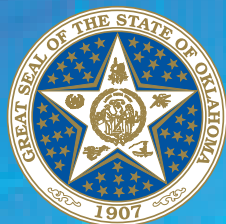


# Comprehensive Annual Financial Report

Fiscal Year 2009



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Mission Statement

It is the mission of the Oklahoma Teachers Retirement System to provide outstanding customer service to all of our active and retired Clients.

## Mission Action Plan

- Provide excellent communication and education to our Clients
- Protect and promote the financial interests of our Clients
- Consistently improve performance
- Pursue pro-active solutions and innovation
- Promote an environment of trust and cooperation where Colleagues are encouraged to reach their potential



# OKLAHOMA TEACHERS RETIREMENT SYSTEM





# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Comprehensive Annual Financial Report

Fiscal Year 2009

Oklahoma Teachers Retirement System  
P.O. Box 53524  
Oklahoma City, OK 73152

(405) 521-2387  
Toll-Free (877) 738-6365

[www.ok.gov/TRS](http://www.ok.gov/TRS)

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# Section One: Introduction

Comprehensive Annual  
Financial Report

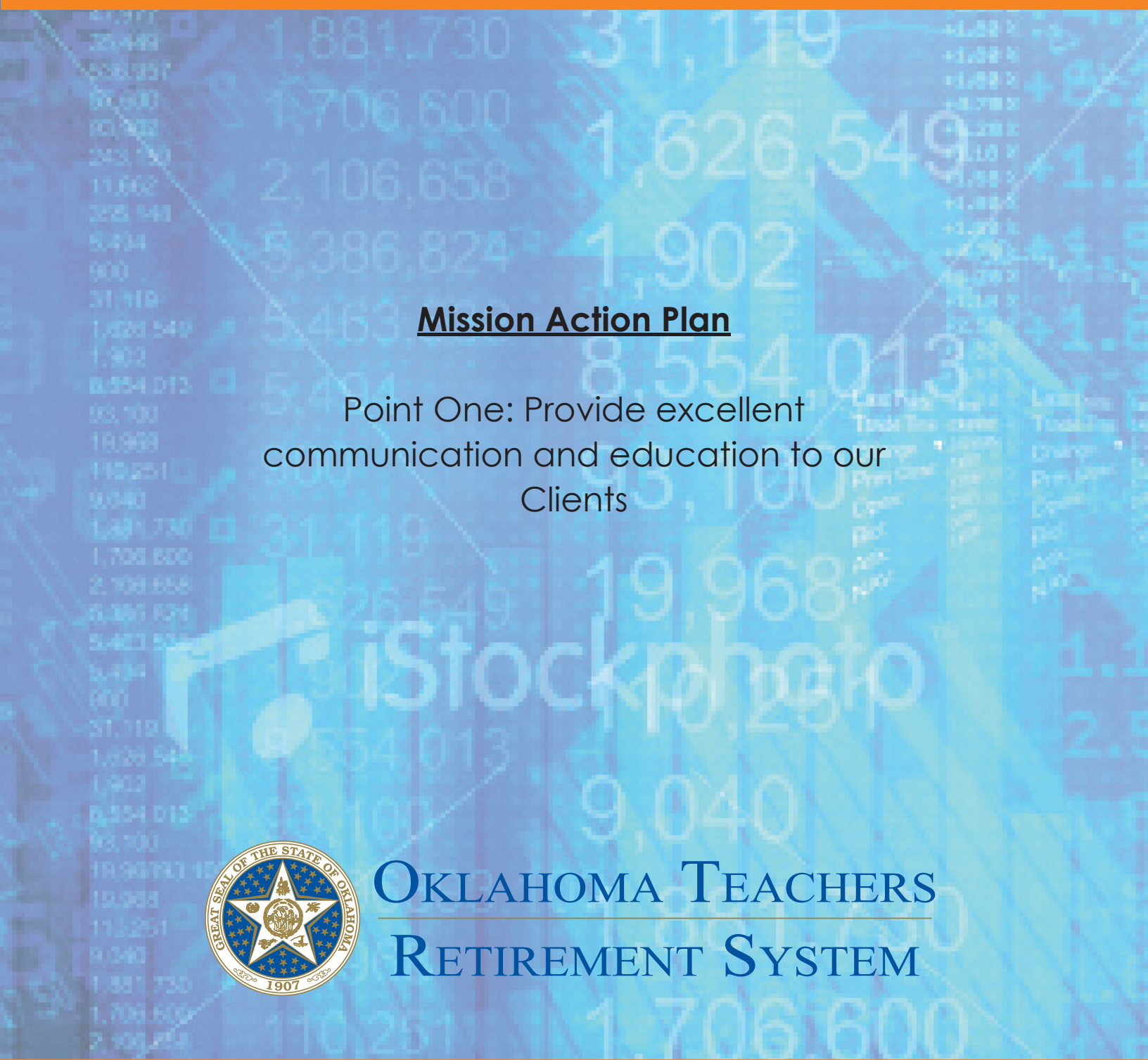
Fiscal Year 2009



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Mission Action Plan

Point One: Provide excellent communication and education to our Clients



# OKLAHOMA TEACHERS RETIREMENT SYSTEM







JAMES R. WILBANKS, Ph.D.  
EXECUTIVE SECRETARY

BRAD HENRY  
GOVERNOR

STATE OF OKLAHOMA  
OKLAHOMA TEACHERS RETIREMENT SYSTEM

The Board of Trustees  
Oklahoma Teachers Retirement System  
2500 N. Lincoln Boulevard  
Oklahoma City, OK 73105

Dear Board of Trustees:

We are honored to present the 2009 Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System of Oklahoma (the System) for the fiscal year ended June 30, 2009. The information included in this report not only defines our purpose, but represents our commitment to protecting the financial future of our active and retired clients. We accomplish this by monitoring and evaluating our daily operations as well as prudently managing the \$7.4 billion of net assets in the fund. The Teachers' Retirement System of Oklahoma is a component unit of the state of Oklahoma.

**Profile of System**

Established by legislation, the System began operation on July 1, 1943. The System provides retirement allowances and other benefits to public education employees in the common schools, career technology centers, colleges and universities, and other local and state educational agencies of the state of Oklahoma.

The mission of the System is to provide outstanding customer service to all of our active and retired Clients. All services provided by the staff are performed to meet that objective.

**Management Responsibility**

Responsibility for the preparation, accuracy, completeness and fairness of this presentation, including all disclosures, rests firmly with the System's management. To the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The System maintains a comprehensive internal control framework designed to assure that assets are safeguarded from theft or misuse, transactions are completed accurately, and financial statements are fair and reliable. The System has its own internal audit program with an Internal Auditor who reports directly to the Executive Secretary and regularly provides written and oral reports to the Board of Trustees.

The System operates according to an administrative budget approved annually by the Board. Although revenue is not appropriated from the state's General Revenue Fund, the budget is submitted to the Legislature as part of the Governor's recommended budget. The System operates under the same budgetary controls that apply to all state agencies.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. An independent auditing firm, Cole and Reed PC has audited the financial statements included in this report and their opinion letter is presented in the Financial Section of this CAFR. Readers are encouraged to review the Management's Discussion and Analysis (MD&A) in the Financial Section for an in-depth discussion of the financial statements and the cause and effect of market conditions, legislation and changes in operations affecting the System's financial results.

### **Economic Condition and Outlook**

For the year ended June 30, 2009, the System's investment portfolio realized at -16.0% rate of return. This was due to continued weakness in the United States and global financial markets. The System is incrementally rebalancing its portfolio. This should result in the investments being better positioned to fully participate as the financial markets recover.

A properly funded pension plan continues to be the Board's most significant challenge. As of June 30, 2009, only 49.8% of the System's actuarial liabilities were covered by the actuarial value of assets. This is a decrease in the 50.5% funded ratio reported for June 2008. The decrease in the funded ratio is primarily due to significant market asset losses during FY-2009.

Passage of Senate Bill 357 during the 2007 Legislative Session was a major event. This law was designed to raise the System's funded ratio by increasing the employer contributions by one-half of one percent over several years, as long as funds are earmarked to cover the cost. During the 2009 Legislative Session, appropriations were made to continue funding the mandate of Senate Bill 357. Effective January 1, 2010, employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies will increase to 9.5%. For comprehensive and regional four-year colleges and universities, employer contributions will increase to 8.55%.

The System also received 5% of the annual proceeds from the Education Lottery. During FY-2009, the System received \$3.7 million.

### **Revenue and Funding**

The major sources of revenue for the System are member contributions, employer contributions, dedicated revenue from the state of Oklahoma, and investment income.

Active member contributions for fiscal year 2009 were \$288.2 million, which represents 7% of covered payroll. This compares to \$286.7 million for fiscal year ending June 30, 2008. Member contributions include direct payments by members to reestablish service credit, purchase Oklahoma, out-of-state or military service, and payments required to qualify for the Education Employees Service Incentive Plan (EESIP).

Contributions from local employers, the state of Oklahoma, and federal sources for fiscal year 2009 totaled \$618.7 million, compared to \$596.8 million for fiscal year 2008. Contributions from local school districts and federal revenues increased by \$31.6 million, and the states contribution decreased by \$9.7 million.

Voluntary contributions to the System's 403(b) Tax Sheltered Annuity Plan totaled \$8.7 million for fiscal year 2009. This was a decrease of \$243 thousand over fiscal year 2008.

### **Expenses**

The System's expenses are attributable to retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During FY-2009, the System paid \$69.7 million more in retirement, survivor and insurance benefits than in the preceding year, \$3.1 million less in refunds to active clients who terminated accounts, and \$14.9 million more in distributions from the Systems 403(b) Tax Sheltered Annuity Plan.

The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members. The increase in refunds, death benefits and annuity distributions is due to an increase in the number of members making withdrawals from both the defined benefit plan and the 403(b) defined

contribution plan. Administrative expenses increased by \$425.4 thousand, due primarily to an increase in personnel costs and contractual expenses.

### ***Investments***

For FY 2009, the System experienced a negative 16.0% rate of return. Net investment income, including realized and unrealized gains and losses, was a negative \$1.461 billion compared to a negative \$732.9 million for FY 2008. Net assets totaled \$7.452 billion at market value on June 30, 2009 compared to \$8.946 billion on June 30, 2008. These numbers include the amounts held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Plan.

On June 30, 2009, the System's investment portfolio mix at market value was 40% fixed income, 55% equities and 5% cash and short-term investments. As fiduciaries for the retirement funds, the Board of Trustees is responsible for investment of the funds under the prudent person standard. This standard allows the System to allocate trust funds across a broad group of asset classes. The Board of Trustees has elected to limit investments to stocks and bonds, private equity, Treasury Bills and Notes, Commercial Paper, foreign currency exchange contracts, and bank deposits collateralized by U.S. Government securities.

A summary of the System's investment activities during fiscal year 2009 and historic performance results is presented in the Investment Section.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards of preparation of state and local government financial reports. This is the sixteenth year the System's CAFR has received this distinction.

This report reflects the combined efforts of the System's staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to the Governor, members of the Oklahoma Legislature, and the Oklahoma State Pension Commission. This report will also be available on our website at [www.ok.gov/TRS](http://www.ok.gov/TRS).

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the Teachers' Retirement System of Oklahoma.

Respectfully submitted,



James. R. Wilbanks, Ph.D.  
Executive Secretary  
December 22, 2009

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Street Address:  
2500 North Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma 73105

Mailing Address:  
Post Office Box 53524  
Oklahoma City, Oklahoma 73152-3524  
(405) 521-2387

### BOARD OF TRUSTEES

---

**Ms. Cathy A. Conway**, Chairman, Durant

**Mr. James E. Smith**, Vice Chairman, Shawnee

**Mr. Dick Neptune**, Secretary, Lawton

**Ms. Sherrie L. Barnes**, *Trustee*, Sand Springs

**Mr. Michael Clingman**, *Trustee*, Ex-Officio

**Ms. Odilia Dank**, *Trustee*, Oklahoma City

**Mr. Bruce DeMuth**, *Trustee*, Stillwater

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**Mr. Galeard W. Roper**, *Trustee*, Elk City

**Mr. Michael L. Simpson**, *Trustee*, Ponca City

**Vacant Position**, *Trustee*

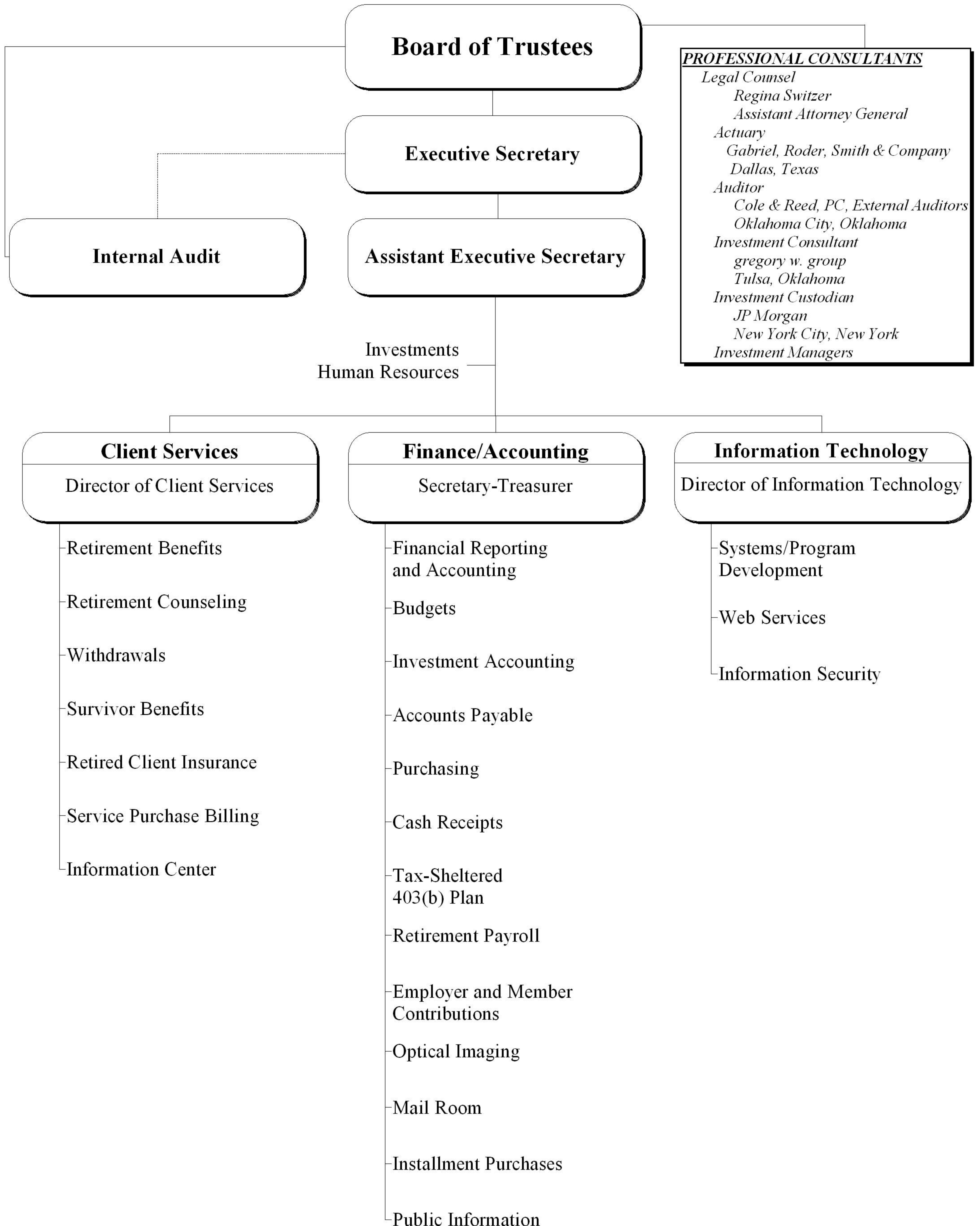
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Executive Secretary  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
**James R. Wilbanks, Ph.D.**

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# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Organization





## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA 2008-2009 PLAN SUMMARY

### BEGINNINGS

The Teachers' Retirement System of Oklahoma (TRS) was established July 1, 1943, to provide retirement allowances and other specified benefits for qualified employees of state-supported educational institutions.

### ADMINISTRATION

A 13-member Board of Trustees oversees the administration of the System and acts as fiduciary for investing its funds.

### CONTRIBUTIONS

As a TRS member, your contribution rate is 7% of your total compensation (salary and fringe benefits).

Statutes also require employers to contribute a percentage of applicable employee earnings. Through December 31, 2008, the employer contribution rate for K-12 school districts, career-techs, and junior colleges is 8.5%, and from January 1, 2009, through December 31, 2009, the employer contribution rate for these schools is 9%. The employer contribution rate for comprehensive universities (University of Oklahoma and Oklahoma State University and their entities) and the state's four-year regional universities is 7.55% from January 1, 2008, through December 31, 2008. From January 1, 2009, through December 31, 2009, the employer contribution rate for these schools is 8.05%.

### MEMBERSHIP

Oklahoma statutes require classified personnel to be TRS members. The definition of classified personnel in 70 O.S., § 17-101 includes teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and agencies who are employed at least half-time. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

Employees of a charter school may join TRS if the TRS Board of Trustees approves the school's application for membership.

New employees at the University of Oklahoma, OU Health Sciences Center, and Oklahoma State University have the option to participate in an alternate retirement plan provided by the universities. Employees choosing the alternate retirement plan are not eligible to participate in TRS as long as they remain employees of the universities.

### SERVICE CREDIT

You must work at least six full school months to qualify for one year of membership. A school month is 20 school days of at least six hours. You will receive partial credit for employment of fewer than six months or between four and six hours per school day. You also may purchase credit for out-of-state service, military service, service with certain Oklahoma governmental entities, and employment in Oklahoma schools before your date of membership.

Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit.

### RETIREMENT ANNUITY

Each of TRS's five retirement plans provides a lifetime benefit to the member. After the member's death, the designated

beneficiary(ies) receive either a lump-sum payment or continued payments to one beneficiary, depending upon the elected plan's provisions.

A vested member can receive benefits after satisfying eligibility requirements. You are fully vested after five years of contributory Oklahoma membership service.

Members joining TRS before July 1, 1992, may retire with unreduced benefits when age and years of creditable service total 80 (Rule of 80). Members joining TRS after June 30, 1992, may retire with unreduced benefits when age and years of creditable service total 90 (Rule of 90).

You may retire at age 62 with unreduced benefits after completing five years of Oklahoma service.

You may retire with reduced benefits as early as age 55, if you have at least five years of creditable Oklahoma service.

Retirement benefits are based on a formula of 2% x final average salary x years of service. For Rule of 80 members, "final average salary" is an average of the three highest years of contributory service. For Rule of 90 members, "final average salary" is an average of the highest five consecutive years of contributory service.

All years of service prior to July 1, 1995, will be calculated using an average salary no greater than \$40,000. Certain employees at OU, OUHSC, and OSU who were employed before July 1, 1995, may have retirement benefits adjusted for years when their contributions were on less than total compensation.

For members other than those working for the comprehensive universities and their entities, benefits for service from July 1, 1995, until the member's retirement date will be calculated on an average of the actual total compensation of the highest three years (Rule of 80) or highest five consecutive years (Rule of 90).

For employees of comprehensive universities and their entities, benefits for service from July 1, 1995, through June 30, 2007, will be calculated on compensation up to yearly statutory limits. For service from July 1, 2007, until the retirement date, benefits for these employees will be calculated on an average of the actual total compensation.

### EDUCATION EMPLOYEES SERVICE INCENTIVE PLAN (EESIP)

The Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away plan, lets K-12, career-tech and two-year college employees who work beyond their retirement eligibility date move two years of service worked before July 1, 1995, to the higher calculation level for each year worked after reaching normal retirement age.

### DISABILITY BENEFITS

You may qualify for disability retirement benefits if a medical condition keeps you from performing your regular duties as a public school employee. You may be considered for a TRS disability retirement benefit if you have at least 10 years of contributory TRS service, you submit a disability retirement application detailing your medical condition (which must have existed while you were employed by the public schools of Oklahoma), and your application is approved by the TRS Medical Review Board and the Board of Trustees.

*(Continued on Reverse)*

If you are awarded Social Security Disability benefits, you qualify for TRS disability benefits if you incur the disability while employed by the public schools and provide TRS with proof of the Social Security award.

#### **HEALTH INSURANCE BENEFIT**

If you have at least 10 years of creditable service and retire or terminate your employment, you may elect to continue coverage in the insurance program your employer provides to active employees.

If you are not enrolled in the state plan, coverage is subject to the provisions of the plan in which you are enrolled.

Dependent and dental coverage is available if you are enrolled in the State and Education Employees Group Health and Dental Insurance Plan.

Once you begin receiving monthly retirement checks, TRS will pay the first \$100 to \$105 of monthly premiums for you, but not for your dependents. The actual amount paid by TRS is determined by your total service and average salary at retirement.

If you have fewer than 10 years of employment, you have certain rights under federal law to continue health insurance coverage after your employment ends. You should request information about continued coverage from your school's payroll office or the State and Education Employees Group Insurance Board before termination.

#### **SURVIVOR BENEFITS**

Your designated beneficiary or estate is entitled to survivor benefits if you are a TRS member when you die.

If you are an active in-service member when you die, your beneficiary(ies) will receive an \$18,000 death benefit, plus the contributions in your account and interest on those contributions. "Active in-service" is defined in the TRS rules, but generally means a member currently employed by an Oklahoma public education institution. When you die, if you are an active in-service member with 10 or more years of service, have reached age 55 or met the Rule of 80 or Rule of 90 and you have one designated primary beneficiary, he or she may choose a monthly benefit instead of the lump sum payment.

If you are an inactive member when you die, your beneficiaries will receive the amount of the contributions in your TRS account, plus interest on those contributions, but will not qualify for the \$18,000 death benefit or the monthly retirement benefit payment payable to the surviving beneficiary of active in-service members.

If you die after you retire, your beneficiary or estate will receive a \$5,000 death benefit, plus the survivor benefits provided by your chosen retirement plan. Certain retirement plan options provide your surviving beneficiary(ies) with a continuing monthly retirement benefit.

#### **WITHDRAWING YOUR CONTRIBUTIONS**

If you leave the job that qualified you for TRS membership, you may request a refund of your contributions any time after your last day on that job. You will be eligible to receive the refund four months after you leave your job. The refund includes all contributions made by you or on your behalf by your employer, plus any applicable portion of interest earnings. When you accept a refund, you forfeit all TRS service credit.

If you return to qualifying employment, you may redeposit your withdrawn account after you contribute to TRS for 12 months.

Redepositing your withdrawn contributions reinstates your initial membership date. If you do not redeposit your withdrawn

contributions, your official membership date will be the date you rejoined TRS.

If you decide to redeposit, you must redeposit the entire amount you withdrew and pay 10% simple interest on that amount for each year your account was withdrawn. You may pay this amount in one lump sum or through installment payments for up to 60 months.

Only an optional member (support personnel) can terminate membership in TRS without terminating employment. If you are an optional member and withdraw your account without leaving your job, the IRS requires that pre-tax contributions cannot be refunded until you leave your job.

If you continue working for your employer after terminating your TRS membership, you can rejoin TRS only under special provisions of an Internal Revenue Service private letter ruling requiring a period of non-membership and loss of the right to redeposit withdrawn service or purchase prior service credits. In this case, you would become a new member as of the date you rejoin.

You also may leave your contributions in your account. If you are vested (have at least five years of Oklahoma service), your account will continue earning interest until you withdraw it or begin drawing your retirement benefit. If you are not vested, your account will continue earning interest for five years, unless you withdraw it before then.

#### **TAX-SHELTERED ANNUITY PLAN**

The System administers a tax-sheltered annuity program qualified under § 403(b) of the Internal Revenue Code. As a TRS member, you may deposit funds into this plan if your local Board of Education or other governing board adopts a resolution making the plan available to its employees and you sign a salary reduction agreement with your employer. Contributions to the annuity plan are restricted to an annual "exclusion allowance" determined by the IRS Code. Withdrawals from the plan are subject to various withdrawal restrictions and tax penalties mandated by the Internal Revenue Code.

#### **RIGHTS AND RESPONSIBILITIES**

TRS publications provide answers to general questions. You are responsible for resolving any questions about your retirement account. You are entitled to counseling from the TRS staff concerning any question you have about your retirement account. TRS will not be held accountable for information that is contrary to statutes or administrative rules, regardless of who provides that information.

For details of how statutes and administrative rules may affect your retirement account, contact:

#### **TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

##### **MAILING ADDRESS**

P.O. Box 53524  
Oklahoma City, OK 73152-3524  
405-521-2387 (OKC Area)  
1-877-738-6365 (Toll-Free)

##### **STREET ADDRESS**

Oliver Hodge Building  
5th Floor  
2500 N. Lincoln Blvd.  
Oklahoma City, OK 73105

<http://www.ok.gov/TRS/>

This Plan Summary provides general information summarizing the basic benefits available to TRS members. If conflict arises between information contained in this summary and state statutes or official TRS rules, the law and/or rule takes precedence. 20,000 copies of this Plan Summary have been printed by the Office of Public Affairs, Central Printing Division, at a cost of \$1,275. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.  
Revised 8/2008

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Teachers' Retirement System of Oklahoma

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# Section Two: Financial

Comprehensive Annual  
Financial Report

Fiscal Year 2009

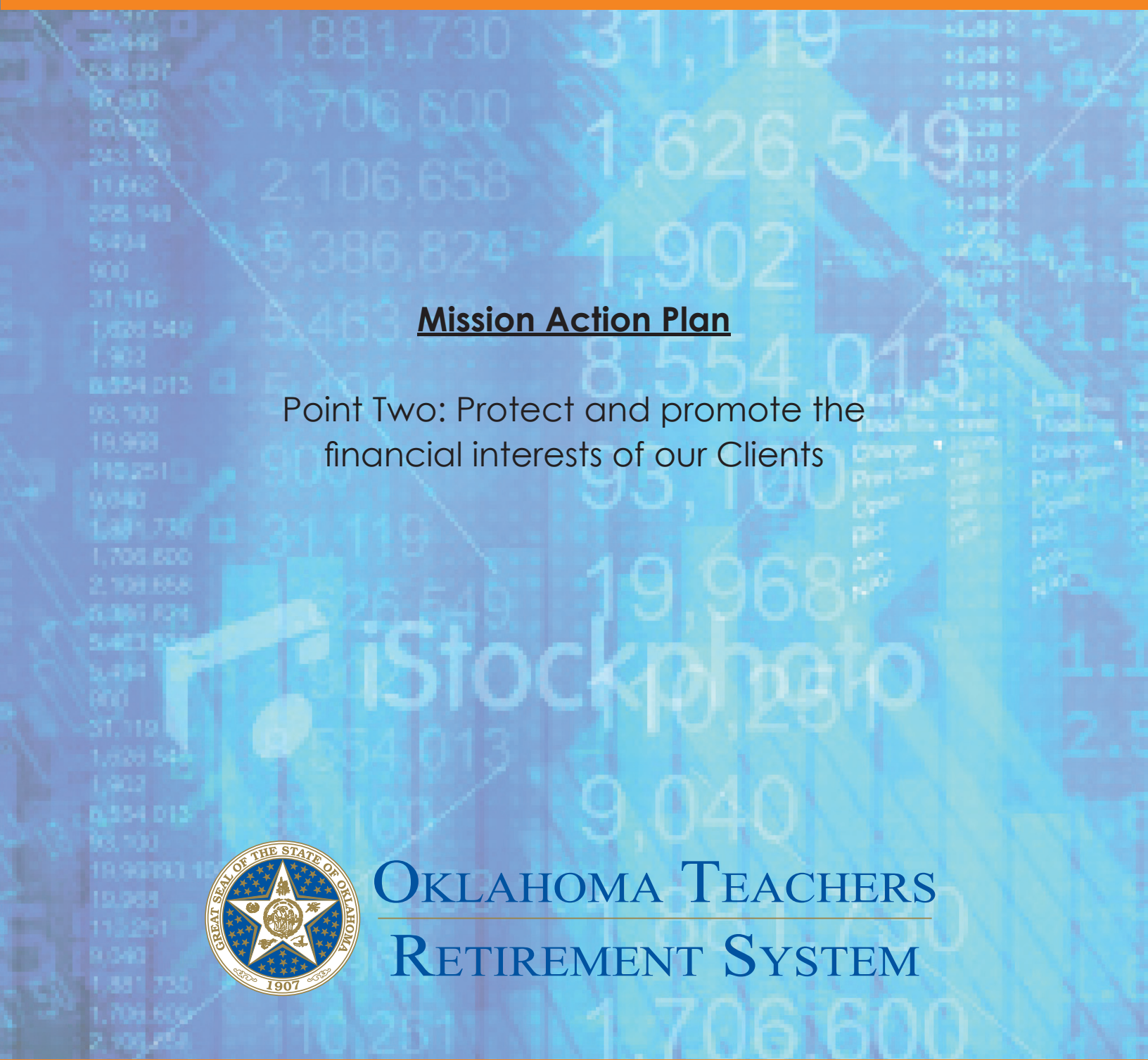
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OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Mission Action Plan

Point Two: Protect and promote the financial interests of our Clients



# OKLAHOMA TEACHERS RETIREMENT SYSTEM



Independent Auditors' Report

Board of Trustees  
Teachers' Retirement System  
of Oklahoma

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Oklahoma (the "System"), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note B, the System's actuary has determined that the System's unfunded actuarial accrued liability (the "UAAL") is approximately \$9,512,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the statutory contribution rates are projected to be insufficient to amortize the UAAL. Negative amortization is occurring and is expected to continue indefinitely, resulting in an infinite funding period.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2009 and 2008, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2009, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions on page 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section and the schedules on pages 49 through 51 of the Financial Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included in the schedules on pages 49 through 51 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section, the Investment Section, the Actuarial Section and the Statistical Section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 14, 2009

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Teachers' Retirement System of Oklahoma (known collectively as TRS or the System), we offer readers of the TRS financial statements this narrative discussion and analysis of the financial activities of TRS for the fiscal years ended June 30, 2009, 2008, and 2007.

