.1	6.6	16.4
MSCI EAFE	-0.6	17.6	7.2	16.0
MSCI Emerging Markets	3.1	-1.4	-2.9	14.5

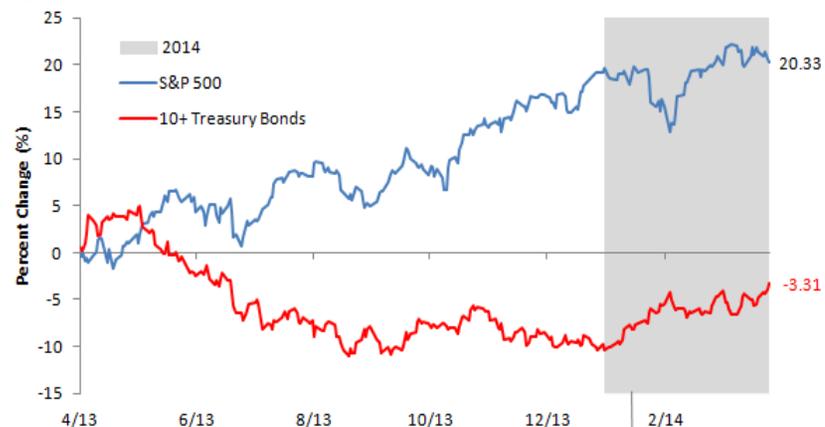
Tension in eastern Europe and Fed Chair Janet Yellen's first press conference were performance drivers during March. Share price volatility rose during the month from reasonably placid levels. Some segments of the domestic equity market suffered losses on the month. International shares were down in U.S. Dollar terms while Emerging Markets rebounded.

Domestic stock index returns were modest for the month. Large cap stocks outperformed mid caps and small caps during March as investors sought stability. Value outperformed growth across the market during the month but trailed over the past year.

Long dated Treasuries outperformed the core bond market during March. Investor interest in long-term Treasury bonds was steady increased due to heightened equity market volatility and international tensions. Short term interest rates stayed near zero.

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	0.7	-4.2	8.3	4.8
BC US Agg	-0.2	-0.1	3.8	4.8

Total Return of Stocks vs Treasuries: Last 12 Months



Trailing Year Total Fund Return

+18.2%

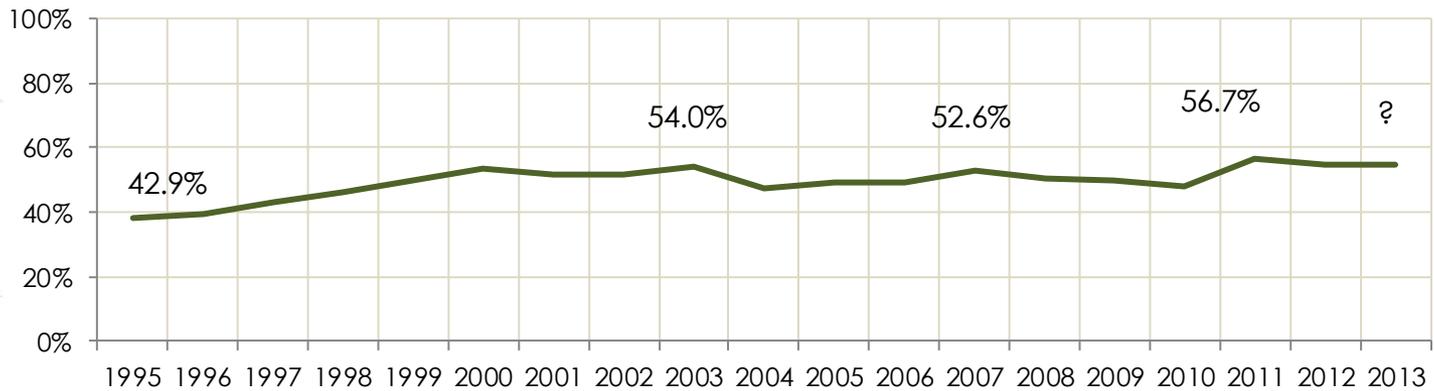
first quarter, 2014

Plan History

Market Value History (\$Billions)



Funded Status History



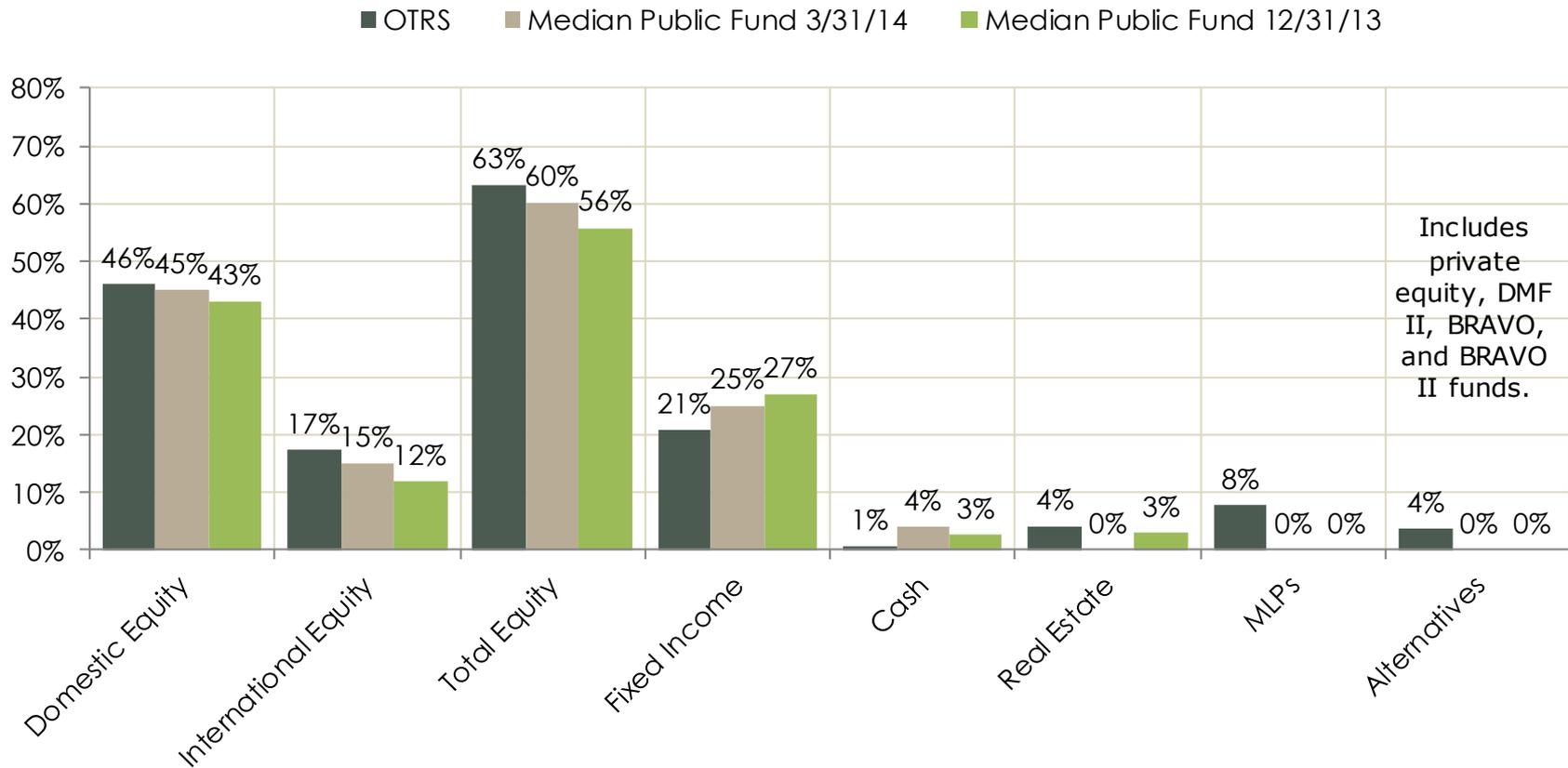
Observations – first quarter, 2014

- **INVESTMENT PERFORMANCE:** Total fund returns were positive during the quarter. The total fund earned a 2.8% return. Domestic equity results were modestly positive. Core and High Yield fixed income results were also positive. The total fund's trailing returns were exceptional. The trailing year return was well above the actuarial assumption, above the allocation index and ranked in the top 1 percent among peer Pension Funds. **The total fund ranked in the top decile of public funds for all observation periods.** The ten year return (+8.5%) ranked in the 4th percentile of all public funds.
- **INVESTMENT MANAGEMENT:** Two large cap index fund portfolios were added in 2012. The new international small cap equity allocation added returns during the quarter. The MLP allocation is performing well above expectation. Five new domestic small cap managers were funded during the second quarter of 2013. An international equity index fund was added during early 2013.
- **ASSET ALLOCATION:** The total fund's aggregate asset allocations are in the process of moving to new long-term targets. No additional allocations were made to the Opportunistic Portfolio although several investments are under consideration. The private equity portfolio called significantly more capital over the past year compared to previous years. The three real estate managers are fully invested, at their previous target level. A full review of real estate options is currently underway.

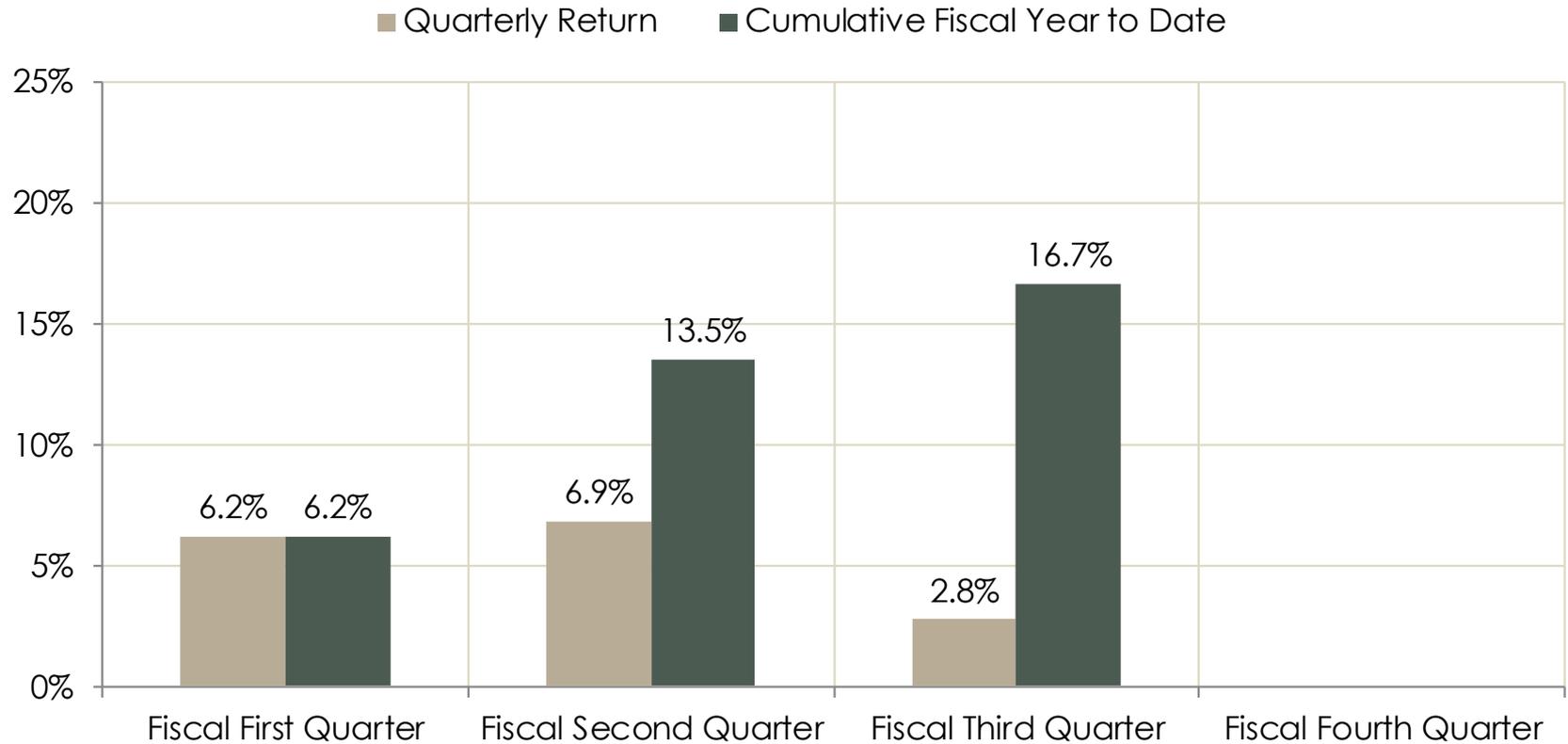
Asset Allocation Summary – Total Fund

	Current Allocation	New Target Allocation	Difference
Domestic Equity	45.94%	40.00%	5.94%
International Equity	17.20%	17.50%	-0.30%
Core Fixed Income	15.13%	17.50%	-2.37%
Opportunistic Assets	1.29%	0.00%	1.29%
High Yield Fixed Income	5.62%	6.00%	-0.38%
Real Estate	4.16%	7.00%	-2.84%
Private Equity	2.42%	5.00%	-2.58%
MLPs	7.67%	7.00%	0.67%
Cash	0.56%	0.00%	0.56%
Total	100.00%	100.00%	0.00%

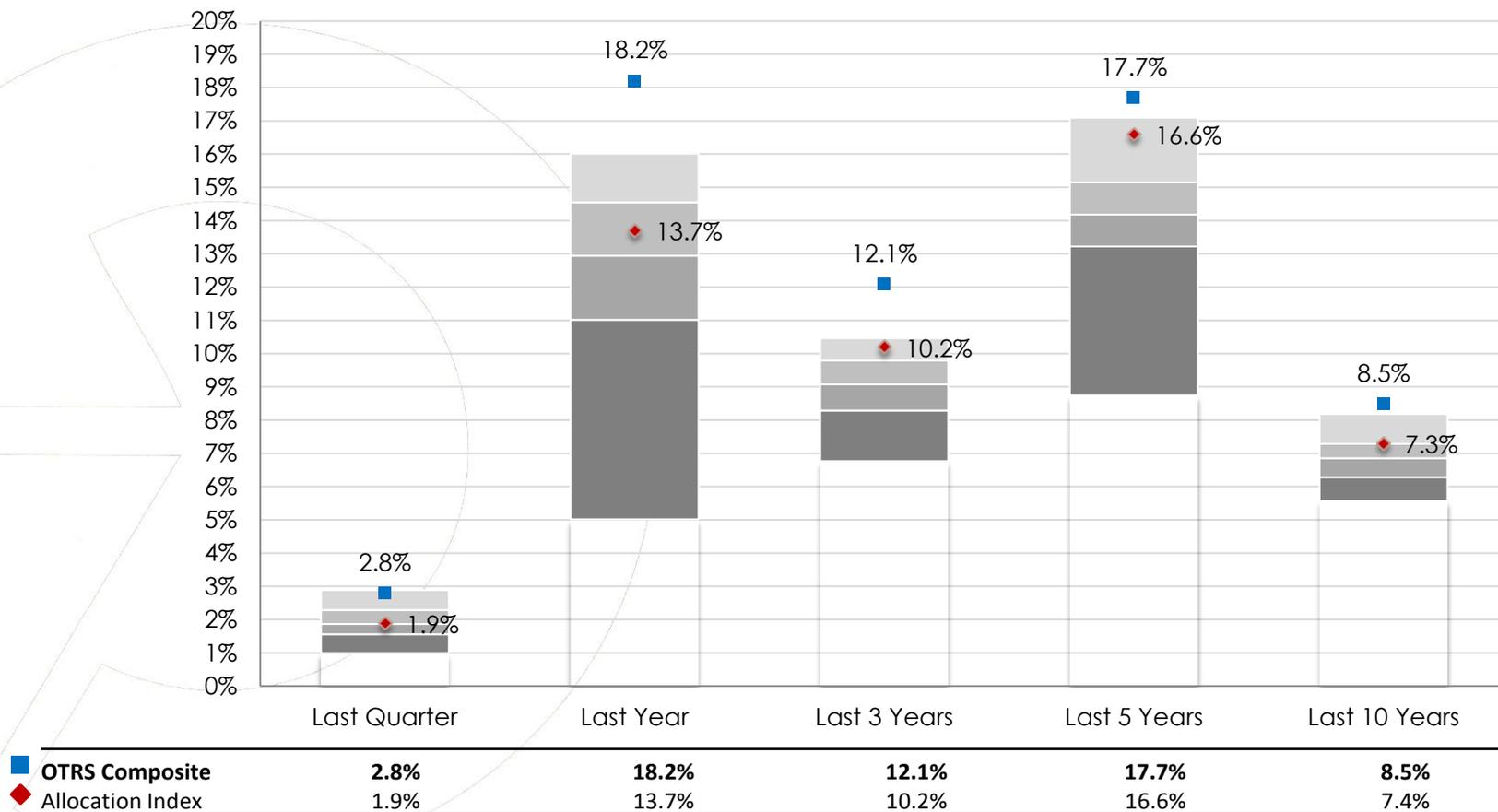
Total Fund Allocation vs. Median Public Fund



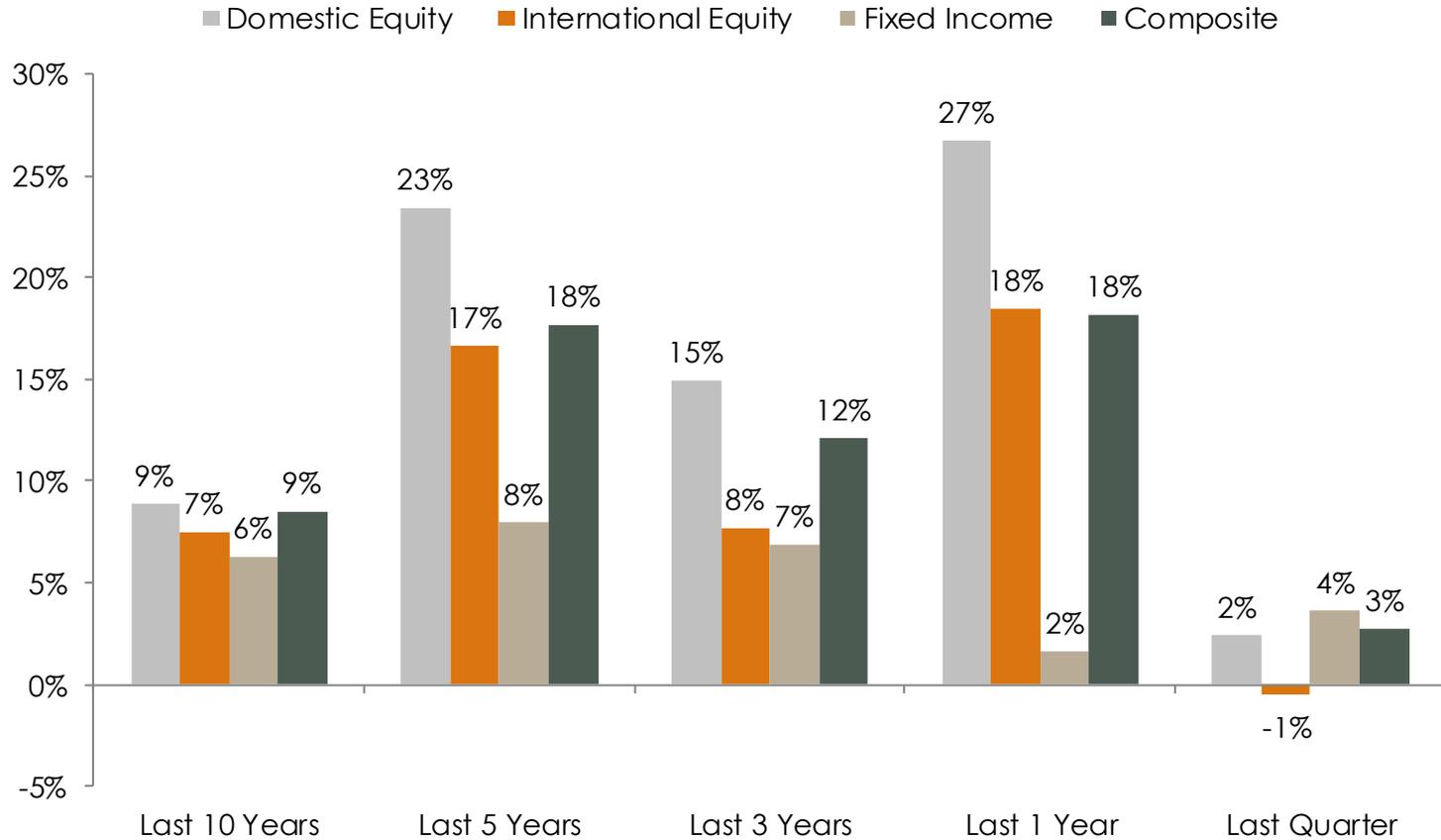
Composite Performance Summary as of **March 31, 2014**



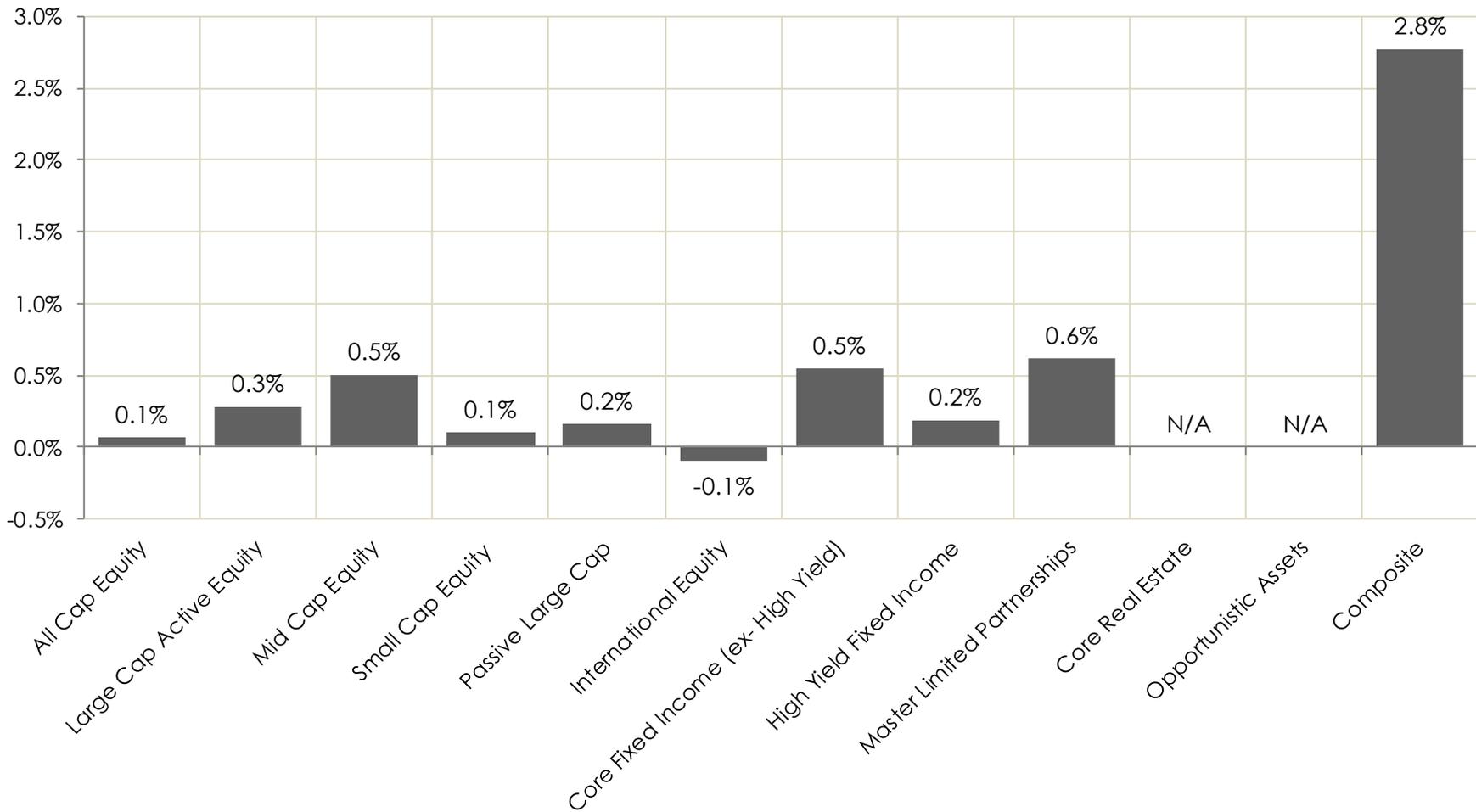
Total Fund vs. Public Fund Peer Universe



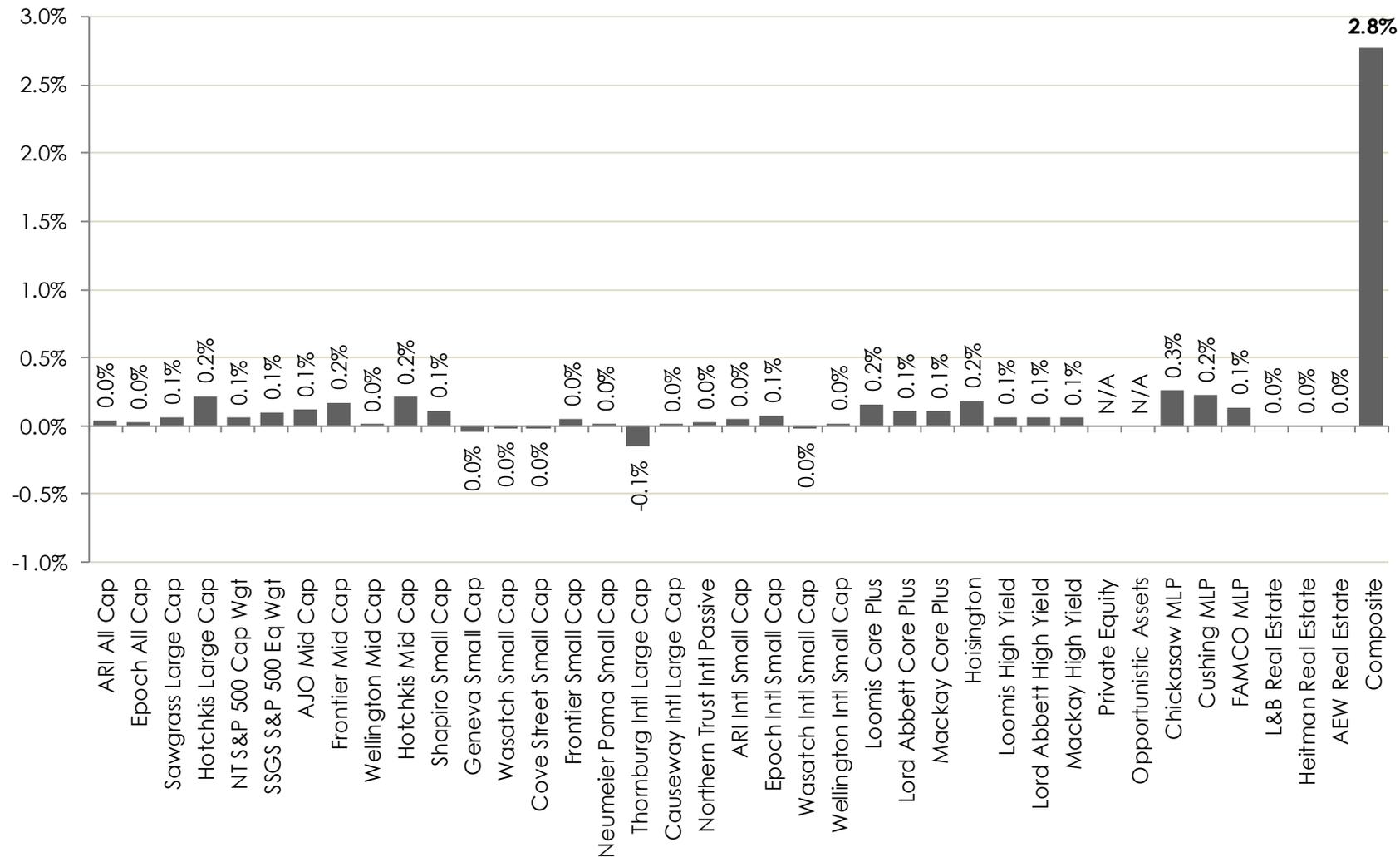
Composite Performance Summary as of March 31, 2014



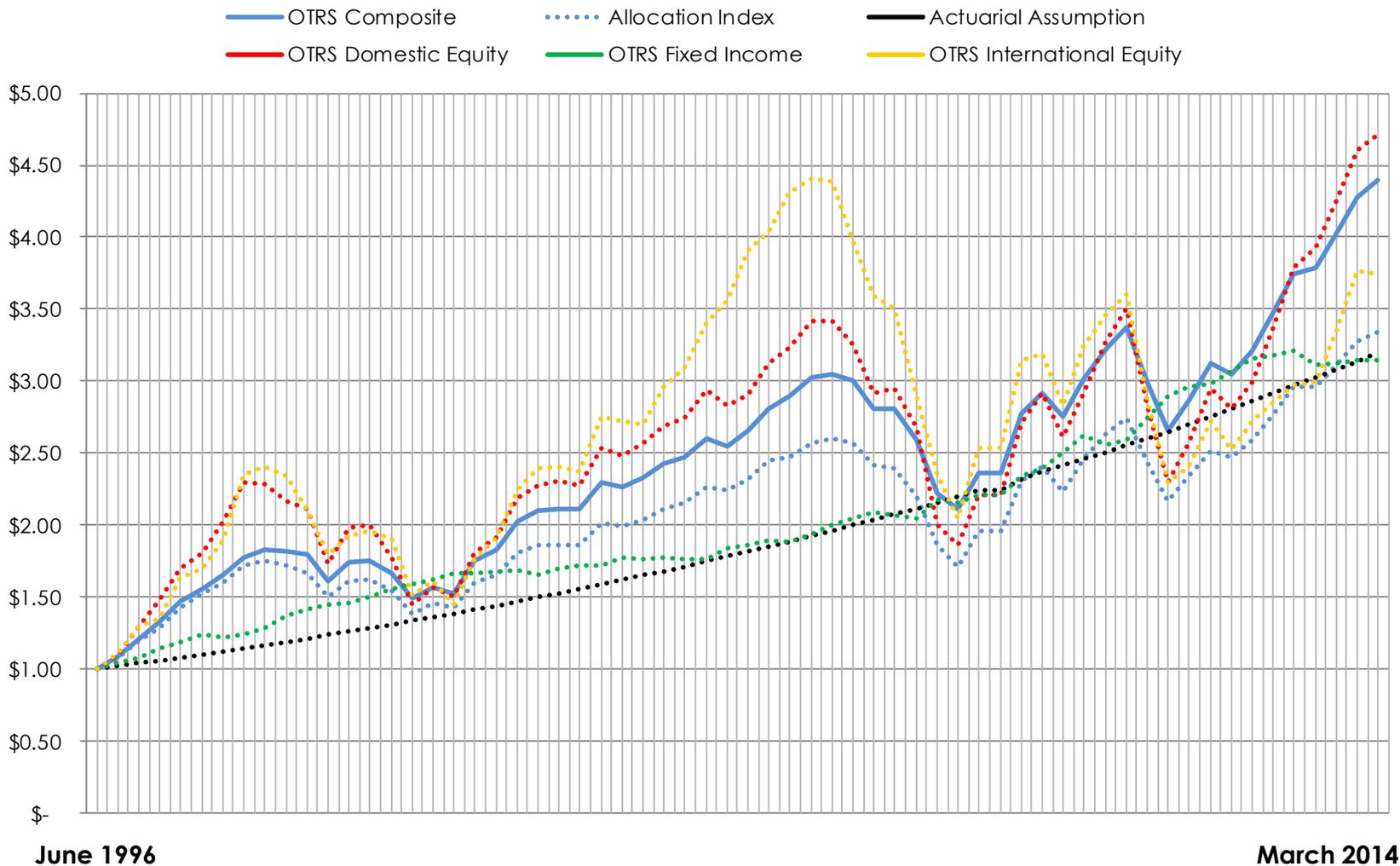
Composition of Quarterly Return by Asset Class



Composition of Quarterly Return by Portfolio



Growth of a Dollar Over Time: Period Ended March 31, 2014



Performance – Total Fund

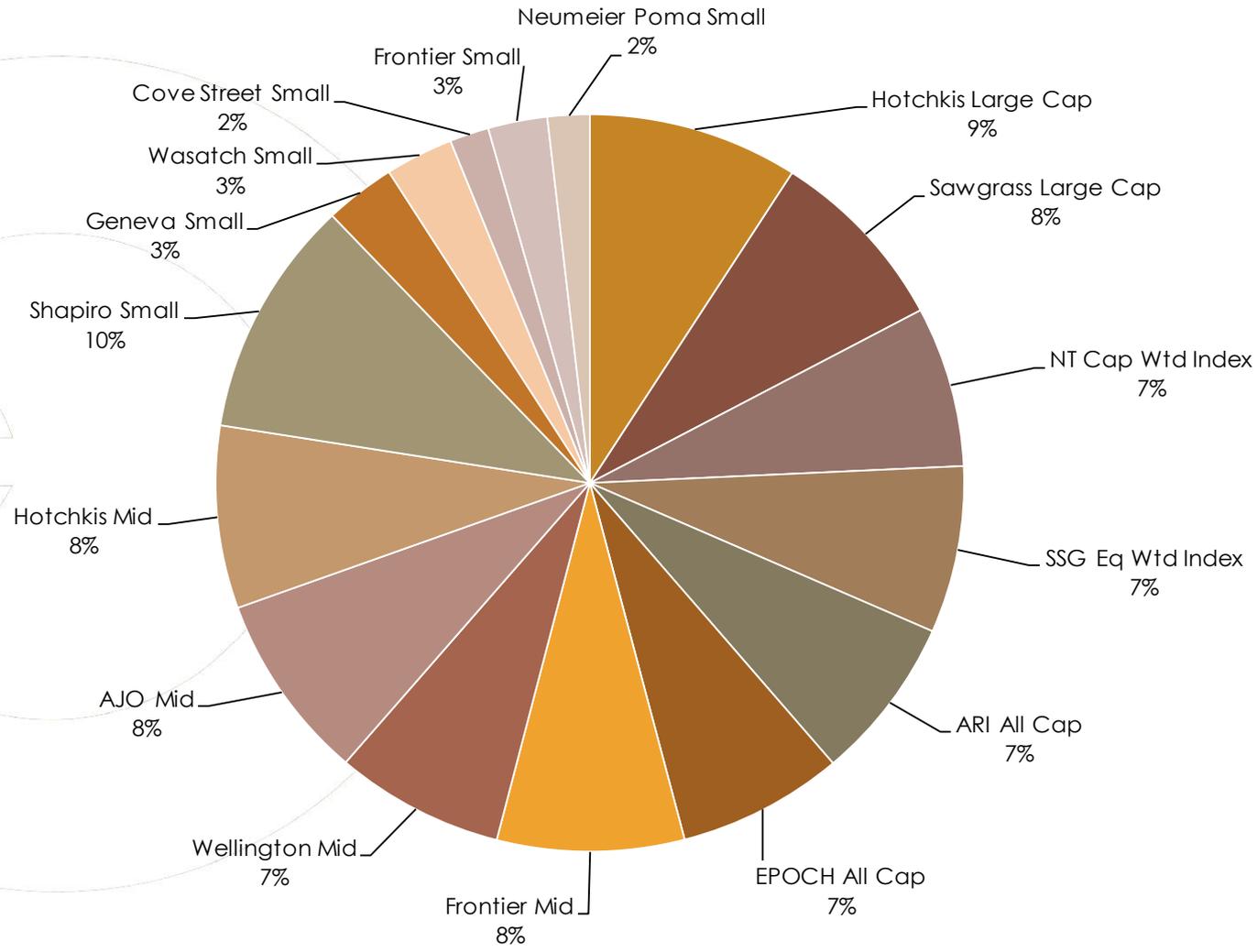
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Years	% Rank	Last Quarter	% Rank
Total Fund	8.5	4	17.7	3	12.1	1	18.2	1	2.8	7
<i>Allocation Index</i>	7.3		16.6		10.2		13.7		1.9	
<i>Actuarial Assumption</i>	8.0		8.0		8.0		8.0		1.9	
Total Domestic Equity	8.9	21	23.4	20	14.9	24	26.7	11	2.4	25
<i>S&P 500</i>	7.4		21.2		14.7		21.9		1.8	
Total International Equity	7.5	50	16.6	52	7.7	33	18.4	22	-0.5	77
<i>MSCI ACWI ex-US</i>	7.6		16.0		4.6		12.8		0.6	
Total Core Fixed Income	6.3	6	8.0	24	6.9	11	1.6	9	3.6	14
<i>Barclays Aggregate</i>	4.5		4.8		3.7		-0.1		1.8	

Composite Peer Ranking History

Periods Ended	Trailing 5 Years	Trailing 3 Years	Trailing Year	Last Quarter
1q2014	3	1	1	7
4q2013	1	1	1	2
3q2013	2	3	1	14
2q2013	1	3	1	11
1q2013	3	4	4	3
4q2012	15	3	11	24
3q2012	21	13	8	10
2q2012	24	4	33	75
1q2012	22	13	25	14
4q2011	36	14	52	8
3q2011	31	23	95	89
2q2011	20	13	23	93
1q2011	9	21	5	17
4q2010	21	29	15	29
3q2010	30	38	10	18
2q2010	35	46	11	62
1q2010	24	25	70	44
4q2009	36	43	15	25
3q2009	26	42	32	13
2q2009	46	50	44	28
1q2009	23	24	18	28
4q2008	47	61	62	64
3q2008	24	59	67	48
2q2008	25	52	83	17
1q2008	19	49	83	79
4q2007	19	46	62	78
3q2007	18	36	37	87
2q 2007	10	29	18	34
1q 2007	15	27	38	19
4q 2006	23	44	59	36
3q 2006	15	24	69	57
Average Rank	21	27	34	37
% of Observations in Top Quartile	74%	52%	52%	48%
% of Observations Above Median	100%	90%	68%	71%

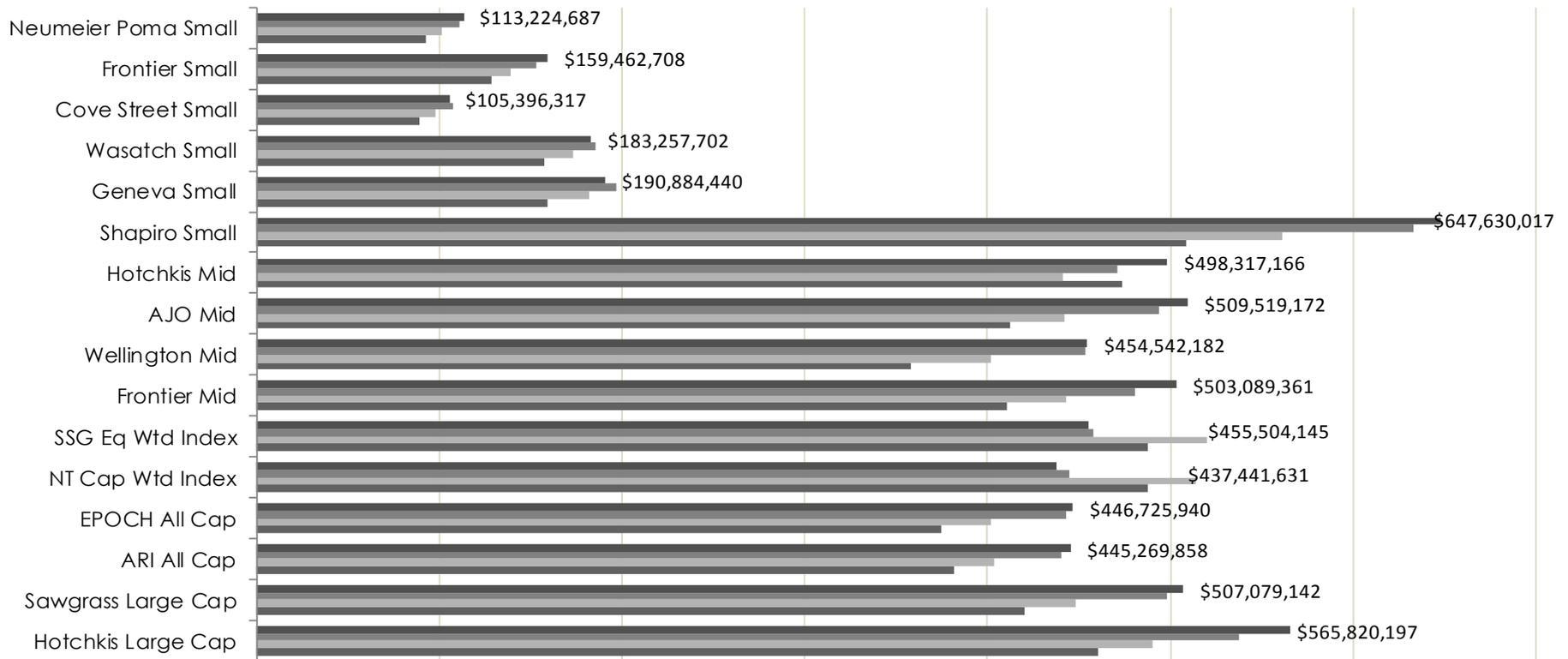
first quarter, 2014

Asset Allocation Summary – Domestic Equity Allocation

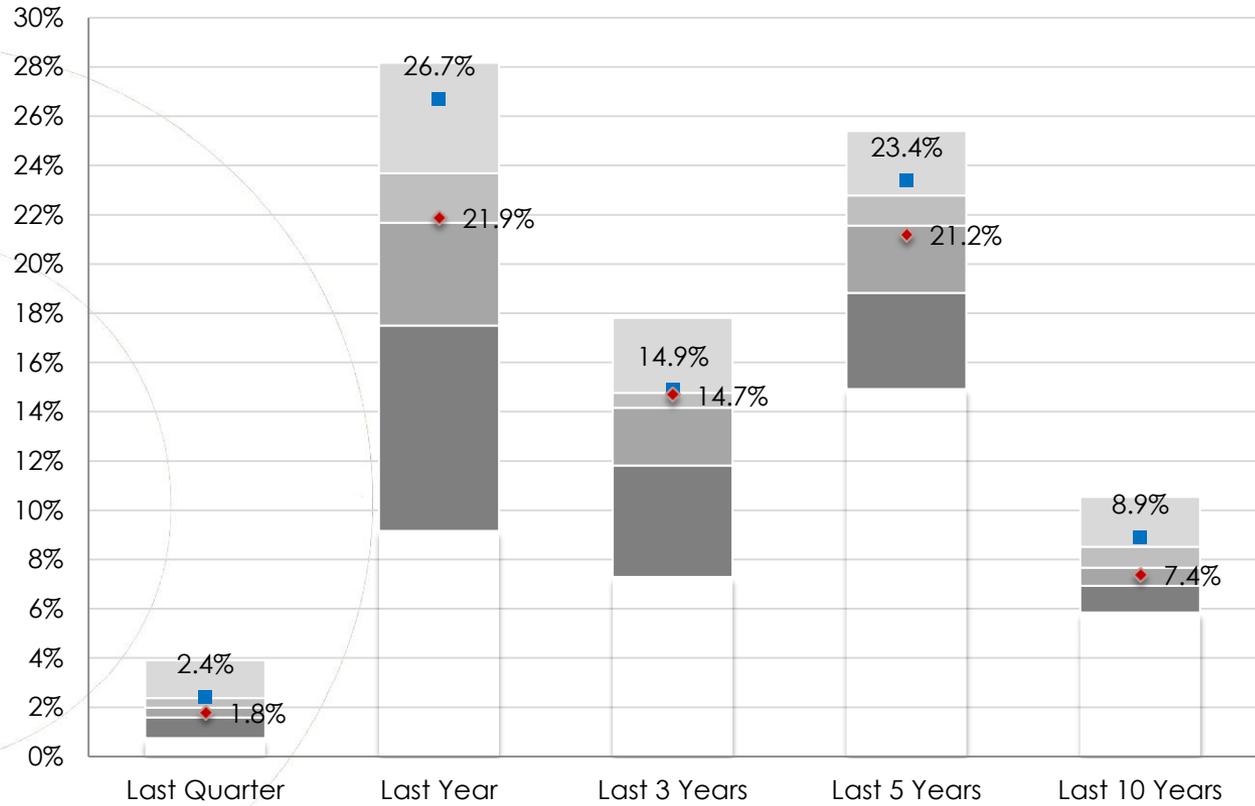


Asset Allocation Summary – Domestic Equity Allocation

■ 3/31/2014 ■ 12/31/2013 ■ 9/30/2013 ■ 6/30/2013



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

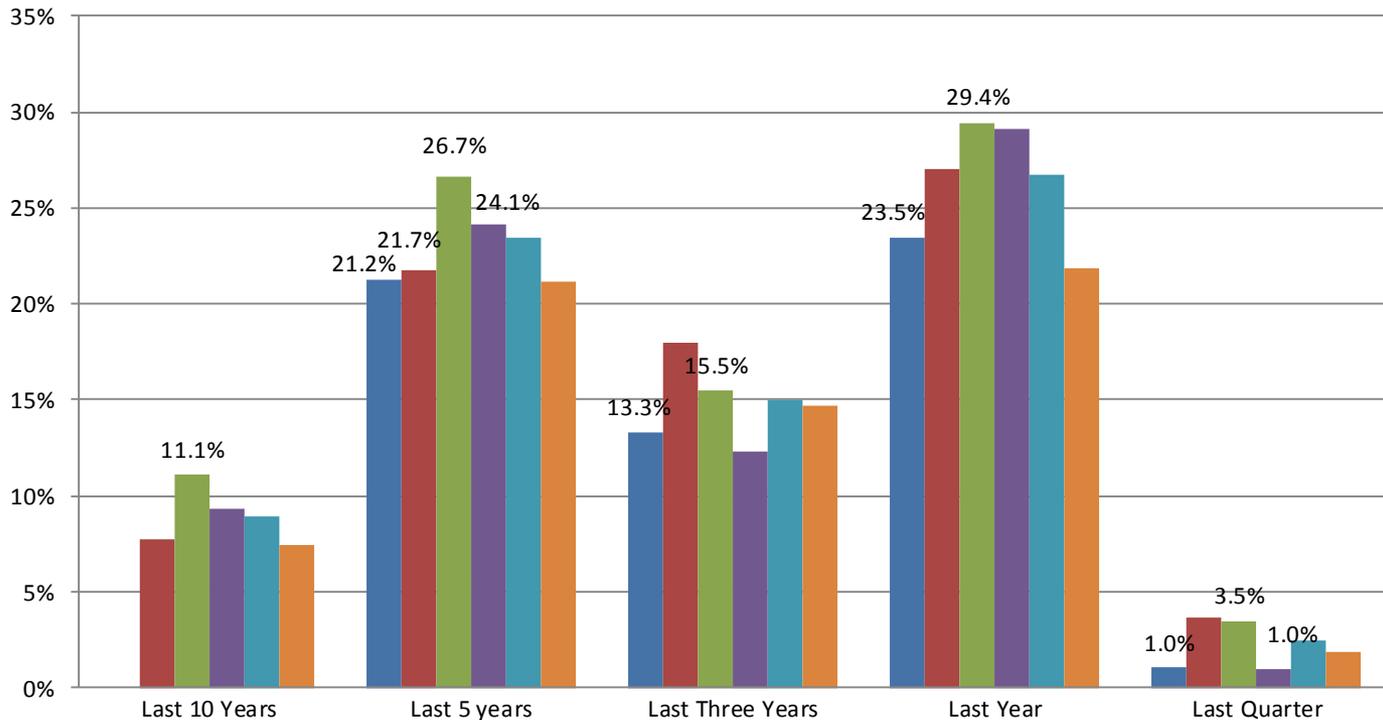


■ OTRS Equity Composite

◆ S&P 500

2.4%	26.7%	14.9%	23.4%	8.9%
1.8%	21.9%	14.7%	21.2%	7.4%

Domestic Equity Performance: Capitalization Composites



■ All Cap		21.2%	13.3%	23.5%	1.0%
■ Large Cap Active	7.7%	21.7%	17.9%	27.1%	3.6%
■ Mid Cap	11.1%	26.7%	15.5%	29.4%	3.5%
■ Small Cap	9.3%	24.1%	12.3%	29.2%	1.0%
■ All Domestic Equity	8.9%	23.4%	14.9%	26.7%	2.4%
■ S&P 500 (Cap Weighted)	7.4%	21.2%	14.7%	21.9%	1.8%