**Financial Highlights**

- The net assets of TRS exceeded its current liabilities by approximately \$7.452 billion and \$8.946 billion at June 30, 2009 and 2008, respectively. Such amounts are used to meet the System's current and ongoing obligations to its retired and active members and creditors.
- The System's total net assets decreased by approximately \$1.494 billion during the year ended June 30, 2009 and decreased \$705 million during the year ended June 30, 2008. The losses in 2009 and 2008 were due to the continued weakness in the United States and global financial markets. These conditions resulted in net realized and unrealized losses on investments of approximately \$1.667 billion and 959 million in fiscal years 2009 and 2008, respectively.
- At June 30, 2009, TRS's unfunded actuarial accrued liability was approximately \$9.512 billion. The unfunded actuarial accrued liability at June 30, 2008 was approximately \$9.090 billion. The System's funded ratio decreased from 50.5% to 49.8%. The increase in the unfunded accrued actuarial liability (UAAL) and the funding period is principally due to significant market asset losses. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the UAAL is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization.

**Overview of the Financial Statements**

The System was established as of July 1, 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma. The supervisory authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

#### Overview to the Financial Statements, Continued

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. TRS's basic financial statements are comprised of three components: 1) *statement of plan net assets*, 2) *statement of changes in plan net assets*, and 3) *notes to the financial statements*. This report also contains *required supplementary information* in addition to the basic financial statements themselves.

The *statement of plan net assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets held in trust for pension benefits and annuity benefits of electing members*. Over time, increases or decreases in net plan assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Information relating to the System's ability to meet the cost of future benefit payments is not shown on the *statement of plan net assets*, but is located in both the *notes to the financial statements* and the *required supplementary information*.

The *statement of changes in plan net assets* presents information showing how the System's net assets changed during the most recent fiscal year. Changes in net assets are recognized using the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period they are earned and become measurable.

The *notes to the financial statements* are critical to the reader's understanding of the financial status of the System. These notes include a description of the System, details on the cash and investments of the System, as well as contribution and benefit information.

Also, it is extremely important that the reader reviews and understands the information on the funding status of the System. This information is detailed in Note B of the *notes to the financial statements* and in the *required supplementary information* section. The funding status information indicates the System's ability to meet current and future benefit payments to its active and retired members.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

**Financial Analysis**

As noted earlier, increases or decreases of plan net assets may serve over time as a useful indicator of the System's financial position. By far the largest portions of the System's assets are in cash and investments, which comprise \$7.486 billion and \$9.118 billion of the plan assets at June 30, 2009 and 2008, respectively. These amounts do not include the amounts shown as securities lending assets. Securities lending assets are offset by a liability for the same amount on the *statement of plan net assets*. Since the securities lending assets are offset by the securities lending liability they are not available for future spending. A summary of the plan net assets as of June 30, 2009, 2008, and 2007 is shown below:

<b>Assets</b>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 6,340,103	\$ 2,124,625	\$ 4,771,218
Short-term investments	347,441,369	441,182,511	480,385,331
Accrued interest and dividends receivable	42,908,046	33,221,531	28,251,274
Contributions receivable	59,155,703	54,776,735	45,465,506
Receivable from the State of Oklahoma	23,186,327	28,969,735	25,074,415
Due from brokers for securities sold	243,448,226	332,965,959	314,072,578
Securities lending institutional daily assets fund	1,094,475,078	1,603,992,581	1,760,729,777
Long term investments	7,132,480,007	8,674,517,000	9,372,167,136
Capital assets, net	<u>224,182</u>	<u>247,186</u>	<u>262,461</u>
Total assets	<u>8,949,659,041</u>	<u>11,171,997,863</u>	<u>12,031,179,696</u>
<b>Liabilities</b>			
Benefits in process of payment	71,953,759	67,389,081	16,768,162
Due to brokers for securities purchased	322,585,741	546,550,875	593,318,540
Payable under securities lending agreement	1,094,475,078	1,603,992,581	1,760,729,777
Other liabilities	<u>8,451,752</u>	<u>8,206,044</u>	<u>9,321,354</u>
Total liabilities	<u>1,497,466,330</u>	<u>2,226,138,581</u>	<u>2,380,137,833</u>
<b>Net Assets</b>			
Net assets held in trust for pension benefits and annuity benefits of electing members	<u>\$ 7,452,192,711</u>	<u>\$ 8,945,859,282</u>	<u>\$ 9,651,041,863</u>

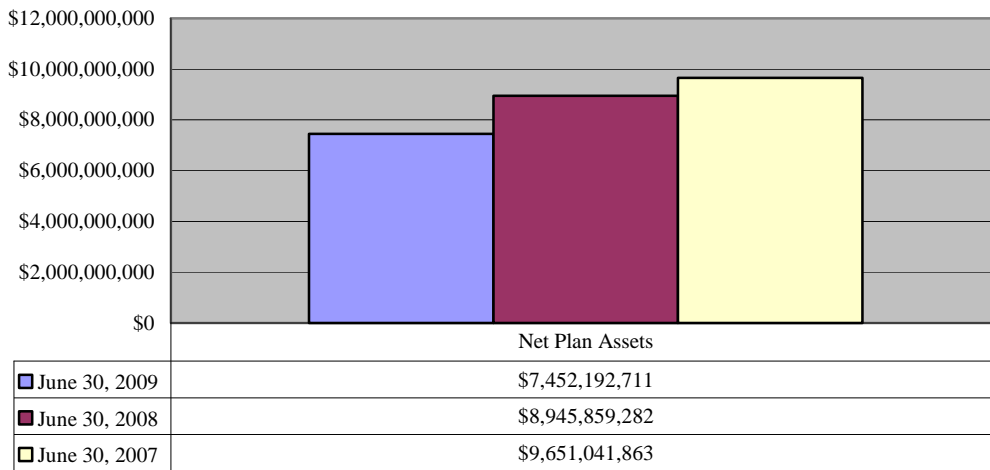
**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

**Financial Analysis, Continued**

The graph below illustrates the \$1.494 billion loss and \$705 million loss in net assets for the years ended June 30, 2009 and 2008, respectively. As previously mentioned, the decreases in net assets for 2009 and 2008 were due to the continued decline in the United States and global financial markets.

**PLAN NET ASSETS AS OF JUNE 30, 2009, 2008, AND 2007**



**Changes in Selected Revenue and Expense Items**

**Fiscal Year 2009 compared to 2008**

On page 24, the schedule shows total contributions to the System increased \$23 million or 2.58% from FY 2008 to FY 2009. The increase in contributions is attributed to a rise in the number of members paying into the System and an increase in employer contribution rates from 7.85% on July 01, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008; and 9.00% on January 01, 2009. Total net investment income decreased for the second year due to the weakness in the financial markets in the United States and global markets. The net investment loss increased to a negative \$1.452 billion from a negative \$722 million for the years ended June 30, 2009 and 2008 respectively. Total deductions increased by \$81.9 million from FY 2009 to FY 2008. The increase is the result of a 2% cost of living adjustment starting in FY 2009, an increase in Partial Lump Sum Option payments, and an increase in the number of members receiving benefits.



## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

#### Changes in Selected Revenue and Expense Items, Continued

##### **Fiscal Year 2008 compared to 2007**

The revenues received from member contributions increased by \$1.3 million or .47% in fiscal year 2008 from the prior fiscal year period due to an increase in both the covered payroll and the number of members purchasing service due to the enactment of HB 1179. This bill created the Education Employees Service Incentive Plan ("EESIP"), which provides for an enhanced benefit at retirement for qualified members. In many cases additional contributions must be made by the member to qualify for EESIP. Employer statutory contributions increased by \$37.8 million or 13.94% during the current year, again, attributed to an increase in the amount of covered payroll and an increase in the employer contribution rate on July 1, 2007 from 7.60% to 7.85% then on January 01, 2008 to 8.35% for K-12 schools, Career Tech, 2-year colleges and state agencies with TRS members. Employer contribution rates increased for comprehensive and regional four-year colleges and universities from 7.05% to 7.55% on January 01, 2008. Dedicated revenue increased by \$23.3 million or 9.55% for the year as a result of an increase in the percentage of revenue received by TRS from 4.50% to 5.00% during fiscal year 2008. Net realized and unrealized gains decreased by \$2.2 billion or 175.57% due to the credit and liquidity crisis in the U.S. financial markets. Retirement, death, survivor, and health benefit payments increased by \$39.3 million or 5.13%. This was due to an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments increased by \$6.5 million or 11.41% from fiscal year 2008 to fiscal year 2007. The change was a result of an increase in the number of members making withdrawals from both the defined benefit plan and the tax-shelter annuity 403(b) optional defined contribution plan. Administrative expenses increased by \$242 thousand due primarily to an increase in employee health insurance costs. A summary of *changes in plan net assets* is presented on page 24. The graphs on page 25 offer a comparison of selected revenue and expense accounts for fiscal years 2008 and 2007.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

**Changes in Selected Revenue and Expense Items, Continued**

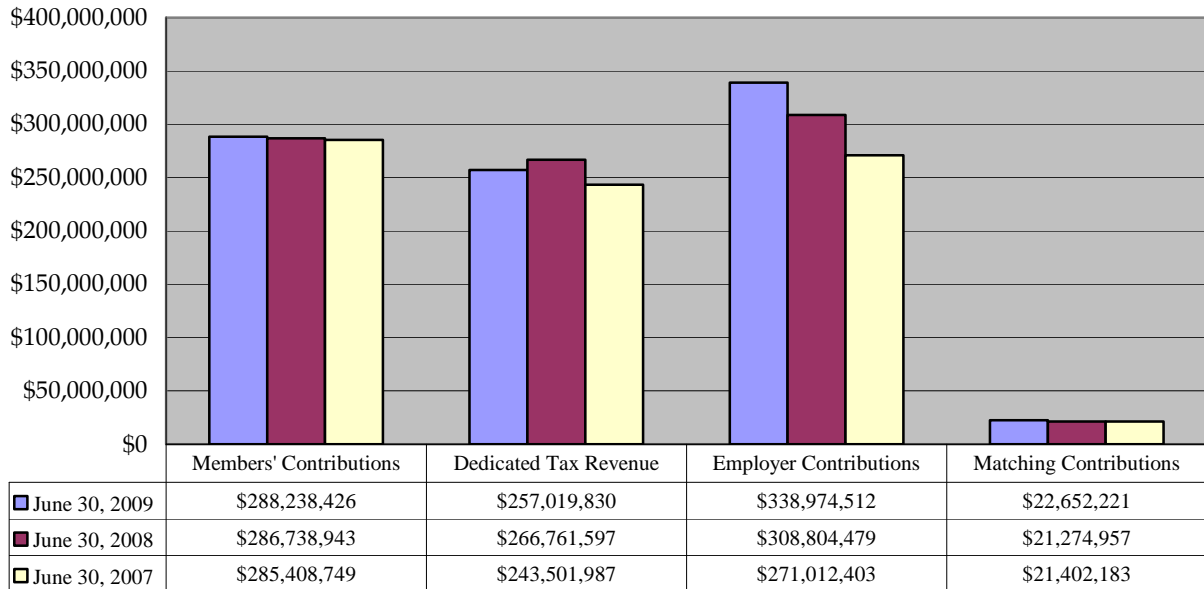
Additions:	2009	2008	2007
Contributions:			
Members	\$ 288,238,426	\$ 286,738,943	\$ 285,408,749
Members tax shelter	8,678,472	8,922,095	8,883,033
Employer statutory requirement from local school districts	338,974,512	308,804,479	271,012,403
Federal matching	22,652,221	21,274,957	21,402,183
Dedicated tax revenue	257,019,830	266,761,597	243,501,987
Total contributions	915,563,461	892,502,071	830,208,355
Investment income:			
Interest	144,761,285	150,371,986	144,415,428
Dividends	87,798,878	108,697,447	86,986,795
Net appreciation (depreciation) in fair value of investments	(1,666,823,400)	(959,036,578)	1,269,034,290
Less investment expenses	(27,102,492)	(32,992,027)	(30,790,763)
Gain (loss) from investing activities	(1,461,365,729)	(732,959,172)	1,469,645,750
Income from securities lending activities:			
Securities lending income	23,745,099	72,730,061	78,826,796
Borrower rebates	(12,799,647)	(60,193,255)	(72,992,770)
Management fees	(1,627,123)	(2,004,851)	(850,920)
Income from securities lending activities	9,318,329	10,531,955	4,983,106
Net investment gain (loss)	(1,452,047,400)	(722,427,217)	1,474,628,856
Total additions	(536,483,939)	170,074,854	2,304,837,211
Deductions:			
Retirement, death, survivor, and health benefits	876,273,193	806,540,725	767,212,709
Refund of member contributions and annuity payments	75,692,946	63,925,592	57,378,925
Administrative expenses	5,216,493	4,791,118	4,549,159
Total deductions	957,182,632	875,257,435	829,140,793
Net increase (decrease)	(1,493,666,571)	(705,182,581)	1,475,696,418
Net assets:			
Beginning of year	8,945,859,282	9,651,041,863	8,175,345,445
End of year	\$ 7,452,192,711	\$ 8,945,859,282	\$ 9,651,041,863

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

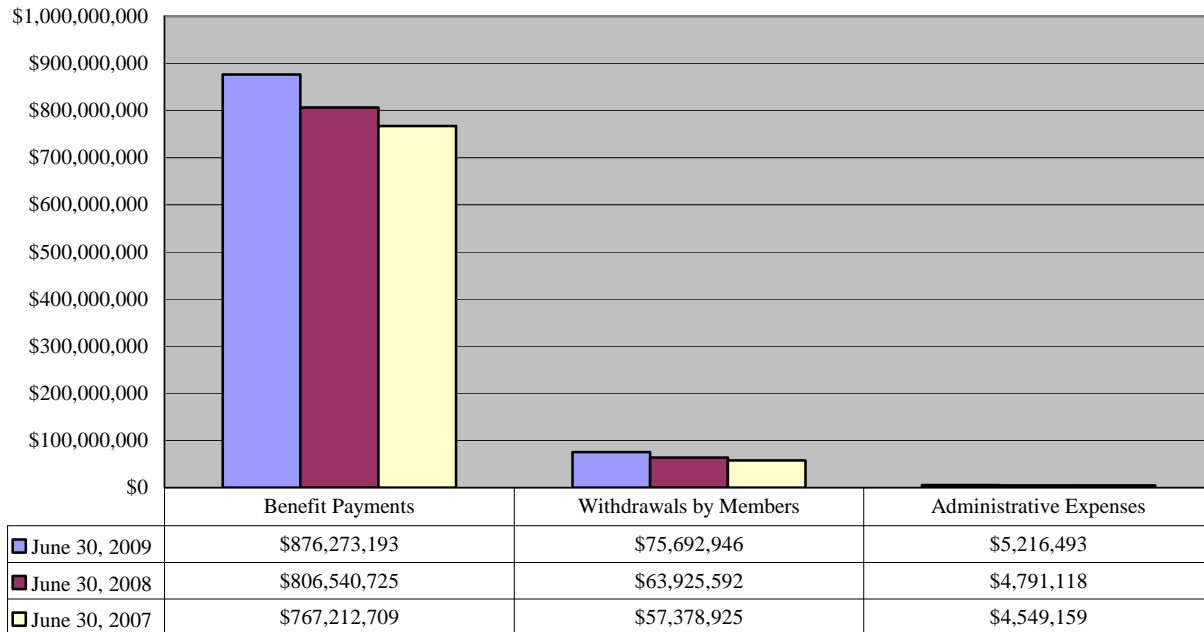
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**

**Changes in Selected Revenue and Expense Items, Continued**

**REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, AND 2007**



**DEDUCTIONS FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, AND 2007**



## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

#### **Economic Factors, Future Contribution Rates, and Status of Unfunded Liability**

A 16.0% negative return was realized for the fiscal year ended June 30, 2009. However, for the period of July 1, 2009 to October 31, 2009, the System enjoyed an annualized return of over 30%. This was primarily driven by a surge in equities, with domestic and international equities markets each gaining better than 50% and 40% respectively. The System was also bolstered by a tactical allocation to high yield bonds, as the high yield bond market gained better than 30%. The Core fixed income was the one detractor as it only realized a 10% annualized return for the period.

Statutes were amended in 1999 to provide that the System would receive 3.54% of the state sales, use, and corporate and individual income tax collections. This dedicated revenue source along with a percentage of the Education Lottery Trust Fund and the tax on tobacco products provided in House Bill 1020 contributed a total of \$257 million in fiscal year 2009 and \$267 million in fiscal year 2008. The System's fiscal year ended with evidence that the state's revenues were deeply impacted by the nationwide recession. The System saw a slowdown in dedicated tax revenue it received from the state by approximately \$10 million from FY 2008 to FY 2009. The TRS Board of Trustees has adopted an actuarial assumption that this source of revenue should increase at a rate of 3.5% annually over time. The state sales, use, and corporate and individual income taxes replaced the gross production tax previously dedicated to the System. The change to a broader tax base is intended to provide TRS with a more stable revenue source. Senate Bill 1376, which became law July 1, 2002, provided that the percentage of state revenue would increase from 3.54% to the current rate of 5% as of June 30, 2009, which approximates 7% of active members' pay which is the contribution level required by active members.

Senate Bill 357 signed by Governor Henry on May 7, 2007, has been hailed as a step in the right direction and means millions of new dollars for TRS, provided the state pays for increasing costs to the System's reporting entities. Senate Bill 357 increased the contributions employers pay TRS, if the state boosts funding to pay for the hikes. Employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies with TRS members increased to 7.85% on July 1, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008; 9% on January 1, 2009; and 9.5% on January 1, 2010 and thereafter. For comprehensive regional four-year colleges and universities, employer contributions were 7.05% through December 31, 2007, and then increased to 7.55% on January 1, 2008. On January 1, 2009 the rate increased to 8.05% and will increase to 8.55% beginning January 1, 2010. Employer contribution rates for comprehensive and regional four-year colleges and universities are lower than those for other TRS reporting entities because their employees do not participate in the Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away Plan, enacted in the fiscal year ending June 30, 2006. Senate Bill 357 also requires the State Board of Equalization to determine an initial baseline amount of revenue TRS receives from the state's general revenue fund and prohibits reducing that amount

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

#### **Economic Factors, Future Contribution Rates, and Status of Unfunded Liability, Continued**

below the established baseline. This ensures that funding to TRS won't change because of economic downturns or decreases in tax revenues.

#### **Discussion of TRS Benefit Formula**

Although the return on investments is very important to the System, members' benefits are assured and protected because TRS is a defined benefit plan. As the name implies, a defined benefit plan provides retirement income based on a formula that is fixed or defined. The amount of the member's pension is fixed before retirement. Usually, the formula is calculated as a percent of a worker's average salary prior to retirement. The TRS benefit formula includes a 2% multiplier and generally provides a benefit of 2% times the member's final average salary times years of service. Consequently, a person working for ten years would obtain a pension equal to about 20% of the final average salary, whereas an employee working for 30 years would get a better pension, covering about 60% of final average salary.

However, the TRS retirement formula is modified by state statutes to provide that the final average salary for service performed before July 1, 1995 cannot exceed \$40,000 and other limits apply to certain members employed by comprehensive universities.

#### **Education Employees Service Incentive Plan ("EESIP")**

The retirement formula that is applied to members whose membership date in TRS is prior to July 1, 1995, was modified with passage of House Bill 1179 during the Special Session of the 2006 Legislature. This measure has also been referred to as the "Wear Away Plan". The purpose of this bill is to increase benefits for members who work beyond "Normal Retirement Age" and have an average salary greater than \$40,000 at the time of retirement. A legislative task force study in 2004 revealed that the TRS benefit formula for pre-1995 members was different and lower than other governmental employees in Oklahoma pension plans and lower than benefits provided to employees in surrounding states.

Under the EESIP statute, TRS members who joined TRS prior to July 1, 1995, and who work one or more years beyond normal retirement age, will qualify for an enhanced benefit at retirement. "Normal retirement age" is when a TRS member reaches age 62, or when age plus total service equal 80 (90 if the member first joined TRS after June 30, 1992). EESIP includes employees in K-12, career technology, state education agencies and two-year colleges. It does not apply to employees of the state's four-year public colleges and universities. Members who earned more than \$40,000 between 1987 and 1995 will be required to make an extra contribution payment in order to qualify for an enhanced benefit formula.

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

#### **Education Employees Service Incentive Plan ("EESIP"), Continued**

For members who retired between July 1, 2006, and June 30, 2007, the maximum average salary that could be used for service moved to a higher salary level was \$60,000. For members who retire between July 1, 2007, and June 30, 2008, the maximum average salary increases to \$80,000, for moved service. For members who retire on or after July 1, 2008, the member's final average salary, regardless of amount, can be used to calculate the benefit for moved service that was performed before July 1, 1995.

#### **EESIP Increases Employer Contribution Rates**

Employers contributed 7.85% of covered member salaries from July 1, 2007 to December 31, 2007 and 8.35% from January 1, 2008 to June 30, 2008 in fiscal year 2008. Employers contributed 8.5% of covered member salaries from July 1, 2008 to December 31, 2008 and 9.0% from January 1, 2009 to June 30, 2009 in fiscal year 2009. Additional employer contribution increases are as follows; 9.5% January 1, 2010 and beyond. Increases in average salary limits and employer contribution rates scheduled are contingent upon increases in state appropriations to schools to cover EESIP costs.

#### **Requests for Information**

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Secretary of the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or (405) 521-2387.

STATEMENTS OF PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
<b>ASSETS</b>		
Cash	\$ 6,340,103	\$ 2,124,625
Short-term investments	347,441,369	441,182,511
Accrued interest and dividends receivable	42,908,046	33,221,531
Member contributions receivable	26,974,811	24,090,118
Employer contributions receivable	32,180,892	30,686,617
Receivable from the State of Oklahoma	23,186,327	28,969,735
Due from brokers for securities sold	243,448,226	332,965,959
Security lending institutional daily assets fund	1,094,475,078	1,603,992,581
Long-term investments:		
U.S. government securities	1,384,107,246	1,707,962,910
U.S. corporate bonds	1,387,037,855	952,772,559
International corporate bonds and government securities	259,592,431	159,133,690
Equity securities	4,101,742,475	5,854,647,841
Total long-term investments	7,132,480,007	8,674,517,000
Capital assets, net	224,182	247,186
TOTAL ASSETS	\$ 8,949,659,041	\$ 11,171,997,863
<b>LIABILITIES</b>		
Benefits in process of payment	\$ 71,953,759	\$ 67,389,081
Due to brokers for securities purchased	322,585,741	546,550,875
Payable under security lending agreement	1,094,475,078	1,603,992,581
Other liabilities	8,451,752	8,206,044
TOTAL LIABILITIES	\$ 1,497,466,330	\$ 2,226,138,581
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits and annuity benefits of electing members	\$ 7,452,192,711	\$ 8,945,859,282

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Additions:		
Members	\$ 288,238,426	\$ 286,738,943
Members tax shelter	8,678,472	8,922,095
Employer statutory requirement from local school districts	338,974,512	308,804,479
Matching funds	22,652,221	21,274,957
Dedicated tax	257,019,830	266,761,597
Total contributions	<u>915,563,461</u>	<u>892,502,071</u>
Investment income (loss):		
Interest	144,761,285	150,371,986
Dividends	87,798,878	108,697,447
Net depreciation in fair value of investments	(1,666,823,400)	(959,036,578)
Investment expenses	<u>(27,102,492)</u>	<u>(32,992,027)</u>
Loss from investing activities	<u>(1,461,365,729)</u>	<u>(732,959,172)</u>
Income from securities lending activities:		
Securities lending income	23,745,099	72,730,061
Securities lending expenses:		
Borrower rebates	(12,799,647)	(60,193,255)
Management fees	<u>(1,627,123)</u>	<u>(2,004,851)</u>
Income from securities lending activities	<u>9,318,329</u>	<u>10,531,955</u>
Net investment loss	<u>(1,452,047,400)</u>	<u>(722,427,217)</u>
Total additions	(536,483,939)	170,074,854
Deductions:		
Retirement, death, survivor, and health benefits	876,273,193	806,540,725
Refund of member contributions and annuity payments	75,692,946	63,925,592
Administrative expenses	<u>5,216,493</u>	<u>4,791,118</u>
Total deductions	<u>957,182,632</u>	<u>875,257,435</u>
Net decrease	(1,493,666,571)	(705,182,581)
Net assets, beginning of year	<u>8,945,859,282</u>	<u>9,651,041,863</u>
Net assets, end of year	<u>\$ 7,452,192,711</u>	<u>\$ 8,945,859,282</u>

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE A--DESCRIPTION OF THE SYSTEM

The following brief description of the Teachers' Retirement System of Oklahoma (the "System") is provided for general information purposes only. Participants should refer to Title 70 of the Oklahoma Statutes, 1991, sections 17-101 through 121, as amended.

The System was established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma (the "State"). The supervisory authority for the management and operation of the System is a 13-member board of trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

The System's membership consisted of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Retirees and beneficiaries currently receiving benefits	\$ 46,796	\$ 45,238
Terminated vested clients	7,379	6,915
Active clients	<u>89,388</u>	<u>88,678</u>
	<u>\$ 143,563</u>	<u>\$ 140,831</u>

There are 624 contributing employers in the System. In addition, there were 7,542 and 6,908 of nonvested inactive members at June 30, 2009 and 2008, respectively, which are entitled to a refund of their accumulated contributions.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE B--FUNDING STATUS

The System's actuary conducts an annual valuation to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. This valuation shows the funded position of the System decreased from the funding level at June 30, 2008. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (the "UAAL") is infinite. The period to fully amortize the UAAL as of June 30, 2008 was 54.4 years. The actuarial accrued liability increased \$604.1 million and the actuarial value of assets increased \$182.2 million. As a result, the System's unfunded actuarial accrued liabilities increased \$421.9 million to \$9,512 million at June 30, 2009. The funded ratio – actuarial value of assets divided by actuarial accrued liability – decreased from 50.5% to 49.8%. The increase in the unfunded accrued actuarial liability (UAAL) and the funding period is principally due to significant market asset losses. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the UAAL is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization. A Schedule of Funding Progress is presented on page 48. Actuarial assumptions and methods are discussed in Note M.

Based on calculations using Government Accounting Standards Board ("GASB") Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the System's funded ratio is 49.8% at June 30, 2009 and 50.5% at June 30, 2008.

The figures above (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (earning greater or less than the 8% investment return assumption) are recognized 20% per year for five years in the actuarial value of assets; the current actuarial value (\$9.439 billion) is \$2.212 billion smaller than the fair value (\$7.227 billion).

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule set in Oklahoma Statutes, which provides an increasing revenue stream based on a percentage of active members' pay. In FY 2008, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 54.4 years. For FY 2009, the statutory contribution amounts are insufficient to amortize the UAAL and therefore the funding period is "infinite".

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The System has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America and using the economic resources measurement focus. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by Oklahoma Statutes as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Oklahoma Statutes. Administrative expenses are funded through investment earnings.

Budgetary Control: The System prepares and submits an annual budget of operating expenses on the cash basis for monitoring and reporting to the Oklahoma Office of State Finance. The System's budget process follows the budget cycle for State operations as outlined by the Oklahoma Office of State Finance.

The Executive Secretary may approve changes within the budget, but a change to the total budget must be handled according to the provision of Title 62 O.S. Sec. 41.12 of the Oklahoma Statutes.

Investments: The System is authorized to invest in eligible investments as approved by the board of trustees as set forth in the System's investment policy.

System investments are reported at fair value. The short-term investment fund is comprised of an investment in units of commingled trust funds of the System's custodial agent, which is reported at cost, which approximates fair value. Debt and equity securities are reported at fair value, as determined by the System's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The Security Lending Institutional Daily Assets Fund represents investment in JP Morgan's Institutional Daily Assets Fund and is carried at amortized cost, which approximates fair value.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from foreign currency translation gains and losses, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The System's international investment managers enter into forward foreign exchange contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. At June 30, 2009, the System had sold forward and spot currency contracts with fair values of \$46 million and had bought forward and spot currency contracts with fair values of \$46 million. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. The System's international managers, at June 30, 2009, had approximately \$308 million market exposure to future contracts. Future contracts are an agreement executed through an exchange to trade a specified quantity of an underlying asset, at a specified date, for a specified price.

The System invests in various traditional financial instruments that fall under the broad definitions of derivatives. The System's derivatives include U. S. Treasury Strips, collateralized mortgage obligations, futures and options, convertible stocks and bonds, and variable rate instruments. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy.

Presently, the System has investments in interest rate swaps. Swaps afford a very liquid means of adjusting duration and targeting areas of yield curve exposure, with very low transactions costs. The risks of swaps are not only interest rate changes but also counter-party exposure. These risks are not inherently different from the risk of corporate bonds. Both require credit risk evaluations of the issuer or counter-party and the establishment of exposure limits to ensure that the portfolio remains adequately diversified. At June 30, 2009 the System had approximately \$1.6 million exposure to interest rate swaps.

The System's investment policy provided for investment diversification of stocks, bonds, fixed income securities and other investment securities along with investment in commingled or mutual funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported in the statements of plan net assets.

Capital Assets: Capital assets are stated at cost when acquired, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes: The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service (the "IRS") under Internal Revenue Code (the "IRC") Section 401(a). The System's 403(b) Plan is also tax exempt and has received a private letter ruling from the IRS.

Compensated Absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$288,000 and \$310,000 at June 30, 2009 and 2008, respectively.

Plan Termination: In the event the System terminates, the board of trustees will distribute the net assets of the System to provide the following benefits in the order indicated:

Accumulated contributions will be allocated to each respective member, former member, retired member, joint annuitant, or beneficiary then receiving payments.

The balance of such assets, if any, will be allocated to each member then having an interest in the System based upon the excess of their retirement income under the System less the retirement income, which is equal to the actuarial equivalent of the amount allocated to them in accordance with the preceding paragraph in the following order:

- Those retired members, joint annuitants, or beneficiaries receiving payments,
- Those members eligible to retire,
- Those members eligible for early retirement,
- Former members electing to receive a vested benefit, and
- All other members.

Use of Estimates: The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires the System's management to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in System net assets during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Risks and Uncertainties: Contributions to the System and the actuarial information included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, employee compensation, and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

NOTE D--CASH AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a counterparty, the System will not be able to recover the value of its bank deposits or investments. Bank deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. In relation to its bank deposits, the System is not considered to be exposed to custodial credit risk. Although the System does not have a formal bank deposit policy for custodial credit risk, the State Treasurer holds all of the System's bank deposits. As required by Oklahoma Statutes, all bank deposits held by the State Treasurer are insured by Federal Deposit Insurance Corporation, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations.

At June 30, 2009 and 2008, the carrying amount of the System's bank deposits was approximately \$6,340,000 and \$2,125,000, respectively. The bank balance of the System's bank deposits at June 30, 2009 and 2008 was approximately (\$269,000) and \$4,928,000, respectively.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk it does limit the amount of cash equivalents and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2009 and 2008, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$347,441,000 and \$441,183,000, respectively, with its custodial agent. The System's custodial agent for the years ended June 30, 2009 and 2008 was JP Morgan.

Credit Risk: Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The System's investment policy requires that at the time of purchase all corporate bonds or debentures be at the highest rating of the four rating services recognized by the Comptroller of the Currency of the United States of America.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in thousands)</i>			
U.S. Agency Securities (1)	Aaa	\$ 577,321	19.05%
U.S. Government Securities (2)	Aaa	\$ 770,956	25.44%
Municipal Bonds	Aaa	\$ 2,558	0.08%
	Aa1	5,695	0.19%
	Aa2	3,643	0.12%
	Aa3	11,398	0.38%
	A1	4,156	0.14%
	A2	1,918	0.06%
	A3	1,008	0.03%
	Baa3	3,803	0.13%
	Not Rated	1,651	0.05%
Total Municipal Bonds		\$ 35,830	1.18%
International Government Securities	Aaa	\$ 49,684	1.64%
	Aa2	2,137	0.07%
	A2	12,834	0.42%
	Baa1	8,392	0.28%
	Ba1	12,564	0.41%
	Ba3	4,925	0.16%
	B1	841	0.03%
	B2	2,660	0.09%
	B3	230	0.01%
	Not Rated	1,159	0.03%
Total International Government Securities		\$ 95,426	3.11%

(1) Agency Securities are those implicitly guaranteed by the U.S. Government.

(2) U.S. Government Securities are treasury securities and agencies explicitly guaranteed by the U.S. Government.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in Thousands)</i>			
Domestic Corporate Bonds	Aaa	\$ 281,678	9.28%
	Aa1	3,967	0.13%
	Aa2	24,484	0.81%
	Aa3	23,009	0.76%
	A1	25,416	0.84%
	A2	78,966	2.61%
	A3	36,357	1.20%
	Baa1	55,762	1.84%
	Baa2	92,480	3.05%
	Baa3	105,940	3.50%
	Ba1	69,935	2.31%
	Ba2	56,741	1.87%
	Ba3	93,739	3.09%
	B1	71,468	2.36%
	B2	77,134	2.55%
	B3	75,864	2.50%
	Caa1	95,397	3.15%
	Caa2	16,404	0.54%
	Caa3	10,007	0.33%
	Ca	27,524	0.91%
C	12	0.00%	
Not Rated	64,754	2.14%	
Total Domestic Corporate Bonds		\$ 1,387,038	45.77%



NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
		<i>(Amounts in Thousands)</i>	
International Corporate Bonds	Aaa	\$ 1,134	0.04%
	Aa1	2,756	0.09%
	Aa2	22,137	0.73%
	Aa3	7,082	0.23%
	A1	2,893	0.10%
	A2	3,136	0.10%
	A3	3,963	0.13%
	Baa1	24,658	0.81%
	Baa2	17,879	0.59%
	Baa3	12,533	0.41%
	Ba1	1,801	0.06%
	Ba2	11,162	0.37%
	Ba3	11,956	0.39%
	B1	10,539	0.35%
	B2	9,525	0.31%
	B3	12,000	0.40%
	Caa1	1,191	0.04%
	Caa2	812	0.03%
	Ca	318	0.01%
	C	1,913	0.06%
	Not Rated	4,779	0.17%
Total International Corporate Bonds		\$ 164,167	5.42%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2009, the System had the following investments with maturities:

Investment Type	Investment Maturities at Fair Value (in Years)				Total Fair Value
	Less than One	One to Five	Five to Ten	More Than Ten	
U.S. Government securities	\$ 14,435	\$ 199,797	\$ 180,813	\$ 989,062	\$ 1,384,107
International government securities	2,030	40,575	33,400	19,421	95,426
Domestic corporate bonds:					
Asset-backed securities	351	51,569	4,135	18,892	74,947
CMBS/CMO/REMIC	-	1,082	4,548	263,927	269,557
Corporates Bonds	24,048	309,592	517,836	191,058	1,042,534
	24,399	362,243	526,519	473,877	1,387,038
International corporate bonds	4,810	51,524	85,516	22,317	164,167
	<u>\$ 45,674</u>	<u>\$ 654,139</u>	<u>\$ 826,248</u>	<u>\$ 1,504,677</u>	<u>\$ 3,030,738</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE D--CASH AND INVESTMENTS--Continued

Foreign Currency Risk: Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30% of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. such limit shall be 35%. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2009 is shown in the following table by monetary unit to indicate possible foreign currency risk.

Currency	Equities	Corporate Bonds	Government Bonds	Cash and Cash Equivalents	Grand Total
Austalian Dollar	\$ 8,438,488	\$ 4,809,604	\$ -	\$ 68,557	\$ 13,316,649
Brazilian Real	6,271,850	-	5,200,636	(7,909)	11,464,577
British Pound Sterling	149,137,989	3,074,052	-	(112,588)	152,099,453
Canadian Dollar	34,991,130	-	5,498,847	79,197	40,569,174
Chinese Yuan Renminbi	-	-	-	350	350
Danish Krone	11,415,596	-	-	-	11,415,596
Egyptian Pound	1,184,864	-	-	-	1,184,864
Euro	355,741,027	3,971,442	12,190,898	10,733,527	382,636,894
Hong Kong Dollar	55,235,176	-	-	-	55,235,176
Hungarian Forint	-	-	-	-	-
Israeli New Shekel	585,048	-	-	4,779	589,827
Japanese Yen	192,313,102	-	-	-	192,313,102
Malaysian Ringgit	511,568	-	-	-	511,568
Mexican Peso	9,193,503	-	-	-	9,193,503
New Zealand Dollar	2,242,344	-	-	-	2,242,344
Norwegian Krone	6,784,436	-	-	-	6,784,436
Polish Zloty	707,463	-	-	-	707,463
Singapore Dollar	4,338,951	-	-	-	4,338,951
South African Rand	2,289,275	-	-	-	2,289,275
South Korean Won	9,885,504	-	-	44	9,885,548
Swedish Krona	21,208,033	-	-	2	21,208,035
Swiss Franc	61,186,745	-	-	-	61,186,745
Taiwan Dollar	5,201,126	-	-	938,990	6,140,116
Turkish New Lira	1,845,934	-	-	-	1,845,934
(1) Not subject to foreign currency risk	99,512,668	152,310,058	72,536,984	11,488,039	335,847,749
Grand Total	\$ 1,040,221,820	\$ 164,165,156	\$ 95,427,365	\$ 23,192,988	\$ 1,323,007,329

(1) These investments are not subject to foreign currency risk as they are held and traded in the United States of America.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE E--SECURITIES LENDING ACTIVITY

The System's investment policy and State statutes provide for its participation in a securities lending program. The program is administered by the System's master custodian and there are no restrictions on the amount of loans that can be made. Certain securities of the System are loaned to participating brokers, who must provide collateral in the form of cash, U. S. Treasury or government agency securities, or letters of credit issued by approved banks. Under the terms of the agreement, collateralization of the fair value of the loaned securities must be provided in the amount of 102% when the security to be loaned and the collateral are in the same currency and 105% when the loan and collateral currencies are dissimilar.

The fair value of securities on loan at June 30, 2009 was approximately \$1,148,377,000. The underlying collateral for these securities had a fair value of approximately \$1,181,201,000 at June 30, 2009. Collateral of securities and letters of credit represented approximately \$86,726,000 of total collateral at June 30, 2009. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the accompanying statements of plan net assets.

At June 30, 2009, the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. In the event of a collateral shortfall due to a loss in value of investments made with cash collateral, such loss would be the responsibility of the System. The System held a \$35 million position in JP Morgan's securities lending program with Lehman Brothers bonds as collateral. The market value at June 30, 2009 was approximately \$5.1 million. The System has recorded the deficiency in collateral of \$29.9 million as an unrealized loss in the accompanying statement of changes in plan net assets. The outcome of the Lehman Brothers bankruptcy has yet to be determined at June 30, 2009.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separate account for the System in accordance with investment guidelines approved by the System. The weighted average maturity at June 30, 2009 and 2008 of the cash collateral investments was 7 days and 10 days, respectively. The cash collateral investments are structured and maintained by the lending agent's investment desk utilizing an asset and liability methodology designed to manage to an appropriate extent any mismatch between the investment maturities and the System's loans.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE F--CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 1,423,664	\$ 1,413,763
Accumulated depreciation	<u>(1,199,482)</u>	<u>(1,166,577)</u>
Capital assets, net	<u>\$ 224,182</u>	<u>\$ 247,186</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2009 was approximately \$218,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$228,000 and \$215,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE G--RESERVE AND DESIGNATED FUNDS

The amount included in the Teachers' Deposit Fund, the Expense Fund, and the Capital Assets Fund is not available to pay regular retirement benefits. A brief description of the major funds is as follows:

- The Teachers' Deposit Fund represents funds in the tax-sheltered annuity program, which is an optional program for members as allowed by Section 403(b) of the IRC.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

The Funds had the following balances at June 30:

	<u>2009</u>	<u>2008</u>
Teachers' deposit fund (tax-sheltered annuities)	\$ 225,308,000	\$ 312,160,000
Expense fund	51,139,000	58,443,000
Capital assets fund	<u>224,000</u>	<u>247,000</u>
	<u>\$ 276,671,000</u>	<u>\$ 370,850,000</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE H--CONTRIBUTIONS

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995. The annual employer contributions reported for the years ended June 30, 2009 and 2008 were \$338,974,512 and 308,804,479, respectively. Employers satisfied 100% of their contribution requirements for 2009 and 2008.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level, which for the years ended June 30, 2009 and 2008, was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 7.85% on July 1, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008 and 9% on January 1, 2009 to December 31, 2009 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate for comprehensive and four year universities was 7.05% on July 1, 2007; 7.55% on January 1, 2008 and 8.05% from January 1, 2009 to December 31, 2009. The rates for fiscal years 2009 and 2008 are applied up to defined caps depending upon the member's elections as previously described.

As discussed in Note L, Senate Bill 357 became effective July 1, 2007. Employer contributions from K-12 Schools, Career Tech, two-year colleges and state agencies with TRS members will increase to 9.5% on January 1, 2010 and thereafter. For comprehensive and regional four-year colleges and universities, employer contributions will increase to 8.55% beginning January 1, 2010.

NOTE I--BENEFITS

The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include:

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE I--BENEFITS--Continued

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members, who joined the System on June 30, 1992, or prior, are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 is calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

## NOTES TO FINANCIAL STATEMENTS--Continued

### TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

#### NOTE I--BENEFITS--Continued

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Oklahoma State and Education Employees Group Insurance Board ("OSEEGIB"), depending on the members' years of service during 2009 and 2008. Such amounts were approximately \$30,523,000 and \$30,404,000 in 2009 and 2008, respectively, and are included in retirement and other benefits expense. Amounts due to OSEEGIB at June 30, 2009 and 2008, respectively are approximately \$2,534,000 and \$2,474,000, and are included in benefits in process of payment. The System performs no administrative functions related to the benefits provided by OSEEGIB and the payments have a minimal and declining impact on the operation of the System.

#### NOTE J--DEDICATED TAX

The System receives 5.0% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provided that the percentage of the State's collected sales, use, and corporate and individual income taxes allocated by the State to the System increased from 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. The System received approximately \$257,000,000 and \$267,000,000 from the State in 2009 and 2008, respectively. Amounts due from the State were approximately \$23,186,000 and \$28,970,000 at June 30, 2009 and 2008, respectively.

#### NOTE K--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note H. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note I. The total employee contributions paid by the System for its employees were approximately \$211,000 and \$209,000, for the years ended June 30, 2009 and 2008, respectively. Total employer contributions paid by the System were approximately \$264,000 and \$242,000, for the years ended June 30, 2009 and 2008, respectively.

#### NOTE L--PLAN AMENDMENTS

There was no significant legislation passed affecting the Teachers' Retirement System of Oklahoma during the year ended June 30, 2009.



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll ((b-a) / c)
June 30, 2004	\$ 6,660.9	\$ 14,080.1	\$ 7,419.2	47.3%	\$ 3,030.7	244.8%
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%
June 30, 2009	9,439.0	18,950.9	9,512.0	49.8%	3,807.9	249.8%

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 534,811,845	70.2%
2005	722,095,783	56.2%
2006	535,228,038	85.8%
2007	575,745,142	93.1%
2008	590,495,652	101.1%
2009	714,367,558	86.6%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

Unaudited - see accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Investment managers	\$ 26,281,909	\$ 32,879,081
Investment consultants	742,681	880,407
Investment information services	17,237	22,200
Commission recapture	60,665	(789,661)
Total investment expenses	<u>\$ 27,102,492</u>	<u>\$ 32,992,027</u>

See accompanying independent auditors' report.

SCHEDULES OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Salaries and benefits	\$ 3,682,153	\$ 3,460,187
General and miscellaneous	825,737	751,031
Professional/consultant fees	517,645	407,093
Travel and related expenses	104,733	97,863
Depreciation expense	86,225	74,944
Total administrative expenses	<u>\$ 5,216,493</u>	<u>\$ 4,791,118</u>

See accompanying independent auditors' report.

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2009	2008
Actuarial	\$ 83,846	\$ 64,343
Medical	11,174	7,040
Legal	165,520	159,020
Audit	44,800	42,200
Data processing	132,790	120,392
Miscellaneous	79,515	14,098
Total professional/consultant fees	<u>\$ 517,645</u>	<u>\$ 407,093</u>

See accompanying independent auditors' report.

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

Board of Trustees  
Teachers' Retirement System of Oklahoma

We have audited the financial statements of Teachers' Retirement System of Oklahoma (the "System"), which is a component unit of the state of Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009, which includes explanatory paragraphs related to required supplementary information and other supplementary information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.



A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, the Oklahoma State Auditor and Inspector, and management and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 14, 2009

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2009

NOTE M--ACTUARIAL ASSUMPTIONS AND METHODS

Funding Method: Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for the System, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the System.

Experience gains and losses (i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumption) adjust the unfunded actuarial accrued liability.

Asset Valuation Method: The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

Amortization: The unfunded actuarial accrued liability is amortized on a percent of pay method over a 30-year open period.

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2009 are as follows:

Investment Return: 8% per annum, compounded annually (includes inflation of 3%).

Salary Increases: 4.25% to 6% per year (includes inflation of 3% and a productivity increase of 1.25%).

NOTE N--NEW PRONOUNCEMENTS

On June 30, 2008 GASB issued Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53") which provides guidance to governments to improve the reporting of derivative instruments in their financial statements. GASB 53 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2009.

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# Section Three: Investment

Comprehensive Annual  
Financial Report

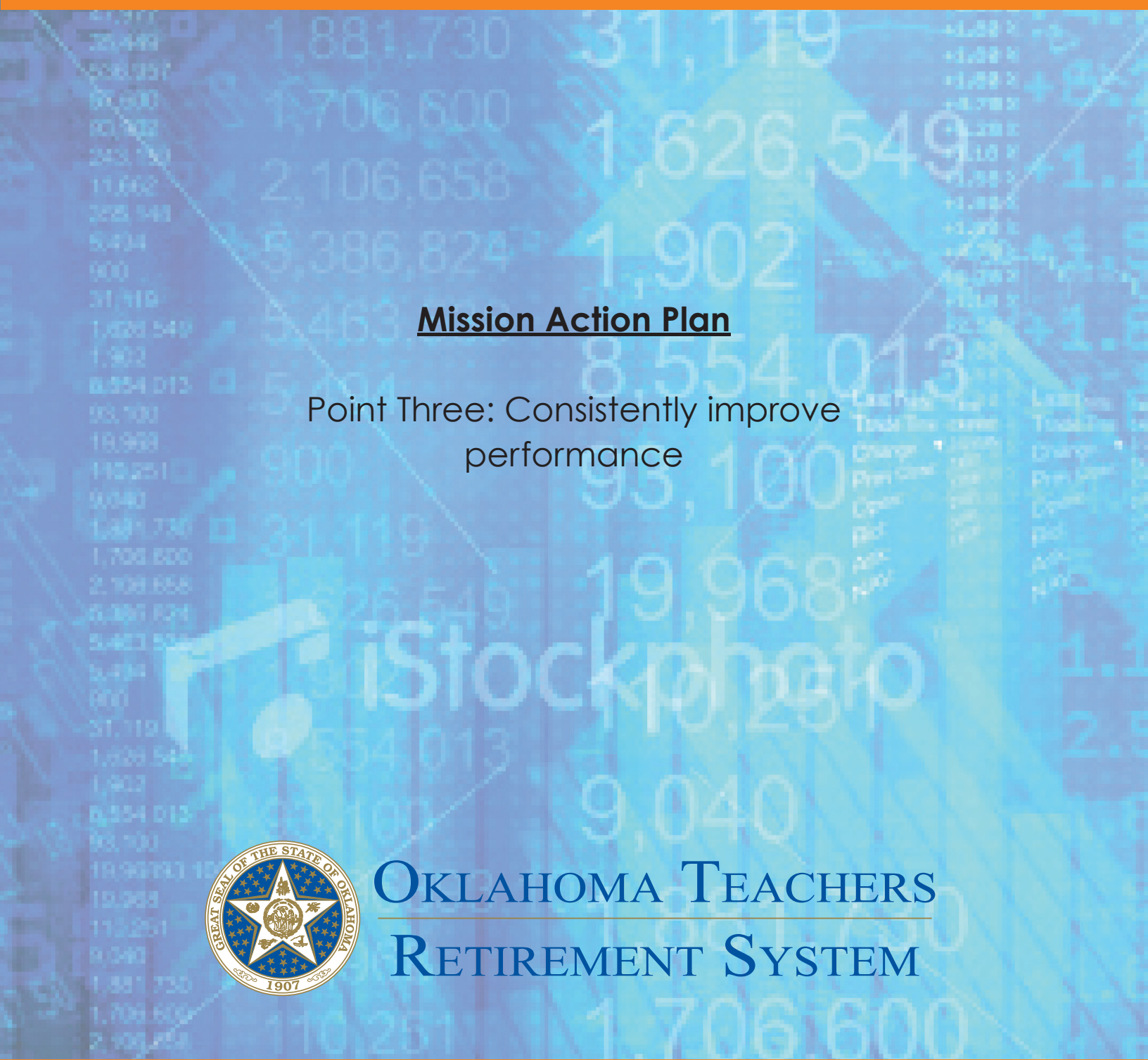
Fiscal Year 2009



OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



### Mission Action Plan

Point Three: Consistently improve performance



# OKLAHOMA TEACHERS RETIREMENT SYSTEM



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
PROFESSIONAL CONSULTANTS AND ADVISORS

DOMESTIC EQUITY MANAGERS

Advisory Research, Inc., *All-Capitalization*  
Chicago, Illinois  
Aronson + Johnson + Ortiz, *Mid-Capitalization Core*  
Philadelphia, Pennsylvania  
Frontier Asset Management, *Mid-Capitalization Growth*  
Boston, Massachusetts  
Goldman Sachs Asset Management, *Large-Capitalization Growth*  
Tampa, Florida  
Hotchkis & Wiley Investment, *Large-Capitalization Value*  
Los Angeles, California  
Hotchkis & Wiley Investment, *Mid-Capitalization Value*  
Los Angeles, California  
Sawgrass Asset Management, LLC, *Large-Capitalization Growth*  
Jacksonville Beach, Florida  
Shapiro Capital Management Company, Inc., *Small-Capitalization Value*  
Atlanta, Georgia  
Tocqueville Asset Management, LP, *Small-Capitalization Value*  
New York City, New York  
Wellington Management Company, LLP, *Mid-Capitalization Growth*  
Boston, Massachusetts

DOMESTIC FIXED INCOME MANAGERS

Hoisington Investment Management Company, *Interest Rate Sensitive*  
Austin, Texas  
Loomis, Sayles & Company, LP, *Active*  
Chicago, Illinois  
Lord Abbett & Company, LLC, *Core+ Active*  
Jersey City, New Jersey  
MacKay Shields, LLC, *Core+ Active*  
New York City, New York  
Pacific Investment Management Company, *Active*  
Newport Beach, California  
Stephens Capital Management, *Interest Rate Sensitive*  
Little Rock, Arkansas

INTERNATIONAL EQUITY MANAGERS

Brandes Investment Partners, LP  
San Diego, California  
Capital Guardian  
San Francisco, California  
Causeway Capital Management, LLC  
Los Angeles, California  
Thornburg Investment Management, Inc.  
Santa Fe, New Mexico

PRIVATE EQUITY MANAGERS

Franklin Park, LLC, *Private Equity*  
Bala Cynwyd, Pennsylvania

ADVISORS AND CONSULTANTS

JP Morgan, World Wide Securities Services, *Global Custodian/Securities Lending*  
Oklahoma City, Oklahoma  
gregory.w.group, *Investment Consultant*  
Tulsa, Oklahoma  
Gabriel, Roeder, Smith & Company, *Actuarial Consultant*  
Dallas, Texas  
Cole & Reed, PC, *External Auditor*  
Office of the Attorney General, *Legal Counsel*  
Oklahoma City, Oklahoma

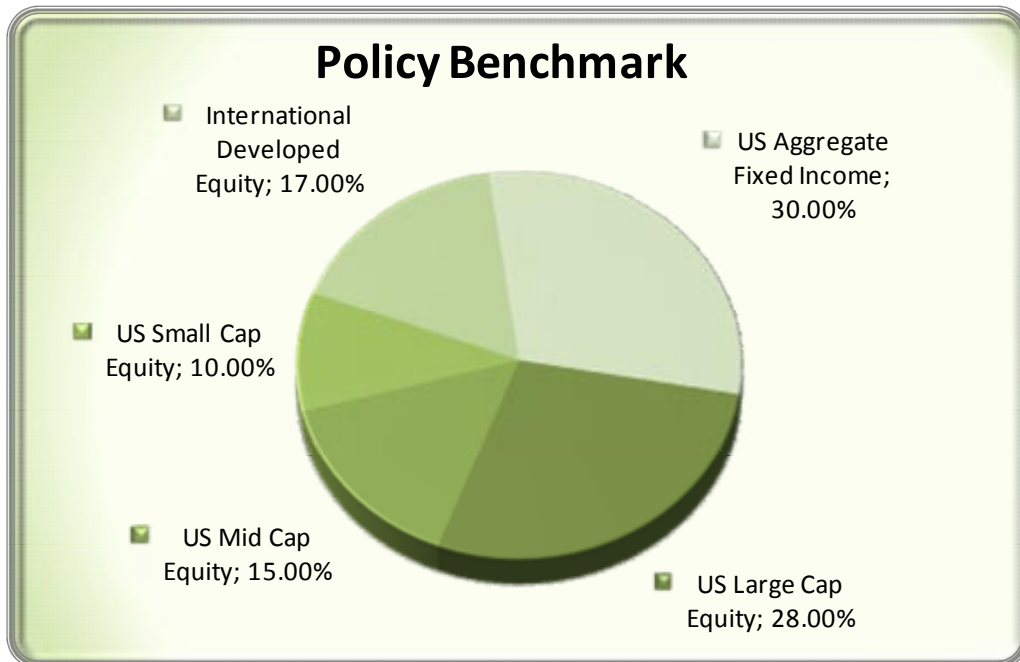
**STATEMENT OF INVESTMENT POLICIES**

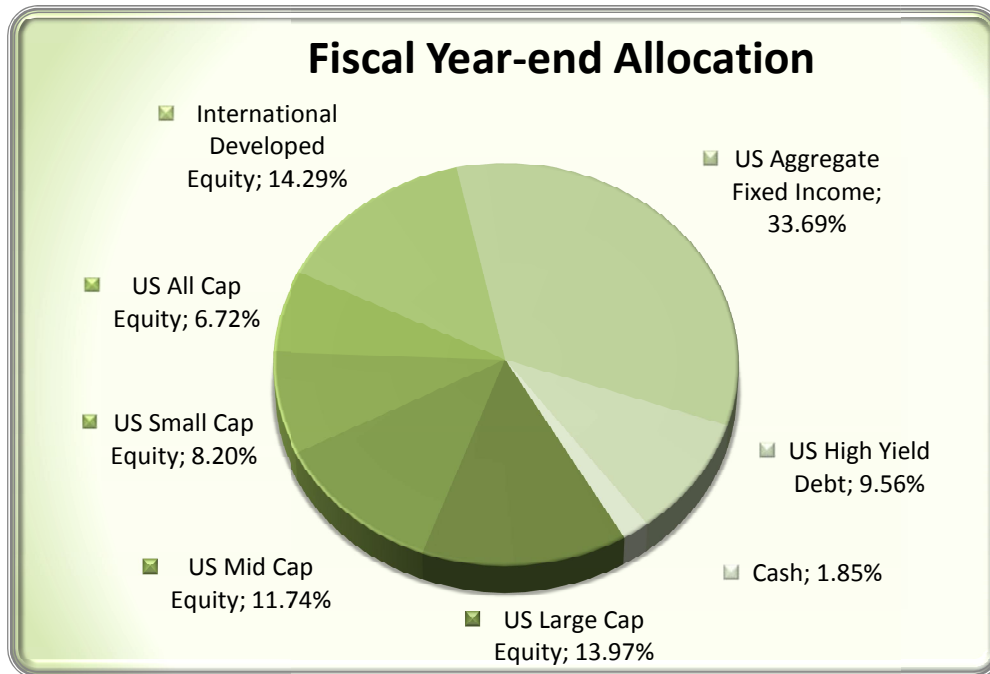
The Oklahoma Teachers Retirement System (OTRS) policies and procedures provide for a prudent and systematic investment process on behalf of its members, allowing for reasonable expenses of administration of the Fund, and providing for an orderly means whereby employees may be retired from active service with all pension benefits allowed by Oklahoma statutes. The Standard of Investment for the Board of Trustees in making investments shall be to exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like-capacity and familiar with such matters would use in the conduct of an enterprise of a like-character.