Performance – All Cap and Large Cap Equity Managers

	Last 10 Years	% Rank	Last 5 Year	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Advisory Research	-	-	21.3	48	13.2	80	21.5	75	1.2	85
EPOCH	-	-	21.1	55	13.4	79	25.5	13	0.9	91
<i>Russell 3000 Value</i>	19.5		21.9		14.6		22.6		2.0	
<i>Russell 3000</i>	19.5		21.9		14.7		22.6		2.0	
Hotchkis LCV	7.5	N/A	26.7	3	17.8	6	30.6	4	5.3	18
Sawgrass LCG	-		20.7	65	17.2	21	23.3	52	1.8	22
<i>S&P 500</i>	7.4		21.2		14.7		21.9		1.8	
<i>Russell 1000 Value</i>	7.6		21.8		14.8		21.6		3.0	
<i>Russell 1000 Growth</i>	19.5		21.7		14.6		23.2		1.1	
NT Cap Weighted	-	-	-	-	-	-	21.5	75	1.8	54
SSGA Equal Weighted	-	-	-	-	-	-	24.3	19	3.0	16
<i>S&P 500 Cap Weighted</i>	7.4		21.2		14.7		21.9		1.8	
<i>S&P 500 Equal Weighted</i>	9.8		26.6		15.4		24.6		3.0	

Performance – Mid Cap and Small Cap Equity Managers

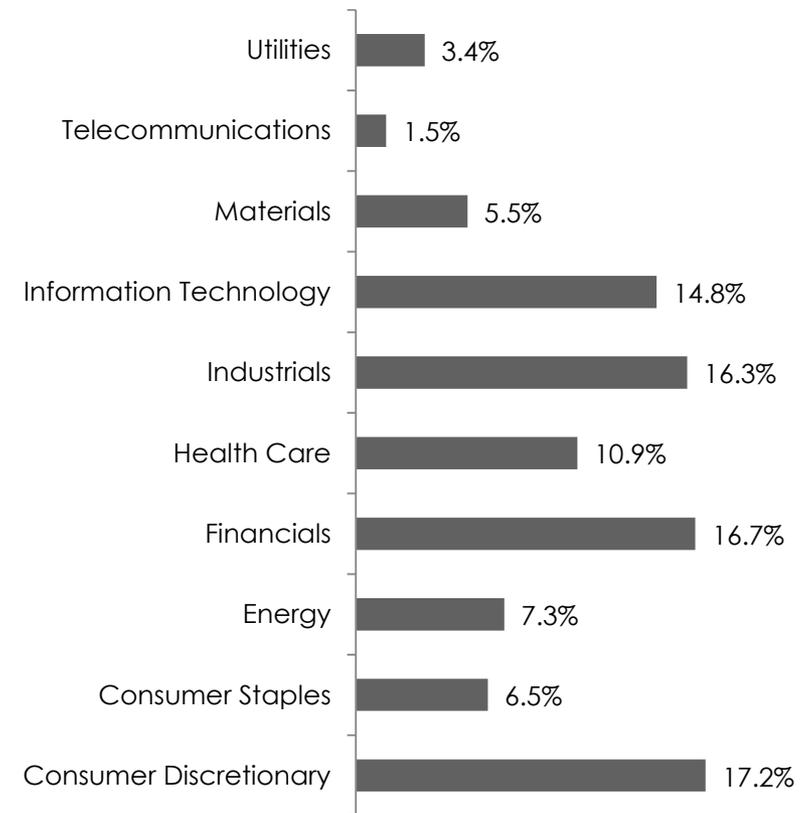
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
AJO MCC	10.6	65	26.3	35	16.9	12	28.2	20	3.1	38
Frontier MCG	11.6	56	22.2	88	13.9	47	25.7	52	4.7	3
Hotchkis MCV	11.9	N/A	33.7	N/A	20.2	2	29.6	3	5.7	28
Wellington MCG	10.0	75	25.7	38	10.8	83	35.0	2	0.3	78
<i>Russell MC</i>	10.1		25.6		14.4		23.5		3.5	
<i>Russell MC Growth</i>	9.5		24.7		13.5		24.2		2.0	
<i>Russell MC Value</i>	10.2		26.4		15.2		23.0		5.2	
Shapiro SCC	12.6	4	29.2	12	15.9	20	33.2	2	2.3	26
Geneva SCG	-	-	-	-	-	-	-	-	-3.0	91
Wasatch SCG	-	-	-	-	-	-	-	-	-1.1	77
Cove Street SCV	-	-	-	-	-	-	-	-	-2.1	96
Frontier SCV	-	-	-	-	-	-	-	-	4.1	13
Neumeier Poma SCV	-	-	-	-	-	-	-	-	2.1	42
<i>Russell 2000</i>	8.5		24.3		13.2		24.9		1.1	
<i>Russell 2000 Value</i>	8.5		24.3		13.2		24.9		1.1	

Total Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Lindsay Corp	0.45%
Axiall	0.44%
WPX Energy	0.43%
ADT	0.42%
Cablevision	0.41%
Compass Minerals	0.41%
Dynegy	0.40%
Live Nation Entertainment	0.39%
General Electric	0.39%
Entergris	0.38%
Top Ten Total Weight	4.12%

Sector Weightings



Composite Equity Portfolio Characteristics – Trailing Five Years

	Average Market Cap	Dividend Yield	Tracking Error	Alpha	R ²	Sharpe Ratio	Standard Deviation
Active All Cap/Large Cap Equity	\$113.42 billion	1.96%	4.33%	2.84	0.95	1.58	14.52
Mid Cap Equity	\$9.89 billion	1.05%	5.65%	-0.86	0.94	1.37	18.98
Small Cap Equity	\$11.71 billion	1.01%	2.90%	3.17	0.41	0.66	8.93
International Equity	\$38.18 billion	2.26%	2.34%	0.31	0.51	0.49	10.09
Total Equity	\$44.99 billion	1.61%	3.32%	0.75	0.65	0.93	0.93

Active Domestic Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. BC Aggregate
Hotchkis & Wiley	Large Cap Value	138.2	106.3	26.7%	0.96	-0.32
Sawgrass	Large Cap Growth	90.5	85.7	20.7%	0.98	-0.18
Advisory Research	All Cap	98.7	95.6	21.3%	0.98	-0.05
EPOCH	All Cap	110.3	121.0	21.1%	0.98	-0.13
AJO	Mid Cap Core	141.1	115.2	26.3%	0.96	-0.13
Frontier	Mid Cap Growth	107.5	101.1	22.2%	0.92	-0.18
Hotchkis & Wiley	Mid Cap Value	216.9	129.5	33.7%	0.93	-0.08
Wellington	Mid Cap Growth	174.0	160.9	25.7%	0.93	-0.33
Shapiro	Small Cap Value/Core	180.3	123.5	29.2%	0.91	-0.35
Cove Street	Small Cap Value	148.4	90.6	24.1%	0.94	-0.24
Neumeier Poma	Small Cap Value	136.1	98.7	27.0%	0.90	-0.28
Frontier	Small Cap Value	155.6	89.6	30.5%	0.94	-0.28
Geneva	Small Cap Growth	131.0	121.4	24.2%	0.82	-0.37
Wasatch	Small Cap Growth	125.1	87.3	26.3%	0.88	-0.37

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

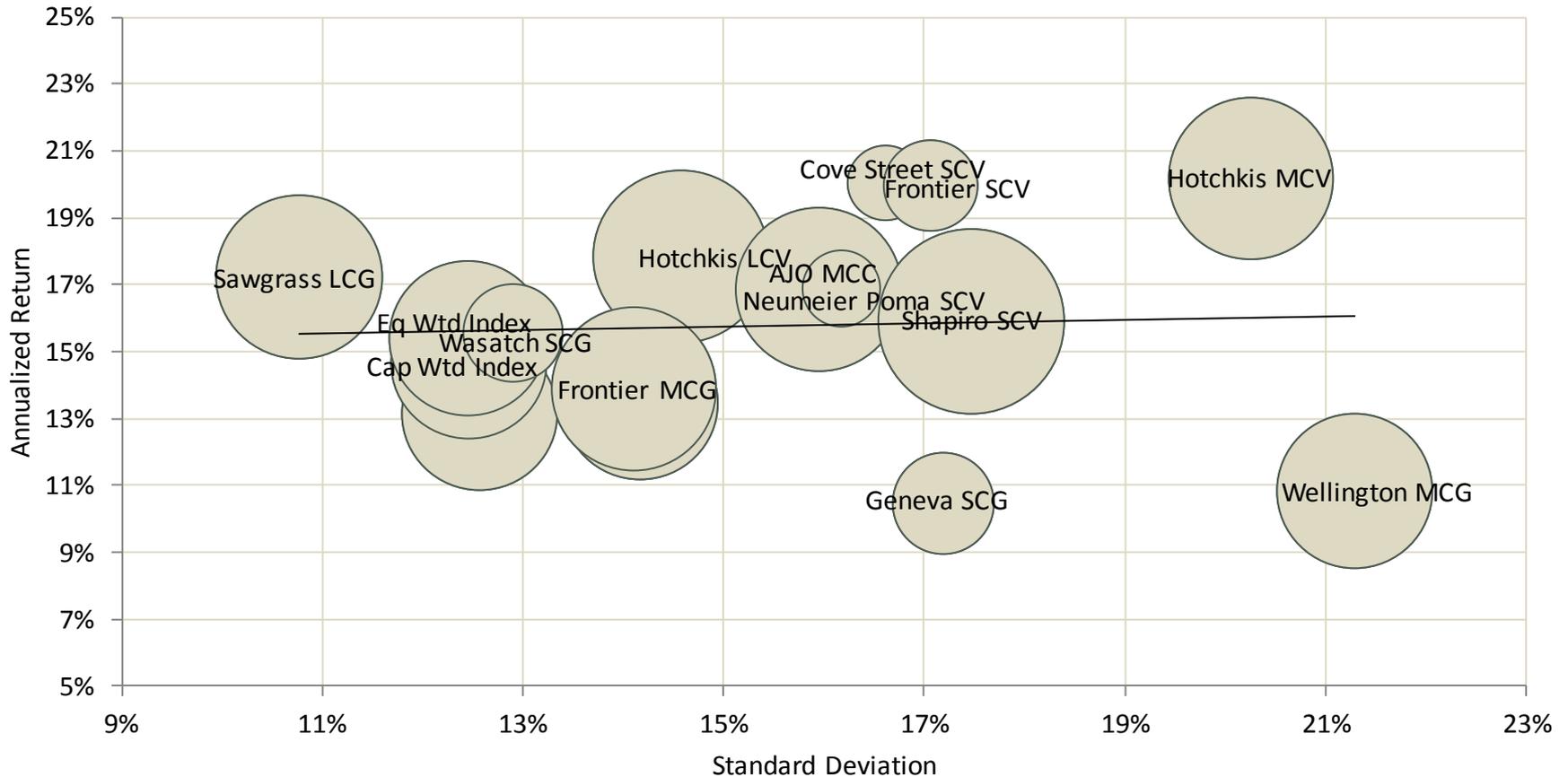
first quarter, 2014

Domestic Equity Portfolios: 5 Year Correlation Matrix

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

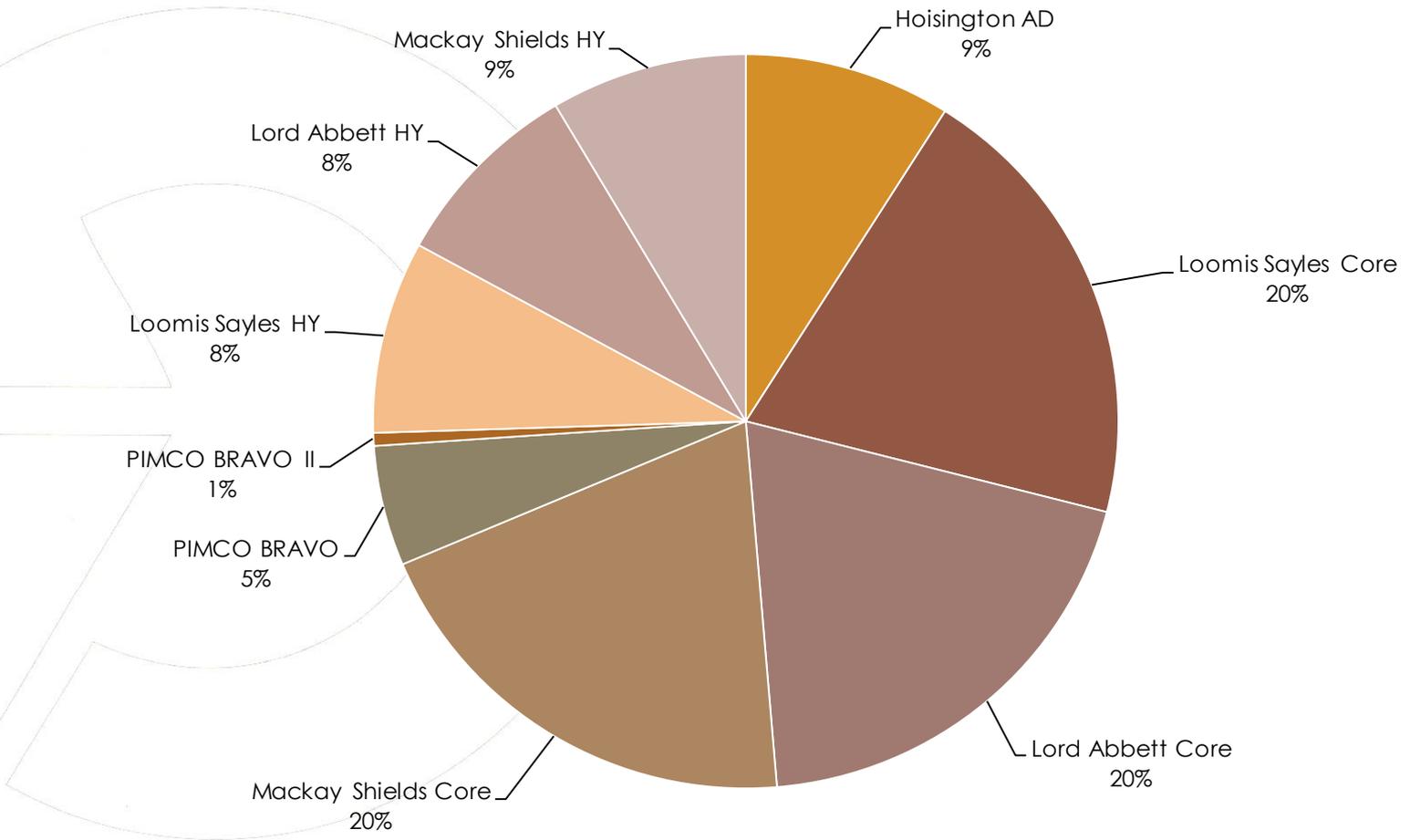
Domestic Equity Risk Return Comparison

Composite Data Used – Three Years Ended March 31, 2014

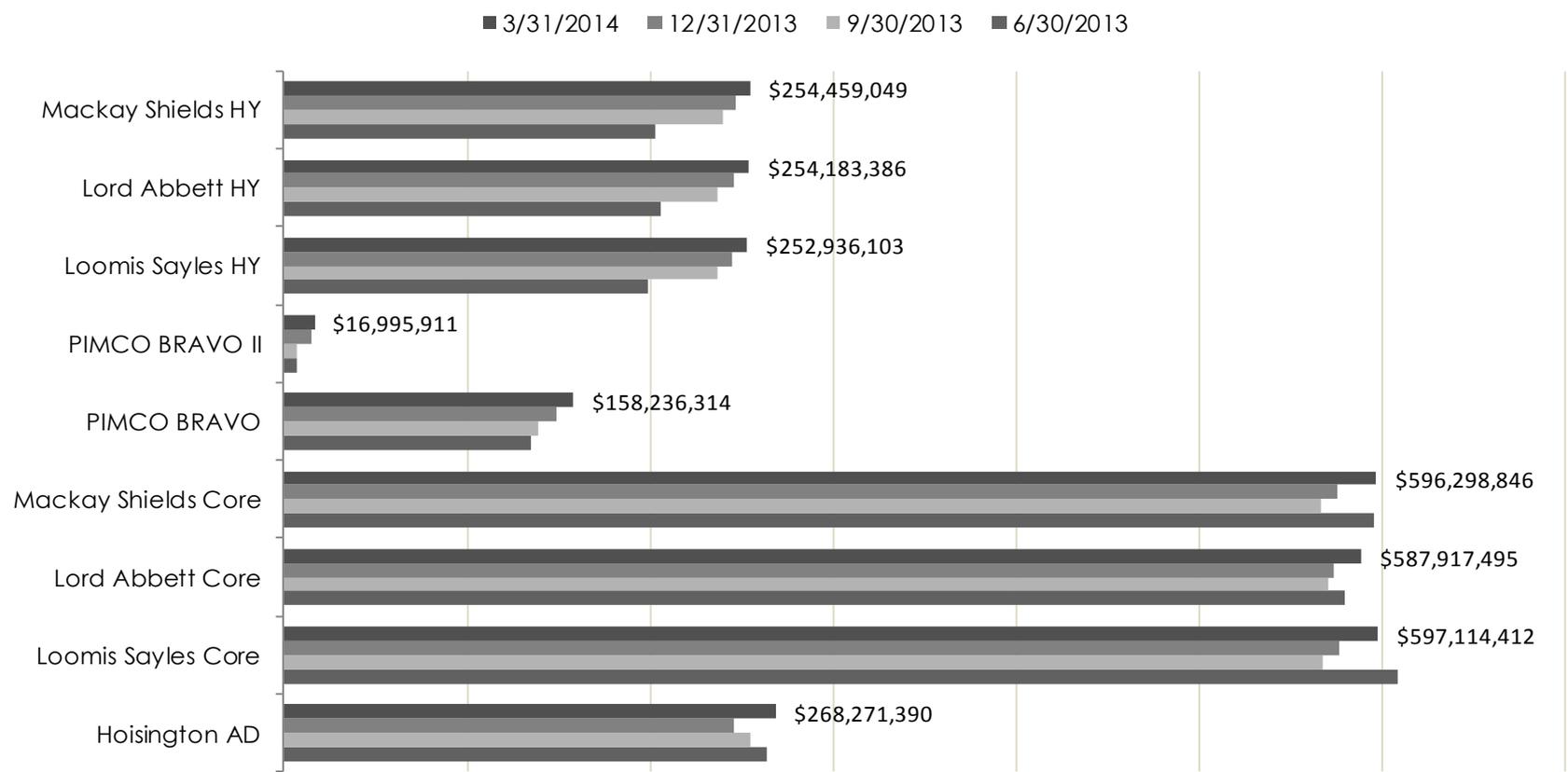


*Composite performance used when necessary.