The Board of Trustees diversifies investments to minimize risk. The investment objectives of the Board, as fiduciaries, are long-term rather than short-term. Board policy takes into consideration actuarial assumptions of the retirement program and any unfunded liabilities.

**INVESTMENT POLICY ALLOCATION**

In the pursuit of long-term returns in excess of our 8.0 percent actuarial assumption, while maintaining the goal of capital preservation, OTRS has codified diversified policy asset allocation. The resulting diversified portfolio is designed to enhance long-term returns while mitigating short-term variability. The those ends the OTRS policy allocation exposes a 70 percent allocation to domestic and developed market equities, and a 30 percent allocation to fixed income. All investments are managed by external active managers.



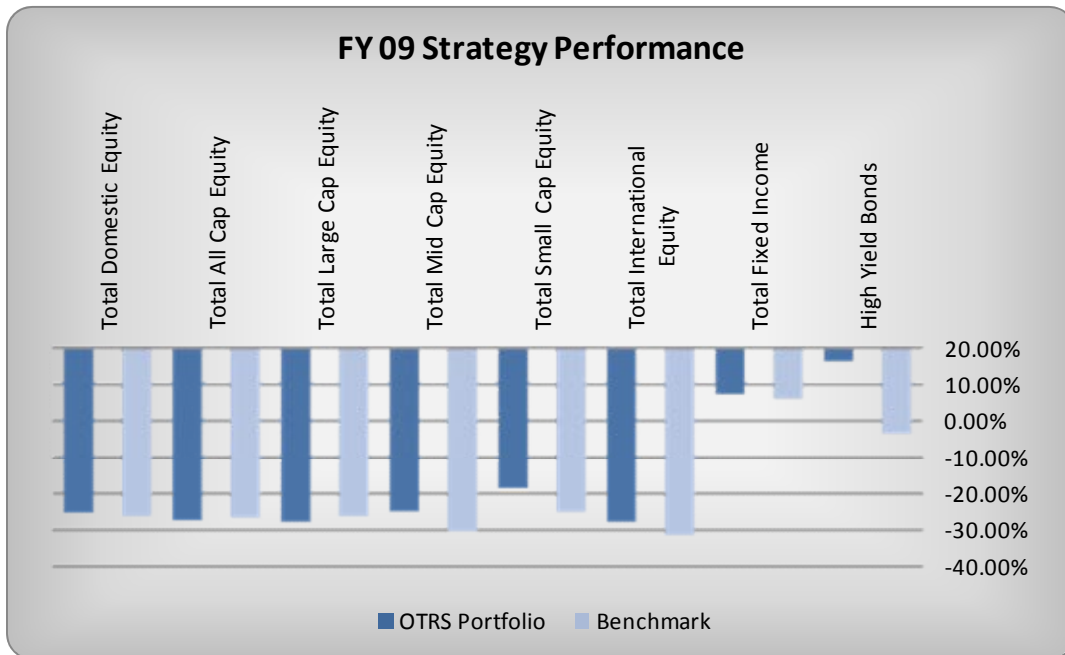


In response to the decline in the equity markets, the Board of Trustees tactically allowed equities to drift to underweight. In lieu of rebalancing to the System’s policy allocation of 70 percent equities, the Board of Trustees elected to deploy 10 percent of the fund’s assets into a high yield bonds allocation.

**INVESTMENT PERFORMANCE**

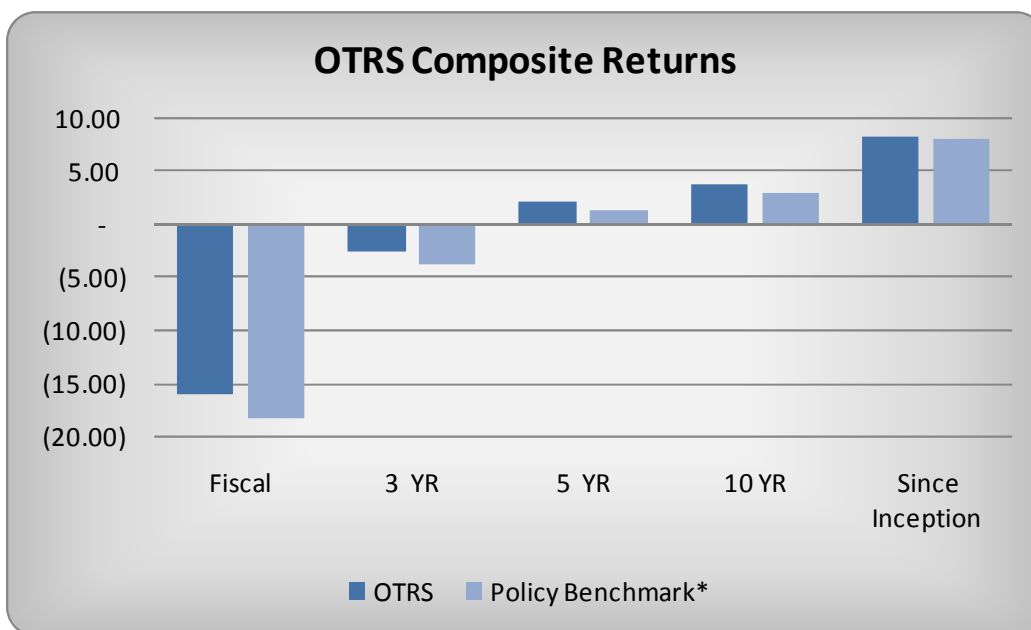
To achieve the investment goals set forth by the OTRS Investment Policy Guidelines, the Board of Trustees employs a strategy of active management. For the Fiscal Year 2009 the Fund realized a, gross of fees, negative rate of return of 15.54 percent.

This negative rate of return was buoyed by a 10 percent strategic allocation, made by the Board of Trustees, to the previously mentioned high yield debt strategy. This strategic allocation provided superior returns to the OTRS policy allocation.



\* All returns are calculated on a time-weighted basis

The Board of Trustees has established an investment goal to exceed the policy benchmark by at least 1 percent, net of fees. Since inception the OTRS Composite has returned 8.29 percent, gross of fees, while the policy benchmark has returned 8.22 percent.



\* Policy benchmark consists of 28% S&P 500, 15% Russell Midcap, 10% Russell 2000, 17% MSCI EAFE, 30% Lehman Aggregate

**Top Ten Holdings**

As of the fiscal year ended June 30, 2009 the top ten holdings comprised approximately \$500 million of the total OTRS portfolio. The top ten holding constituted 6.7 percent of total portfolio.

<b>Security Description</b>	<b>Market Value</b>
U S TREAS BD STRIPPED PRIN PMT 6.125% 15/NOV/2027	99,352,513.12
FNMA TBA 30YR TBA 06.000% JUL	67,925,000.00
UNITED STATES TREAS NTS 03.125% 15/MAY/2019	53,132,582.65
MICROSOFT CORP COM STK USD0.00000625	51,319,192.30
USA TREASURY BDS 5.25% BDS 15/NOV/2028 USD1000	43,618,073.34
PIMCO DISTRESSED MORTGAGE FUND	40,237,583.29
USA TREASURY BDS 4.5% DEB 15/FEB/2036 USD1000	39,661,160.00
FNMA TBA 30YR TBA 06.500% JUL	36,210,000.00
UNITED STATES TREAS BDS 04.75% 15/FEB/2037	35,216,819.40
ORACLE CORP COM STK USD0.01	34,642,994.40
<b>Total</b>	<b>\$501,315,918.50</b>

**Investment Expenses**

For the Fiscal Year 2009, investment fees paid to investment management firms employed by the System were as follows:

<b><u>Investment Manager</u></b>	<b><u>Fees Paid</u></b>
<b>Advisory Research</b>	967,101
<b>Aletheia</b>	422,923
<b>Aronson+Johnson+Ortiz</b>	914,146
<b>Brandes Investment Partners</b>	1,559,228
<b>Capital Guardian</b>	1,239,853
<b>Causeway Capital</b>	931,671
<b>Chase Investment</b>	1,110,401
<b>Epoch</b>	1,399,720
<b>Frontier Capitol</b>	1,585,465
<b>Goldman Sachs Management</b>	819,550

Hoisington Investment	491,777
Loomis Sayles and Company	1,093,392
Lord Abnett & Company	1,356,800
MacKay Shields LLC	1,171,887
Merrill Lynch Investment (Hotchkis & Wiley)	933,015
Merrill Lynch Investment (Hotchkis & Wiley Mid Cap)	917,947
Pacific Investment Management Company	1,482,892
Sawgrass	942,361
Shapiro Capital	2,220,819
Smith Asset Management	311,679
Standish Mellon Bond Associates	18,317
Stephens Inc	360,696
Thornburg Investment Management	1,042,240
Tocqueville Asset Management	2,006,929
Wellington Management	<u>981,099</u>
<b>Total</b>	<b>26,281,909</b>

Brokerage	Sum of Quantity	Commissions	Commissions per Share
156 ** EUROCLEAR **	900	74.82	0.083
311 GOLDMAN SACHS ** EUROCLEAR **	27100	611.62	0.023
311 GOLDMAN SACHS INTL LONDON ** EUROCLE	3634	69.3	0.019
471 J.P. MORGAN SECURITIES ** EUROCLEAR	58908	2009.36	0.034
491 MORGAN STANLEY & CO INTL LDN ** EURO	10200	121.04	0.012
491 MORGAN STANLEY ** EUROCLEAR **	5971	77.54	0.013
4937 CREDIT SUISSE FIRST BOSTON NEW ** E	37800	715.04	0.019
581 MERRILL LYNCH ** EUROCLEAR **	10026	185.88	0.019
601 SALOMON BROS ** EUROCLEAR **	1500	67.37	0.045
6294 WARBURG DILLON READ SECS LDN ** EUR	20200	436.75	0.022
A G EDWARDS & SONS INC	1291050	51582	0.040
ABEL NOSER CORP	10360301	118872.51	0.011
ABG SECURITIES STOCKHOLM	92700	2913.82	0.031
ABG SECURITIES, OSLO	84000	4466.49	0.053
ABN AMRO BANK N.V. HONG KONG	953000	406.38	0.000
ABN AMRO EQUITIES LONDON	903451	9199.69	0.010
ADAMS HARKNESS & HILL INC	340800	13701	0.040
ADP CLEARING & OUTSOURCING SERVICES,	175200	4282	0.024
ALBERT FRIED & CO	8100	324	0.040
ALLEN & COMPANY INC	351562	5784.93	0.016
ALPES C.C.T.V.M. LTDA	192110	2747.29	0.014
ARNHOLD & S BLEICHROEDER INC	80700	3228	0.040



ASIEL & CO	10100	404	0.040
AUTRANET INC	12500	125	0.010
AVIAN SECURITIES, INC.	330800	6616	0.020
AVONDALE PARTNERS, LLC	34285	1459.4	0.043
AXA INVESTMENT MNGRS(IRISH X BRDR)	1014968	9134.03	0.009
B RILEY AND CO INC	17200	860	0.050
BANC OF AMERICA SECURITIES LLC,	1377857	51012.19	0.037
BANCA POPOLARE DI CREMONA	181059	1803.16	0.010
BANCO INBURSA S.A. MEXICO	401000	2071.69	0.005
BANCO SANTANDER CENTRAL NY	566731	3210.69	0.006
BANK AM BELLEVUE, ZURICH	32250	1270.62	0.039
BANK J VONTOBEL UND CO	37748	2812.73	0.075
BANK JULIUS BAER ZURICH	46754	888.27	0.019
BANQUE NATIONALE DU CANADA MONTREAL	13500	496.08	0.037
BARCLAYS CAPITAL INC./LE	777300	26311	0.034
BARCLAYS CAPITAL LE	5104644	86512.42	0.017
BARNARD JACOBS MELLETT & CO JBURG	8206	51.28	0.006
BARRINGTON RESEARCH ASSOCIATES INC.	16700	668	0.040
BAYPOINT TRADING LLC	1201150	41311.57	0.034
BEAR STEARNS & CO INC.	535700	2678.5	0.005
BEAR STEARNS SECS CORP NY	15490	299.48	0.019
BEAR STEARNS SECS CORP NY DTC00352	312680	2288.93	0.007
BEAR, STEARNS SECURITES CORP.	62515	3661.15	0.059
BLOOMBERG TRADEBOOK LLC	10700	53.5	0.005
BLUEFIN RESEARCH PARTNER INC.	51700	2068	0.040
BMO CAPITAL MARKETS CORP.	94900	3973	0.042
BNP PARIBAS SECURITIES CORP IB	426200	8524	0.020
BNP PARIBAS SECURITIES SVS. EGS 030	87897	691.74	0.008
BNP PARIBAS SECURITY SVCS, LONDON	79300	851.98	0.011
BNY CONVERGEX EXECUTION SOLUTIONS LLC	1837255	30074.57	0.016
BOENNING & SCATTERGOOD INC	670600	15610.5	0.023
BREAN MURRAY INC.	101708	4068.32	0.040
BROAD COURT CAP CORP SUB DIV MERRILL	164400	8220	0.050
BUCKINGHAM RESEARCH GROUP INC	223924	9942.96	0.044
BUNTING WARBURG INC.	97000	4125.6	0.043
CA IB INVESTMENTBANK AG, LONDON	19406	817.27	0.042
CADARET GRANT CO. INC.	174261	6742.83	0.039
CALYON SECURITIES (USA) DTC00651	8134533	19479.47	0.002
CANACCORD ADAMS	306050	12538.5	0.041
CANACCORD CAPITAL CORP VANCOUVER	43800	1691.35	0.039
CANTOR FITZGERALD & CO INC	9839191	243707.21	0.025
CAP INSTITUTIONAL SERVICES INC-EQ	2905232	112789.94	0.039
CARNEGIE INTL LTD	36820	673.76	0.018
CAZANOVE ASIA LIMITED	81500	1099.27	0.013
CAZENOVE & CO LONDON	151832	1557.88	0.010
CAZENOVE INCORPORATED	154000	4620	0.030
CHARLES SCHWAB & CO INC (CUST)	33000	1320	0.040
CHASE MANHATTAN BK CORRES CLR SVCS 2	18600	1266.47	0.068
CHINA INTL CAPITAL CORP HK SECS LTD	703200	658.83	0.001
CI NORDIC SECURITIES_AB_STOCKHOLM	134685	5119.66	0.038
CIBC WORLD MARKETS CORP.	50300	2012	0.040

CIBC WORLD MARKETS TORONTO	321091	11228.56	0.035
CITIBANK CANADA, TORONTO	32003	1010.84	0.032
CITIBANK N.A., LONDON	28920	609.55	0.021
CITIGROUP GBL MARKETS UK EQUITY LT	2635871	9490.42	0.004
CITIGROUP GLOBAL MARKETS INC, NY	1096928	20783.38	0.019
CITIGROUP GLOBAL MARKETS INC.	3072216	88867.3	0.029
CITIGROUP GLOBAL MARKETS INC/SALOMON	1058	5047.5	4.771
CITIGROUP GLOBAL MARKETS LIMITED	3256561	57360.48	0.018
CITIGROUP GLOBAL MKTS AUSTRALIA PTY	412733	3007.64	0.007
CJS SECURITIES	13350	400.5	0.030
CJS SECURITIES INC	21957	658.71	0.030
CLEARSTREAM BANKING (DOM) FRANKFURT	5100	247.52	0.049
CLSA LTD., HONG KONG	20300	527.48	0.026
COKER, PALMER, PHILLIPS & MULLER INC	66110	2644.4	0.040
COLLINS STEWART INC.	1739752	31494.04	0.018
COWEN AND COMPANY, LLC	990900	39281	0.040
CREDIT AGRICOLE INDOSUEZ CHEUVREUX	592812	28034.5	0.047
CREDIT AGRICOLE INDOSUEZ CHVX MILAN	37612	1644.73	0.044
CREDIT AGRICOLE INDOSUEZ MADRID	8300	222.64	0.027
CREDIT AGRICOLE.	648439	2151.49	0.003
CREDIT LYONNAIS SEC (USA) INC NY	31686	1963.95	0.062
CREDIT LYONNAIS SECS SINGAPORE	560111	7345.6	0.013
CREDIT LYONNAIS SECURITIES (USA) INC	1044181	20691.42	0.020
CREDIT RESEARCH & TRADING LLC	85730	3429.2	0.040
CREDIT SUISSE (EUROPE) LTD	102900	3939.35	0.038
CREDIT SUISSE FIRST BOSTON DTC00355	2426248	17587.98	0.007
CREDIT SUISSE FIRST BOSTON HK-	4422524	13469.17	0.003
CREDIT SUISSE FIRST BOSTON LLC	5626481	155593.98	0.028
CREDIT SUISSE FIRST BOSTON SA CTVM,	63600	1160.54	0.018
CREDIT SUISSE SECURITIES (EUROPE)LT	2261762	30763.78	0.014
CREDIT SUISSE SECURITIES (USA) LLC	971227	9815.4	0.010
CROWELL WEEDON & CO	175200	6925	0.040
CSFB (EUROPE) LTD, SEOUL SECS BRNCH	14625	4681.88	0.320
CSFB AUST EQUITIES LTD MELBOURNE	438987	2493.78	0.006
CSFB SECURITIES HONG KONG	36600	479.87	0.013
CSFB TAIPEI BRANCH, TAIPEI	744000	1787.92	0.002
CSI US INTITUTIONAL DESK	48230	1929.2	0.040
CUTTONE & CO INC	735655	21928.65	0.030
D A DAVIDSON & CO INC	364118	14982.9	0.041
DAHLMAN ROSE & COMPANY, LLC	240000	9759	0.041
DAIN RAUSCHER INCORPORATED	49100	1940.25	0.040
DAIWA SECS AMERICA INC DTC00647	446432	5275.63	0.012
DAIWA SECS SMBC HK LTD HONG KONG	139500	1176.27	0.008
DAIWA SUMITOMO BK CAP MKTS EUROPE	107000	1272.83	0.012
DAVENPORT & CO OF VIRGINIA INC	210179	6421.56	0.031
DAVY STOCKBROKERS	333065	7999.45	0.024
DEUTSCHE BANC ALEX BROWN INC.	6686909	124831.88	0.019
DEUTSCHE BANK ALEX BROWN	90708	3628.32	0.040
DEUTSCHE BANK SECURITIES INC._NY	1478079	21513.86	0.015
DEUTSCHE BANK(INTL EQ) LDN CREST201	592264	11541.29	0.019
DEUTSCHE BK AG (CUST SVCS) FRANKFRT	6884	606.16	0.088

DEUTSCHE SECS ASIA LTD TAIPEI	335000	1089.97	0.003
DEUTSCHE SECS ASIA LTD, HONG KONG	320500	1223.06	0.004
DEUTSCHE SECS ASIA SEOUL	6783	2292.17	0.338
DEUTSCHE SECS AUST LTD SYDNEY.	660815	1483.56	0.002
DIRECT TRADING INSTITUTIONAL INC	256940	4748.87	0.018
DONALDSON LUFKIN JENRETTE (PERSHING)	681900	25926	0.038
DOWLING & PARTNERS	115900	5056	0.044
DRESDNER BANK AG, LONDON BRANCH	2026	209.46	0.103
DRESDNER KLEINWORT WASSERSTEIN SECS	276121	10991.42	0.040
DUNDEE SECURITIES TORONTO	9600	425.39	0.044
EUROMOBILIARE SPA	144000	722.11	0.005
EVOLUTION BEESON GREGORY LTD	25728	224.62	0.009
EXANE NEW YORK	41937	2992.76	0.071
EXANE PARIS	793888	17710.15	0.022
EXECUTION (HONG KONG) LIMITED H.K.	231500	590.18	0.003
FIDELITY CAPITAL MARKETS	1024612	20935.99	0.020
FIRST ANALYSIS SECURITIES CORP	30100	1204	0.040
FIRST CLEARING, LLC (FCCORP)	542546	19392.54	0.036
FIRST MARATHON SECURITIES LIMITED	131500	5260	0.040
FIRST UNION CAPITAL MARKETS	1005619	40544.26	0.040
FOX PITT KELTON INC	450390	18776.6	0.042
FOX PITT KELTON LONDON	344405	2945.85	0.009
FOX-PITT KELTON LTD	395202	1990.6	0.005
FRENCH AMERICAN BANKING CORP/RETAIL	20749195	167832.18	0.008
FRIEDMAN BILLINGS & REMSEY	624458	23505.57	0.038
GABELLI & CO INC	175500	10530	0.060
GABELLI & COMPANY	268963	12313.18	0.046
GARBAN SECURITIES	470725	9661.98	0.021
GOLDMAN SACHS & CO	13515186	474799.73	0.035
GOLDMAN SACHS (ASIA) LLC SEOUL	615	454.43	0.739
GOLDMAN SACHS EXECUTION & CLEARING, L.P.	8670517	291991.99	0.034
GOLDMAN SACHS INTERNATIONAL LIMITED	9900	295.79	0.030
GOLDMAN SACHS INTL LONDON	876458	12044.79	0.014
GOLDMAN SACHS NEW YORK_DTC00005	5057608	31128.83	0.006
GOODBODY STOCKBROKERS DUBLIN	538416	5561.31	0.010
GRIFFITHS MCBURNEY & PTRS TORONTO	3800	141.02	0.037
G-TRADE SERVICES LTD, HAMILTON	21400	144.23	0.007
GUZMAN & COMPANY	895900	17918	0.020
HARRIS NESBITT CORP	213400	8536	0.040
HEFLIN & CO. LLC	117000	4468	0.038
HELVEA SA	20101	1675.11	0.083
HIBERNIA SOUTHCOAST CAPITAL INC.	293649	11560.46	0.039
HIRSHON ROTH & CO	32949796	273903.79	0.008
HONG KONG SAR GOVERNMENT EXCH.FUND	28082	434.71	0.015
HOWARD WEIL LABOUISSSE FRIEDRICHS INC	23500	1175	0.050
HSBC BANK PLC LONDON.	1083033	10033.68	0.009
HSBC BROKERAGE (USA) INC.	24600	861	0.035
HSBC SECURITIES BROKERS (ASIA) LTD	5315765	14915.98	0.003
HSBC SECURITIES USA	145628	2570.8	0.018
ICAP CORPORATES LLC	5900	215	0.036
ICAP SECURITIES LTD	64376	1604.91	0.025

IMPERIAL CAPITAL LLC	600	30	0.050
ING BANK LONDON	31500	593.95	0.019
INSTINET	7511290	247098.93	0.033
INSTINET CLEARING SERVICES, INC.	22055	661.65	0.030
INSTINET EUROPE LTD.	251501	2701.59	0.011
INSTINET PACIFIC LTD HONG KONG	15287	1197.1	0.078
INTERMONTE SECURITIES SIM MILANO	8293	424.57	0.051
INVESTMENT TECHNOLOGY GROUP DUBLIN	113276	1598.95	0.014
INVESTMENT TECHNOLOGY GROUP INC	6040639	102962.79	0.017
ISI GROUP INC.	1505878	54388.11	0.036
ITG CANADA CORP TORONTO	2800	45.04	0.016
ITG INC	5900	103.25	0.018
IXIS SECURITIES	2800	194.02	0.069
J. P. MORGAN SECURITIES INC	16835000	8417.5	0.001
J.P. MORGAN SECURITIES INC., - FIXED	24199553.57	15906.83	0.001
J.P. MORGAN SECURITIES LIMITED	3802292	48952.43	0.013
J.P.MORGAN SECURITIES (FAR EAST) LT	9755	864.14	0.089
JANNEY MONTGOMERY SCOTT	86800	4244	0.049
JB WERE & SONS MELBOURNE	168890	1744.25	0.010
JEFFERIES & COMPANY INC	5697336	180341.21	0.032
JEFFERIES & COMPANY INC NY DTC07441	975395	3657.21	0.004
JEFFERIES INTERNATIONAL LONDON	10200	466.39	0.046
JMP SECURITIES	254785	10191.4	0.040
JNK SECURITIES INC	208900	4178	0.020
JOHNSON RICE & CO	1838284	59958.36	0.033
JONES TRADING INSTITUTIONAL SERVICES	14792287	376855.15	0.025
JP MORGAN CHASE BANK LONDON	1035045	3926.83	0.004
JP MORGAN SECURITIES AUSTRALIA	9412	100.83	0.011
JP MORGAN SECURITIES INC	10748934	235917.52	0.022
JP MORGAN SECURITIES INC SL	33300	1688.47	0.051
JPMORGAN CAZENOVE LIMITED	34887	1008.91	0.029
JPMORGAN CHASE BANK GS AND T	1600	42.06	0.026
JPMORGAN CHASE BANK_DTC00902	11515	53679.07	4.662
JPMORGAN CLEARING CORP	11800	236	0.020
JPMORGAN SECS INC, NY DTC05202	109400	638.79	0.006
JPMORGAN SECS INC, NY DTC060	160900	763.83	0.005
JPMORGAN SECS LONDON	385492	4398.98	0.011
JPMORGAN SECURITIES (ASIA PACIFIC)	5573373	10898.37	0.002
JULIUS BAER BROKERAGE FRANKFURT	55660	2806.38	0.050
JULIUS BAER BROKERAGE ZURICH BRANCH	15752	540.18	0.034
KBC FINANCIAL PRODUCTS UK LTD	81499	3475.59	0.043
KEEFE BRUYETTE & WOODS INC	509471	20786.84	0.041
KEEFE BRUYETTTE AND WOOD LTD LONDON	11960	299.89	0.025
KELCOP FINANCIAL INC	41100	1582	0.038
KELLOGG PARTNERS	10180	407.2	0.040
KELLY & CHRISTENSEN INC.	114700	1147	0.010
KEPLER EQUITIES, PARIS	6380	369.55	0.058
KEYBANC CAPITAL MARKETS INC.	703700	29507.5	0.042
KING C L & ASSOCIATES INC	135600	5729	0.042
KNIGHT SECURITIES BROADCORT CAP	30259822.33	966652.41	0.032
LABRANCHE FINANCIAL SERVICES LLC	158100	4315	0.027

LAZARD CAPITAL MARKETS LLC	516662	5180.11	0.010
LAZARD FRERES & CO	43400	2114	0.049
LBI-LEHMAN GOVERNMENT SECURITIES INC	25	125	5.000
LEERINK SWANN AND COMPANY	635106	30889.74	0.049
LEHMAN BROS INC	2010536	53531.44	0.027
LEHMAN BROS INTL LONDON.	92502	4055.88	0.044
LEHMAN BROTHERS INTL(EUROPE), SEOUL	1329	518.4	0.390
LIQUIDNET ASIA LIMITED, HONG KONG	155958	1003.82	0.006
LIQUIDNET EUROPE LTD LONDON	988810	8969	0.009
LIQUIDNET INC	4408363	108207.72	0.025
LONGBOW SECURITIES LLC	405010	17285.4	0.043
LOOP CAPITAL MKTS,LLC-BCC CAP CLEAR	107100	1458	0.014
LYNCH JONES & RYAN (JEFFERIES)	7285226	276502.99	0.038
MACQUARIE EQUITIES SYDNEY	100678	4785.02	0.048
MACQUARIE SECURITIES (USA) INC	70307	2812.28	0.040
MACQUARIE SECURITIES LIMITED	1934910	12398.93	0.006
MACQUARIE SECURITIES LIMITED,TAIWAN	434000	439.28	0.001
MACQUARIE SECURITIES LTD SEOUL	2248	1504.27	0.669
MAIN FIRST BANK	5000	335.73	0.067
MAN FINANCIAL	425618	7713.43	0.018
MCDONALD INVESTMENTS INC.	200176	7020.54	0.035
MEMO	372	1322.6	3.555
MERRILL LYNCH & CO INC NY	467300	4916.16	0.011
MERRILL LYNCH AND CO INC NEW YORK	29652	1121.16	0.038
MERRILL LYNCH INTERNATIONAL,LDN.	2557192	43061.19	0.017
MERRILL LYNCH INTERNATIONAL_LONDON	5510	211.38	0.038
MERRILL LYNCH PROF. CLEARING CORP.	651697	20271.43	0.031
MERRILL LYNCH, P F & S NY DTC00161	5829045	22538.11	0.004
MERRILL LYNCH,PIERCE,FENNER & SMITH	3832730	135342.38	0.035
MIDWEST RESEARCH SECURITIES	2433094	35880.04	0.015
MILLER TABAK & CO LLC	18500	740	0.040
MILLER, TABAK, HIRSCH & COMPANY	42154	1686.16	0.040
MITSUBISHI UFJ SECURITIES (USA),	169800	931.97	0.005
MIZUHO SECURITIES INC	375213	2828.76	0.008
MKM PARTNERS	32100	1538	0.048
MONNESS, CRESPI, HARDT & CO INC	75000	3750	0.050
MORGAN KEEGAN & CO INC	2230971	73277.79	0.033
MORGAN STANLEY & CO. INCORPORATED	5011548	145950.84	0.029
MORGAN STANLEY AND CO INC DTC00050	2519585	6789.44	0.003
MORGAN STANLEY INTL SEOUL	9236	3576.41	0.387
MS & CO INTL LONDON	1676514	22214.89	0.013
MS&CO INC NY DTC00050	4565141	65471.91	0.014
MURPHY & DURIEU	274400	6174	0.023
NATIONAL FINL SVCS CORP	223600	10649	0.048
NBC CLEARING SERVICES INC	32200	1238.8	0.038
NCB STOCKBROKERS LIMITED	213800	1562.55	0.007
NEEDHAM & COMPANY	530000	24986.55	0.047
NESBITT BURNS TORONTO	281600	11109.42	0.039
NEXT GENERATION EQUITY RESEARCH LLC	41060	1642.4	0.040
NOMURA INTERNATIONAL PLC	1517	26.19	0.017
NOMURA INTL (HONG KONG) LTD	82000	330.19	0.004

NOMURA SECS INTL NEW YORK DTC00180	1744026	23472.67	0.013
NORDEA BANK DENMARK A/S COPENHAGEN	6713	299.56	0.045
NUMIS SECURITIES, LONDON	15300	290.22	0.019
O'CONNOR & CO LLC RETAIL	98300	1977.5	0.020
ODDO ET CIE PARIS	6438	845.45	0.131
ONEIL WILLIAM & CO INC/BCC CLRG	679600	15825	0.023
OPPENHEIM SAL JR UND CIE KOELN	5500	357.12	0.065
OPPENHEIMER & CO INC	332300	12170	0.037
OPPENHEIMER & CO. INC.	571660	22394.9	0.039
PACIFIC CREST SECURITIES	197400	7174	0.036
PALI CAPITAL INC.	191323	7652.92	0.040
PAREL PARIS	4100	131.69	0.032
PCS SECURITIES, INC	25500	1275	0.050
PELLINOR SECURITIES CORP	661098	19947.94	0.030
PENSION FINANCIAL SVCS, INC	102900	1002.75	0.010
PERSHING LLC	1392843	29516.03	0.021
PERSHING LLC DTC00443	880762	8338.81	0.009
PERSHING SECURITIES LIMITED	128936	4712.6	0.037
PETERS & CO CALGARY CANADA	31500	1378.48	0.044
PICKERING ENERGY PARTNERS, INC	148300	5157	0.035
PIPELINE TRADING SYSTEMS LLC	244603	4803.56	0.020
PIPER JAFFRAY & CO.	216976	8788.04	0.041
POLCARI / WEICKER DIV OF ICAP	67800	2712	0.040
PRITCHARD CAPITAL PARTNERS LLC	802600	26955	0.034
PULSE TRADING LLC	2681042	57010.66	0.021
Q & R CLEARING CORP	64410	579.69	0.009
RAYMOND JAMES & ASSOCIATES INC	1001828	40499.32	0.040
RBC DAIN RAUSCHER INC.	1060997	36479.38	0.034
RBCT: RBC TORONTO	338000	0	0.000
REDBURN PARTNERS LLP, LONDON	322160	8734.05	0.027
REICH & CO INC	58300	1940.5	0.033
RIDGE CLEARING & OUTSOURCING	43600	1744	0.040
RIDGE CLEARING & OUTSOURCING SOLUTIONS	91700	4585	0.050
ROBERT W BAIRD & CO	1266900	54049	0.043
ROSENBLATT SECURITIES LLC	523100	10462	0.020
ROTH CAPITAL PARTNERS, LLC	32200	966	0.030
SAMSUNG SECURITIES	5155	1102.39	0.214
SANDLER O'NEILL & PARTNERS LP	321184	12775.36	0.040
SANFORD C BERNSTEIN LTD LONDON	1370357	15260.79	0.011
SANFORD C. BERNSTEIN & CO.INC.	2442043	75971.59	0.031
SANTANDER CENT HISPANO INVTM,MADRID	4110	472.04	0.115
SANTANDER CENTRAL HISPANO BOLSA MAD	29716	880.41	0.030
SANTANDER INVESTMENT SECURITIES INC	27200	952	0.035
SCOTIA CAPITAL (USA) INC	25700	989.5	0.039
SCOTIA MCLEOD NEW YORK	66400	2577.64	0.039
SCOTT & STRINGFELLOW INC	121400	5075	0.042
SEB (ENSKILDA SECURITIES), LONDON	74204	466.85	0.006
SESLIA SECURITIES	34300	514.5	0.015
SG AMERICAS SECURITIES, LLC	170400	1704	0.010
SG COWEN SECURITIES CORP.	197650	1976.5	0.010
SIDOTI & CO LLC	145823	5832.92	0.040

SIDOTI & COMPANY, LLC	229300	9451	0.041
SIMMONS & CO INTERNATIONAL	206122	9396.88	0.046
SJ LEVINSON & SONS LLC	4600	184	0.040
SOCIETE GENERALE LONDON BRANCH	670152	25412.16	0.038
SOCIETE GENERALE ZURICH BRANCH	23137	693.68	0.030
SOLEIL SECURITIES CORP	134200	5368	0.040
STANDARD CHARTERED BANK HONG KONG	103000	387.7	0.004
STANFORD GROUP COMPANY	81500	3371	0.041
STATE STREET BANK AND TRUST COMPANY	18578784	82623.82	0.004
STATE STREET BK & TRUST DTC00997	1185	97.91	0.083
STATE STREET BROKERAGE SVCS INC	64300	1786	0.028
STATE STREET GLOBAL ADVISORS BOSTON	374757	4199.61	0.011
STEPHENS INC (CUST)	275360	10739.8	0.039
STERNE AGEE & LEACH INC	330252	10828.13	0.033
STIFEL NICOLAUS & CO INC	1612461	60117.33	0.037
SUNTRUST CAPITAL MARKETS INC	339300	12694	0.037
TD WATERHOUSE INVESTOR SERVICES INC.	2200	44	0.020
THE SHEMANO GROUP/IPO TRACKING	547200	11454	0.021
THEMIS TRADING LLC	1992000	39840	0.020
THOMAS WEISEL PARTNERS LLC	943600	26169.4	0.028
TORONTO DOMINION SECS TORONTO	191000	7425.56	0.039
TRISTONE CAPITAL USA INC	12700	508	0.040
U.S. BANCORP PIPER JAFFRAY INC.	551200	19723.5	0.036
UBS AG (LONDON EQUITIES), LONDON	2877249	52449.27	0.018
UBS AG STAMFORD,CT	234100	4532.4	0.019
UBS PAINE WEBBER INC.	332245	13837	0.042
UBS SECURITIES ASIA LTD	1222841	13015.56	0.011
UBS SECURITIES AUSTRALIA LTD	15985	749.89	0.047
UBS WARBURG ASIA LTD	419828	3984.68	0.009
UBS WARBURG LLC	10925594	152554.42	0.014
UBS WARBURG LLC, STAMFORD, CT	3800	134.6	0.035
UBS WARBURG SECURITIES LTD SEOUL	1170	1344.48	1.149
UBS WARBURG SECURITIES TAIWAN	153000	827.06	0.005
W. J. BONFANTI, INC	37890	1515.6	0.040
WACHOVIA SECURITIES, LLC.	50500	757.5	0.015
WAVE SECURITIES	336700	3367	0.010
WEDBUSH MORGAN SECS INC NSCC	1215286	53420.44	0.044
WEEDEN AND CO	9850135	142772.9	0.014
WESTMINSTER RESEARCH ASSOCIATES, INC	55800	2232	0.040
WHITE CAP TRADING LLC	37100	717	0.019
WIEN SECURITIES CORP	92100	2713	0.029
WILLIAM BLAIR & COMPANY	1741719	63243.4	0.036
WILLIAMS CAPITAL GROUP LP	439757	17144.38	0.039
YAMNER & COMPANY, INC	2016350	20163.5	0.010
<b>Grand Total</b>	<b>468,329,014.90</b>	<b>\$8,492,240.02</b>	<b>\$ 0.018</b>
<b>Less: Commission Recapture</b>		<b>(\$797,341.06)</b>	
<b>Adj. Commissions Per Share</b>		<b>\$7,694,898.96</b>	<b>\$ 0.016</b>

## Investment Managers

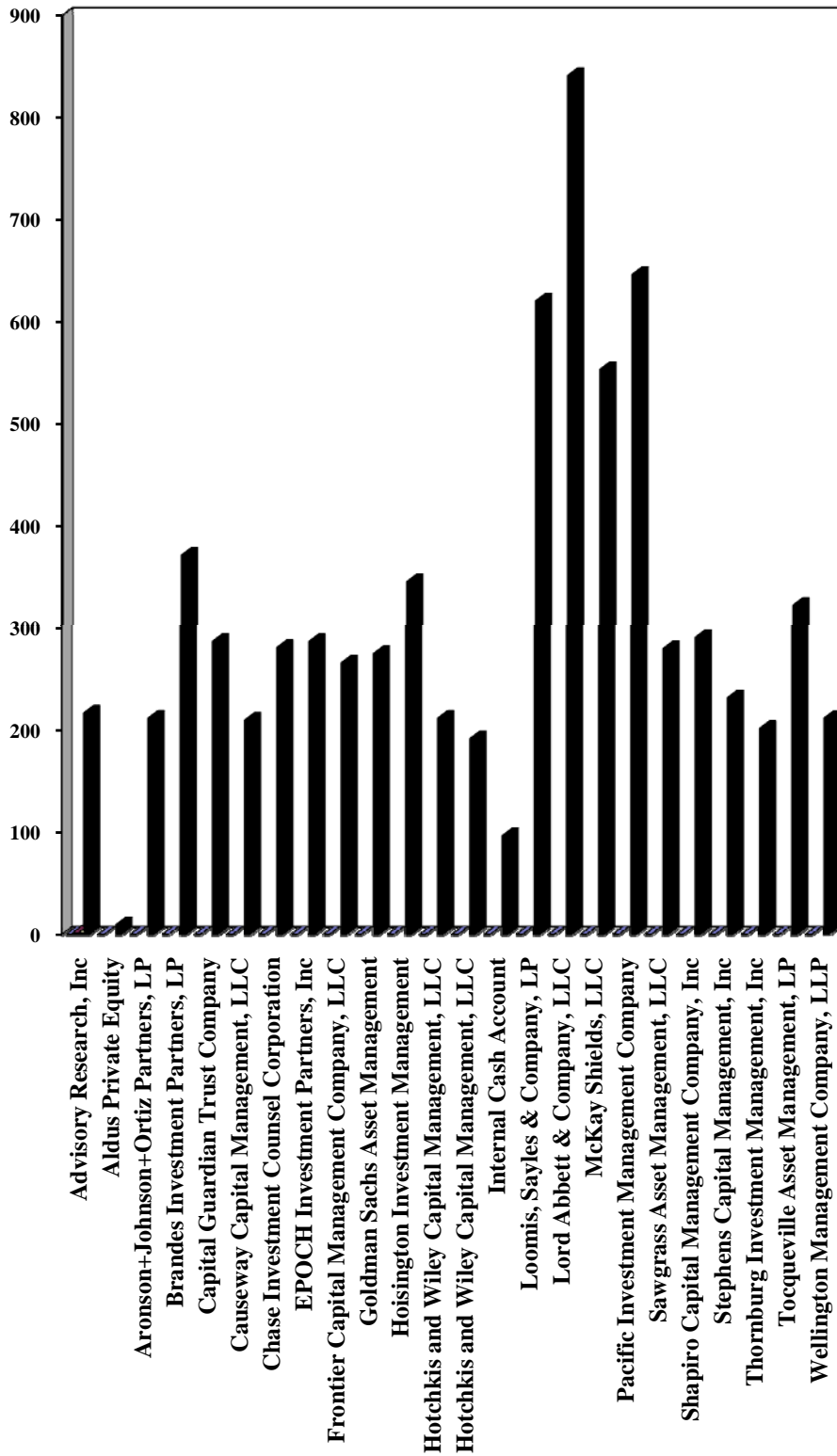
The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board of Trustees on June 30, 2009 are listed below:

<u>Manager</u>	<u>Style</u>	<u>Funds Under Management (in millions)</u>
Advisory Research, Inc	All Capitalization	\$216
Aldus Private Equity	Private Equity	\$9
Aronson+Johnson+Ortiz Partners, LP	Middle Capitalization Core	211
Brandes Investment Partners, LP	International Equity	371
Capital Guardian Trust Company	International Equity	286
Causeway Capital Management, LLC	International Equity	209
Chase Investment Counsel Corporation	Large Capitalization Growth	280
EPOCH Investment Partners, Inc	All Capitalization	286
Frontier Capital Management Company, LLC	Middle Capitalization Growth	265
Goldman Sachs Asset Management	Large Capitalization Growth	274
Hoisington Investment Management	Fixed Income	345
Hotchkis and Wiley Capital Management, LLC	Large Capitalization Value	211
Hotchkis and Wiley Capital Management, LLC	Middle Capitalization Value	191
Internal Cash Account		96
Loomis, Sayles & Company, LP	Core Plus Fixed Income	620
Lord Abbett & Company, LLC	Core Plus Fixed Income	841
McKay Shields, LLC	Core Plus Fixed Income	553
Pacific Investment Management Company	Core Plus Fixed Income	646
Sawgrass Asset Management, LLC	Large Capitalization Growth	279
Shapiro Capital Management Company, Inc	Small Capitalization Value	290
Stephens Capital Management, Inc	Interest Rate Sensitive Fixed Income	231
Thornburg Investment Management, Inc	International Equity	201
Tocqueville Asset Management, LP	Small Capitalization Value	322
Wellington Management Company, LLP	Middle Capitalization Growth	<u>211</u>
 Total funds under management		 <u>\$7,444</u>

Chart on following page.



## Assets Managed (In Millions)



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# Section Four: Actuarial

Comprehensive Annual  
Financial Report

Fiscal Year 2009

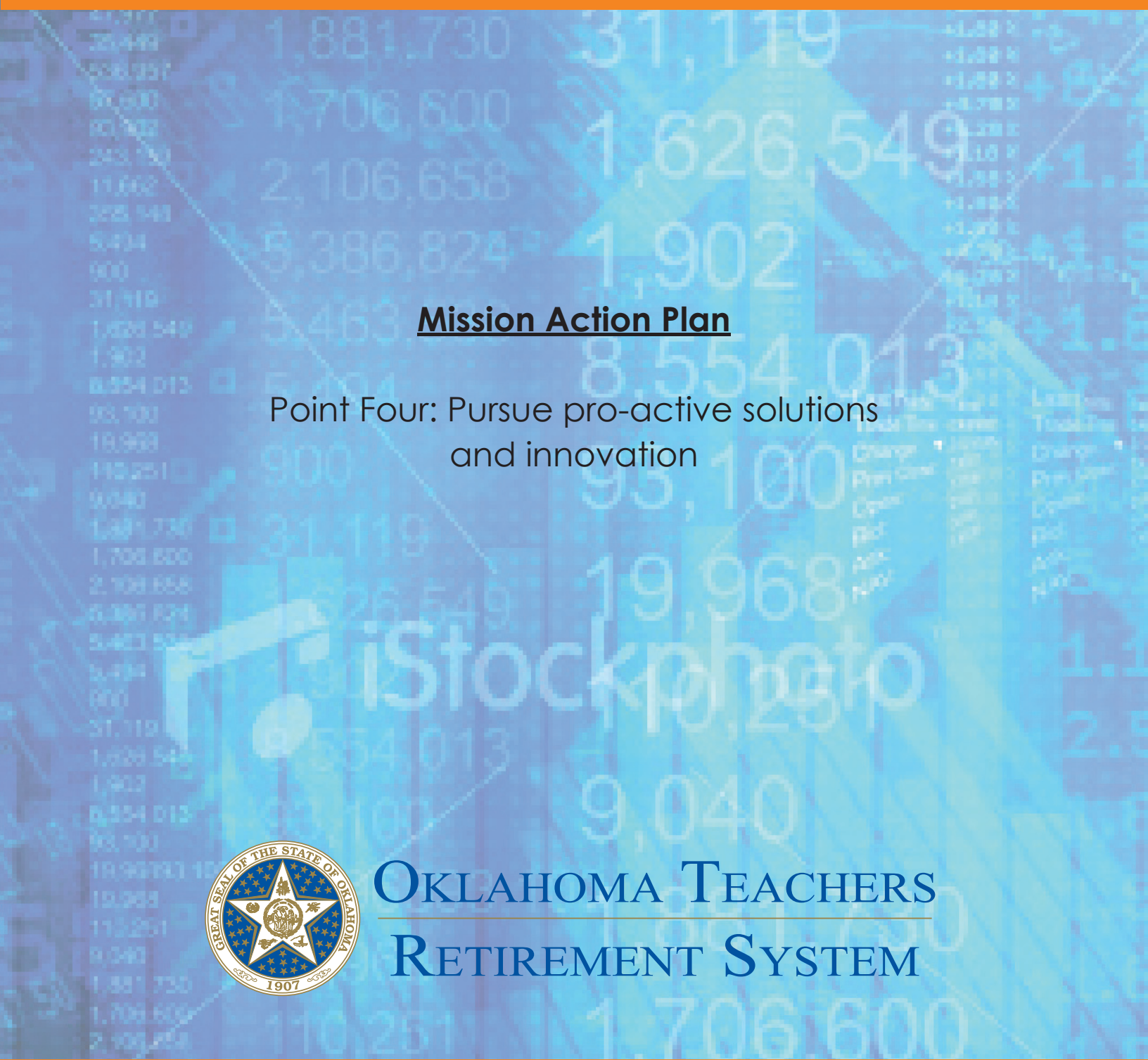
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OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



## Mission Action Plan

Point Four: Pursue pro-active solutions  
and innovation



# OKLAHOMA TEACHERS RETIREMENT SYSTEM



November 18, 2009

Board of Trustees  
Teachers' Retirement System of Oklahoma  
Oliver Hodge Education Building  
2500 N. Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma 73105

Dear Members of the Board:

**SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2009**

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma (the System) as of June 30, 2009.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. They are Enrolled Actuaries and Members of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems. They meet the Qualification Standards of the American Academy of Actuaries.

#### **ACTUARIAL VALUATION**

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data.

Valuations are prepared annually, as of June 30 of each year, the last day of the System's plan and fiscal year.

### **FINANCING OBJECTIVES**

The member, employer, State, and “federal matching” contribution rates are established by law. Members contribute 7.00% of covered compensation. The fiscal year 2009 contribution rates for employers covered by the Education Employees Service Incentive Plan (EESIP) were 8.50% effective July 1, 2008 and 9.00% effective January 1, 2009. This rate increases to 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate for FY 2009 was 7.55% through December 31, 2008 and increased to 8.05% on January 1, 2009. This rate will increase to 8.55% on January 1, 2010. No further employer contribution rate increases are currently scheduled. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes to the System. This percentage is currently 5.00%. No increases are scheduled in this rate, as well. Additionally, the System receives “federal matching” contributions for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate for FY 2009 was 7.50% and remains unchanged for FY 2010. This federal matching rate is intended to approximate the contribution from the State of Oklahoma measured as a percentage of “State” payroll, i.e., payroll excluding that paid from federal or grant sources.

In the fiscal year ending June 30, 2009, the State’s contribution plus the federal contribution was equivalent to a total contribution of approximately 7.0% of covered payroll. The employer contributions averaged about 8.4% of payroll, so on a combined basis, the employing entities contributed about 15.4% of covered payroll for FY 2009. This is expected to increase as the contribution rates for the employers increase in the future. We project that by FY 2011, when the higher employer contribution rates are fully phased in, the combined employer, State, and federal contributions will amount to approximately 16.6% of payroll.

The State, local and federal contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability (UAAL).

### **PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES**

The unfunded actuarial accrued liability (UAAL) as of June 30, 2008 was \$9,090 million, and it increased to \$9,512 million this year. As a result, the funded ratio - actuarial value of assets divided by the actuarial accrued liability – decreased from 50.5% to 49.8%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 54.4 years, measured from June 30, 2008. This year, the statutory contribution amounts are insufficient to amortize the UAAL. This is shown as an “infinite” funding period in the Exhibits contained in our report. The increase in the UAAL and the funding period is principally due to significant market asset losses. This added approximately \$557 million to the UAAL, and it will continue to have a negative impact on the funded status of the System as these known asset losses on a market value basis are fully recognized over the next four (4) years.

Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the UAAL is expected to continue increasing from the current level. The current contribution schedule results in contributions insufficient to cover the interest on the current UAAL plus the normal cost resulting in negative amortization.

#### **DEFERRED ASSET LOSSES/GAINS**

The UAAL and the funded ratio cited above are based on actuarial calculations that make use of the actuarial value of assets, not the market value. The actuarial value of assets is based upon the market value, but asset gains and losses – earnings greater or less than the 8.00% annual investment return assumption – are recognized at a rate of 20% per year for five (5) years. The current actuarial value, \$9,439 million, is \$2,212 million larger than the market value of \$7,227 million. The actuarial value of assets is now 130.6% of the market value. The funded ratio determined using the market value rather than the actuarial value is 38.1%.

#### **BENEFIT PROVISIONS**

Our actuarial valuation as of June 30, 2009 reflects the benefit and contribution provisions set forth in current statutes, and there have been no changes since the prior valuation.

#### **ACTUARIAL ASSUMPTIONS AND METHODS**

Assumptions are set by the Board of Trustees, taking into account the recommendations of the System's actuary. All of the actuarial assumptions and methods used in this report are unchanged from last year.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of the System.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

Finally, the Retirement Board is required to submit actuarial information about the System to the Oklahoma State Pension Commission. The required information is based on a prescribed set of actuarial assumptions which is different from the assumption set used in preparing the actuarial valuation. This information appears as an addendum to this report in Appendix IV.

#### **DATA**

Member data for retired, active, and inactive participants was supplied as of June 30, 2009 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information as of June 30, 2009 was supplied by the auditors and by the System's staff.

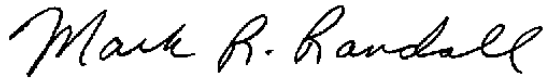
Board of Trustees  
November 18, 2009  
Page 4

We wish to thank the System's Executive Secretary, his staff, and the System's financial auditors for their assistance in the preparation of our report.