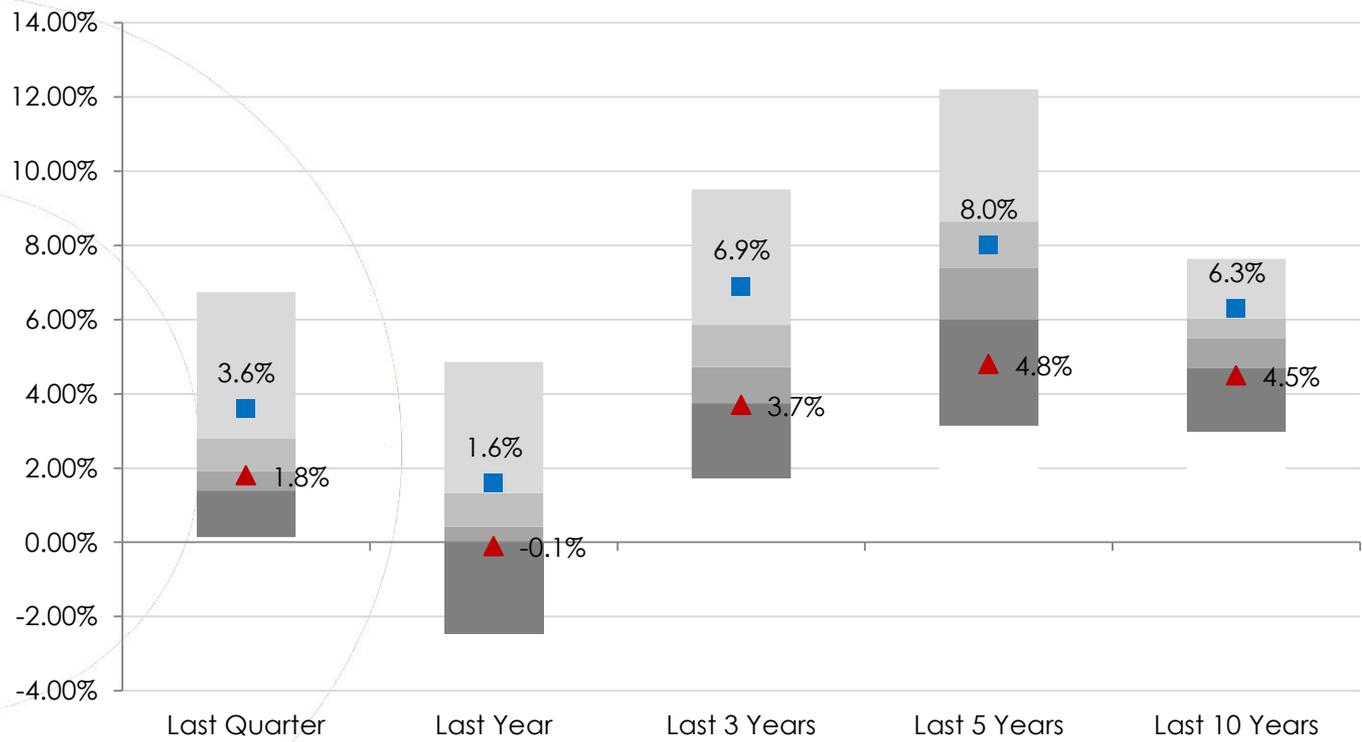
Asset Allocation Summary – Fixed Income Allocation



Asset Allocation Summary – Fixed Income Allocation



Fixed Income Composite vs. Core Fixed Income Peer Universe



■ OTRS Fixed Income Composite	3.6%	1.6%	6.9%	8.0%	6.3%
◆ Barclays Capital Aggregate	1.8%	-0.1%	3.7%	4.8%	4.5%

Performance – Fixed Income Managers

	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last Year	% Rank	Last Quarter	% Rank
Loomis Sayles	7.5	2	10.7	12	7.2	8	2.8	3	3.6	14
Lord Abbett	-	-	8.1	24	5.7	20	1.2	16	2.5	24
Mackay Shields	-	-	8.3	23	6.5	14	2.7	5	2.4	25
Hoisington	-	-	5.1	72	10.9	2	-5.0	89	9.3	1
<i>BC Aggregate</i>	4.5		4.8		3.7		-0.1		1.8	
Loomis HY	-	-	16.9	40	7.5	84	5.0	83	3.5	22
Lord Abbett HY	-	-	17.9	28	10.1	7	9.4	19	3.4	24
Mackay HY	-	-	15.4	68	9.0	40	7.3	49	3.1	42
<i>ML High Yield II</i>	-		18.2		8.7		7.5		3.0	

Fixed Income Portfolio Characteristics – Trailing Five Years

	Asset Class	Credit Quality	Modified Duration	Maturity	Yield to Maturity
Loomis Sayles	Core Plus	A-	5.5	8.1	3.6%
Lord Abbett	Core Plus	AA	5.3	7.3	3.1%
Mackay Shields	Core Plus	A+	2.9	8.3	2.9%
Hoisington	Active Duration	AAA	19.3	23.6	3.5%
Core Fixed Income Composite	Core Plus	A	6.5	10.0	3.2%
Loomis Sayles	High Yield	B	4.8	8.5	5.1%
Lord Abbett	High Yield	N/A	5.3	6.9	N/A
Mackay Shields	High Yield	B+	3.4	6.2	5.2%
High Yield Composite	High Yield	B	4.5	7.5	5.2%

Fixed Income Performance Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. BC Aggregate	Correlation vs. S&P 500
Loomis Sayles	Core Plus	214.70%	42.05%	10.7%	0.64	0.62
Lord Abbett	Core Plus	161.36%	53.11%	8.1%	0.82	0.43
Mackay Shields	Core Plus	146.84%	28.38%	8.3%	0.89	0.36
Hoisington	Active Duration	208.36%	593.70%	51%	0.75	-0.33
Loomis Sayles	High Yield	395.39%	-260.32%	16.9%	0.24	0.75
Lord Abbett	High Yield	106.95%	-305.04%	17.9%	0.22	0.71
Mackay Shields	High Yield	93.59%	-297.74%	15.4%	0.23	0.69

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

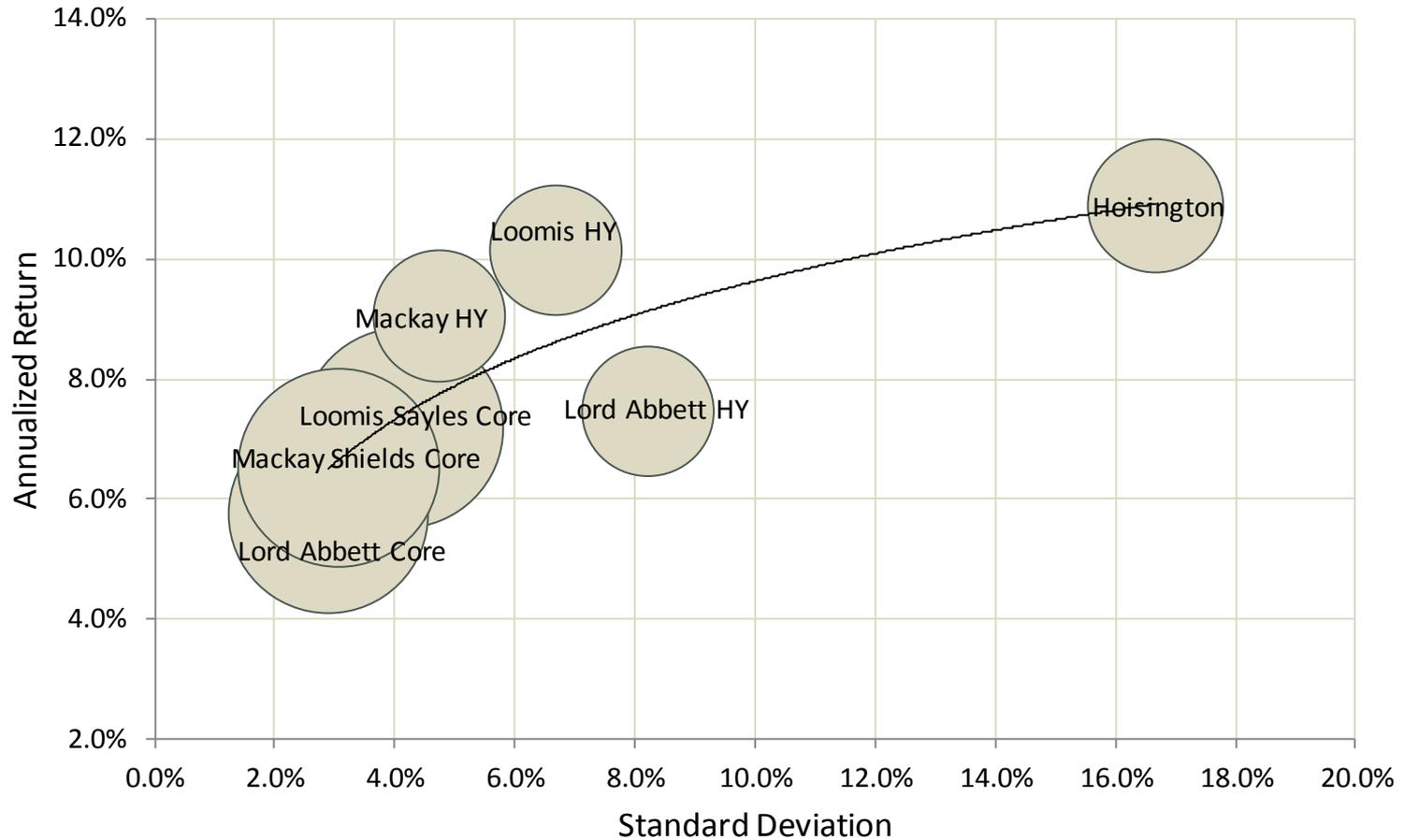
Fixed Income Portfolios: 5 Year Correlation Matrix

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

*Composite performance used when necessary.

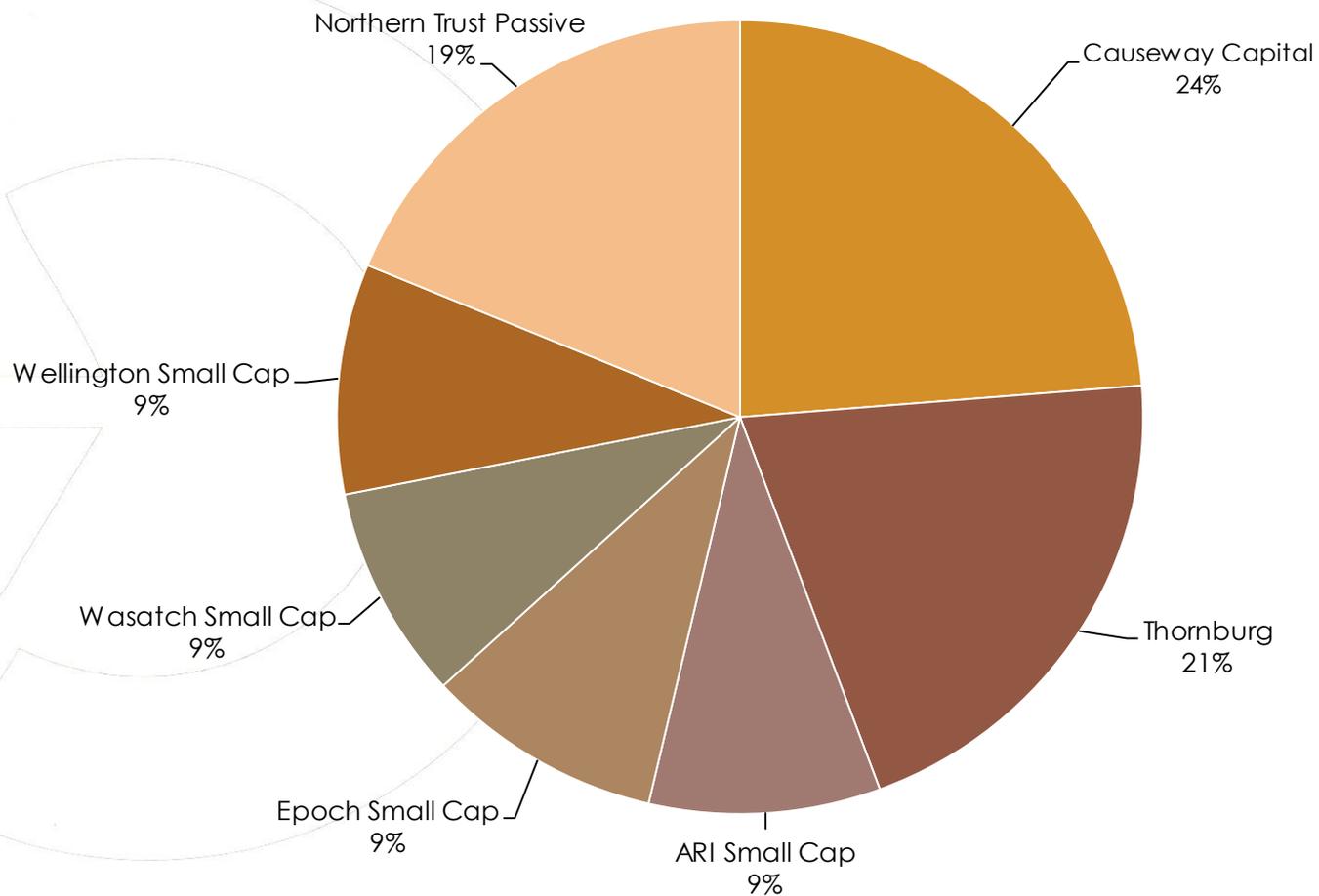
Fixed Income Risk Return Comparison

Composite Data Used – Three Years Ended March 31, 2014



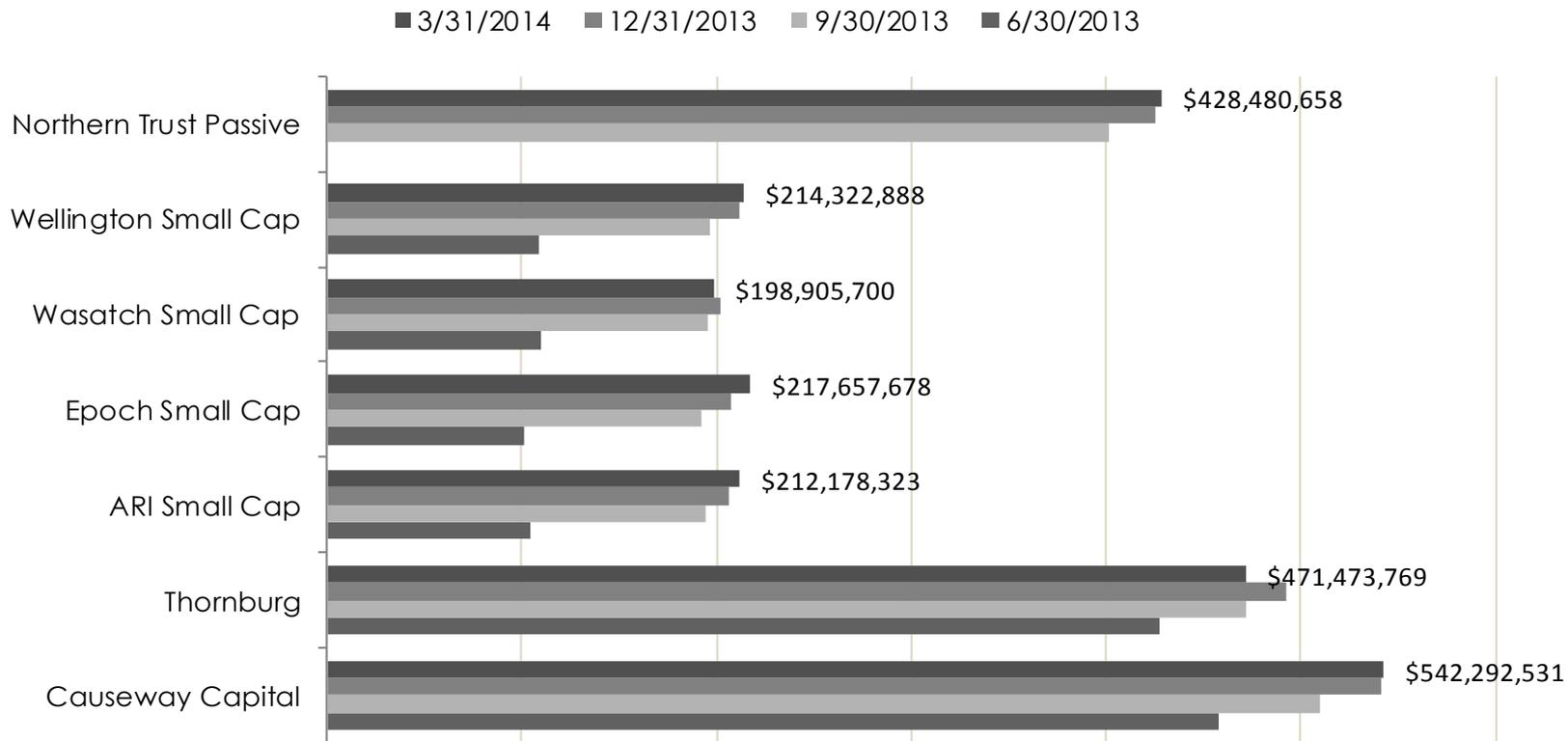
*Composite performance used when necessary to calculate figures.

Asset Allocation Summary – International Equity Allocation

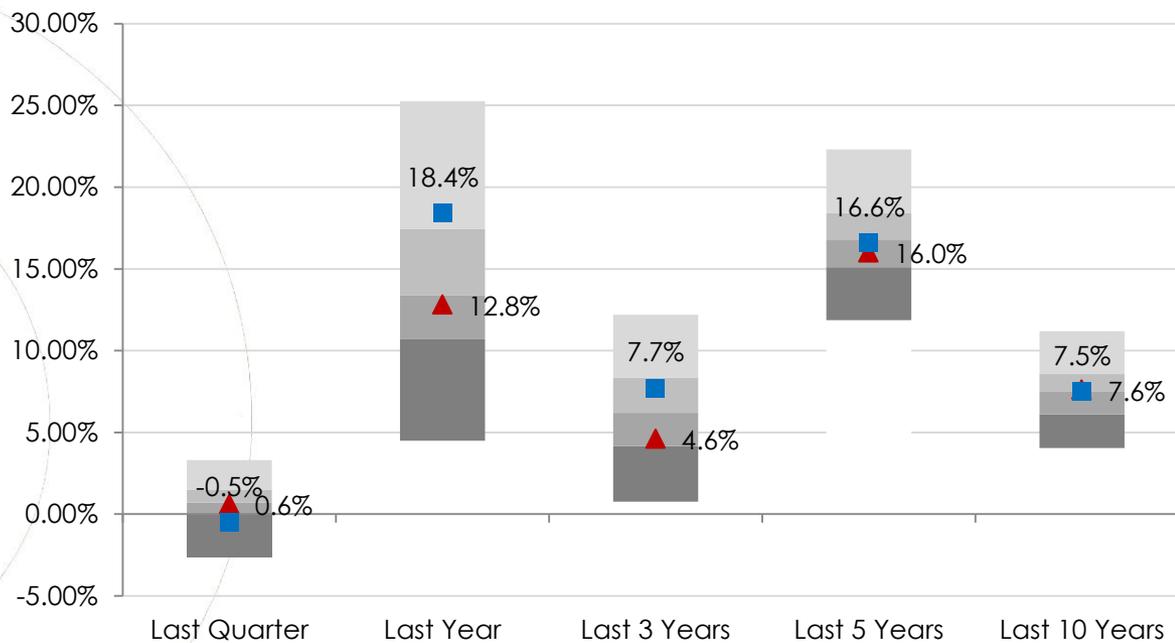


first quarter, 2014

Asset Allocation Summary – International Equity Allocation



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



■ OTRS International Equity Composite

◆ MSCI ACWI Ex-US

-0.5%

0.6%

18.4%

12.8%

7.7%

4.6%

16.6%

16.0%

7.5%

7.6%

Performance – International Equity Managers

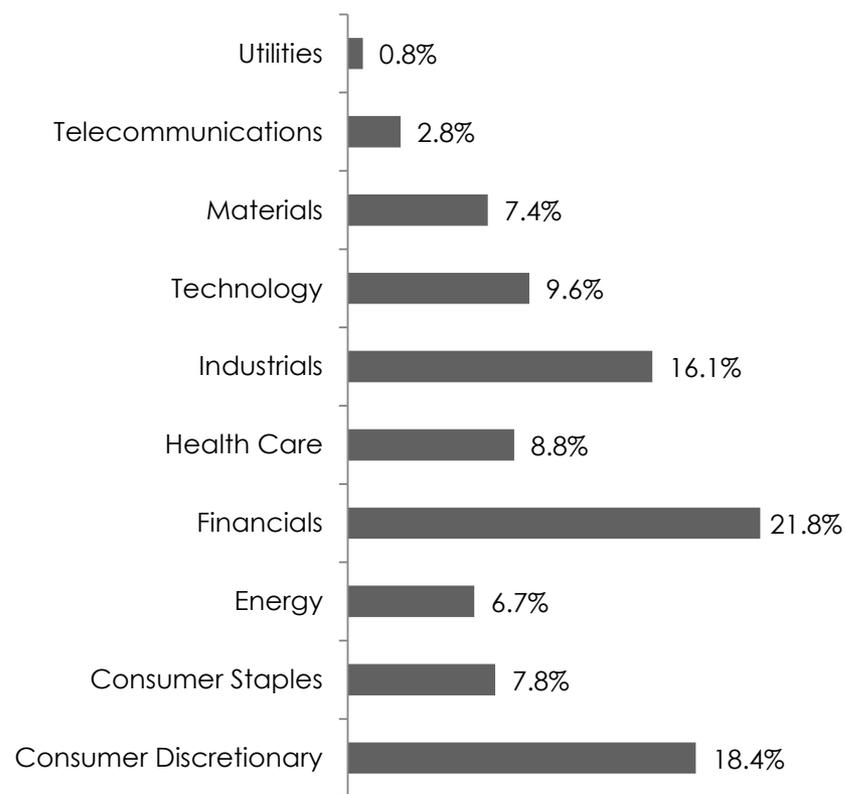
	Last 10 Years	% Rank	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank
Causeway	8.0	38	19.2	21	8.5	24	19.1	21	0.2	63
Northern Trust Passive	-		-		-		-		0.9	79
Thornburg	-		14.8	77	3.1	82	9.0	81	-4.2	98
<i>MSCI ACWI Ex US</i>	6.5		-		-		-		-	
ARI	-	-	-	-	-	-	22.8	12	3.0	8
EPOCH	-	-	-	-	-	-	28.1	2	4.7	1
Wasatch	-	-	-	-	-	-	13.9	47	-1.5	87
Wellington	-	-	-	-	-	-	29.3	1	1.3	31
<i>MSCI EAFE Small Cap</i>	8.6		21.7		9.4		23.3		3.4	

Total International Equity Portfolio Holdings Review

Largest Equity Positions

Position	% of Total Equity Allocation
Reed Elsevier	1.01%
AKZO Nobel	0.87%
Novo Nordisk	0.81%
Novartis AG	0.79%
Daimler AG	0.78%
Sanofi	0.76%
Siemens AG	0.74%
UBS AG	0.70%
Roche Holding AG	0.69%
KDDI	0.69%
Top Ten Total Weight	7.84%

Sector Weightings



Active International Equity Characteristics – Trailing Five Years

	Asset Class	Upside Capture Ratio %	Downside Capture Ratio %	Trailing Five Year Return	Correlation vs. S&P 500	Correlation vs. MSCI ACWI ex US
Causeway	Large Cap Value	128.14%	91.30%	19.2%	0.92	0.97
Northern Trust	Passive Index	100.0%	100.0%	16.0%	0.88	0.99
Thornburg	Large Cap Core	86.31%	90.5%	14.8%	0.92	0.99
Advisory Research	Small Cap Value	115.03%	70.32%	21.7%	0.85	0.95
EPOCH	Small Cal Value	143.82%	95.60%	22.5%	0.89	0.97
Wasatch	Small Cap Growth	175.10%	65.30%	26.3%	0.86	0.95
Wellington	Small Cap Growth	105.12%	88.50%	25.7%	0.92	0.99

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

*Composite performance used when necessary.