Respectfully submitted,  
**Gabriel, Roeder, Smith & Company**



J. Christian Conradi, ASA, MAAA, EA  
Senior Consultant



Mark R. Randall, FCA, MAAA, EA  
Executive Vice President

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**Executive Summary**

Item	2009	2008
<b>Membership</b>		
• Number of		
- Active members	89,388	88,678
- Retirees and beneficiaries	46,796	45,238
- Inactive, vested	7,379	6,915
- Inactive, nonvested	7,542	6,908
- Total	151,105	147,739
• Payroll	\$ 3,808 million	\$ 3,751 million
<b>Statutory contribution rates</b>	<b>FY 2010</b>	<b>FY 2009</b>
• Employers in EESIP	9.00%/9.50% *	8.50%/9.00% *
• Regional universities	8.05%/8.55% *	7.55%/8.05% *
• Federal/grant salaries	7.50%	7.50%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
<b>Assets</b>		
• Market value	\$ 7,227 million	\$ 8,634 million
• Actuarial value	\$ 9,439 million	\$ 9,257 million
• Return on market value	-16.2%	-7.5%
• Return on actuarial value	2.0%	9.4%
• State/local/federal contributions	\$ 619 million	\$ 597 million
• External cash flow %	-0.1%	0.4%
• Ratio of actuarial to market value	130.6%	107.2%
<b>Actuarial Information</b>		
• Normal cost %	11.25%	11.25%
• Unfunded actuarial accrued liability (UAAL)	\$ 9,512 million	\$ 9,090 million
• Funded ratio	49.8%	50.5%
• Funding period (years)	Infinite	54.4
<b>GASB 25 ARC (30 year, level %)</b>	<b>FY 2010</b>	<b>FY 2009</b>
• Dollar amount	\$742,286,289	\$714,367,558
• Percent of pay	18.62%	18.19%
<b>Gains/(losses)</b>		
• Asset experience	(\$557) million	\$ 118 million
• Liability experience	224 million	(31) million
• Benefit changes	155 million	(67) million
• Assumption Changes	0 million	(1,406) million
• Total	(\$178) million	(\$1,386) million

\* First rate shown is effective for July-December, second rate shown is effective for January-June

## FUNDED STATUS

Because the employer contribution rates are set by statute, this report determines the funding period required to amortize the Unfunded Actuarial Accrued Liability (UAAL).

The UAAL increased by \$422 million, from \$9.090 billion to \$9.512 billion as of June 30, 2009. The funded ratio – the ratio of the actuarial value of assets to the actuarial accrued liability – decreased from 50.5% to 49.8% as of June 30, 2009. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – has deteriorated from 54.4 years to a situation in which the statutory contribution rates are projected to be insufficient to amortize the UAAL, shown as an “infinite” funding period in the Exhibits contained in our report. As a result, we now project that the System will be unable to reach an 80% funded status, assuming no further changes in benefits or contribution rates and assuming no actuarial gains or losses.

These effects are primarily due to significant market asset losses during the plan year. As discussed in Section E of our report, this loss will continue to hinder the funded status of the System as these known asset losses on a market value basis are fully recognized over the next four (4) years.

The Oklahoma Teachers Retirement System remains among the most poorly funded of all statewide plans. The actuarial value of assets is just sufficient to cover the liabilities for currently retired members. Despite an increase in contribution rates effective January 1, 2010, future contributions are never projected to reach the GASB 25 Annual Required Contribution (the benchmark contribution amount). Historically, actual contributions to the System have consistently been at a level below the Annual Required Contribution adding to the “underfunded” status of the System.

The current combined state/local/federal contribution for FY 2009 is not sufficient to pay the normal cost and pay the interest on the UAAL, so negative amortization is occurring. Measured as of June 30, 2009, this is expected to continue indefinitely.

As previously mentioned, this report also determines the GASB Annual Required Contribution (ARC). This is the contribution required to fund the normal cost and to amortize the UAAL as a level percentage of payroll over 30 years. This amount is 18.62% of projected active member payroll as shown in Table 1, compared to 18.19% last year. Our projections show that the ARC is expected to increase quickly over the next four (4) years as known asset losses are recognized and then continue to increase at a slower but steady pace indefinitely as the System's funded status diminishes further due to continued negative amortization.

## ANALYSIS OF CHANGES

### *Unfunded Actuarial Accrued Liability (UAAL)*

Table 12a of our report shows an analysis of the change in the UAAL. The UAAL, which was \$9,090.1 million last year, has increased to \$9,512.0 million this year.

The increase in the UAAL was primarily due to the \$557 million asset loss. This loss was partially offset by a \$155 million gain due to the current retirees not receiving an ad hoc cost-of-living adjustment (COLA) effective July 1, 2009. In the valuation, it is assumed that retirees will receive a 2% COLA per annum. Each year, in which the COLA is not granted, the System will experience an actuarial gain. There was also a \$224 million liability gain related to deviation from our assumptions. This gain excludes the effect of the COLA assumption described above.

The rest of the change in the UAAL since the last valuation is due to the negative amortization that occurs because the statutory contribution amounts are not sufficient to reduce the UAAL.

### *Funding Period*

As noted in Table 1 under Section K of our report, the funding period (the period required to amortize the UAAL) increased from 54.4 years to a point where the statutory contribution level is insufficient to amortize the UAAL. This was primarily due to the large asset loss in FY 2009 on a market value basis.

The funding period shown in Table 1 of our report, and the projection of the UAAL shown in Table 13, are based upon a deterministic projection that takes into account future increases in employer contribution rates and the phase in of the difference between the actuarial and market values of assets. This projection assumes: (a) future market earnings, net of expenses, will equal 8.00% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, (e) the State's contribution for FY 2010 will be \$267 million as projected by the Office of State Finance (OSF), and (f) future state revenues will increase at 3.5% per year, except that, due to changes in the State's income tax, the increase to FY 2011 will only be 2.25%.

## **ACTUARIAL ASSUMPTIONS AND METHODS**

Appendix III of our report summarizes the actuarial assumptions used to determine the System's liabilities and the actuarial methods used to determine the normal cost, UAAL and funding period. There were no changes to the actuarial assumptions and methods for this year.

**Development of Employer Cost**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	(1)	(2)
1. Payroll		
a. Supplied by system	\$ 3,807,914,178	\$ 3,751,436,376
b. Adjusted for one year's pay increase	3,985,487,949	3,926,476,288
2. Present value of future pay (paid monthly)	\$30,158,301,681	\$ 29,734,468,919
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	11.25%	11.25%
b. Less: member rate	(7.00%)	(7.00%)
c. Employer normal cost rate	<u>4.25%</u>	<u>4.25%</u>
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$12,633,257,394	\$ 12,402,320,069
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(1,281,727,821)	(1,263,714,929)
c. Less: present value of future member contributions	<u>(2,111,081,118)</u>	<u>(2,081,412,824)</u>
d. Actuarial accrued liability	\$ 9,240,448,455	\$ 9,057,192,316
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 9,312,369,644	\$ 8,919,572,410
b. Inactive members	398,131,064	370,099,726
c. Active members (Item 4d)	<u>9,240,448,455</u>	<u>9,057,192,316</u>
d. Total	\$18,950,949,163	\$ 18,346,864,452
6. Actuarial value of assets	\$ 9,438,974,309	\$ 9,256,786,936
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 9,511,974,854	\$ 9,090,077,516
8. Funding period based on statutory contribution rates	Infinite	54.4 years
9. GASB 25 ARC		
a. Employer normal cost (Item 1b * 3c)	\$ 169,383,238	\$ 166,875,242
b. Level % 30-year amortization of UAAL (payable monthly)	<u>572,903,051</u>	<u>547,492,316</u>
c. Total	\$ 742,286,289	\$ 714,367,558
d. Contributions as percentage of payroll	18.62%	18.19%

**Actuarial Present Value of Future Benefits**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	(1)	(2)
1. Active members		
a. Service retirement benefits	\$ 11,206,385,028	\$ 11,005,919,339
b. Deferred termination benefits	544,235,171	526,742,358
c. Refunds	29,544,332	29,187,692
d. Death benefits	212,805,508	207,201,059
e. Disability retirement benefits	259,745,067	254,810,876
f. Supplemental medical insurance	346,171,031	344,820,144
g. \$5,000 post-retirement death benefit	34,371,257	33,638,601
h. Total	<u>\$ 12,633,257,394</u>	<u>\$ 12,402,320,069</u>
2. Retired members		
a. Service retirements	\$ 8,348,995,847	\$ 7,990,530,539
b. Disability retirements	152,035,724	150,564,821
c. Beneficiaries	279,751,843	261,621,315
d. Supplemental medical insurance	451,325,937	439,818,068
e. \$5,000 post-retirement death benefit	80,260,293	77,037,667
f. Total	<u>\$ 9,312,369,644</u>	<u>\$ 8,919,572,410</u>
3. Inactive members		
a. Vested terminations	\$ 342,740,266	\$ 317,453,733
b. Nonvested terminations	27,107,286	25,114,016
c. Suspense fund	28,283,512	27,531,977
d. Total	<u>\$ 398,131,064</u>	<u>\$ 370,099,726</u>
4. Total actuarial present value of future benefits	<u>\$ 22,343,758,102</u>	<u>\$ 21,691,992,205</u>

**Analysis of Normal Cost**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	(1)	(2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	8.31%	8.31%
b. Deferred termination benefits	1.36%	1.36%
c. Refunds	0.78%	0.78%
d. Supplemental medical insurance	0.28%	0.28%
e. \$5,000 Post-retirement death benefits	0.04%	0.04%
f. Death Benefits	0.15%	0.15%
g. Disability retirement benefits	0.33%	0.33%
h. Total	<u>11.25%</u>	<u>11.25%</u>
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	4.25%	4.25%

**Schedule of Funding Progress  
(As required by GASB #25)**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Value of Liability (AAL)	Unfunded Actuarial		Funded Ratio (2)/(3)	Annual Covered Payroll	UAAAL as % of Payroll (4)/(6)
			Actuarial Accrued Liability (3) - (2)	Accrued Liability (4)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
June 30, 1995	\$2,869.9	\$7,480.4	\$4,610.5	38.4%	\$2,336.1	197.4%	
June 30, 1996	\$3,103.0	\$7,843.2	\$4,740.2	39.6%	\$2,375.5	199.5%	
June 30, 1997	\$3,544.9	\$8,257.2	\$4,712.3	42.9%	\$2,428.7	194.0%	
June 30, 1998	\$4,085.0	\$8,891.3	\$4,806.3	45.9%	\$2,537.7	189.4%	
June 30, 1999	\$4,708.0	\$9,458.6	\$4,750.5	49.8%	\$2,648.4	179.4%	
June 30, 2000	\$5,373.5	\$10,009.2	\$4,635.7	53.7%	\$2,738.3	169.3%	
June 30, 2001	\$5,959.0	\$11,591.1	\$5,632.1	51.4%	\$2,990.5	188.3%	
June 30, 2002	\$6,310.9	\$12,275.9	\$5,965.0	51.4%	\$3,047.1	195.8%	
June 30, 2003	\$6,436.9	\$11,925.2	\$5,488.3	54.0%	\$3,045.7	180.2%	
June 30, 2004	\$6,660.9	\$14,080.1	\$7,419.2	47.3%	\$3,030.7	244.8%	
June 30, 2005	\$6,952.7	\$14,052.4	\$7,099.7	49.5%	\$3,175.2	223.6%	
June 30, 2006	\$7,470.4	\$15,143.4	\$7,672.9	49.3%	\$3,354.9	228.7%	
June 30, 2007	\$8,421.9	\$16,024.4	\$7,602.5	52.6%	\$3,598.9	211.2%	
June 30, 2008	\$9,256.8	\$18,346.9	\$9,090.1	50.5%	\$3,751.4	242.3%	
June 30, 2009	\$9,439.0	\$18,950.9	\$9,512.0	49.8%	\$3,807.9	249.8%	

Note : Dollar amounts in millions



**Schedule of Employer Contributions**  
**(As required by GASB #25)**

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
(1)	(2)	(3)
1996	\$434,728,781	40.8%
1997	\$446,459,961	62.0%
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%
2000	\$455,265,033	60.6%
2001	\$451,463,258	72.7%
2002	\$556,201,571	65.6%
2003	\$585,168,488	61.9%
2004	\$534,811,845	70.2%
2005	\$722,095,783	56.2%
2006	\$535,228,038	85.8%
2007	\$575,745,142	93.1%
2008	\$590,495,652	101.1%
2009	\$714,367,558	86.6%

**Notes to Required Supplementary Information**  
**(as required by GASB #25)**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, open period
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.25% to 6.00%
* Includes inflation at:	3.00%
Cost of living adjustment	2.00%

**Membership Data**

	June 30, 2009 (1)	June 30, 2008 (2)
1. Active members		
a. Number	89,388	88,678
b. Total payroll supplied by System	\$ 3,807,914,178	\$ 3,751,436,376
c. Average salary	\$ 42,600	\$ 42,304
d. Average age	46.0	45.9
e. Average service	11.5	11.5
2. Vested inactive members		
a. Number	7,379	6,915
b. Total annual deferred benefits <sup>1</sup>	\$ 55,033,484	\$ 51,446,164
c. Average annual deferred benefit	\$ 7,458	\$ 7,440
3. Nonvested inactive members		
a. Number	7,542	6,908
b. Member contributions with interest due	\$ 27,107,286	\$ 25,114,016
c. Average refund due	\$ 3,594	\$ 3,635
4. Service retirees		
a. Number	43,125	41,685
b. Total annual benefits <sup>1,2</sup>	\$ 783,462,925	\$ 747,336,202
c. Average annual benefit	\$ 18,167	\$ 17,928
5. Special service retirees		
a. Number	51	63
b. Total annual benefits <sup>1,2</sup>	\$ 118,697	\$ 146,762
c. Average annual benefit	\$ 2,327	\$ 2,330
6. Disabled retirees		
a. Number	1,528	1,513
b. Total annual benefits <sup>1,2</sup>	\$ 16,844,757	\$ 16,606,561
c. Average annual benefit	\$ 11,024	\$ 10,976
7. Beneficiaries and spouses		
a. Number	2,092	1,977
b. Total annual benefits <sup>1,2</sup>	\$ 31,356,536	\$ 29,045,325
c. Average annual benefit	\$ 14,989	\$ 14,692

<sup>1</sup> Benefit amounts exclude the supplemental medical insurance payment.

<sup>2</sup> Benefit amounts for 2008 include 2.00% COLA effective July 1, 2008

**Historical Summary of Active Member Data**

Valuation as of June 30, (1)	Active Members		Covered Payroll		Average Salary		Average Age (8)	Average Service (9)
	Number (2)	Percent Increase (3)	Amount in \$ Millions (4)	Percent Increase (5)	\$ Amount (6)	Percent Increase (7)		
1990	69,062	2.0%	1,745	8.4%	25,265	5.0%	43.1	10.5
1991	71,936	4.2%	1,921	10.1%	26,709	5.7%	43.1	10.5
1992	73,568	2.3%	2,002	4.2%	27,218	1.9%	43.3	10.6
1993	75,599	2.8%	2,122	6.0%	28,069	3.1%	43.4	10.7
1994	76,280	0.9%	2,190	3.2%	28,704	2.3%	43.6	10.8
1995	79,044	3.6%	2,336	6.7%	29,555	3.0%	43.6	10.7
1996	78,942	(0.1%)	2,375	1.7%	30,091	1.8%	44.0	11.1
1997	79,510	0.7%	2,429	2.3%	30,546	1.5%	44.2	11.2
1998	80,578	1.3%	2,538	4.5%	31,493	3.1%	44.3	11.2
1999	81,851	1.6%	2,648	4.3%	32,356	2.7%	44.4	11.2
2000	83,024	1.4%	2,738	3.4%	32,982	1.9%	44.5	11.0
2001	84,387	1.6%	2,991	9.2%	35,438	7.4%	44.7	11.0
2002	85,366	1.2%	3,047	1.9%	35,695	0.7%	44.9	11.1
2003	83,127	(2.6%)	3,046	(0.0%)	36,639	2.6%	45.3	11.5
2004	81,683	(1.7%)	3,031	(0.5%)	37,104	1.3%	45.6	11.8
2005	84,286	3.2%	3,175	4.8%	37,671	1.5%	45.6	11.6
2006	87,194	3.5%	3,355	5.7%	38,476	2.1%	45.7	11.6
2007	88,133	1.1%	3,599	7.3%	40,835	6.1%	45.8	11.5
2008	88,678	0.6%	3,751	4.2%	42,304	3.6%	45.9	11.5
2009	89,388	0.8%	3,808	1.5%	42,600	0.7%	46.0	11.5

**Plan Net Assets**  
**(Assets at Market or Fair Value)**

Item	Valuation as of	
	June 30, 2009	June 30, 2008
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 6,340,104	\$ 2,124,625
2. Receivables		
a. Employer and member contributions	\$ 59,155,703	\$ 54,776,735
b. State contribution	23,186,327	28,969,735
c. Net investment income and other accruals	42,908,046	33,221,531
d. Total receivables	\$ 125,250,076	\$ 116,968,001
3. Investments		
a. Invested cash and other	\$ 347,441,369	\$ 441,182,511
b. Domestic equities	3,061,520,655	4,381,924,106
c. International equities	1,040,221,820	1,472,723,735
d. Fixed income	3,030,737,534	2,819,869,159
e. Real estate, furniture & equipment	224,182	247,186
f. Total investments	\$ 7,480,145,560	\$ 9,115,946,697
4. Total assets	\$ 7,611,735,740	\$ 9,235,039,323
5. Liabilities		
a. Benefits payable, including insurance payments	\$ 71,953,759	\$ 67,389,081
b. Net due to brokers	79,137,516	213,584,916
c. Other liabilities	8,451,751	8,206,044
d. Total liabilities	\$ 159,543,026	\$ 289,180,041
6. Net assets available (Item 4 - Item 5)	\$ 7,452,192,714	\$ 8,945,859,282
7. Less: Teachers' Deposit Fund	(225,308,449)	(312,159,587)
8. Net assets available for OTRS benefits	\$ 7,226,884,265	\$ 8,633,699,695

**Distribution of Assets at Market Value  
 (Percentage of Total Investments)**

Item (1)	Valuation as of	
	June 30, 2009 (2)	June 30, 2008 (3)
a. Invested cash and other	4.7%	4.8%
b. Domestic equities	40.9%	48.1%
c. International equities	13.9%	16.2%
d. Fixed income	40.5%	30.9%
e. Real estate, furniture & equipment	0.0%	0.0%
f. Total investments	100.0%	100.0%

### Reconciliation of Plan Net Assets

	Year Ending	
	June 30, 2009 (1)	June 30, 2008 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	\$ 8,633,699,695	\$ 9,293,201,022
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	\$ 288,238,426	\$ 286,738,943
ii. Federal matching funds	22,652,221	21,274,957
iii. State contribution	257,019,830	266,761,597
iv. Employer/district contributions	338,974,513	308,804,479
v. Total	\$ 906,884,990	\$ 883,579,976
b. Net investment earnings		
i. Interest, dividends and other income	\$ 241,878,492	\$ 269,601,388
ii. Net appreciation/(depreciation)	(1,666,823,400)	(959,036,578)
iii. Less: investment expenses	(27,102,493)	(32,992,027)
iv. Less: transfers to Teachers' Deposit Fund	51,967,261	25,932,253
v. Net investment earnings	\$ (1,400,080,140)	\$ (696,494,964)
c. Total revenue	\$ (493,195,150)	\$ 187,085,012
3. Expenditures for the year		
a. Refunds	32,130,597	\$ 35,254,496
b. Benefit payments, including insurance payments	876,273,192	806,540,725
c. Administrative expenses	5,216,491	4,791,118
d. Total expenditures	913,620,280	\$ 846,586,339
4. Increase in net assets (Item 2 - Item 3)	\$ (1,406,815,430)	\$ (659,501,327)
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	\$ 7,226,884,265	\$ 8,633,699,695

**Development of Actuarial Value of Assets**

	<u>Year Ending June 30, 2009</u>																												
1. Market value of assets at beginning of year	\$ 8,633,699,695																												
2. Net new investments																													
a. Contributions	\$ 906,884,990																												
b. Benefits paid	(876,273,192)																												
c. Refunds	(32,130,597)																												
d. Subtotal	<u>(1,518,799)</u>																												
3. Market value of assets at end of year	\$ 7,226,884,265																												
4. Net earnings (3-1-2)	\$ (1,405,296,631)																												
5. Assumed investment return rate	8.00%																												
6. Expected return	\$ 690,635,224																												
7. Excess return (4-6)	\$ (2,095,931,855)																												
8. Excess return on assets for last four years :																													
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Period End</u></th> <th style="text-align: right;"><u>Excess Return</u></th> <th style="text-align: right;"><u>Percent Deferred</u></th> <th style="text-align: right;"><u>Deferred Amount</u></th> </tr> <tr> <td></td> <th style="text-align: right;">(2)</th> <th style="text-align: right;">(3)</th> <th style="text-align: right;">(4)</th> </tr> </thead> <tbody> <tr> <td>a. June 30, 2006</td> <td style="text-align: right;">93,608,695</td> <td style="text-align: right;">20%</td> <td style="text-align: right;">\$ 18,721,739</td> </tr> <tr> <td>b. June 30, 2007</td> <td style="text-align: right;">784,454,583</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">313,781,833</td> </tr> <tr> <td>c. June 30, 2008</td> <td style="text-align: right;">(1,446,413,554)</td> <td style="text-align: right;">60%</td> <td style="text-align: right;">(867,848,132)</td> </tr> <tr> <td>d. June 30, 2009</td> <td style="text-align: right;">(2,095,931,855)</td> <td style="text-align: right;">80%</td> <td style="text-align: right;"><u>(1,676,745,484)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ (2,212,090,044)</td> </tr> </tbody> </table>	<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>		(2)	(3)	(4)	a. June 30, 2006	93,608,695	20%	\$ 18,721,739	b. June 30, 2007	784,454,583	40%	313,781,833	c. June 30, 2008	(1,446,413,554)	60%	(867,848,132)	d. June 30, 2009	(2,095,931,855)	80%	<u>(1,676,745,484)</u>				\$ (2,212,090,044)
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			\$ (2,212,090,044)																										
9. Actuarial value of assets (Item 3 - Item 8)	\$ 9,438,974,309																												
10. Actuarial value as percentage of market value	130.6%																												



**Estimation of Yields**

	Year Ending	
	June 30, 2009 (1)	June 30, 2008 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 8,633,699,695	\$ 9,293,201,022
2. Net investment income (including realized and unrealized gains and losses)	\$ (1,400,080,140)	\$ (696,494,964)
3. End of year market assets	\$ 7,226,884,265	\$ 8,633,699,695
4. Estimated dollar weighted market value yield	-16.2%	-7.5%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 9,256,786,936	\$ 8,421,866,942
2. Actuarial return	\$ 183,706,172	\$ 793,135,239
3. End of year actuarial assets	\$ 9,438,974,309	\$ 9,256,786,936
4. Estimated actuarial value yield	2.0%	9.4%

**History of Cash Flow**

Year Ending June 30, (1)	Distributions and Expenditures					External Cash Flow for the Year <sup>1</sup> (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
	(2)	(3)	(4)	(5)	(6)			
	Contributions	Benefit Payments	Refunds	Administrative Expenses	Total			
2000	471.8	(500.3)	(29.5)	(3.0)	(532.7)	(60.9)	5,890	-1.0%
2001	544.8	(537.3)	(31.4)	(3.5)	(572.2)	(27.4)	5,732	-0.5%
2002	591.5	(561.2)	(26.7)	(3.9)	(591.9)	(0.4)	5,418	0.0%
2003	582.5	(609.0)	(30.2)	(4.0)	(643.2)	(60.7)	5,614	-1.1%
2004	608.4	(647.3)	(33.7)	(3.9)	(684.9)	(76.5)	6,666	-1.1%
2005	640.8	(701.9)	(26.8)	(4.2)	(732.9)	(92.1)	7,238	-1.3%
2006	708.4	(727.4)	(30.9)	(4.4)	(762.7)	(54.3)	7,859	-0.7%
2007	821.3	(767.2)	(33.8)	(4.5)	(805.5)	15.8	9,293	0.2%
2008	883.6	(806.5)	(35.3)	(4.8)	(846.6)	37.0	8,634	0.4%
2009	906.9	(876.3)	(32.1)	(5.2)	(913.6)	(6.7)	7,227	-0.1%

Dollar amounts in millions

**Investment Experience Gain or Loss**

Item (1)	Year Ending June 30, 2009 (2)	Year Ending June 30, 2008 (3)
1. Actuarial assets, beginning of year	\$ 9,256,786,936	\$ 8,421,866,942
2. Contributions during year	\$ 906,884,990	\$ 883,579,976
3. Benefits and refunds paid	\$ (908,403,789)	\$ (841,795,221)
4. Assumed net investment income at 8%		
a. Beginning of year assets	\$ 740,542,955	\$ 673,749,355
b. Contributions	36,275,400	35,343,199
c. Benefits and refunds paid	<u>(36,336,152)</u>	<u>(33,671,809)</u>
d. Total	\$ 740,482,203	\$ 675,420,745
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 9,995,750,340	\$ 9,139,072,442
6. Actual actuarial assets, end of year	\$ 9,438,974,309	\$ 9,256,786,936
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ (556,776,031)	\$ 117,714,494

**Total Experience Gain or Loss**

Item (1)	Year Ending June 30, 2009 (2)	Year Ending June 30, 2008 (3)
<b>A. Calculation of total actuarial gain or loss</b>		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 9,090,077,516	\$ 7,602,526,674
2. Normal cost for the year (employer and employee)	\$ 441,728,582	\$ 396,287,278
3. Less: total contributions for the year	\$ (906,884,990)	\$ (883,579,976)
4. Interest at 8 %		
a. On UAAL	\$ 727,206,201	\$ 608,202,134
b. On normal cost	17,669,143	15,851,491
c. On contributions	<u>(36,275,400)</u>	<u>(35,343,199)</u>
d. Total	\$ 708,599,944	\$ 588,710,426
5. Expected UAAL (Sum of Items 1 - 4)	\$ 9,333,521,052	\$ 7,703,944,402
6. Actual UAAL	\$ 9,511,974,854	\$ 9,090,077,516
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ (178,453,802)	\$ (1,386,133,114)
<b>B. Source of gains and losses</b>		
8. Asset gain (loss) for the year	\$ (556,776,031)	\$ 117,714,494
9. Liability gain (loss) for the year	223,632,158	(30,504,190)
10 Ad hoc COLA granted different than assumed	154,690,071	(67,332,566)
11 Increase in future ad hoc COLA assumption	<u>-</u>	<u>(1,406,010,852)</u>
12 Total	\$ (178,453,802)	\$ (1,386,133,114)

**Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)**

Basis (1)	June 30, 2009 UAAL (in \$ Millions) (2)	June 30, 2008 UAAL (in \$ Millions) (3)
1. From prior valuation	\$ 9,090.1	\$ 7,602.5
2. Impact of changes, gains and losses		
a. Expected increase based on expected contributions and passage of time	246.4	130.2
b. Liability (gain)/loss	(223.6)	30.5
c. Asset (gain)/loss	556.8	(117.7)
d. Impact of actual ctrb (more)/less than expected under schedule	(3.0)	(28.8)
e. Ad hoc COLA granted different than assumed	(154.7)	67.3
f. Increase in future ad hoc COLA assumption	0.0	1,406.0
h. Total	421.9	1,487.5
3. Current UAAL (1+2h)	\$ 9,512.0	\$ 9,090.1

Columns may not total due to rounding

**Projection of UAAL**

Valuation Date (1)	UAAL (Millions) (2)
June 30, 2009	9,512.0
June 30, 2010	10,480.9
June 30, 2011	11,481.9
June 30, 2012	12,659.8
June 30, 2013	13,569.3
June 30, 2014	14,081.7
June 30, 2015	14,617.1
June 30, 2016	15,176.4
June 30, 2017	15,760.9
June 30, 2018	16,371.6
June 30, 2019	17,009.6
June 30, 2020	17,676.2
June 30, 2021	18,372.6
June 30, 2022	19,100.2
June 30, 2023	19,860.6
June 30, 2024	20,655.3
June 30, 2025	21,486.1
June 30, 2026	22,355.1
June 30, 2027	23,264.2
June 30, 2028	24,215.7
June 30, 2029	25,212.1
June 30, 2030	26,255.7
June 30, 2031	27,349.4
June 30, 2032	28,496.0
June 30, 2033	29,698.4
June 30, 2034	30,959.9
June 30, 2035	32,283.8
June 30, 2036	33,673.7
June 30, 2037	35,133.3
June 30, 2038	36,666.8