International Equity Portfolios: 5 Year Correlation Matrix

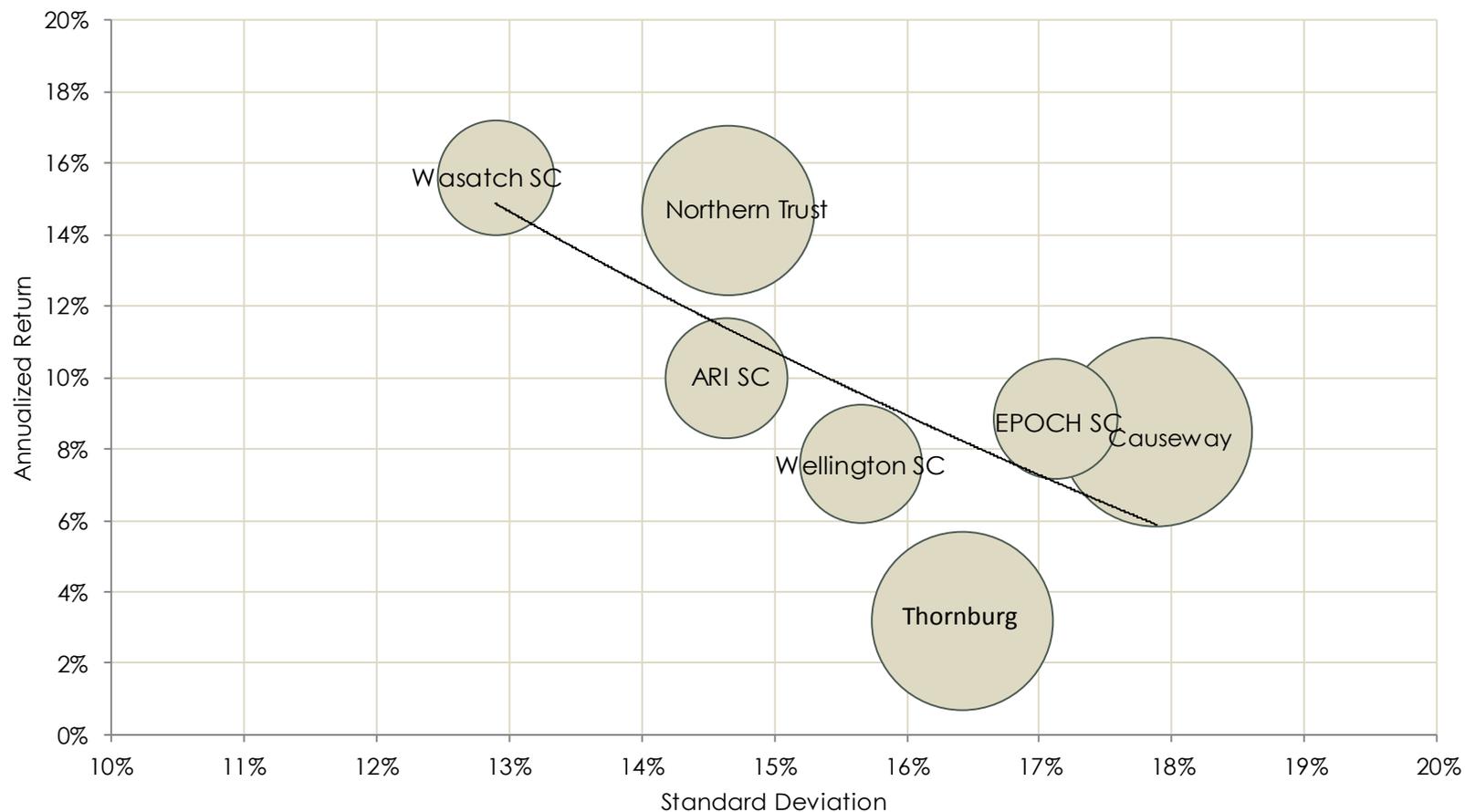
Trailing Five Years	ARI SCI	Causeway LCI	EPOCH SCI	Northern Trust	Thornburg LCI	Wasatch SCI	Wellington SCI
ARI SCI	-						
Causeway LCI	0.92	-					
EPOCH SCI	0.93	0.94	-				
Northern Trust Passive	0.93	0.97	0.96	-			
Thornburg LCI	0.90	0.96	0.95	0.98	-		
Wasatch SCI	0.87	0.88	0.94	0.94	0.93	-	
Wellington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

*Composite performance used when necessary.

first quarter, 2014

International Equity Risk Return Comparison

Composite Data Used – Three Years Ended March 31, 2014



Performance – MLPs

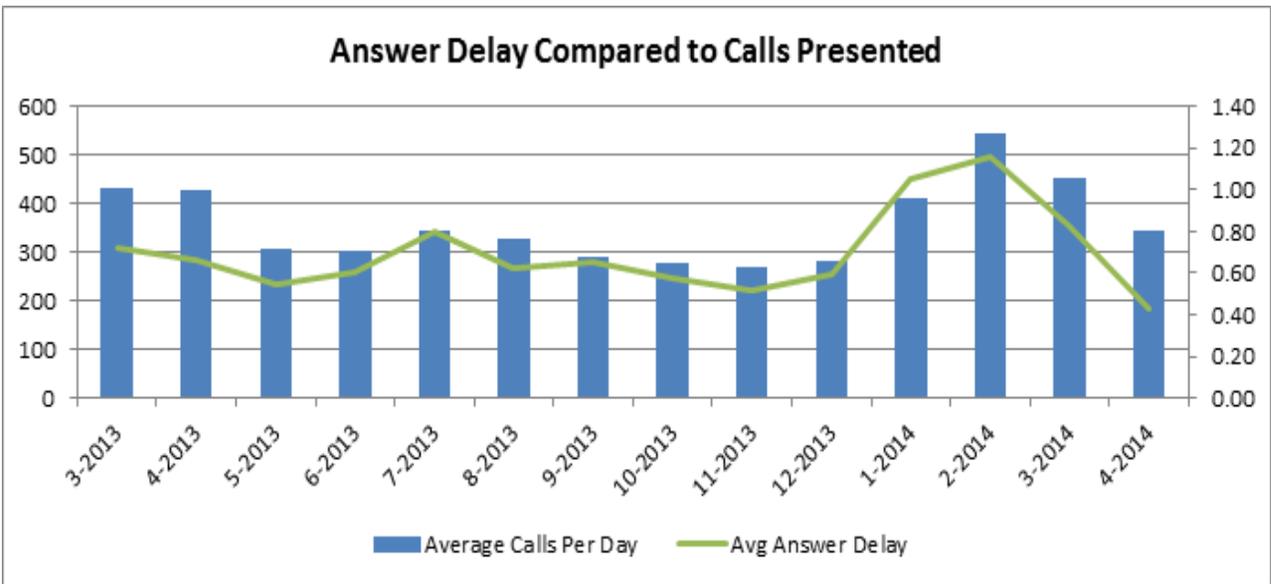
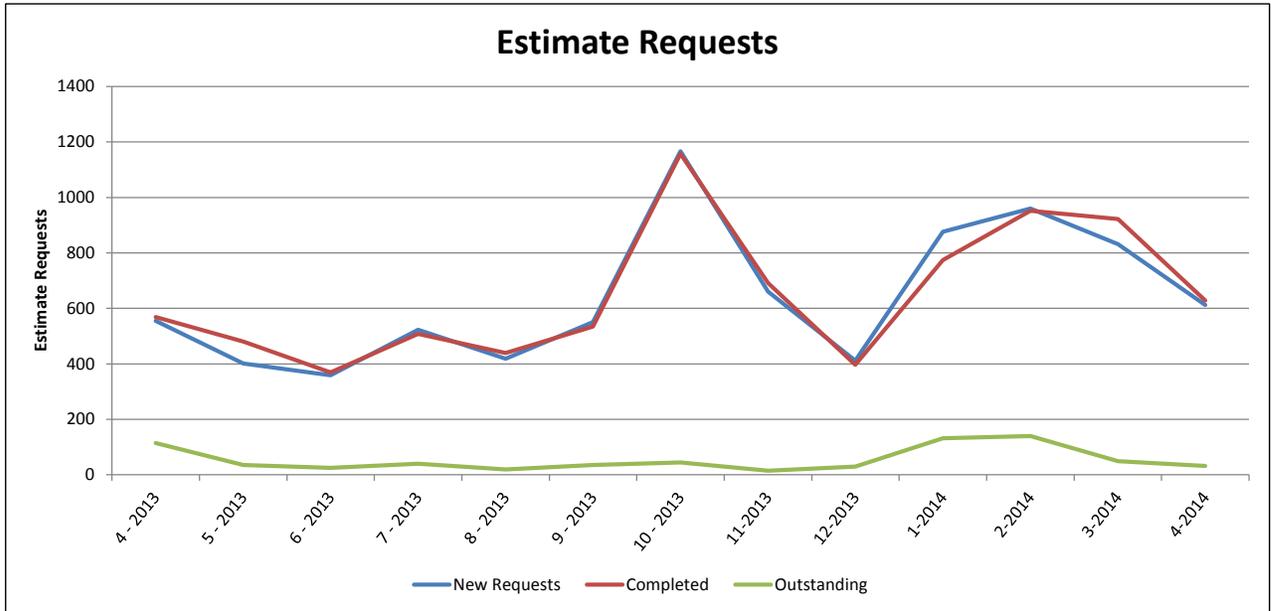
	Last 5 Years	% Rank	Last 3 Years	% Rank	Last 1 Year	% Rank	Last Quarter	% Rank	
Chickasaw	-	-	-	-	31.1	-	9.9	-	
FAMCO	-	-	-	-	14.4	-	5.4	-	
Swank	-	-	-	-	28.1	-	8.7	-	
<hr/>									
<i>Alerian MLP</i>	-		13.5		8.5		1.9		
<hr/>									

May 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
Thornburg Investment Management	International Equity	All Cap	471,386,644	3.49%	On Alert	Performance Issues	November 2013	November 2013	June 2014	Improvement in performance compared to peers and benchmark.

All other managers currently rated In Compliance

CLIENT SERVICES PERFORMANCE METRICS THROUGH APRIL 2014



NOTE: Statistics above based on call volume through mid-day 4/23/14. Thereafter, new VoIP system was implemented.



OKLAHOMA TEACHERS RETIREMENT SYSTEM

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

Monthly Retirement Status Report

From 5/1/2014 to 5/31/2014

	Count	Benefit Total
New Retirements		
Disability	7	\$8,331.45
Normal	71	\$117,538.67
Total	78	<u>\$125,870.12</u>
Terminated Retirements	122	<u>(\$153,884.18)</u>
Net Change	(44)	<u>(\$28,014.06)</u>

NORMAL RETIREMENTS			From 5/1/2014 to 5/31/2014		
Client Number	Years Of Service	Age	Estimate Ret. Date	Retirement Number	Benefit
Q0105204	16	63	5/1/2014	100241	\$1,116.08
Q0288086	8	69	5/1/2014	099900	\$821.26
Q0017230	25	65	5/1/2014	100698	\$2,022.09
Q0045488	16	63	5/1/2014	099992	\$1,041.52
Q0109255	8	55	5/1/2014	100372	\$127.53
Q0031287	11	62	5/1/2014	100114	\$458.83
Q0275263	10	64	5/1/2014	100115	\$707.34
Q0207370	29	51	5/1/2014	100127	\$2,589.28
Q0014018	10	63	5/1/2014	100033	\$519.51
Q0067591	19	63	5/1/2014	100079	\$930.16
Q0140570	28	68	5/1/2014	100012	\$2,248.36
Q0251394	18	66	5/1/2014	100031	\$1,655.54
Q0180880	24	67	5/1/2014	099973	\$3,175.45
Q0187551	26	55	5/1/2014	099960	\$1,918.49
Q0140566	26	64	5/1/2014	100080	\$3,311.90
Q0104654	15	63	5/1/2014	099857	\$1,133.52
Q0043868	13	69	5/1/2014	100178	\$1,450.68
Q0201410	27	62	5/1/2014	100223	\$5,055.30
Q0022019	39	64	5/1/2014	099940	\$4,733.37
Q0159960	46	67	5/1/2014	100233	\$5,358.99
Q0027576	30	68	5/1/2014	100587	\$2,616.89
Q0009172	12	62	5/1/2014	100060	\$685.46
Q0085340	19	63	5/1/2014	100061	\$1,733.11
Q0281083	9	62	5/1/2014	099465	\$755.86
Q0222732	30	55	5/1/2014	100063	\$2,138.69
Q0145116	16	61	5/1/2014	100064	\$401.66
Q0184041	23	58	5/1/2014	100065	\$795.13
Q0288286	6	62	5/1/2014	099824	\$237.54
Q0178800	8	67	5/1/2014	100066	\$105.33
Q0027189	6	63	5/1/2014	100582	\$257.72
Q0215001	36	66	5/1/2014	100589	\$3,366.47
Q0203563	21	59	5/1/2014	100067	\$1,020.74
Q0100503	41	73	5/1/2014	100586	\$4,376.44
Q0085326	15	66	5/1/2014	100584	\$669.83
Q0025846	17	73	5/1/2014	100585	\$1,939.04
Q0205336	30	53	5/1/2014	100590	\$2,378.71
Q0227530	35	62	5/1/2014	100074	\$3,892.09
Q0160222	13	65	5/1/2014	100072	\$525.11
Q0141412	15	63	5/1/2014	100069	\$1,105.83
Q0161240	27	65	5/1/2014	101049	\$1,531.33
Q0037484	14	63	5/1/2014	100070	\$327.49
Q0028143	8	65	5/1/2014	100116	\$260.21
Q0120679	20	68	5/1/2014	099961	\$2,185.90
Q0125891	7	61	5/1/2014	099910	\$243.88
Q0204285	23	57	5/1/2014	100292	\$1,568.57
Q0183321	26	61	5/1/2014	100293	\$1,088.17
Q0163945	37	61	5/1/2014	100052	\$2,135.71
Q0124825	39	61	5/1/2014	100071	\$4,006.98
Q0281374	9	83	5/1/2014	100272	\$316.11
Q0019815	14	69	5/1/2014	100118	\$1,781.22

Q0022351	15	62	5/1/2014	100294	\$1,606.04
Q0287789	7	70	5/1/2014	100119	\$344.43
Q0064041	17	66	5/1/2014	100120	\$1,173.78
Q0213554	23	67	5/1/2014	100121	\$3,266.27
Q0200515	11	66	5/1/2014	100122	\$162.42
Q0180994	10	64	5/1/2014	100123	\$366.45
Q0182045	27	63	5/1/2014	100126	\$910.69
Q0043931	18	70	5/1/2014	099931	\$530.45
Q0240076	22	63	5/1/2014	099968	\$2,495.35
Q0229235	33	68	5/1/2014	100198	\$3,546.30
Q0008842	16	63	5/1/2014	100197	\$1,588.24
Q0044615	12	68	5/1/2014	100707	\$455.12
Q0088810	23	57	5/1/2014	100196	\$1,477.87
Q0090282	7	55	5/1/2014	100195	\$194.41
Q0223369	12	63	5/1/2014	101205	\$955.21
Q0161662	42	65	5/1/2014	100188	\$3,055.05
Q0149193	31	52	5/1/2014	100819	\$2,479.66
Q0284631	6	76	5/1/2014	100187	\$348.43
Q0218414	29	51	5/1/2014	099472	\$2,318.15
Q0105143	14	62	5/1/2014	100818	\$824.41
Q0033004	33	61	5/1/2014	100238	\$4,617.52
				71	\$117,538.67

DISABILITY RETIREMENTS			From 5/1/2014 to 5/31/2014		
Client Number	Years Of Service	Age	Estimate Ret. Date	Retirement Number	Benefit
Q0246898	15	47	5/1/2014	D101157	\$939.53
Q0090151	17	56	5/1/2014	D101159	\$613.10
Q0108271	22	57	5/1/2014	D101150	\$1,655.32
Q0052295	20	54	5/1/2014	D101246	\$1,175.76
Q0071488	26	53	5/1/2014	D101231	\$2,188.76
Q0142701	15	62	5/1/2014	D101105	\$880.05
Q0051844	18	56	5/1/2014	D101153	\$878.93
				7	\$8,331.45

TERMINATIONS

From 5/1/2014 to 5/31/2014

Termination Type	Retirement Number	Death Date	Age	Termination Date	Benefit
Deceased	069913	03/05/2014	61	04/01/2014	\$291.83
Deceased	030087	03/05/2014	92	04/01/2014	\$398.62
Deceased	043635	03/25/2014	79	04/01/2014	\$646.79
Deceased	042513	03/07/2014	83	04/01/2014	\$414.64
Deceased	020372	03/23/2014	90	04/01/2014	\$1,437.49
Deceased	097573	03/04/2014	70	04/01/2014	\$2,435.66
Deceased	031460	03/14/2014	83	04/01/2014	\$631.90
Deceased	051086	03/11/2014	71	04/01/2014	\$834.20
Deceased	021040	03/23/2014	91	04/01/2014	\$697.94
Deceased	070324	03/16/2014	71	04/01/2014	\$2,523.29
Deceased	016167	03/31/2014	97	04/01/2014	\$1,224.53
Deceased	015105	03/23/2014	100	04/01/2014	\$806.61
Deceased	078229	03/01/2014	62	04/01/2014	\$375.01
Deceased	028595	03/28/2014	82	04/01/2014	\$2,399.87
Deceased	022230	03/20/2014	96	04/01/2014	\$432.35
Deceased	025372	03/08/2014	103	04/01/2014	\$790.85
Deceased	022247	03/08/2014	89	04/01/2014	\$1,725.88
Deceased	069512	03/18/2014	69	04/01/2014	\$1,499.75
Deceased	048813	03/29/2014	74	04/01/2014	\$1,280.52
Deceased	018099	03/07/2014	95	04/01/2014	\$1,755.26
Deceased	023609	03/23/2014	93	04/01/2014	\$1,857.84
Deceased	B00117	03/16/2014	107	04/01/2014	\$194.89
Deceased	032345	03/10/2014	84	04/01/2014	\$1,734.91
Deceased	034916	03/28/2014	85	04/01/2014	\$169.05
Deceased	044768	03/23/2014	70	04/01/2014	\$1,701.22
Deceased	019561	03/30/2014	92	04/01/2014	\$1,821.08
Deceased	023057	03/27/2014	89	04/01/2014	\$362.55
Deceased	020973	03/17/2014	88	04/01/2014	\$439.98
Deceased	048827	03/28/2014	76	04/01/2014	\$265.01
Deceased	041954	03/15/2014	74	04/01/2014	\$2,821.26
Deceased	022339	03/10/2014	93	04/01/2014	\$1,495.60
Deceased	040217	03/24/2014	83	04/01/2014	\$1,174.71
Deceased	048662	03/04/2014	75	04/01/2014	\$2,882.85
Deceased	053859	03/19/2014	77	04/01/2014	\$333.40
Deceased	038303	03/28/2014	63	04/01/2014	\$2,724.70
Deceased	030575	03/16/2014	86	04/01/2014	\$1,794.55
Deceased	029905	03/21/2014	92	04/01/2014	\$393.37
Deceased	049783	03/25/2014	76	04/01/2014	\$1,558.42
Deceased	098616	03/15/2014	62	04/01/2014	\$122.32
Deceased	040859	03/01/2014	80	04/01/2014	\$273.25
Deceased	024382	03/11/2014	66	04/01/2014	\$828.61
Deceased	033482	03/14/2014	82	04/01/2014	\$1,515.93
Deceased	012940	03/01/2014	102	04/01/2014	\$906.06
Deceased	025765	03/19/2014	92	04/01/2014	\$310.76
Deceased	042607	03/13/2014	88	04/01/2014	\$1,066.70
Deceased	022418	03/25/2014	92	04/01/2014	\$615.48
Deceased	014036	03/22/2014	101	04/01/2014	\$1,716.72
Deceased	098296	03/08/2014	77	04/01/2014	\$729.37
Deceased	019125	03/02/2014	93	04/01/2014	\$1,438.47

Deceased	058384	03/23/2014	70	04/01/2014	\$1,760.90
Deceased	031766	03/31/2014	85	04/01/2014	\$1,208.24
Deceased	017919	03/28/2014	97	04/01/2014	\$986.57
Deceased	D00998	03/07/2014	80	04/01/2014	\$1,237.66
Deceased	069579	03/21/2014	68	04/01/2014	\$1,640.19
Deceased	025961	03/26/2014	93	04/01/2014	\$1,426.27
Deceased	043973	03/06/2014	81	04/01/2014	\$548.21
Deceased	033905	03/18/2014	89	04/01/2014	\$2,151.73
Deceased	033113	03/10/2014	65	04/01/2014	\$438.65
Deceased	049089	03/05/2014	73	04/01/2014	\$1,246.32
Deceased	024275	03/26/2014	89	04/01/2014	\$811.94
Deceased	026139	03/11/2014	80	04/01/2014	\$1,669.15
Deceased	014556	03/30/2014	99	04/01/2014	\$1,108.01
Deceased	028954	03/04/2014	80	04/01/2014	\$2,512.46
Deceased	064097	03/22/2014	67	04/01/2014	\$1,946.17
Deceased	021440	03/12/2014	92	04/01/2014	\$564.76
Deceased	067730	03/04/2014	70	04/01/2014	\$1,036.24
Deceased	029325	03/29/2014	83	04/01/2014	\$1,595.42
Deceased	031921	03/10/2014	82	04/01/2014	\$1,636.63
Deceased	047227	03/26/2014	70	04/01/2014	\$289.12
Deceased	018280	03/01/2014	95	04/01/2014	\$1,423.33
Deceased	026239	03/04/2014	85	04/01/2014	\$1,490.81
Deceased	054193	03/24/2014	84	04/01/2014	\$1,059.72
Deceased	023913	03/12/2014	84	04/01/2014	\$1,755.85
Deceased	096777	03/01/2014	61	04/01/2014	\$2,025.79
Deceased	023336	03/22/2014	84	04/01/2014	\$1,454.69
Deceased	041642	03/05/2014	86	04/01/2014	\$519.38
Deceased	037406	03/31/2014	79	04/01/2014	\$264.91
Deceased	037245	03/28/2014	82	04/01/2014	\$270.08
Deceased	014220	03/31/2014	104	04/01/2014	\$365.64
Deceased	024981	03/10/2014	94	04/01/2014	\$2,289.07
Deceased	060329	03/13/2014	62	04/01/2014	\$2,092.23
Deceased	015549	03/31/2014	101	04/01/2014	\$1,444.65
Deceased	027195	03/31/2014	89	04/01/2014	\$290.04
Deceased	019059	03/13/2014	97	04/01/2014	\$693.63
Deceased	042693	03/01/2014	81	04/01/2014	\$831.16
Deceased	054824	03/16/2014	74	04/01/2014	\$2,585.35
Deceased	026515	03/17/2014	82	04/01/2014	\$1,576.31
Deceased	036880	03/15/2014	80	04/01/2014	\$2,694.94
Deceased	036239	03/29/2014	83	04/01/2014	\$516.78
Deceased	024803	03/12/2014	83	04/01/2014	\$480.01
Deceased	024734	03/23/2014	88	04/01/2014	\$1,917.02
Deceased	026582	03/18/2014	91	04/01/2014	\$1,306.70
Deceased	070473	03/05/2014	74	04/01/2014	\$3,700.60
Deceased	052128	03/26/2014	73	04/01/2014	\$2,841.25
Deceased	033822	03/11/2014	85	04/01/2014	\$1,178.35
Deceased	024035	03/10/2014	91	04/01/2014	\$1,987.34
Deceased	024851	03/25/2014	88	04/01/2014	\$205.38
Deceased	074247	03/02/2014	78	04/01/2014	\$1,820.33
Deceased	020306	03/22/2014	90	04/01/2014	\$255.07
Deceased	065036	03/24/2014	66	04/01/2014	\$1,033.66
Deceased	048765	03/24/2014	76	04/01/2014	\$715.30
Deceased	044278	03/08/2014	72	04/01/2014	\$2,555.11
Deceased	026675	03/12/2014	90	04/01/2014	\$281.73