**Solvency Test**

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Actuarial Value of Assets		Portion of Accrued Liabilities Covered by Assets		
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	Actuarial Value of Assets	(2)	(3)	(4)
2000	2,518.2	92%	4,803.8	175%	151.1	6%	2,536.1	93%	5,373.5	100%	59%	0%	0%
2001	2,728.4	91%	5,459.6	183%	173.1	6%	3,230.0	108%	5,959.0	100%	59%	0%	0%
2002	2,934.3	96%	5,959.9	196%	184.9	6%	3,196.8	105%	6,310.9	100%	57%	0%	0%
2003	3,072.8	101%	5,894.0	194%	191.0	6%	2,767.4	91%	6,436.9	100%	57%	0%	0%
2004	3,212.9	106%	6,899.0	228%	284.7	9%	3,683.6	122%	6,660.9	100%	50%	0%	0%
2005	3,381.7	107%	7,046.5	222%	301.4	9%	3,322.9	105%	6,952.7	100%	51%	0%	0%
2006	3,853.7	115%	7,340.0	219%	314.3	9%	3,635.3	108%	7,470.4	100%	51%	0%	0%
2007	4,057.5	113%	7,730.3	215%	331.6	9%	3,905.0	109%	8,421.9	100%	56%	0%	0%
2008	4,323.0	115%	8,919.6	238%	370.1	10%	4,734.2	126%	9,256.8	100%	55%	0%	0%
2009	4,563.9	120%	9,312.4	245%	398.1	10%	4,676.6	123%	9,439.0	100%	52%	0%	0%

**Distribution of Active Members by Age and by Years of Service  
 As of 06/30/2009**

Attained Age	Years of Credited Service											Total		
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34		35 & Over	
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	
Under 25	235 \$22,301	765 \$31,738	281 \$30,505	39 \$27,071	17 \$27,668	8 \$31,413	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	1,345 \$29,643
25-29	313 \$22,292	1,692 \$34,531	1,619 \$35,147	1,368 \$36,609	1,119 \$37,271	1,067 \$37,607	2 \$46,994	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	7,180 \$35,420
30-34	310 \$18,880	1,108 \$33,367	899 \$35,241	921 \$37,182	869 \$38,295	3,573 \$41,127	727 \$43,887	3 \$29,749	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8,410 \$38,165
35-39	294 \$18,189	1,044 \$32,236	818 \$34,340	829 \$37,483	794 \$37,862	3,003 \$43,293	3,167 \$46,137	688 \$49,647	3 \$42,446	0 \$0	0 \$0	0 \$0	0 \$0	10,640 \$41,225
40-44	279 \$18,280	845 \$31,057	715 \$34,135	761 \$35,003	694 \$36,317	2,593 \$43,665	2,172 \$48,315	2,516 \$50,408	602 \$52,040	4 \$46,174	0 \$0	0 \$0	0 \$0	11,181 \$43,296
45-49	261 \$17,297	786 \$32,437	707 \$32,501	721 \$34,022	655 \$35,213	2,593 \$41,062	2,289 \$48,011	2,061 \$51,537	2,142 \$54,246	743 \$54,656	6 \$52,571	0 \$0	0 \$0	12,964 \$44,762
50-54	213 \$18,601	617 \$31,227	561 \$33,432	546 \$34,926	533 \$36,581	2,204 \$40,626	2,302 \$46,041	2,267 \$49,599	1,802 \$55,341	2,215 \$57,580	828 \$58,565	4 \$89,912	4 \$89,912	14,092 \$47,164
55-59	182 \$20,228	489 \$34,307	413 \$36,679	446 \$38,101	358 \$37,258	1,720 \$42,343	1,830 \$46,656	2,149 \$48,281	2,008 \$53,223	1,349 \$63,196	1,665 \$61,912	510 \$63,398	510 \$63,398	13,119 \$49,961
60-64	94 \$17,788	220 \$33,358	219 \$32,535	214 \$38,420	206 \$35,204	1,000 \$41,100	1,027 \$50,105	1,237 \$50,472	1,176 \$52,984	797 \$63,696	689 \$70,886	843 \$69,752	843 \$69,752	7,722 \$52,748
65 & Over	56 \$14,034	108 \$23,017	123 \$24,232	97 \$28,558	90 \$25,130	412 \$33,432	327 \$44,406	395 \$48,197	349 \$52,364	242 \$65,900	205 \$74,136	331 \$96,312	331 \$96,312	2,735 \$51,158
Total	2,237 \$19,282	7,674 \$32,700	6,355 \$34,090	5,942 \$36,129	5,335 \$36,764	18,173 \$41,505	13,843 \$46,977	11,316 \$49,926	8,082 \$53,802	5,350 \$59,869	3,393 \$63,640	1,688 \$73,088	1,688 \$73,088	89,388 \$44,586



## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

### I. Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

### II. Actuarial Cost Method

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the funding period--the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL). It is also used to calculate the Annual Required Contribution (ARC) as defined by GASB 25.

The actuarial valuation uses the Entry Age actuarial cost method. Under this method, a normal cost rate is first determined. This is the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member. The normal cost rate consists of two pieces: (i) the member's own contribution rate, and (ii) a portion of the employer contribution rate. This second piece is called the employer normal cost rate.

The total normal cost is determined by dividing the present value of future benefits for a hypothetical group of new members by the present value of their future pay. In calculating the benefits for this group, all changes in provisions or member contribution rates scheduled to occur in the future are assumed to already be in effect. The hypothetical group of new entrants was reset in the 2005 experience study, based on actual new members joining during FY 2000 through FY 2004.

Next, the UAAL is determined. This is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution that is not used for the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that the System's payroll increases at the payroll growth rate and the State's contribution increases at the State's revenue growth rate. Both employer and member contributions are assumed to be made monthly.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

The actuarial valuation also determines the GASB Annual Required Contribution (ARC). This is the contribution required to pay the normal cost and amortize the UAAL over 30 years as a level percent of pay. The 30-year period applies to all components of the UAAL and is recalculated each year (open amortization method).

*III. Actuarial Value of Assets*

The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

*IV. Actuarial Assumptions*

A. Economic Assumptions

1. Investment return: 8.00% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% net real rate of return.
2. Salary increase rate: A merit/promotional component dependent on service, plus a 3.00% inflation component, plus a 1.25% productivity increase, as follows:

<u>Years of Service</u>	<u>Merit/ Promotional Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	1.75%	6.00%
1	1.50%	5.75
2	1.00%	5.25
3	1.00%	5.25
4	1.00%	5.25
5	0.75%	5.00
6	0.50%	4.75
7	0.50%	4.75
8	0.50%	4.75
9	0.50%	4.75
10	0.25%	4.50
11	0.25%	4.50
12	0.25%	4.50
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.50% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.50% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.
5. Future ad hoc cost-of-living increases: 2.00% per year.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

- a. Healthy males - 1994 Unisex Pension Mortality Table for males, set back one year.
- b. Healthy females - 1994 Unisex Pension Mortality Table for females, set back one year.
- c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits weighted by 80%.
- d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits.

Sample rates are shown below:

Age	Expected Deaths per 100 Lives			
	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(4)
40	0.11	0.07	2.26	2.09
45	0.16	0.10	2.58	2.24
50	0.25	0.14	3.06	2.57
55	0.43	0.22	3.86	2.95
60	0.76	0.42	4.82	3.31
65	1.39	0.82	5.42	3.70
70	2.34	1.37	5.91	4.11
75	3.66	2.19	6.74	4.92
80	6.01	3.80	9.02	7.46

2. Mortality rates - active members - Based on 1989 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Deaths per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.04	.02
30	.06	.04
35	.08	.06
40	.11	.08
45	.16	.11
50	.23	.16
55	.32	.23
60	.43	.32
65	.59	.43

3. Disability rates - Based on 2005 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.025	.025
30	.025	.025
35	.035	.050
40	.065	.125
45	.100	.200
50	.300	.300
55	.450	.420
60	.175	.420
65	.000	.000

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.

4. Termination Rates - Separate male and female rates, based on both age and service, developed from the 2005 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

a. During the first ten years of Credited Service:

Expected Terminations per 100 Lives		
Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	34.00	24.00
1	19.00	16.00
2	14.00	12.25
3	11.50	10.50
4	9.50	9.00
5	7.75	7.75
6	6.75	6.75
7	6.00	6.00
8	5.50	5.00
9	5.00	4.00

b. With 10 or More Years of Credited Service:

Expected Terminations per 100 Lives		
Age	Males	Females
(1)	(2)	(3)
25	4.74	7.01
30	4.10	5.09
35	3.51	3.66
40	2.97	2.74
45	2.51	2.34
50	2.09	2.08
55	1.66	1.63
60	1.32	1.14
65	1.28	0.82

Termination rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).

5. Retirement rates - Separate male and female rates, based on age, developed from the 2005 Experience Study. Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
49	00	00	0	0
50	20	20	0	0
51	20	20	0	0
52	20	20	0	0
53	20	20	0	0
54	15	20	0	0
55	15	20	1	2
56	15	20	1	2
57	15	20	2	2
58	15	20	2	2
59	15	20	3	2
60	15	20	4	5
61	15	20	4	5
62	25	30		
63	20	25		
64	20	20		
65	30	40		
66	25	25		
67	25	25		
68	20	20		
69	20	20		
70	100	100		

C. Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.
11. For EESIP eligible employees, if the refund amount to be paid exceeds the actuarial present value of the additional benefit, then we assume the member does not elect the enhanced benefit.
12. For those participants eligible for the EESIP, it is assumed that retirement is delayed in each year past first eligibility by 10%, until all eligible years are uncapped, at which point those delayed members are assumed to retire.

V. Participant Data

Participant data was supplied on an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included birthdate, sex, years of service, a classified/non-classified status code, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate whether the employee had elected to make contributions on salary above \$25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where

applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Salary supplied for the current year was based on the earnings for the October preceding the valuation date. This salary was adjusted by the salary increase rate for one year, and limited by the maximum pay where appropriate.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Some inactive, nonvested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.

#### VI. Dates of Adoption of Assumptions and Methods

Generally, actuarial assumptions and methods were developed from the 2005 experience study, and were adopted by the Board of Trustees in August 2005 and first reflected in the June 30, 2005 actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 1999, including female mortality for disabled retirees, the investment return rate, and active member mortality for males and females.

Since the June 30, 2004 valuation, there is an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding. The initial assumptions were that these would average 1.00% per year. Effective July 1, 2008, the assumption was modified from 1.0% to 2.0% per year.

Effective July 1, 2006, retirement assumptions were modified for members eligible for the EESIP.



## ADDENDUM TO JUNE 30, 2009 ACTUARIAL VALUATION

### Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2008, for the plan year ending June 30, 2009. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on June 30, 2009.

The valuation is based on employee and financial data which were provided by the Oklahoma Teachers' Retirement System and the independent auditor, respectively, and which are summarized in this report.

The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Commission, based on the following prescribed assumptions (70 O.S. 2001, Section 17-106.1, Section H):

Interest rate: 7.50%

COLA assumption: 2.00%

Mortality: RP 2000 Generational Mortality Tables (active members, healthy annuitants, and disabled annuitants)

Amortization period: 30 years, open period

Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the regular June 30, 2008 valuation prepared for the Board of Trustees.

The results shown in this Addendum are not consistent with those in the June 30, 2009 valuation. The June 30, 2009 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards of Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Board of Trustees. For those results, see the regular June 30, 2008 actuarial valuation.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



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J. Christian Conradi, ASA, MAAA, EA

November 11, 2009



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Mark R. Randall, FCA, EA, MAAA

November 11, 2009

**Summary of Valuation Results under Prescribed Assumptions**

This supplemental report has been prepared by Gabriel, Roeder, Smith & Company for the Oklahoma Teachers' Retirement System to present the results of a valuation of the Oklahoma Teachers' Retirement System as of June 30, 2009, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation and the prior valuation.

	Actuarial Valuation as of		Change Between Years	
	June 30, 2009	June 30, 2008	Amount	Percent
<b>Summary of Costs</b>				
Required State Contribution for Current Year under Prescribed Assumptions	\$729,668,891	\$710,809,846	\$18,859,045	2.65%
Actual State Contribution Received in Prior Year	\$257,019,830	\$266,761,597	-\$9,741,767	-3.65%
<b>Funded Status</b>				
Actuarial Accrued Liability	\$20,227,626,846	\$19,566,540,948	\$661,085,899	3.38%
Actuarial Value of Assets	\$9,438,974,309	\$9,256,786,936	\$182,187,373	1.97%
Unfunded Actuarial Accrued Liability	\$10,788,652,537	\$10,309,754,012	\$478,898,526	4.65%
<b>Market Value of Assets and Additional Liabilities</b>				
Market Value of Assets	\$7,226,884,265	\$8,633,699,695	-\$1,406,815,430	-16.29%
Present Value of Projected System Benefits	\$24,225,816,997	\$23,507,582,253	\$718,234,744	3.06%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2009		June 30, 2008		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	\$3,807,914,178		\$3,751,436,376		1.51%
b. Adjusted for 1-year's pay increase	\$3,985,487,949		\$3,926,476,288		1.50%
2. Total normal cost (mid-year)	\$509,678,568	12.79%	\$502,131,944	12.79%	1.50%
3. Unfunded actuarial accrued liability (UAAL)	\$10,788,652,537		\$10,309,754,012		4.65%
4. Amortization of UAAL over 30 years from valuation date	\$883,514,283	22.17%	\$844,295,883	21.50%	4.65%
5. Total required contribution under prescribed assumptions (2+4)	\$1,393,192,851	34.96%	\$1,346,427,827	34.29%	3.47%
6. Estimated employee contribution (7% x 1b)	\$278,984,156	7.00%	\$274,853,340	7.00%	1.50%
7. Estimated local employer and federal/grant contributions					
a. Local employers	\$360,327,965	9.04%	\$335,733,355	8.55%	
b. Federal/grant	\$24,211,839	0.61%	\$25,031,286	0.64%	-3.27%
c. Total	\$384,539,804	9.65%	\$360,764,641	9.19%	6.59%
8. Required state contribution to amortize UAAL over 30 years from valuation date (5 - 6 - 7c)	\$729,668,891	18.31%	\$710,809,846	18.10%	2.65%
9. Previous year's actual State Contribution	\$257,019,830	6.55%	\$266,761,597	7.08%	-3.65%
10. Projected State Contribution per OSF	\$267,429,780	6.71%	\$268,427,420	6.84%	-0.37%
11. Funding period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

### Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	Total System	
	June 30, 2009	June 30, 2008
1. Actuarial Present Value of Benefits		
a. Active members	\$ 14,125,985,972	\$ 13,854,041,486
b. Inactives	431,314,313	400,910,797
c. Retirees and beneficiaries	9,668,516,712	9,252,629,970
d. Total	24,225,816,997	23,507,582,253
2. Actuarial Present Value of Future Normal Costs	\$ 3,998,190,150	\$ 3,941,041,305
3. Total Actuarial Accrued Liability (1d - 2)	\$ 20,227,626,846	\$ 19,566,540,948
4. Actuarial Value of Assets	\$ 9,438,974,309	\$ 9,256,786,936
<b>5. Unfunded Actuarial Accrued Liability (3-4, not less than \$0)</b>	<b>\$ 10,788,652,537</b>	<b>\$ 10,309,754,012</b>

### Normal Cost

The components of normal cost under the System's funding method are:

Component	June 30, 2009	June 30, 2008
Retirement Benefits	\$ 385,795,233	\$ 380,082,905
Withdrawal Benefits	57,759,835	56,904,606
Active Death Benefits	8,838,848	8,707,975
Refunds	26,705,044	26,309,632
Supplemental Medical Insurance	12,039,228	11,860,967
Post Retirement Death Benefits	1,864,613	1,837,004
Disability Benefits	16,675,767	16,428,855
<b>Total Normal Cost (Mid-year)</b>	<b>\$ 509,678,568</b>	<b>\$ 502,131,944</b>
Annual Covered Payroll (with pay caps)	\$ 3,985,487,949	\$ 3,926,476,288
Normal Cost Rate At Mid-year	12.79%	12.79%

**Actuarial Assumptions**

This section presents and describes the actuarial assumptions used for this supplemental valuation. The census of members, market and actuarial value of assets, actuarial basis and provisions of the Plan are the same as described elsewhere in this valuation report. The valuation is based on the premise that the Plan will continue in existence.

**Economic Assumptions**

1. Investment Return: 7.5%, net of investment and administrative expenses, per annum, compound annually.
2. Earnings Progression Sample rates below:

<u>Years of Service</u>	<u>Merit/ Promotional Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	1.75%	6.00%
1	1.50%	5.75
2	1.00%	5.25
3	1.00%	5.25
4	1.00%	5.25
5	0.75%	5.00
6	0.50%	4.75
7	0.50%	4.75
8	0.50%	4.75
9	0.50%	4.75
10	0.25%	4.50
11	0.25%	4.50
12	0.25%	4.50
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.
5. Future ad hoc cost-of-living increases: We assume that in future years, cost-of-living increases will be granted that will average 2% per year.

**Demographic Assumptions**

1. Retirement rate - Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
49	00	00	0	0
50	20	20	0	0
51	20	20	0	0
52	20	20	0	0
53	20	20	0	0
54	15	20	0	0
55	15	20	1	2
56	15	20	1	2
57	15	20	2	2
58	15	20	2	2
59	15	20	3	2
60	15	20	4	5
61	15	20	4	5
62	25	30		
63	20	25		
64	20	20		
65	30	40		
66	25	25		
67	25	25		
68	20	20		
69	20	20		
70	100	100		

2. Mortality rates - Active members – RP-2000 Generational Mortality Tables for active employees, males and females separate, projected with Scale AA.

Retirees (non-disabled) and beneficiaries – RP-2000 Generational Mortality Tables for healthy annuitants, males and females separate, projected with Scale AA.

Disabled retirees – RP-2000 Generational Mortality Tables for disabled annuitants, males and females separate, projected with Scale AA

3. Disability rates: Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.025	.025
30	.025	.025
35	.035	.050
40	.065	.125
45	.100	.200
50	.300	.300
55	.450	.420
60	.175	.420
65	.000	.000

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.

4. Withdrawal Rates: Sample rates are shown below:

During the first ten years of Credited Service:

Credited Service (Years)	Expected Terminations per 100 Lives	
	Males	Females
(1)	(2)	(3)
0	34.00	24.00
1	19.00	16.00
2	14.00	12.25
3	11.50	10.50
4	9.50	9.00
5	7.75	7.75
6	6.75	6.75
7	6.00	6.00
8	5.50	5.00
9	5.00	4.00

With 10 or More Years of Credited Service:

Expected Terminations per 100 Lives		
Age	Males	Females
(1)	(2)	(3)
25	4.74	7.01
30	4.10	5.09
35	3.51	3.66
40	2.97	2.74
45	2.51	2.34
50	2.09	2.08
55	1.66	1.63
60	1.32	1.14
65	1.28	0.82

Termination rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).



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### Other Assumptions

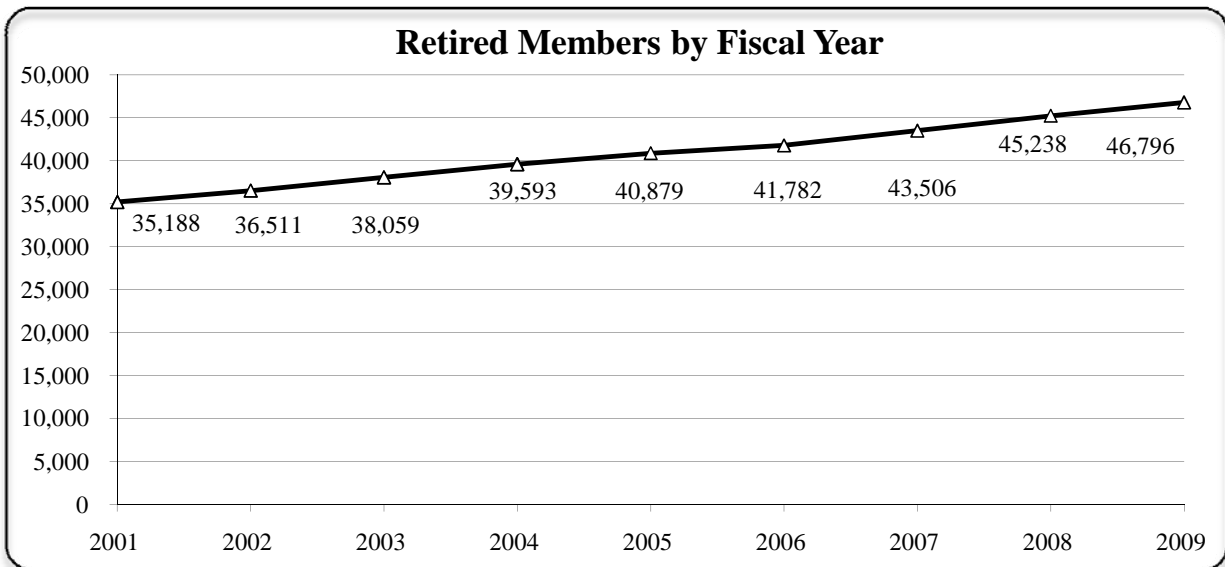
1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.
11. For EESIP eligible employees, if the refund amount to be paid exceeds the additional APV of the enhanced benefit, then the employee does not elect the enhanced benefit.
12. For those participants eligible for the EESIP, it is assumed that retirement is delayed in each year past first eligibility by 10%.

## Schedule of Increases and Decreases of Benefit Recipients Periods Ended June 30

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		% Increase in Annual Allowances	Average Annual Allowances**
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances		
2001	2,098	40,394,458	1,027	12,641,988	35,188	498,928,273	5.9%	1,231
2002	2,353	36,595,970	1,030	12,303,662	36,511	523,220,581	4.9%	1,231
2003	2,630	57,537,594	1,082	10,798,222	38,059	569,959,953	8.9%	1,304
2004	2,616	49,732,316	1,082	12,334,953	39,593	607,357,316	6.6%	1,315
2005	2,346	62,318,530	1,060	8,518,211	40,879	661,157,635	8.9%	1,373
2006	2,060	32,777,192	1,157	7,344,953	41,782	686,589,874	3.8%	1,376
2007	2,696	48,762,552	972	8,907,437	43,506	726,444,989	5.8%	1,419
2008	2,807	46,858,028	1,075	8,758,271	45,238	764,544,746	5.2%	1,437
2009	2,593	77,839,485	1,035	7,161,393	46,796	835,222,838	9.2%	1,483

\* Includes post-retirement increases for members who retired in previous years and changes occurring due to plan options which offer a continuing monthly benefit payment to beneficiaries.

\*\* Does not include special annuitants



# Section Five: Statistical

Comprehensive Annual  
Financial Report

Fiscal Year 2009

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OKLAHOMA TEACHERS  

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RETIREMENT SYSTEM



1,881,730 31,119 1,626,549  
1,706,600 1,626,549  
2,106,658 1,902  
5,386,824 1,902  
5,463 8,554,013  
19,968 19,968  
9,040 9,040  
1,881,730 1,706,600 2,106,658 5,386,824 5,463 8,554,013 19,968 19,968 9,040 1,881,730 1,706,600 2,106,658

**Mission Action Plan**

Point Five: Promote an environment of trust and cooperation where Colleagues are encouraged to reach their potential



**OKLAHOMA TEACHERS  
RETIREMENT SYSTEM**



## **Statistical Section Summary**

The Statistical Section presents several schedules that provide financial trends analysis of the Teachers' Retirement System of Oklahoma's overall financial health and additional analytical information on membership data and retirement benefits. The schedules beginning on page 124 through page 133 provide data depicting active membership, level of monthly benefits, years of service, and retirement options. The schedules on page 134 to page 138 provide financial data showing revenues and expenses. On page 139 and page 140 these schedules report the financial impact of retirees in the state of Oklahoma and the participating employers. The source of the information in these schedules is derived from internal information unless otherwise noted.

**Retired Members by Type of Benefit  
Fiscal Year Ended June 30, 2009**

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement *						Option Selected #						
		1	2	3	4	5	6	Option A	Option B	Option C	Option D	Option E	Option F	Option G
\$ 1 - \$ 500	6,374	3,411	2,290	245	53	324	51	2,700	1,710	1,163	247	203	300	51
501 - 1,000	8,156	5,328	1,627	512	74	615	-	3,049	2,100	1,601	640	185	581	-
1,001 - 1,500	7,753	6,605	280	443	16	409	-	2,660	2,024	1,837	722	121	389	-
1,501 - 2,000	11,758	10,802	368	388	4	196	-	3,698	3,375	3,142	1,140	207	196	-
2,001 - 2,500	9,012	8,560	207	231	3	11	-	2,751	2,359	2,622	1,031	238	11	-
2,501 - 3,000	2,756	2,614	52	89	-	1	-	924	650	774	362	45	1	-
3,001 - 3,500	675	644	19	12	-	-	-	259	157	156	85	18	-	-
3,501 - 4,000	176	164	11	1	-	-	-	71	37	46	18	4	-	-
Over 4,000	136	130	2	4	-	-	-	38	20	59	15	4	-	-
<b>Totals</b>	<b>46,796</b>	<b>38,258</b>	<b>4,856</b>	<b>1,925</b>	<b>150</b>	<b>1,556</b>	<b>51</b>	<b>16,150</b>	<b>12,432</b>	<b>11,400</b>	<b>4,260</b>	<b>1,025</b>	<b>1,478</b>	<b>51</b>

\* Type of Retirement

- Type 1 - Normal retirement for age and service
- Type 2 - Early retirement
- Type 3 - Beneficiary payment (Normal retirement)
- Type 4 - Beneficiary payment (Early retirement)
- Type 5 - Disability retirement
- Type 6 - Special annuitants

# Option Selected

- Option A - The Maximum Retirement Plan - provides the greatest monthly lifetime benefit.
- Option B - Retirement Option 1 - provides for a decreased rate of reduction of a member's account balance.
- Option C - Retirement Option 2 - known as the 100% joint survivor annuity - provides for a reduced monthly benefit to the member for life. Upon the death of the member, the designated beneficiary will continue to receive 100% of the member's benefit for life.
- Option D - Retirement Option 3 - known as the 50% joint survivor annuity - provides a similar benefit as Option 2, however, upon the death of the member, the monthly benefit to the designated beneficiary is 50% of the benefit of the member.
- Option E - Retirement Option 4 - provides a reduced monthly benefit payable to the member for life. In the event of the member's death within 120 months from the date of retirement, the balance of the payments are continued to the beneficiary designated at the time of retirement.
- Option F - Upon meeting requirements, a vested member may receive a monthly benefit.
- Option G - Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943 receives a special annuity.