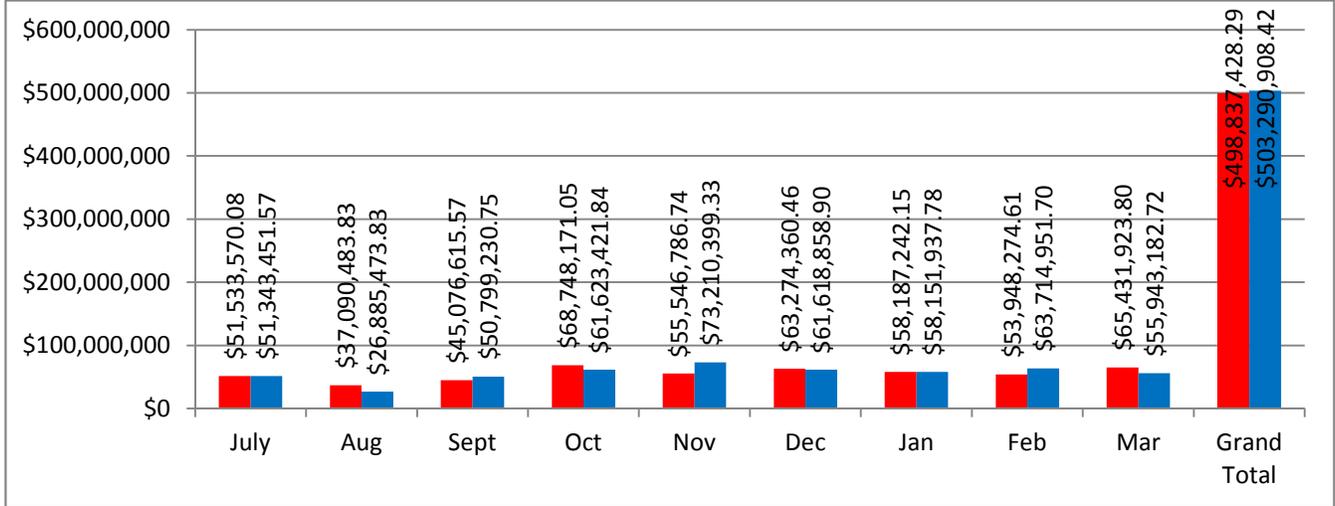
Deceased	021136	03/01/2014	92	04/01/2014	\$741.17
Deceased	062585	03/10/2014	59	04/01/2014	\$1,675.51
Deceased	029828	03/21/2014	87	04/01/2014	\$959.04
Deceased	024082	03/23/2014	87	04/01/2014	\$2,236.93
Deceased	024090	03/06/2014	90	04/01/2014	\$1,783.88
Deceased	069808	03/27/2014	72	04/01/2014	\$420.84
Deceased	030810	03/21/2014	76	04/01/2014	\$1,482.09
Deceased	032188	03/17/2014	74	04/01/2014	\$1,531.31
Deceased	021032	03/07/2014	88	04/01/2014	\$393.62
Deceased	028106	03/31/2014	87	04/01/2014	\$469.07
Deceased	056922	03/15/2014	76	04/01/2014	\$167.13
Deceased	072382	03/07/2014	64	04/01/2014	\$4,116.88
Deceased	020199	03/17/2014	94	04/01/2014	\$626.20
Deceased	018043	03/10/2014	97	04/01/2014	\$1,635.72
Deceased	038847	03/11/2014	79	04/01/2014	\$1,410.39
Deceased	029871	03/16/2014	90	04/01/2014	\$1,659.36
Deceased	033942	03/11/2014	60	04/01/2014	\$1,219.82
Deceased	044736	03/30/2014	76	04/01/2014	\$2,072.45
Deceased	026953	03/05/2014	84	04/01/2014	\$1,693.87

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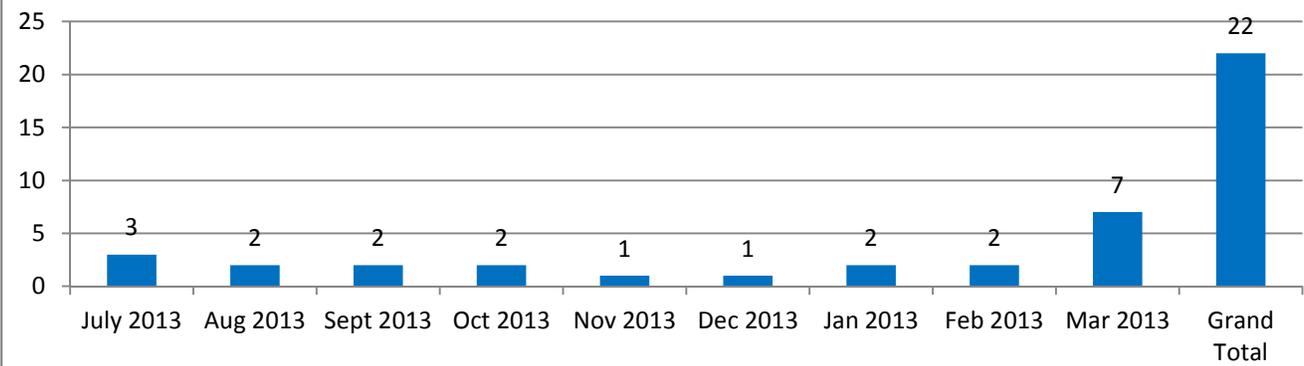
\$153,884.18

Employer Reporting Analysis of Employee and Employer Contributions Received

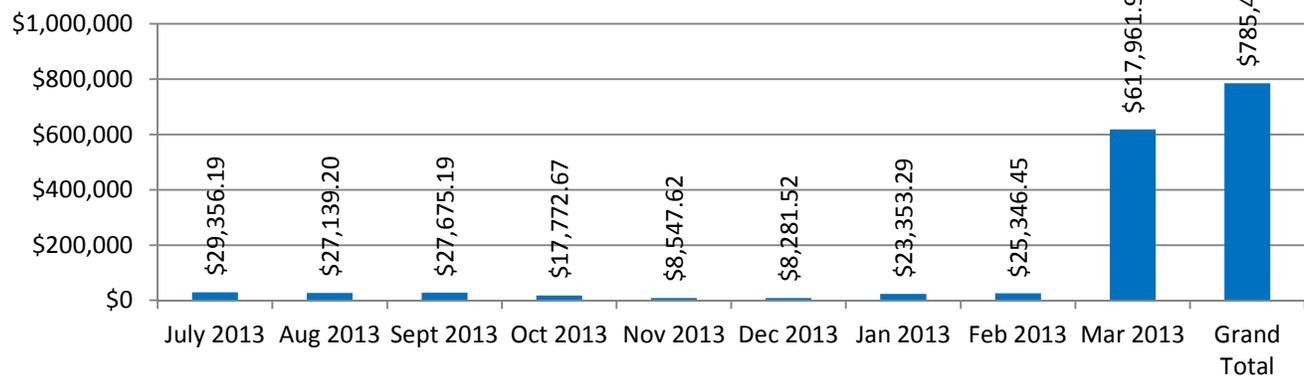
Comparison of Contributions Received for the Nine Months Ended March 31, 2013 and 2014



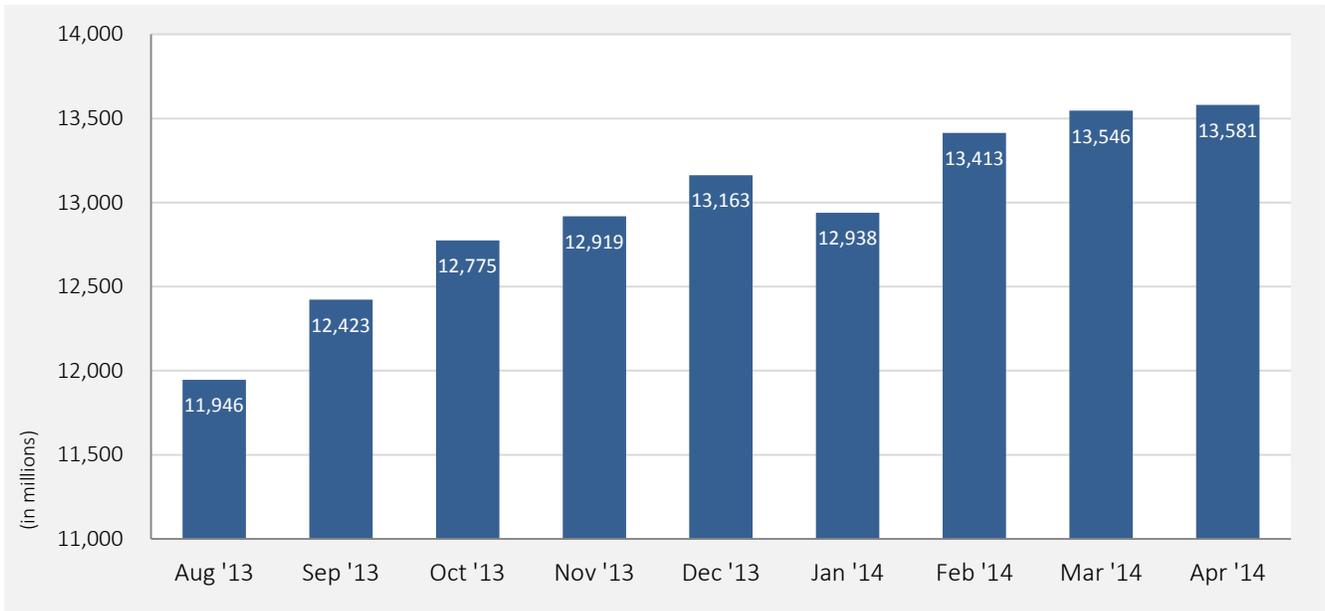
Estimated Number of Delinquent Reports FY2014



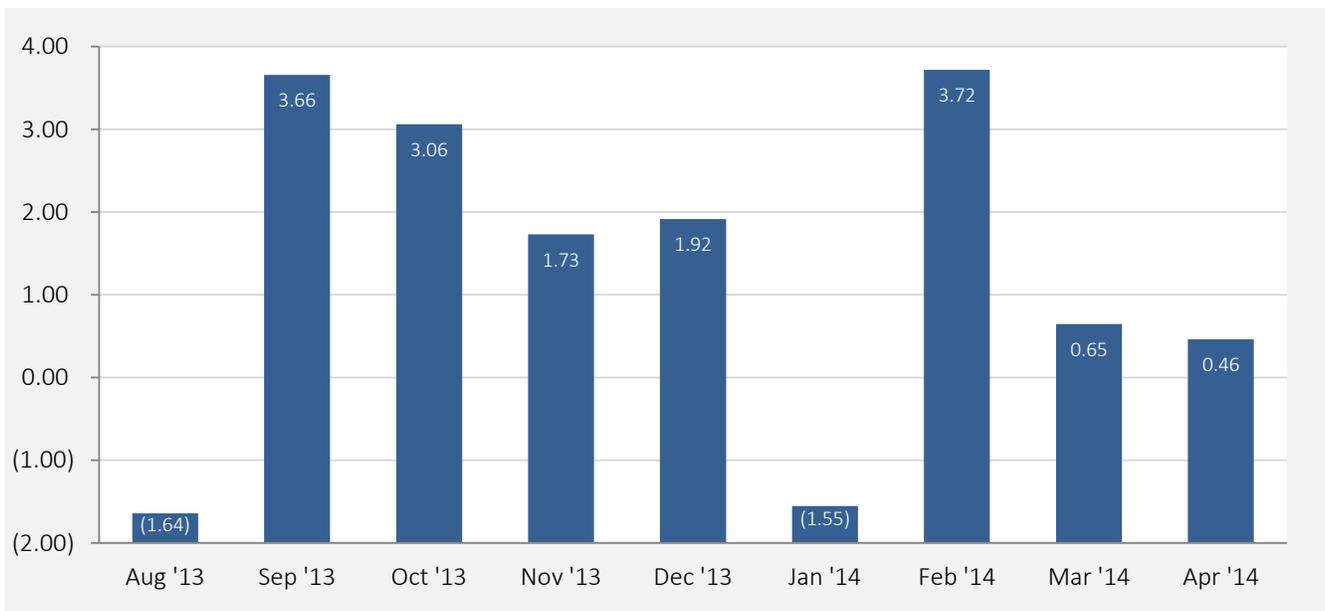
Estimated Delinquent Funds FY2014



Market Value for FY 2014 to date

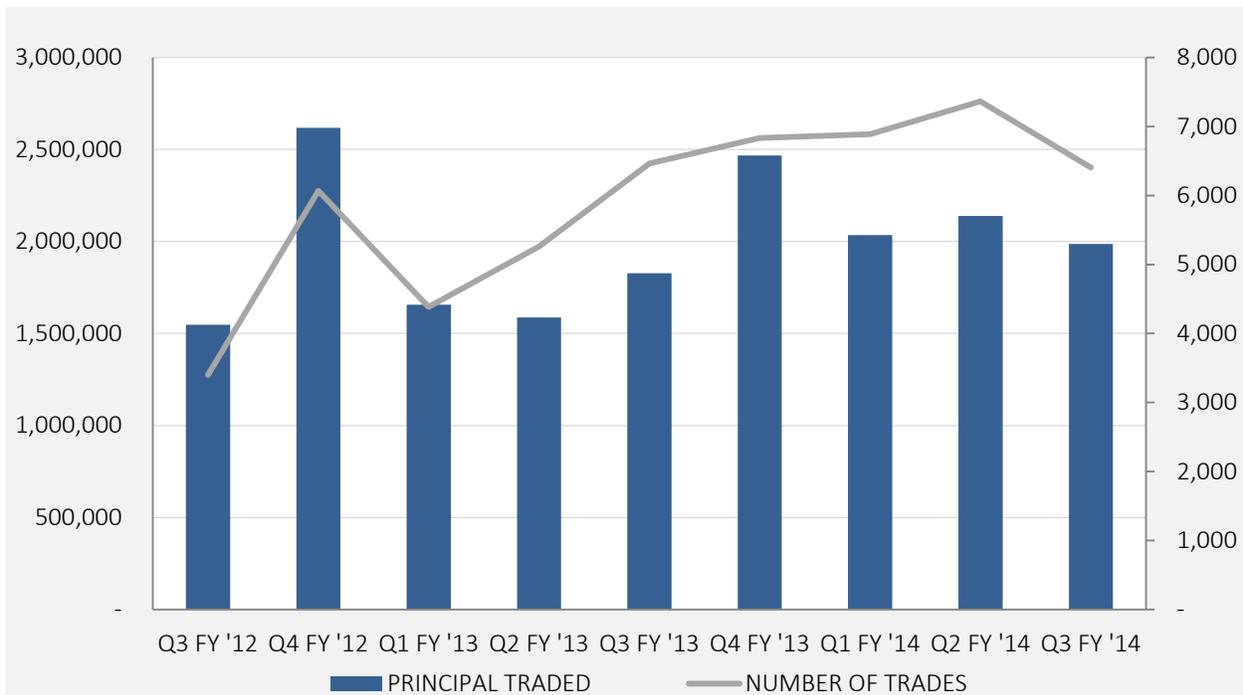
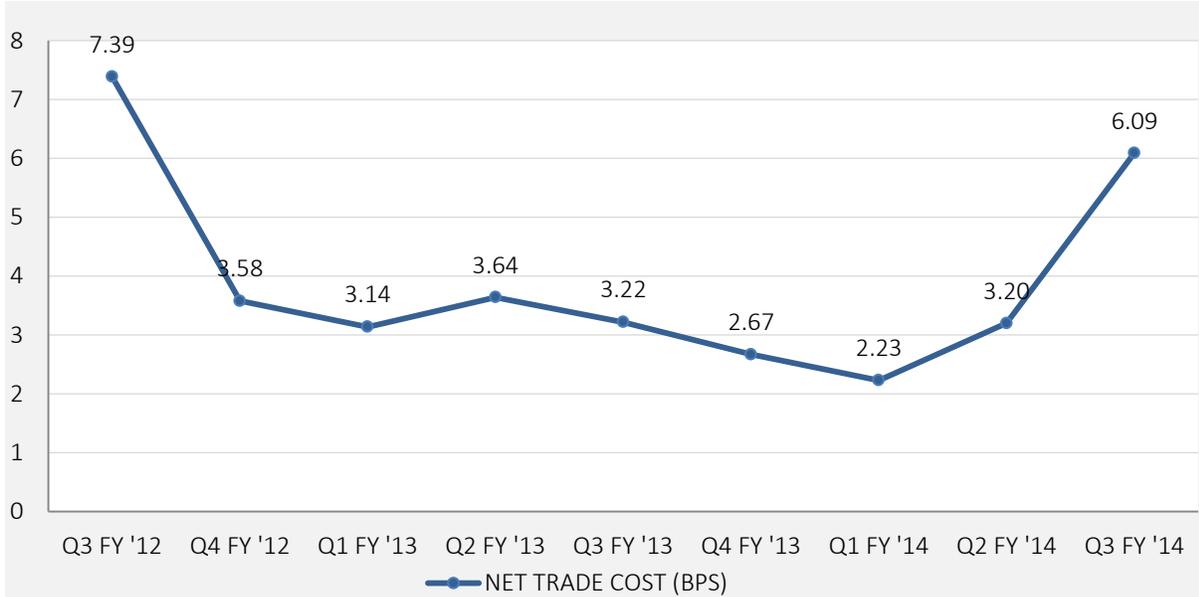


Percent Return for FY 2014 to date



Trade Cost Summary

PERIOD	NET TRADE COST (BPS)	PRINCIPAL TRADED	NUMBER OF TRADES	PEER RANK	QUARTILE
Q3 FY '12	7.39	\$ 1,547,647.72	3,397	29%	3
Q4 FY '12	3.58	\$ 2,619,209.23	6,068	31%	3
Q1 FY '13	3.14	\$ 1,656,037.16	4,387	24%	4
Q2 FY '13	3.64	\$ 1,587,486.07	5,260	29%	3
Q3 FY '13	3.22	\$ 1,828,059.64	6,464	41%	3
Q4 FY '13	2.67	\$ 2,468,021.86	6,836	32%	3
Q1 FY '14	2.23	\$ 2,035,280.14	6,889	39%	3
Q2 FY '14	3.20	\$ 2,138,838.87	7,366	44%	3
Q3 FY '14	6.09	\$ 1,986,360.00	6,407	21%	4





HR STATUS REPORT

- **New Hires:**

n/a

- **Salary Adjustment in April 2014:**

Employee: 108414
Title: Human Resources Director
Salary From: \$55,000
Salary To: \$65,000
Effective: 04/01/2014

- **Resignations/Terminations/Retirements in April 2014:**

Employee: 103880
Title: Director of Information Technology
Salary: \$75,500
Effective: 04/30/2014

MISCELLANEOUS PAYMENTS

- **Employee of the Quarter**

Employee: 106322
Title: Retirement Planning Consultant
Payment: \$250
Effective: 04/30/2014

- **Severance Payments:**

n/a

EMPLOYEE PERFORMANCE EVALUATIONS

- As of 05/15/2014, all employee evaluations were completed and submitted in accordance with state policy.
- Management changed the closeouts from December 31 to April 30.

NEW HIRES, RESIGNATIONS OR RETIREMENTS PENDING

- Retirement Planning Consultant (position has been approved by cabinet secretary – applicant review stage)
- Director of Investments (position has been approved by cabinet secretary but not filled)
- Secretary Treasurer (position has been approved by cabinet secretary but not filled)



BALANCE SHEET
APRIL 30, 2014

CURRENT ASSETS:

Cash Not Available For Investment	\$6,712,978.51
Equities (At Market Value)	10,427,216,685.59
Fixed Income (At Market Value)	2,791,050,828.96
Short-Term Investment Account	444,837,938.49
Due From/(To) Broker	(132,149,423.28)
Accounts Receivable Installment Payments	1,358,144.49
Accrued Income	<u>50,105,504.33</u>

Total Current Assets

13,589,132,657.09

CAPITAL ASSETS:

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

TOTAL ASSETS

\$13,591,312,891.69

CURRENT LIABILITIES:

Teachers' Savings Fund	\$4,258,335,411.01
Retirement Benefit Fund	7,267,869,925.61
Interest Fund	2,005,034,615.28
Expense Fund	23,816,805.04
Suspense Fund	<u>33,616,623.89</u>

Total Current Liabilities

13,588,673,380.83

TRS Capital Investment	<u>2,639,510.86</u>
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TOTAL LIABILITIES AND CAPITAL INVESTMENT

\$13,591,312,891.69

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
FOR THE TEN MONTHS ENDED APRIL 30

	<u>Year to Date</u> (FY 2014)	<u>Year to Date</u> (FY 2013)	<u>% Change</u>
Balance of Cash and Investments Net Position, Beginning of Year	\$11,817,761,245.40	\$10,120,620,220.15	
<u>RECEIPTS:</u>			
Members' Deposits	212,098,848.70	214,485,350.94	-1.11%
Employer Contributions	309,603,143.32	314,052,745.50	-1.42%
State Credits	30,877,703.00	33,951,267.50	-9.05%
Reimbursed Administrative	210.00	405,670.37	-99.95%
Matching Funds from Schools	19,637,518.28	20,746,082.33	-5.34%
Lottery Revenue	2,815,173.50	2,875,580.75	-2.10%
Cigarette Sales Tax Revenue	1,319,457.94	1,397,213.81	-5.57%
Dedicated Revenue	233,021,017.57	236,700,758.51	-1.55%
Total Retirement Receipts	809,373,072.31	824,614,669.71	-1.85%
Interest Income (Fixed Income and Short-Term)	105,480,880.45	111,500,379.24	-5.40%
Dividend Income	189,328,818.17	151,258,236.92	25.17%
Net Realized Gain/(Loss)	794,193,264.12	477,119,260.57	66.46%
Net Unrealized Gain/(Loss)	908,832,016.29	1,109,372,758.21	-18.08%
Investment Operations Income:			
Class Action Lawsuit Proceeds	315,948.40	22,328.07	1315.03%
Other Income	157,044.49	85,334.29	84.03%
Securities Lending Income	6,726,643.36	7,877,397.36	-14.61%
Total Investment Income	2,005,034,615.28	1,857,235,694.66	7.96%
TOTAL RECEIPTS	2,814,407,687.59	2,681,850,364.37	4.94%
<u>DISBURSEMENTS:</u>			
Retirement Benefits	923,013,517.50	879,655,566.06	4.93%
Insurance Premiums Paid for Retirees	25,162,795.00	24,838,846.00	1.30%
Death Benefits	13,446,861.90	13,530,879.86	-0.62%
Withdrawals of Accounts	25,687,080.31	25,363,200.83	1.28%
Total Benefit Payments	987,310,254.71	943,388,492.75	4.66%
Administrative Expense:			
General Operations	4,137,915.42	3,937,074.97	5.10%
Investment Expense	39,969,539.29	31,752,237.60	25.88%
Total Administrative Expenses	44,107,454.71	35,689,312.57	23.59%
TOTAL DISBURSEMENTS	1,031,417,709.42	979,077,805.32	5.35%
NET INCREASE/(NET DECREASE)	1,782,989,978.17	1,702,772,559.05	4.71%
Balance of Cash and Investments, April 30	\$13,600,751,223.57	\$11,823,392,779.20	



SCHEDULE II
Comparison of FY2014 Budget to Actual Expenses
10 Months ended April 30, 2014 Year to Date Comparison

Object of Expenditure	10 Month FY-2014 YTD Budget	10 Month FY-2014 YTD Actual	Over (Under) Amount	Over (Under) Percentage
Personal Services				
Salary and Longevity Pay Expenses	1,719,940	1,529,123	(190,817)	-11.1%
Taxes, Benefits, and Other Expenses	944,670	757,434	(187,236)	-19.8%
Subtotal Personal Services	2,664,610	2,286,557	(378,053)	-14.2%
Professional Services				
Investment Manager Expenses	33,333,330	30,061,502	(3,271,828)	-9.8%
Investment Consultant Expenses	585,000	585,000	0	0.0%
Investment Custodian Expenses	62,500	52,468	(10,032)	-16.1%
Pension Commission Expenses	50,000	34,445	(15,555)	-31.1%
Subtotal Investment Expenses	34,030,830	30,733,415	(3,297,415)	-9.7%
Legal Services - Special Projects	41,670	5,077	(36,593)	-87.8%
Legal Services - Attorney General	45,830	54,094	8,264	18.0%
Administrative Hearings	830	0	(830)	-100.0%
Auditing Services	204,170	110,726	(93,444)	-45.8%
Actuarial Services	125,000	88,495	(36,505)	-29.2%
Medical Hearings	8,330	6,000	(2,330)	-28.0%
Management Consultant	58,330	45,449	(12,881)	-22.1%
Marketing Consultant	41,670	15,694	(25,976)	-62.3%
Miscellaneous Services	50,210	19,352	(30,858)	-61.5%
Subtotal Professional Services	576,040	344,887	(231,153)	-40.1%
Total Professional Services	34,606,870	31,078,302	(3,528,568)	-10.2%
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	43,000	22,733	(20,267)	-47.1%
Employee Training	32,750	12,625	(20,125)	-61.5%
Employee Travel Expenses	82,310	24,069	(58,241)	-70.8%
Subtotal Travel and Per Diem Expenses	158,060	59,427	(98,633)	-62.4%
Administrative Expenses				
Postage	212,500	141,033	(71,467)	-33.6%
Telecommunications Services	33,330	26,360	(6,970)	-20.9%
Printing and Binding Contracts	75,000	44,534	(30,466)	-40.6%
Informational Services	37,500	26,988	(10,512)	-28.0%
Rent and Maintenance	210,750	170,169	(40,581)	-19.3%
Office Supplies	30,330	15,702	(14,628)	-48.2%
Buildings and Other Structures Construction and Renovation	8,330	2,996	(5,334)	-64.0%
Miscellaneous Administrative Expenses	34,080	20,126	(13,954)	-40.9%
Subtotal Administrative Expenses	641,820	447,908	(193,912)	-30.2%
Data Processing Expenses				
Professional Services	1,295,830	724,050	(571,780)	-44.1%
Rent and Maintenance	3,330	5,311	1,981	59.5%
Office Supplies	18,740	2,572	(16,168)	-86.3%
Equipment -Telecommunications	75,640	7,010	(68,630)	-90.7%
Subtotal Data Processing Expenses	1,393,540	738,943	(654,597)	-47.0%
Total Expenses	39,464,900	34,611,137	(4,853,763)	-12.3%
Total Investment Expenses Only	34,030,830	30,733,415	(3,297,415)	-9.7%
Total Data Processing Expenses Only	1,393,540	738,943	(654,597)	-47.0%
Total except Investment and Data Processing Expenses	4,040,530	3,138,779	(901,751)	-22.3%



SCHEDULE I
Comparison of Actual Expenditures Fiscal Year 2013 and Fiscal Year 2014
10 Month Year to Date Comparison

Object of Expenditure	FY-2013 YTD Actual Expenditures 4/30/2013	FY-2014 YTD Actual Expenditures 4/30/2014	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personal Services				
Salary and Longevity Pay Expenses	1,595,821	1,529,123	(66,698)	-4.2%
Taxes, Benefits, and Other Expenses	802,024	757,434	(44,591)	-5.6%
Subtotal Personal Services	2,397,845	2,286,556	(111,289)	-4.6%
Professional Services				
Investment Manager Expenses	22,530,628	30,061,502	7,530,874	33.4%
Investment Consultant Expenses	585,000	585,000	0	0.0%
Investment Custodian Expenses	40,503	52,468	11,965	29.5%
Pension Commission Expenses	32,478	34,445	1,967	6.1%
Subtotal Investment Expenses	23,188,609	30,733,415	7,544,806	32.5%
Legal Services - Special Projects	1,077	5,077	3,999	371.2%
Legal Services - Attorney General	45,055	54,094	9,039	20.1%
Administrative Hearings	0	0	0	0.0%
Auditing Services	75,477	110,726	35,249	46.7%
Actuarial Services	98,866	88,495	(10,371)	-10.5%
Medical Hearings	7,200	6,000	(1,200)	-16.7%
Management Consultant	77,033	45,449	(31,584)	-41.0%
Marketing Consultant	28,014	15,694	(12,320)	-44.0%
Miscellaneous Services	24,275	19,352	(4,923)	-20.3%
Subtotal Professional Services	356,997	344,887	(12,111)	-3.4%
Total Professional Services	23,545,607	31,078,302	7,532,696	32.0%
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	32,283	22,733	(9,550)	-29.6%
Employee Training	18,420	12,625	(5,795)	-31.5%
Employee Travel Expenses	31,105	24,063	(7,042)	-22.6%
Subtotal Travel and Per Diem Expenses	81,809	59,421	(22,388)	-27.4%
Administrative Expenses				
Postage	134,839	141,033	6,195	4.6%
Telecommunications Services	26,563	26,360	(204)	-0.8%
Printing and Binding Contracts	47,031	44,534	(2,498)	-5.3%
Informational Services	28,335	26,988	(1,346)	-4.8%
Rent and Maintenance	149,419	170,169	20,750	13.9%
Office Supplies	21,441	15,702	(5,739)	-26.8%
Buildings and Other Structures Construction and Renovation	1,322	2,996	1,674	0.0%
Miscellaneous Administrative Expenses	20,351	20,133	(219)	-1.1%
Subtotal Administrative Expenses	429,301	447,914	18,613	4.3%
Data Processing Expenses				
Professional Services	607,677	724,050	116,373	19.2%
Rent and Maintenance	15,714	5,311	(10,403)	-66.2%
Office Supplies	3,025	2,572	(453)	-15.0%
Equipment -Telecommunications	9,980	7,010	(2,970)	-29.8%
Subtotal Data Processing Expenses	636,396	738,943	102,548	16.1%
Total Expenses	27,090,958	34,611,137	7,520,179	27.8%
Total Investment Expenses Only	23,188,609	30,733,415	7,544,806	32.5%
Total Data Processing Expenses Only	636,396	738,943	102,548	16.1%
Total except Investment & Data Processing Expenses	3,265,953	3,138,778	(127,174)	-3.9%

Miscellaneous Professional Services Expenses

	Budget	Expenses	Expenses
	<u>2014</u>	<u>2014</u>	<u>2013</u>
Interior Design Services		1335.25	
Background Checks	250.00	95.00	114.00
Management Consultant		4,536.02	
Retirement Process Consultant	10,000.00	0.00	0.00
Document Destruction	2,500.00	1,893.52	1,621.08
Office of Personnel Management	2,500.00	0.00	0.00
Security	10,000.00	5,747.99	5,798.27
Business Service Center	35,000.00	3,086.98	15,537.04
Computer Professional Services	0.00	2,150.00	1,204.69
Sign Language Interpreter	0.00	507.52	0.00
	<u>\$60,250.00</u>	<u>\$19,352.28</u>	<u>\$24,275.08</u>

Miscellaneous Administrative Expenses

	Budget	Expenses	Expenses
	<u>2014</u>	<u>2014</u>	<u>2013</u>
Bank Service Charges	10,000.00	7,051.84	6,343.42
ERP Systems -PeopleSoft	5,200.00	2,655.00	2,458.81
Licenses, Permits, Certificates and Other Rights	3,000.00	1,723.00	1,599.88
Membership in Organizations	11,700.00	6,125.00	6,955.00
Premium Surety and Other Required Bonds	2,000.00	2,571.33	2,695.07
Moving Expenses General	0.00	0.00	264.00
Property and Liability Insurance	8,000.00	0.00	0.00
Miscellaneous Administrative Expenses			35.16
	<u>\$39,900.00</u>	<u>\$20,126.17</u>	<u>\$20,351.34</u>

Miscellaneous Data Processing Administrative Expenses

	Budget	Expenses	Expenses
	<u>2014</u>	<u>2014</u>	<u>2013</u>
Membership in Organizations	1,000.00	0.00	
	<u>\$1,000.00</u>	<u>\$0.00</u>	<u>\$0.00</u>



**RECEIPTS AND CLAIMS FOR AUTHORIZED EXPENDITURES
APRIL 30, 2014**

Expenses of Board

Trustee	Meeting, March 26 board meeting travel	\$	264.76
Trustee	Meeting, March 26 board meeting travel		128.96
Trustee	Meeting, March 26 board meeting travel		145.60
Trustee	Meeting, March 26 board meeting travel		90.36
Trustee	Meeting, March 26 board meeting travel		131.20
Trustee	Meeting, April 16 board meeting travel		131.20
Trustee	Meeting, April 16 board meeting travel		238.94
Trustee	Meeting, April 16 board meeting travel		145.60
Trustee	Meeting, April 16 board meeting travel		128.96
Trustee	Meeting, April 16 board meeting travel		248.26
			<hr/>
			1,653.84

Travel of Employees

Client Services Manager	NCTR Conference, Austin, TX		1,195.00
Director of Client Services	NCTR Conference, Austin, TX		1,195.00
General Counsel	Mileage		36.96
			<hr/>
			2,426.96

Communications

Ala Carte Courier Services	Courier service		384.20
AT&T	Wireless, OneNet charges		784.53
Cox Communications	Cable charges		43.40
Employee Reimbursement	Postage		116.65
GMEI Utility Reg Fee	Registration CICI database		100.00
JP Morgan Bank	Analysis charges		606.48
Office of Management and Enterprise Services	Telecommunications, transaction fees		4,552.30
Office of Management and Enterprise Services	Printing		324.50
State Treasurer	Fundware		33.00
WWW.OKAPP.ORG	OkAPP Registration		50.00
			<hr/>
			6,995.06



**RECEIPTS AND CLAIMS FOR AUTHORIZED EXPENDITURES
APRIL 30, 2014**

Contingency, Maintenance, Insurance, Rent, Etc.

ABM Automation	Check signer maintenance	\$	295.00
Amazon	Office supplies		304.27
Dell Marketing, LP	Computer equipment		2,321.23
Department of Education	Security - January and February		1,421.99
Employee Reimbursement	Refreshments for board meetings		104.73
Employee Reimbursement	Office supplies		88.04
Employee Reimbursement	Catering - Employee meeting		500.12
First Choice Coffee Service	Kitchen supplies		505.39
Hideaway Pizza	Catering - March 26 board meeting		174.85
Oklahoma Department of Corrections	Office furniture		2,684.61
Oklahoma State Bureau of Investigations	Background checks		19.00
Precision Document Solutions	Printer maintenance		840.67
South Central Industries	Kitchen supplies		167.65
Staples	Office supplies		403.93
Vista.Com	Voice recording maintenance		445.00
Walker Stamp	Office supplies		203.04
Wall Street Journal	Subscription		218.91
			<hr/>
			10,698.43

Investment Expenditures

Advisory Research Inc	Investment management fees third quarter		1,086,899.59
AJO	Investment management fees third quarter		265,415.00
Causeway Capital Management	Investment management fees third quarter		439,548.66
Cove Street Capital	Investment management fees third quarter		188,528.00
Frontier Capital Management	Investment management fees third quarter		1,037,132.02
Geneva Capital Management	Investment management fees third quarter		335,160.00
Gregory W Group	April 2014 consulting fee		58,500.00
Hoisington Investment Management	Investment management fees third quarter		100,155.68
Hotchkis and Wiley Capital Management	Investment management fees third quarter		1,032,319.28
Lord Abbett & Co, LLC	Investment management fees third quarter		234,823.14
Neumeier Poma Investment	Investment management fees third quarter		182,170.00
Northern Trust Company	Investment management fees third quarter		45,219.88
Sawgrass Asset Management	Investment management fees third quarter		435,335.00
Shapiro Capital Management LLC	Investment management fees third quarter		1,299,521.54
Wasatch Advisors, Inc.	Investment management fees third quarter		827,813.44
			<hr/>
			7,568,541.23



**RECEIPTS AND CLAIMS FOR AUTHORIZED EXPENDITURES
APRIL 30, 2014**

Professional Services, Workers Comp Insurance

Compsource Oklahoma	Workers comp insurance premium	\$ 3,099.00
Dathan D Jay MD	April 2014 medical board	300.00
Gabriel Roeder Smith	Actuary services	2,524.00
George R Jay MD	April 2014 medical board	300.00
Gregory W Group	Reimburse legal fees	3,070.56
KPMG, LLP	Tax guarantor service	10,150.00
MY Consulting Inc	February 2014 ALICE development	66,900.00
Office of Management and Enterprise Services	Computer programming	500.00
Office of Management and Enterprise Services	Server support, disk storage & network support	4,822.88
Office of Management and Enterprise Services	Interagency mail/postage	4,150.88
Office of Management and Enterprise Services	Flexible benefit administration	38.02
The Meadows	Document destruction	180.00
		96,035.34

Salaries and Fringe Benefits

Salaries	Administrative department	26,595.25
Salaries	Finance/Accounting department	22,726.34
Salaries	Client Services department	78,621.62
Salaries	Investment department	5,766.67
Salaries	Internal Audit department	4,633.00
Salaries	Information Technology department	6,291.67
Longevity Payroll		626.00
Excess Benefit Allowance		3,841.94
FICA/MQFE	Social Security and Medicare	11,275.39
Oklahoma State Deferred Savings Incentive Plan	Savings incentive plan and administrative fee	884.73
Oklahoma Group Insurance	Employee health, dental life	32,418.51
Teachers' Retirement System of Oklahoma	Employees retirement contributions	32,156.73
Unemployment compensation	Unemployment for Agency payroll	1,134.52
		226,972.37

Grand Total

\$ 7,913,323.23

EXECUTIVE SUMMARY

This is a summary of the changes in the proposed FY 2015 budget compared to FY 2014. The Teachers' Retirement System has done an excellent job at keeping operating costs low and employment levels low. While admirable, it is the opinion of the current executive team that modest increases in the staff size will improve service to TRS clients and participating employers. In addition, some positions need to be upgraded to attract experienced staff to improve the oversight of investment and accounting functions.

1. Investment Division – The Teachers' Retirement System does not have a Chief Investment Officer. Even though the recent and long-term investment performance of the TRS portfolio is nothing short of amazing, TRS needs an experienced, credentialed professional to act as an internal advisor to the trustees. More oversight is needed to ensure financial compliance and to provide a watchful eye over the very large number of managers under contract to TRS. The CIO is not a substitute for the external investment consultant. The position will add to the quality and capabilities of the investment team composed of the Investment Committee, consultant and current staff. It is proposed that the CIO be supervised by the Executive Director. The FTE exists for this position, but the recommendation is to change the title to CIO and enhance the maximum salary for the position. The current Investment Analyst would be supervised by the CIO. There are two existing FTE for interns, however, we only recommend filling one of the intern positions as this time.

2. Administration (Assistant Director) – Most public pension systems of any size have an Executive Director and an Assistant or Deputy Director. The Executive Director traditionally manages the administrative side of the organization including policy development, public relations, legislative relations, and the overall mission of the agency. A good Assistant or Deputy Director acts more as a Chief Operations Officer who manages the actual delivery of services of the agency. In the past the Assistant Director position at TRS generally managed one area of the office. For many years the "Assistant Secretary" managed benefits. The Secretary/Treasurer handled financial matters. This was changed five years ago and the Assistant Director supervised virtually all the departments. Then in 2013, the Assistant Director was put back over the Finance area to give him the opportunity to pass along his financial experience here at TRS prior to a planned retirement. It is recommended that the position of Assistant Director be re-classified to function as the administrator of the operations side of TRS. It is proposed that all department directors be supervised by the Assistant Director. This is an existing FTE and it is recommended that the salary be comparable to the most recent incumbent in that position.

3. Employer Reporting – This function is very important to TRS. This area ensures all of the participating employers within TRS are remitting the right amount of contributions on the right employees. It is a combination of education, communication and accounting. This function has been under Client Services and most recently ended up in a department with investment responsibilities. It is recommended that Employer Reporting be put under the Finance department, with the addition of an FTE to provide support. This would bring the total FTE in Finance to 7.

4. Client Services – This department is the largest at TRS and is the most visible to TRS clients. In order to improve service levels, it is recommended that an additional 3 FTE be added to this department. The current plan is raise the number of staff in the Information (Call) Center from 8 to 10. This number includes the supervisor and the receptionist. Many of these staff members are cross-trained to provide other services, but there will be renewed effort to improve this cross-training so that other tasks can be performed when call volume goes down throughout the year. The third FTE would add an additional retirement planning consultant to either help handle benefit calculations or auditing.

5. Salary increases – We do not know at this time what type of salary increases will be mandated or authorized by the Legislature for state employees. In the past, the underlying budget documents assigned actual salary increases by staff name. I have put in a 5% increase in each department to cover any potential increases. I am not saying there will be an across-the-board 5% increase. I want to make sure we have a sufficient amount in the budget to provide salary increases that are either mandated, deserved or to bring individuals up to the applicable market rate.

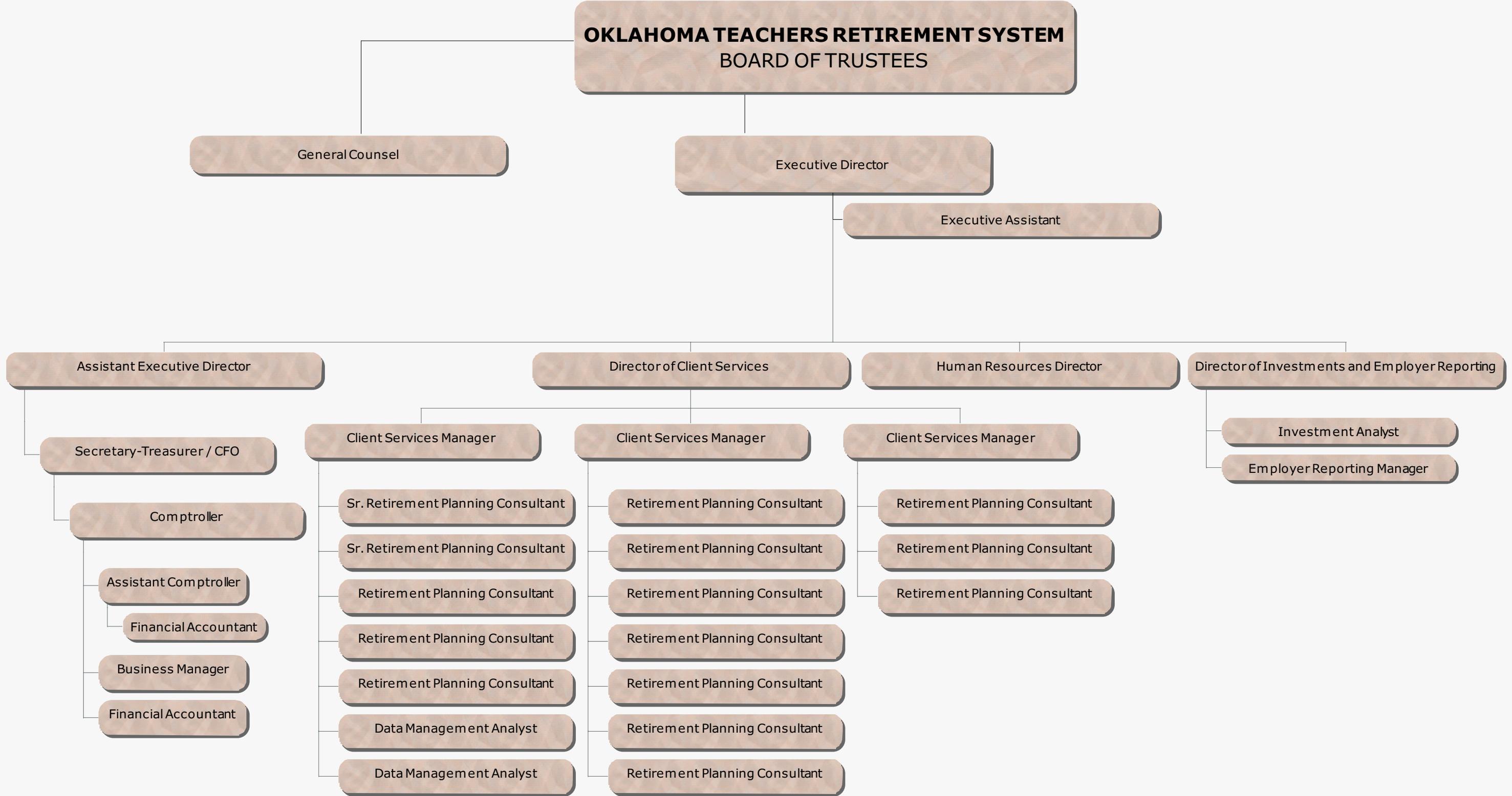
6. Other changes

a. Legal services from the Attorney General are cut drastically with the addition of the position of General Counsel. Some services will still be needed to represent the Board at administrative hearings when the General Counsel is presenting the case.

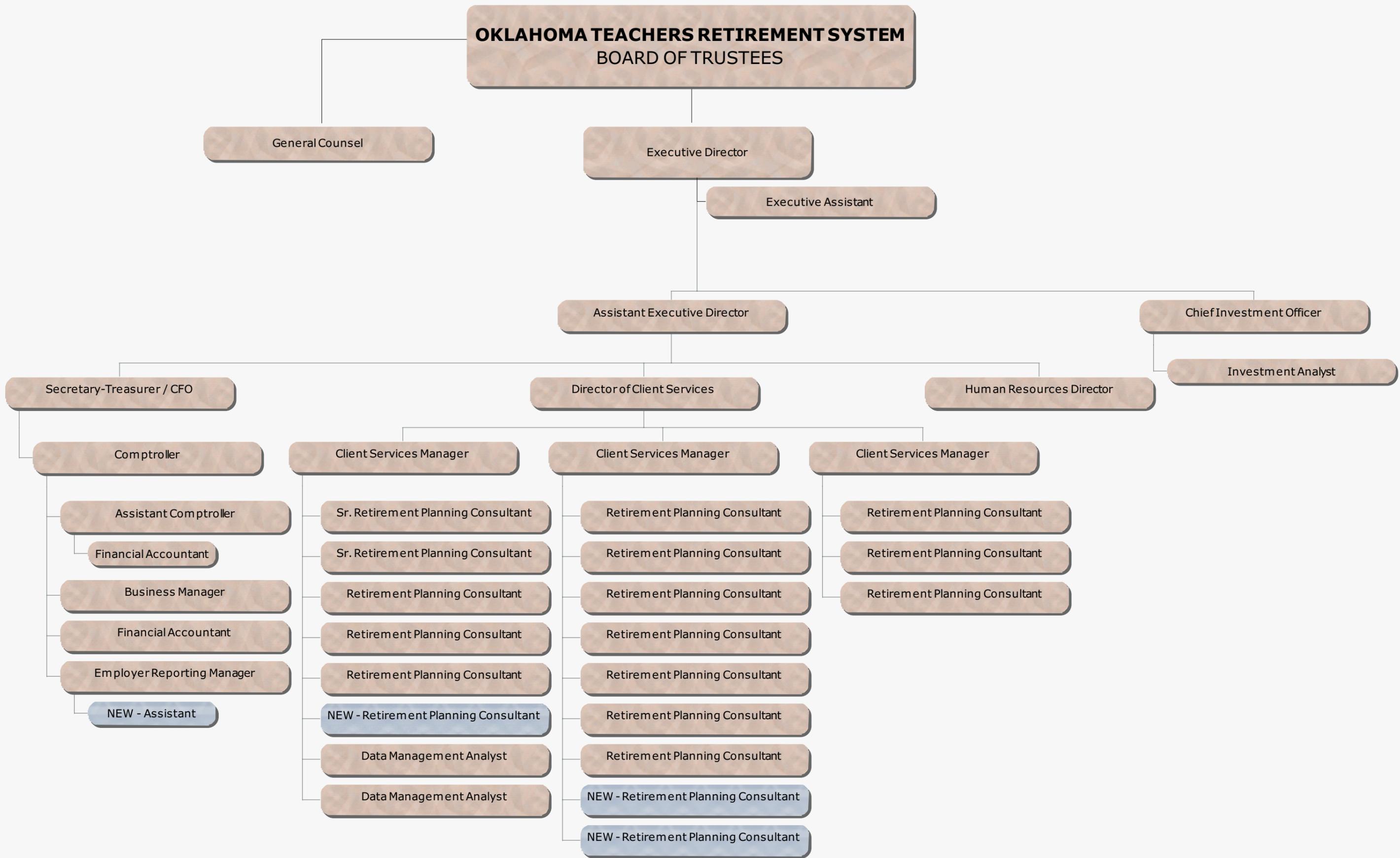
b. We are recommending eliminating the budget line for management consulting. We are recommending cutting the benchmarking services by one half.

c. The reduction in professional services is primarily due to paring back the I.T. development contract.

d. The salary and expenses for I.T. staff are being eliminated. Most of that expense will be converted into professional services from OMES.



CURRENT



PROPOSED

**Agency Totals
Budget Work Program
Fiscal 2015**

Object of Expenditure	Actual FY -2013 Budget	Actual FY 2014 Budget	Proposed FY-2015 Budget	2015-2014 Increase (Decrease) Budget	Increase (Decrease) Percentage
Personal Services					
Salary and Longevity Pay Expenses	2,045,719	2,202,148	2,431,291	229,143	9.4%
Taxes, Benefits, and Other Expenses	1,110,117	1,208,551	1,303,285	94,734	7.3%
Subtotal Personal Services	3,155,836	3,410,699	3,734,576	323,877	8.7%
Professional Services					
Investment Manager Expenses	44,700,000	40,000,000	56,092,245	16,092,245	28.7%
Investment Consultant Expenses	702,000	702,000	702,000	0	0.0%
Investment Custodian Expenses	75,000	75,000	92,000	17,000	18.5%
Pension Commission Expenses	60,000	60,000	70,000	10,000	14.3%
Subtotal Investment Expenses	45,537,000	40,837,000	56,956,245	16,119,245	61.5%
Legal Services - Special Projects	60,000	50,000	8,400	(41,600)	-495.2%
Legal Services - Attorney General	55,000	55,000	7,500	(47,500)	-633.3%
Administrative Hearings	1,000	1,000	15,000	14,000	93.3%
Auditing Services	46,100	245,000	210,000	(35,000)	-16.7%
Actuarial Services	150,000	150,000	150,000	0	0.0%
Medical Hearings	20,000	10,000	15,420	5,420	35.1%
Management Consulting	50,000	70,000	0	(70,000)	-100.0%
Benchmarking/Global Trading Consulting	50,000	50,000	25,000	(25,000)	-100.0%
Miscellaneous Services	35,250	60,250	29,226	(31,024)	-106.2%
Subtotal Professional Services	467,350	691,250	460,546	(230,704)	-50.1%
Subtotal Professional Services	46,004,350	41,528,250	57,416,791	15,888,541	27.7%
Travel and Per Diem Expenses					
Non-Employee Travel Expenses	51,600	51,600	51,600	0	0.0%
Employee Training	23,650	39,300	20,417	(18,883)	-92.5%
Employee Travel Expenses	80,900	98,768	83,670	(15,098)	-18.0%
Subtotal Travel and Per Diem Expenses	156,150	189,668	155,687	(33,981)	-21.8%
Administrative Expenses					
Postage	166,000	255,000	255,000	0	0.0%
Telecommunication Services	38,000	40,000	40,000	0	0.0%
Printing and Binding Contracts	90,000	90,000	90,000	0	0.0%
Informational Services	45,000	45,000	53,163	8,163	15.4%
Rent and Maintenance	202,500	252,900	252,000	(900)	-0.4%
Office Supplies	53,400	36,400	36,120	(280)	-0.8%
Equipment	51,600	0	8,335	8,335	100.0%
Buildings-Purch, Construction Repair	25,000	10,000	0	(10,000)	-100.0%
Miscellaneous Administrative Expenses	96,400	40,900	29,684	(11,216)	-37.8%
Subtotal Administrative Expenses	767,900	770,200	764,302	(5,898)	-0.8%
Data Processing Expenses					
Professional Services	1,025,000	1,555,000	982,007	(572,993)	-58.3%
Travel and Per Diem Expenses	6,000	0	0	0	0.0%
Rent and Maintenance	14,000	4,000	5,500	1,500	27.3%
Office Supplies	5,500	22,485	5,000	(17,485)	-349.7%
Equipment	35,000	90,765	40,000	(50,765)	-126.9%
Miscellaneous Administrative Expenses	11,000	0	0	0	0.0%
Subtotal Data Processing Expenses	1,096,500	1,672,250	1,032,507	(639,743)	-62.0%
Total Expenses	51,180,736	47,571,067	63,103,863	15,532,796	24.6%
Totals Investment Expenses Only	45,537,000	40,837,000	56,956,245	16,119,245	28.3%
Totals Data Processing Expenses Only	1,096,500	1,672,250	1,032,507	(639,743)	-62.0%
Totals except Investment and Data Processing Expenses	4,547,236	5,061,817	5,115,111	53,294	1.0%

**Agency Budget Work Program
FY-2014 Projected Budget to Actual vs FY-2013 Budget to Actual
Fiscal 2015**

Object of Expenditure	Actual FY-2013 Budget	Actual FY-2013 Expenses	Actual FY-2014 Budget	Projected FY-2014 Expenses	Proposed FY-2015 Budget	2014-2015 Increase (Decrease) Budget	Increase (Decrease) Percentage
Personal Services							
Salary and Longevity Pay Expenses	2,045,719	1,916,018	2,202,148	1,834,948	2,431,291	229,143	9.4%
Taxes, Benefits, and Other Expenses	1,110,117	968,054	1,208,551	908,921	1,303,285	94,734	7.3%
Subtotal Personal Services	3,155,836	2,884,072	3,410,699	2,743,869	3,734,576	323,877	8.7%
Professional Services							
Investment Manager Expenses	44,700,000	35,975,517	40,000,000	47,828,710	56,092,245	16,092,245	28.7%
Investment Consultant Expenses	702,000	702,000	702,000	702,000	702,000	0	0.0%
Investment Custodian Expenses	75,000	60,819	75,000	62,962	92,000	17,000	18.5%
Pension Commission Expenses	60,000	65,891	60,000	41,334	70,000	10,000	14.3%
Subtotal Investment Expenses	45,537,000	36,804,227	40,837,000	48,635,006	56,956,245	16,119,245	28.3%
Legal Services - Special Projects	60,000	3,125	50,000	6,092	8,400	(41,600)	-495.2%
Legal Services - Attorney General	55,000	54,066	55,000	64,913	7,500	(47,500)	-633.3%
Administrative Hearings	1,000	0	1,000	0	15,000	14,000	93.3%
Auditing Services	46,100	109,257	245,000	132,871	210,000	(35,000)	-16.7%
Actuarial Services	150,000	102,006	150,000	106,194	150,000	0	0.0%
Medical Hearings	20,000	8,400	10,000	7,200	15,420	5,420	35.1%
Management Consulting	50,000	93,033	70,000	54,539	0	(70,000)	-100.0%
Benchmarking	50,000	37,255	50,000	18,833	25,000	(25,000)	-100.0%
Miscellaneous Services	35,250	41,795	60,250	23,222	29,226	(31,024)	-106.2%
Subtotal Professional Services	467,350	448,937	691,250	413,864	460,546	(230,704)	-50.1%
Subtotal Professional Services	46,004,350	37,253,164	41,528,250	49,048,870	57,416,791	15,888,541	27.7%
Travel and Per Diem Expenses							
Non-Employee Travel Expenses	51,600	34,117	51,600	27,280	51,600	0	0.0%
Employee Training	23,650	20,752	39,300	15,150	20,417	(18,883)	-92.5%
Employee Travel Expenses	80,900	38,089	98,768	28,883	83,670	(15,098)	-18.0%
Subtotal Travel and Per Diem Expenses	156,150	92,958	189,668	71,313	155,687	(33,981)	-21.8%
Administrative Expenses							
Postage	166,000	232,226	255,000	169,240	255,000	0	0.0%
Telecommunication Services	38,000	34,465	40,000	31,632	40,000	0	0.0%
Printing and Binding Contracts	90,000	68,072	90,000	53,441	90,000	0	0.0%
Informational Services	45,000	36,364	45,000	32,386	53,163	8,163	15.4%
Rent and Maintenance	202,500	200,926	252,900	204,203	252,000	(900)	-0.4%
Office Supplies	53,400	26,937	36,400	18,842	36,120	(280)	-0.8%
Equipment	51,600	1,577	0	0	8,335	8,335	100.0%
Buildings-Purch, Construction Repair	25,000	0	10,000	3,595	0	(10,000)	-100.0%
Miscellaneous Administrative Expenses	96,400	29,886	40,900	24,151	29,684	(11,216)	-37.8%
Subtotal Administrative Expenses	767,900	630,453	770,200	537,490	764,302	(5,898)	-0.8%
Data Processing Expenses							
Professional Services	1,025,000	850,975	1,555,000	868,860	982,007	(572,993)	-58.3%
Rent and Maintenance and travel	20,000	21,488	4,000	6,373	5,500	1,500	27.3%
Office Supplies	5,500	3,025	22,485	3,086	5,000	(17,485)	-349.7%
Equipment	46,000	11,649	90,765	8,412	40,000	(50,765)	-126.9%
Subtotal Data Processing Expenses	1,096,500	887,137	1,672,250	886,731	1,032,507	(639,743)	-62.0%
Total Expenses	51,180,736	41,747,783	47,571,067	53,288,273	63,103,863	15,532,796	24.6%
Totals Investment Expenses Only	45,537,000	36,804,227	40,837,000	48,635,006	56,956,245	16,119,245	28.3%
Totals Data Processing Expenses Only	1,096,500	887,137	1,672,250	886,731	1,032,507	(639,743)	-62.0%
Totals except Investment and Data Processing Expenses	4,547,236	4,056,420	5,061,817	3,766,536	5,115,111	53,294	1.0%

Miscellaneous Professional Services Expenses

	Budget	Budget
	<u>2014</u>	<u>2015</u>
Background Checks	250.00	80.00
Retirement Process Consultant	10,000.00	6,800.00
Document Destruction	2,500.00	3,600.00
Office of Management and Enterprise Services	2,500.00	4,950.00
Security	10,000.00	8,796.00
Business Service Center	35,000.00	5,000.00
Computer Professional Services	0.00	0.00
Sign Language Interpreter	0.00	0.00
	<u><u>\$60,250.00</u></u>	<u><u>\$29,226.00</u></u>

Miscellaneous Administrative Expenses

	Budget	Budget
	<u>2014</u>	<u>2015</u>
Bank Service Charges	10,000.00	7,440.00
ERP Systems -PeopleSoft	5,200.00	3,264.00
Licenses, Permits, Certificates and Other Rights	3,000.00	1,095.00
Membership in Organizations	11,700.00	11,445.00
Premium Surety and Other Required Bonds	2,000.00	3,000.00
Advertising	0.00	3,440.00
Moving Expenses General	0.00	0.00
Property and Liability Insurance	8,000.00	0.00
	<u><u>\$39,900.00</u></u>	<u><u>\$29,684.00</u></u>

Miscellaneous Data Processing Administrative Expenses

	Budget	Budget
	<u>2014</u>	<u>2015</u>
Membership in Organizations	1,000.00	0.00
	<u><u>\$1,000.00</u></u>	<u><u>\$0.00</u></u>

Teachers' Retirement System of Oklahoma
Oliver Hodge Building
2500 N. Lincoln Boulevard, 5th Floor
Oklahoma City, Oklahoma 73105
(405) 521-4746

RULE IMPACT STATEMENT

A. BRIEF DESCRIPTION OF PURPOSE OF PROPOSED RULES:

This rule is being proposed to comply with the statutory responsibility of the Board of Trustees in establishing rules and regulations for the administration of the System and the transaction of its business [70 O.S. Section 17-101 et seq., especially 70 O.S. Section 17-106(10)]. This rule is necessary to provide a more efficient administration of the System and ensure that the rules for the Teachers' Retirement System of Oklahoma continue to best serve the System's members.

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

SUBCHAPTER 1. ADMINISTRATIVE OPERATIONS

715:1-1-19 is being added to provide a method to determine which statewide organization representing retired educators may make the one (1) non-voting Trustee appointment to the Board. This non-voting Trustee appointed by a statewide organization representing retired educators is a new addition to the Board by virtue of HB2740 which was signed into law on April 8, 2014 with an effective date of July 1, 2014. As there is the possibility that more than one statewide organization representing retired educators exists, without the adopting of this rule, there is no way to determine which specific organization is entitled to make the nomination.

B. CLASS OF PERSON(S) AFFECTED (CLASS BEARING COST OF RULES):

The class of person(s) affected by the proposed rules is the membership of the Teachers' Retirement System of Oklahoma, as well as any statewide organizations representing retired educators.

C. CLASS OF PERSON(S) BENEFITTED BY PROPOSED RULES:

The class of person(s) benefitted by the proposed rules is the membership of the Teachers' Retirement System of Oklahoma as well as any statewide organizations representing retired educators.

D. DESCRIPTION OF ECONOMIC IMPACT UPON AFFECTED CLASSES OF PERSONS OR POLITICAL SUBDIVISIONS:

The proposed rules will not have an economic impact upon affected classes.

E. COST TO AGENCY, EFFECT ON STATE, INCLUDING A PROJECTED NET LOSS OR GAIN IN SUCH REVENUES:

None.

F. ECONOMIC IMPACT THAT IMPLEMENTATION OF THE RULES WILL HAVE ON POLITICAL SUBDIVISIONS AND WHETHER THE IMPLEMENTATION WILL REQUIRE THE SUBDIVISION'S COOPERATION IN IMPLEMENTING OR ENFORCING THE RULE:

None.

G. LESS COSTLY OR INTRUSIVE METHODS:

None available.

H. DATE IMPACT STATEMENT PREPARED:
April 30, 2014

Subchapter 1. Administrative Operations

715:1-1-19 is being added to provide a method to determine which statewide organization representing retired educators may make the one (1) non-voting Trustee appointment to the Board. This non-voting Trustee appointed by a statewide organization representing retired educators is a new addition to the Board by virtue of HB2740. As there is the possibility that more than one statewide organization representing retired educators exists, without the adopting of this rule, there is no way to determine which specific organization is entitled to make the nomination.

715:1-1-19 Appointment of Non-voting Trustee

The Board of Trustees is composed of thirteen (13) voting members and one (1) nonvoting member who is to be selected by a statewide organization representing retired educators under Section 17-106(m) of title 70 of the Oklahoma Statutes. As there is the possibility that more than one statewide organization representing retired educators exists, OTRS shall employ an annual process to determine which such organization has the authority to make the non-voting trustee appointment.

The term “statewide organization representing retired educators” shall mean an entity primarily organized for the purpose of representing the interests of retired educators in this state and providing member benefits, as is defined in Section 17-122.1 of title 70 of the Oklahoma Statutes. Furthermore, the entity must have at least fifty (50) retired educators in its membership who are also members of OTRS.

On August 1, 2014, any organization that asserts that it meets the definition of a statewide organization representing retired educators shall make application on a form supplied by OTRS, to be recognized as the organization to make this selection. The form shall be submitted with documentation that shows the legal status of the organization (corporation, association, other). The material submitted shall also provide documentation formally adopted by the organization demonstrating the organization meets the definition of a statewide organization representing retired educators and documentation formally adopted by the organization detailing the internal procedure by which the organization will select the candidate to be appointed to the Board of Trustees.

The Board of Trustees shall decide which organization(s) meet the definition of an eligible organization by November 1, 2014. If only one organization meets the definition of eligible organization, that organization shall follow its own governing documents to make the selection of the non-voting trustee, and provide notification of the appointment to OTRS in writing by December 10, 2014.

Should more than one organization meet the definition of an eligible organization, the Board shall maintain a register of eligible organizations and shall place the organizations meeting the definition on the register by a random method. The organization listed first on the register shall follow its own governing documents to make the selection of the non-voting trustee, and provide notification of the appointment to the OTRS in writing by December 10, 2014. By November 1

of every year thereafter, the Board shall then notify the next organization on the register of its entitlement to make the non-voting member appointment for the next calendar year, with notification to the OTRS in writing by December 10 of that year. This yearly procedure shall continue through the register in ascending order until all organizations on the register have made an appointment to the Board of Trustees. Entitlement to make the appointment shall then return to the first organization listed on the register, and the procedure shall continue yearly in the same manner, in ascending order on the register.

Any organization making application for eligibility and addition to the register after August 1, 2014 shall make application in the same manner described above. The Board shall decide by November 1 of the year in which the application is made if the organization meets the definition of an eligible organization. The organization shall then be added to the end of the register.

The term of the non-voting Trustee appointment made hereunder shall be one (1) calendar year, from January 1 to December 31.

May 15, 2014

Board of Trustees
Teachers' Retirement System of Oklahoma
Oklahoma City, OK 73118

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements Teachers' Retirement System of Oklahoma (TRS) for the year ending June 30, 2014. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to TRS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.



We will also communicate to the Board of Trustees (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

There are no component units that are required to be included in the financial statements of TRS.

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others;
- e. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package(s); and

f. To provide us with:

- (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
- (2) Additional information that we may request from management for the purpose of the audit;
- (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
- (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that TRS comply with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

The Board of Trustees is responsible for informing us of its views about the risks of fraud or abuse within TRS, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting TRS.

TRS' Records and Assistance

If circumstances arise relating to the condition of TRS' records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in TRS' books and records. TRS will determine that all such data, if necessary, will be so reflected. Accordingly, TRS will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by TRS' personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Riley Shaull. The timely and accurate completion of this work is an essential condition to our completion of the audits and issuance of our audit reports.

In connection with our audit, you have requested us to assist you with the preparation of the financial statements. The independence standards of the "*Government Auditing Standards*" issued by the Comptroller General of the United States GAS require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to TRS, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. TRS has agreed that Riley Shaull possesses suitable skill, knowledge, or experience and that the individual understands the financial statement preparation services to be performed sufficiently to oversee them. Accordingly, the management of TRS agrees to the following:

1. TRS has designated Riley Shaull, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Riley Shaull will assume all management responsibilities for subject matter and scope of the financial statements.
3. TRS will evaluate the adequacy and results of the services performed.
4. TRS accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management (and those charged with governance) of TRS of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers, and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from TRS personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

Our professional fees for the services covered in this arrangement letter are as follows:

Audit fees for FY 2014: \$50,400

If any of the aforementioned criteria are not met, then fees may increase. In addition, as you are aware, OTRS will have to implement GASB Statement No. 67, *Financial Reporting for Pension Plans*, in FY 2014. Our fee estimate above is based on our April 2010 proposal, and GASB Statement No. 67 had not been issued at that time. Thus, our total professional fees for FY 2014 will be increased as a result of the additional time required to implement GASB No. 67. We will reach a mutual agreement with you on the additional fees that are required as a result of the implementation of this new accounting standard.

We will discuss with you the circumstances which might require a fee adjustment prior to submitting an invoice. Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our final invoice for these services promptly upon rendering the report. Billings are due upon submission.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, TRS agrees it will compensate Cole + Reed P.C. for any additional costs incurred as a result of TRS employment of a partner or professional employee of Cole + Reed P.C.

In the event we are requested or authorized by TRS or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for TRS, TRS will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Cole + Reed P.C. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office

shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Cole + Reed P.C. audit personnel and at a location designated by our Firm.

Claim Resolution

TRS and Cole + Reed P.C. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Cole + Reed P.C. or the date of this arrangement letter if no report has been issued. TRS waive any claim for punitive damages. Cole + Reed P.C.'s liability for all claims, damages, and costs of TRS arising from this engagement is limited to the amount of fees paid by TRS to Cole + Reed P.C. for the services rendered under this arrangement letter.

Reporting

We will issue a written report upon completion of our audit of TRS' financial statements. Our report will be addressed to the Board of Trustees of TRS. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on TRS' financial statements, we will also issue the following types of reports:

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

This letter constitutes the complete and exclusive statement of agreement between Cole + Reed P.C. and TRS, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

Mike
Gibson

Digitally signed by Mike Gibson
DN: cn=Mike Gibson, o=Cole &
Peele, ou,
email=mgibson@colandreed.co
m, c=US
Date: 2014.05.15 14:35:39 -0500

For the Firm

Confirmed on behalf of Teachers' Retirement System of Oklahoma:

Mr. James Dickson
Chairman, Board of Trustees

Mr. Tom Spencer
Interim Executive Director

Mr. Riley Shaul
Comptroller