**Average Benefit Payments  
Fiscal Years Ended June 30**

Retirement Effective Dates	Years of Credited Service							
	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40+
Period 7/1/1999 to 6/30/2000								
Average monthly benefit		\$427	\$680	\$1,111	\$1,610	\$1,926	\$2,306	\$2,668
Average final average salary		\$24,313	\$27,068	\$31,312	\$36,344	\$38,223	\$39,999	\$41,673
Number of retired members		357	260	362	563	422	115	30
Period 7/1/2000 to 6/30/2001								
Average monthly benefit		\$410	\$680	\$1,187	\$1,641	\$1,982	\$2,326	\$3,844
Average final average salary		\$22,766	\$26,326	\$33,206	\$37,116	\$39,653	\$40,789	\$43,496
Number of retired members		314	267	361	580	445	105	26
Period 7/1/2001 to 6/30/2002								
Average monthly benefit		\$442	\$713	\$1,181	\$1,670	\$1,999	\$2,356	\$2,631
Average final average salary		\$24,769	\$28,502	\$33,217	\$38,045	\$39,787	\$41,533	\$41,826
Number of retired members		329	317	421	649	473	124	40
Period 7/1/2002 to 6/30/2003								
Average monthly benefit		\$478	\$772	\$1,249	\$1,696	\$2,065	\$2,399	\$2,750
Average final average salary		\$26,853	\$29,763	\$34,707	\$38,797	\$40,775	\$41,913	\$41,881
Number of retired members		334	337	444	715	600	167	33
Period 7/1/2003 to 6/30/2004								
Average monthly benefit	\$306	\$490	\$772	\$1,239	\$1,700	\$2,010	\$2,381	\$2,796
Average final average salary	\$28,628	\$28,466	\$30,699	\$35,192	\$38,860	\$41,194	\$42,436	\$43,492
Number of retired members	99	381	358	433	639	505	153	48
Period 7/1/2004 to 6/30/2005								
Average monthly benefit	\$314	\$502	\$804	\$1,228	\$1,731	\$2,035	\$2,358	\$2,915
Average final average salary	\$31,394	\$28,718	\$31,363	\$34,939	\$40,015	\$41,648	\$43,218	\$46,519
Number of retired members	94	335	304	467	531	417	150	48
Period 7/1/2005 to 6/30/2006								
Average monthly benefit	\$311	\$545	\$803	\$1,204	\$1,729	\$2,008	\$2,350	\$2,944
Average final average salary	\$28,873	\$30,160	\$31,960	\$34,350	\$39,703	\$42,053	\$42,948	\$47,656
Number of retired members	112	275	325	403	475	328	107	35
Period 7/1/2006 to 6/30/2007								
Average monthly benefit	\$289	\$548	\$844	\$1,319	\$1,825	\$2,205	\$2,692	\$3,033
Average final average salary	\$27,920	\$31,084	\$33,123	\$37,294	\$41,634	\$45,283	\$48,400	\$50,850
Number of retired members	145	318	349	453	601	490	260	80
Period 7/1/2007 to 6/30/2008								
Average monthly benefit	\$331	\$558	\$897	\$1,294	\$1,846	\$2,243	\$2,767	\$3,535
Average final average salary	\$31,448	\$32,300	\$34,616	\$36,877	\$42,274	\$46,606	\$50,852	\$56,650
Number of retired members	155	324	346	512	568	528	271	103
Period 7/1/2008 to 6/30/2009								
Average monthly benefit	\$366	\$610	\$955	\$1,360	\$1,896	\$2,319	\$3,073	\$3,839
Average final average salary	\$35,522	\$34,547	\$36,411	\$38,874	\$44,043	\$49,044	\$55,906	\$65,221
Number of retired members	135	302	324	497	502	465	234	134

**Principal Participating Employers  
Current Year and Nine Years Ago**

<u>Participating School</u>	<u>Fiscal Year 2009</u>			<u>Fiscal Year 2000</u>		
	<u>Covered Members</u>	<u>Rank</u>	<u>Percentage of Total System</u>	<u>Covered Members</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Oklahoma City Public Schools	4,411	1	4.95%	4,744	1	5.70%
Tulsa Public Schools	3,928	2	4.39%	3,929	2	4.73%
Oklahoma State University	3,795	3	4.25%	3,720	3	4.48%
University of Oklahoma	2,588	4	2.90%	2,779	4	3.35%
Edmond Public Schools	2,331	5	2.61%	1,745	7	2.10%
Moore Public Schools	2,285	6	2.56%	1,851	5	2.23%
OU Health Sciences Center	1,934	7	2.16%	1,766	6	2.13%
Lawton Public Schools	1,682	8	1.88%	1,509	10	1.82%
Putnam City Public Schools	1,603	9	1.79%	1,558	9	1.88%
Mid-Del Public Schools	1,581	10	1.77%	1,596	8	1.92%
* All Other	63,250		70.76%	57,827		69.65%
Total (624 Schools)	89,388		100.00%	83,024		100.00%

\*In Fiscal Year 2009, "all other " consisted of:

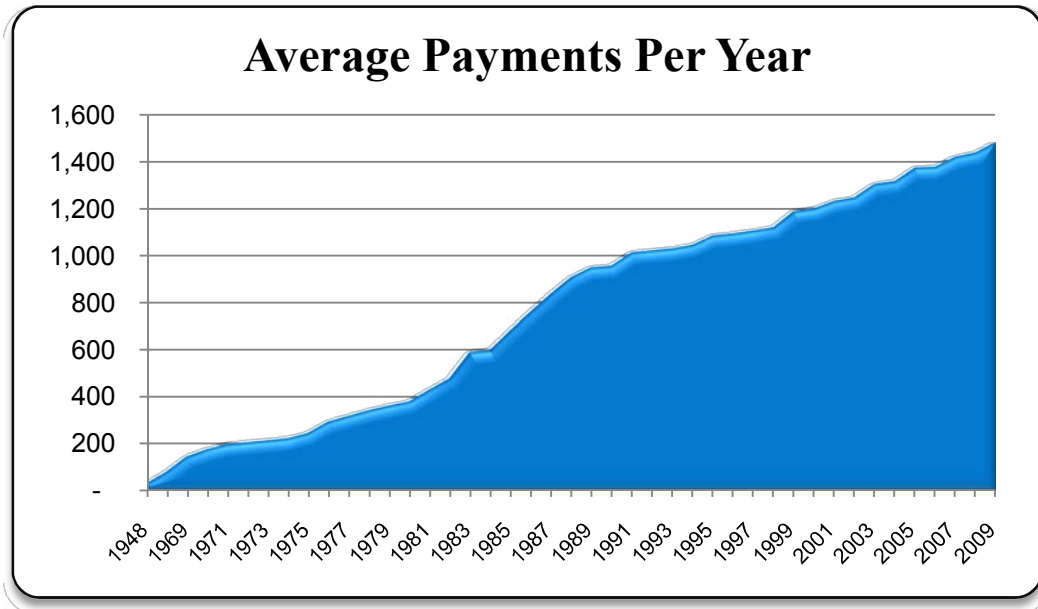
<u>Type</u>	<u>Participating Employers</u>	<u>Members</u>
School Districts	528	49,078
Higher Education	23	8,725
Career Technology	28	3,652
State Agencies	27	1,584
Other	<u>8</u>	<u>211</u>
Total	614	63,250



## Schedule of Average Payment Amounts Fiscal Year Ended June 30, 2009

Date	Regular Annuitants	Date	Regular Annuitants	Special Annuitants
June 30, 1948	33	June 30, 1988	907	159
June 30, 1954	75	June 30, 1989	949	159
June 30, 1960	83	June 30, 1990	956	159
June 30, 1966	129	June 30, 1991	1,013	159
June 30, 1970	179	June 30, 1992	1,021	159
June 30, 1971	201	June 30, 1993	1,030	159
June 30, 1972	209	June 30, 1994	1,044	159
June 30, 1973	217	June 30, 1995	1,084	163
June 30, 1974	226	June 30, 1996	1,093	163
June 30, 1975	248	June 30, 1997	1,105	163
June 30, 1976	297	June 30, 1998	1,119	163
June 30, 1977	321	June 30, 1999	1,187	172
June 30, 1978	345	June 30, 2000	1,199	172
June 30, 1979	365	June 30, 2001	1,231	175
June 30, 1980	382	June 30, 2002	1,246	175
June 30, 1981	432	June 30, 2003	1,304	175
June 30, 1982	480	June 30, 2004	1,304	180
June 30, 1983	592	June 30, 2005	1,373	187
June 30, 1984	600	June 30, 2006	1,376	191
June 30, 1985	600	June 30, 2007	1,419	191
June 30, 1986	761	June 30, 2008	1,437	191
June 30, 1987	837	June 30, 2009	1,483	194

Note that figures after June 30, 1989 do not include monthly medical premium.



## Active Personnel

### Fiscal Year Ended June 30, 2009

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 years	27,543	15,280	12,263
5-9	18,173	11,640	6,533
10-14	13,843	9,450	4,393
15-19	11,316	8,180	3,136
20-24	8,082	5,772	2,310
25-29	5,350	4,670	680
30-34	3,393	3,172	221
35-39	1,392	1,325	67
40-44	263	251	12
45-49	29	28	1
50-54	4	4	0
Totals	89,388	59,772	29,616

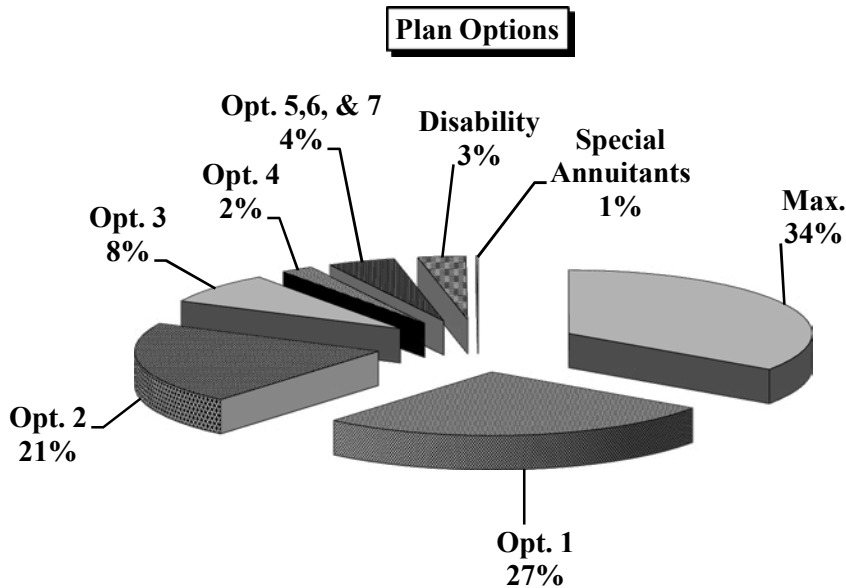
Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	538	240	298
5001-10,000	1,651	266	1,385
10,001-15,000	5,398	331	5,067
15,001-20,000	5,121	799	4,322
20,001-25,000	4,166	782	3,384
25,001-30,000	3,609	679	2,930
30,001-35,000	9,387	6,673	2,714
35,001-40,000	16,588	13,982	2,606
40,001-45,000	13,357	11,579	1,778
45,001-50,000	8,641	7,354	1,287
50,001-55,000	5,431	4,532	899
55,001-60,000	3,370	2,637	733
60,001-65,000	2,387	1,855	532
65,001-70,000	1,965	1,555	410
70,001-75,000	1,546	1,241	305
75,001 and Above	6,233	5,267	966
Totals	89,388	59,772	29,616

Average Age (years)	44.8	44.1	46.3
Average Salary	\$42,600	\$48,696	\$30,297
Average Service (years)	11.5	13.0	8.5

**Schedule of Retired Members by Type of Benefits  
Selected Plan Options  
Fiscal Year Ended June 30, 2009**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	3,434	12,767	16,201	\$1,409	34%
Option 1	2,979	9,453	12,432	1,474	27%
Option 2	5,684	4,149	9,833	1,634	21%
Option 3	1,747	1,964	3,711	1,806	8%
Option 4	328	670	998	1,431	2%
Options 5, 6 & 7	1,741	351	2,092	1,245	4%
Disability	391	1,087	1,478	927	3%
Special Annuitants	5	46	51	194	1%
<b>Totals</b>	<b>16,309</b>	<b>30,487</b>	<b>46,796</b>	<b>\$1,483</b>	<b>100%</b>

Average monthly payment is \$1,483 excluding special annuitants



Maximum - provides for the greatest possible benefit.

Option 1 - provides for a decreased rate of reduction of member's account balance.

Option 2 - provides for a reduced monthly benefit to the member for life. Upon death of the member, the designated beneficiary will continue to receive the same monthly benefit for life.

Option 3 - provides a similar benefit as Option 2, however, upon death of the member, the monthly benefit to the designated beneficiary is one-half of the benefit of the member.

Option 4 - provides a reduced monthly benefit. In the event of the member's death within 120 months from the date of retirement, the balance of the payments are continued to the beneficiary designated at the time of retirement.

Options 5, 6 & 7 - represents beneficiaries of options 2, 3 & 4.

Disability - upon meeting requirements, a vested member may receive a monthly benefit.

Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943.

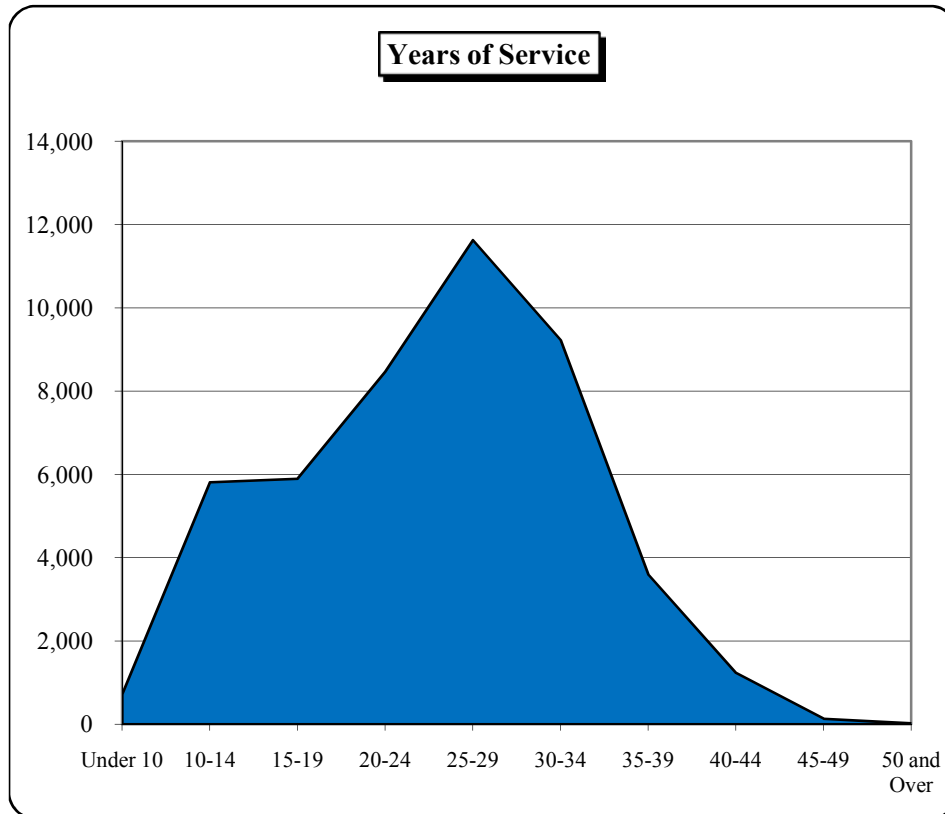
**Distribution by Years of Service  
Fiscal Year Ended June 30, 2009**

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	

Under 10	302	427	729	\$327
10-14	1,721	4,093	5,814	462
15-19	1,717	4,181	5,898	756
20-24	2,031	6,436	8,467	1,219
25-29	3,738	7,891	11,629	1,728
30-34	3,951	5,278	9,229	2,077
35-39	1,954	1,641	3,595	2,387
40-44	784	448	1,232	2,704
45-49	93	40	133	3,265
50 and Over	13	6	19	3,778

<b>Totals</b>	<b>16,304</b>	<b>30,441</b>	<b>46,745</b>	<b>\$1,483</b>
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Does not include 51 special annuitants.

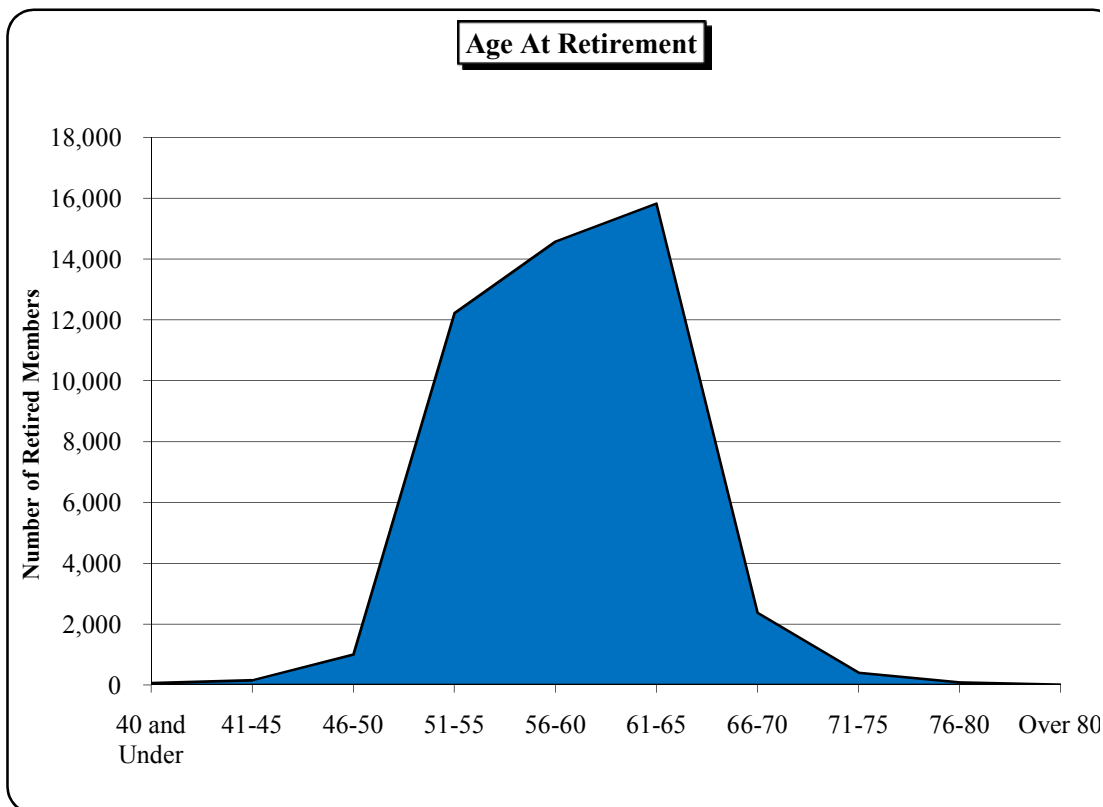


### Distribution by Age at Retirement Fiscal Year Ended June 30, 2009

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	19	48	67	\$673	13.2
41-45	42	114	156	897	16.1
46-50	354	644	998	1,639	25.3
51-55	4,834	7,391	12,225	1,769	27.3
56-60	4,512	10,072	14,584	1,506	25.2
61-65	5,439	10,395	15,834	1,282	23.0
66-70	899	1,478	2,377	1,304	22.2
71-75	166	239	405	1,138	21.2
76-80	35	48	83	1,018	20.7
Over 80	4	12	16	548	17.9
<b>Totals</b>	<b>16,304</b>	<b>30,441</b>	<b>46,745</b>	<b>\$1,483</b>	<b>24.8</b>

\*Does not include 51 special annuitants.

\*\*The average age of members at retirement is 58.7.

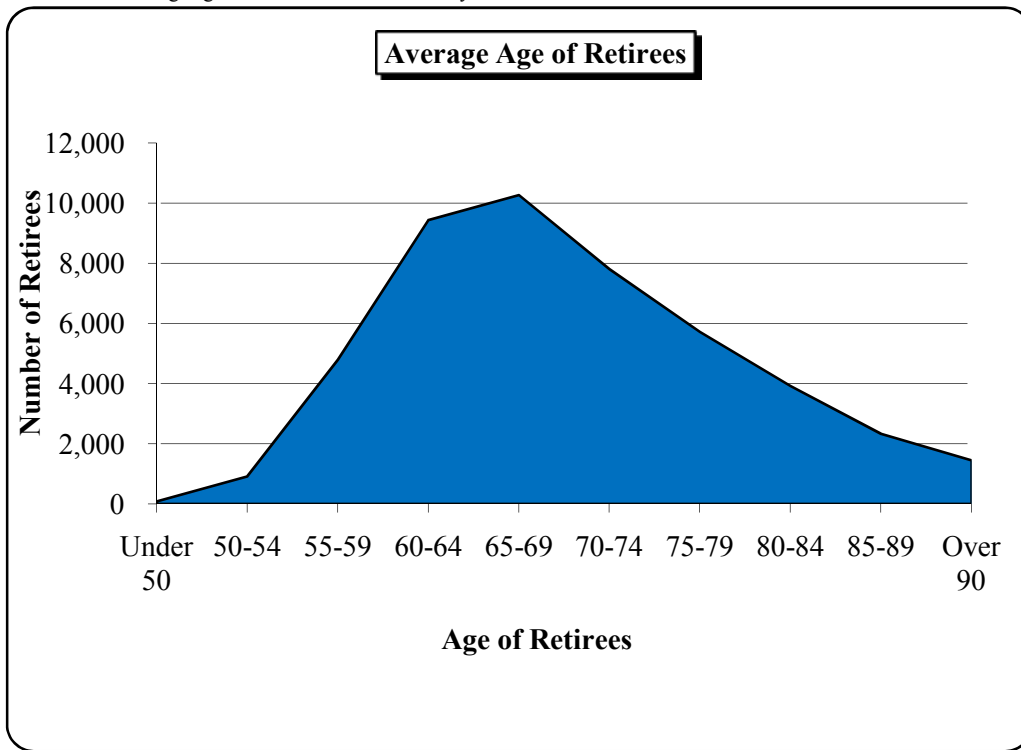


**Distribution by Retiree Age  
Fiscal Year Ended June 30, 2009**

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	86	14.5	\$822
50-54	921	26.5	1,799
55-59	4,792	26.4	1,765
60-64	9,440	25.4	1,679
65-69	10,269	24.1	1,520
70-74	7,807	23.7	1,401
75-79	5,719	23.7	1,296
80-84	3,923	24.8	1,250
85-89	2,334	25.8	1,180
Over 90	1,454	28.4	1,152
<b>Totals</b>	<b>46,745</b>	<b>24.8</b>	<b>\$1,483</b>

\*Does not include 51 special annuitants.

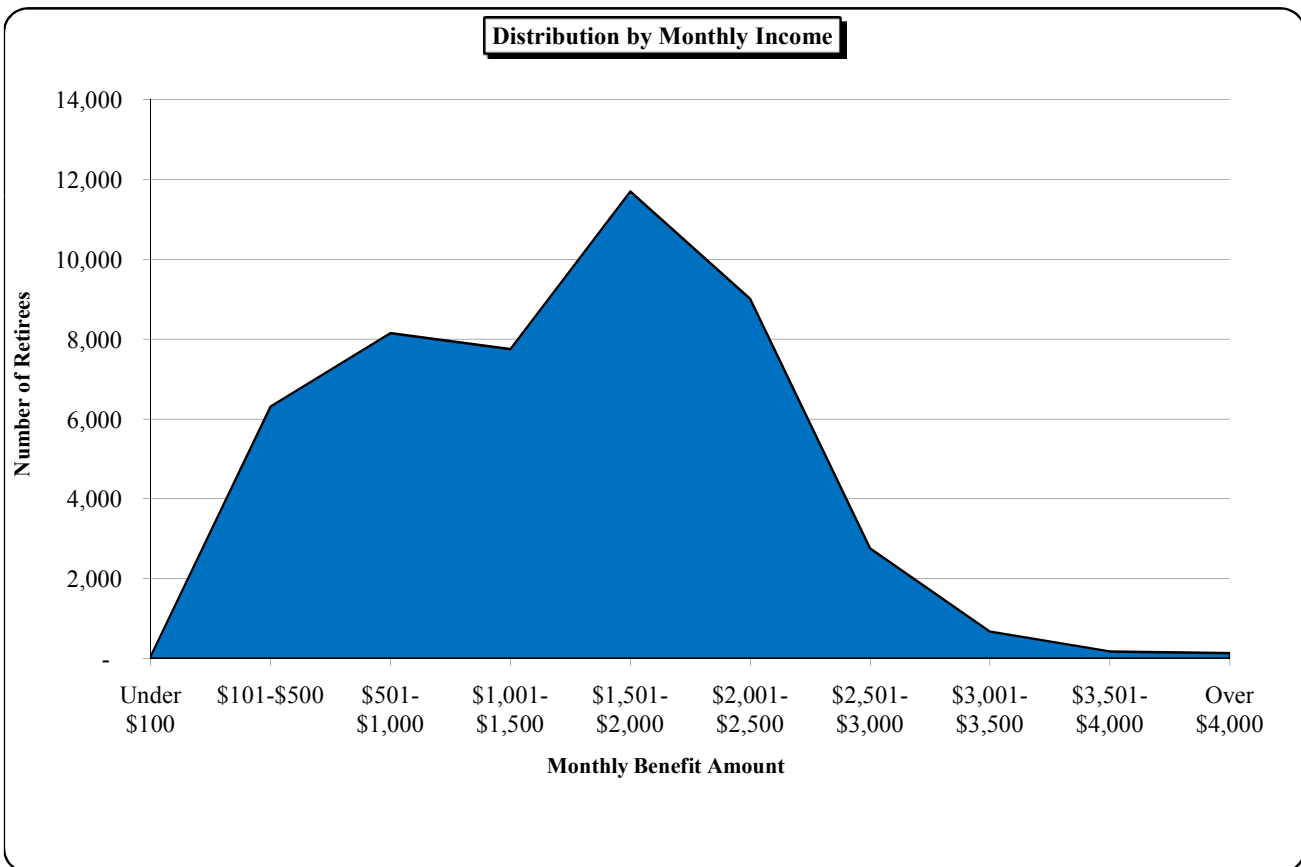
\*\*Average age of retired members is 69.7 years.



**Distribution by Monthly Income  
Fiscal Year Ended June 30, 2009**

Monthly Income	Retired Members	Total	Average Payment
Under \$100	57	\$4,904	\$86
\$101-\$500	6,317	2,082,884	330
\$501-\$1,000	8,156	5,978,873	733
\$1,001-\$1,500	7,753	9,846,581	1,270
\$1,501-\$2,000	11,707	20,602,626	1,760
\$2,001-\$2,500	9,012	19,908,008	2,209
\$2,501-\$3,000	2,756	7,418,416	2,692
\$3,001-\$3,500	675	2,161,778	3,203
\$3,501-\$4,000	176	647,133	3,677
Over \$4,000	136	681,755	5,013
<b>Totals</b>	<b>46,745</b>	<b>\$69,332,959</b>	<b>\$1,483</b>

Does not include 51 special annuitants.



**Teachers' Retirement System of Oklahoma  
Schedule of Cash Receipts and Disbursements  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash balance, beginning of year	\$2,124,625	\$4,771,218
<u>Receipts:</u>		
Members' contributions	288,049,674	283,167,523
Member tax-shelter	8,678,472	8,922,095
Employer statutory requirement from local school districts	335,300,174	303,251,076
Matching funds	22,061,342	21,060,672
Dedicated revenue	262,803,238	262,866,277
Interest income	144,560,463	148,098,380
Dividends	87,631,070	106,001,243
Net gain (loss) on investments	(1,260,996,957)	261,263,417
Other revenue	(2,197,769)	11,139,001
* Investments sold	<u>25,732,709,649</u>	<u>18,352,919,767</u>
Total receipts	<u>25,618,599,356</u>	<u>19,758,689,451</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	871,715,395	755,919,806
Refund of member contributions and annuity payments	75,692,945	63,925,592
Administrative expenses	5,153,491	4,711,643
Investment expenses	26,772,897	34,901,529
Equipment purchases	63,222	59,669
* Investment purchases	<u>24,634,985,929</u>	<u>18,901,817,805</u>
Total disbursements	<u>25,614,383,878</u>	<u>19,761,336,044</u>
Balance of cash, June 30	<u>\$6,340,103</u>	<u>\$2,124,625</u>

\* Includes equities, fixed income and short-term investments.



**Schedule of Changes in Net Assets  
For Periods Ended June 30**

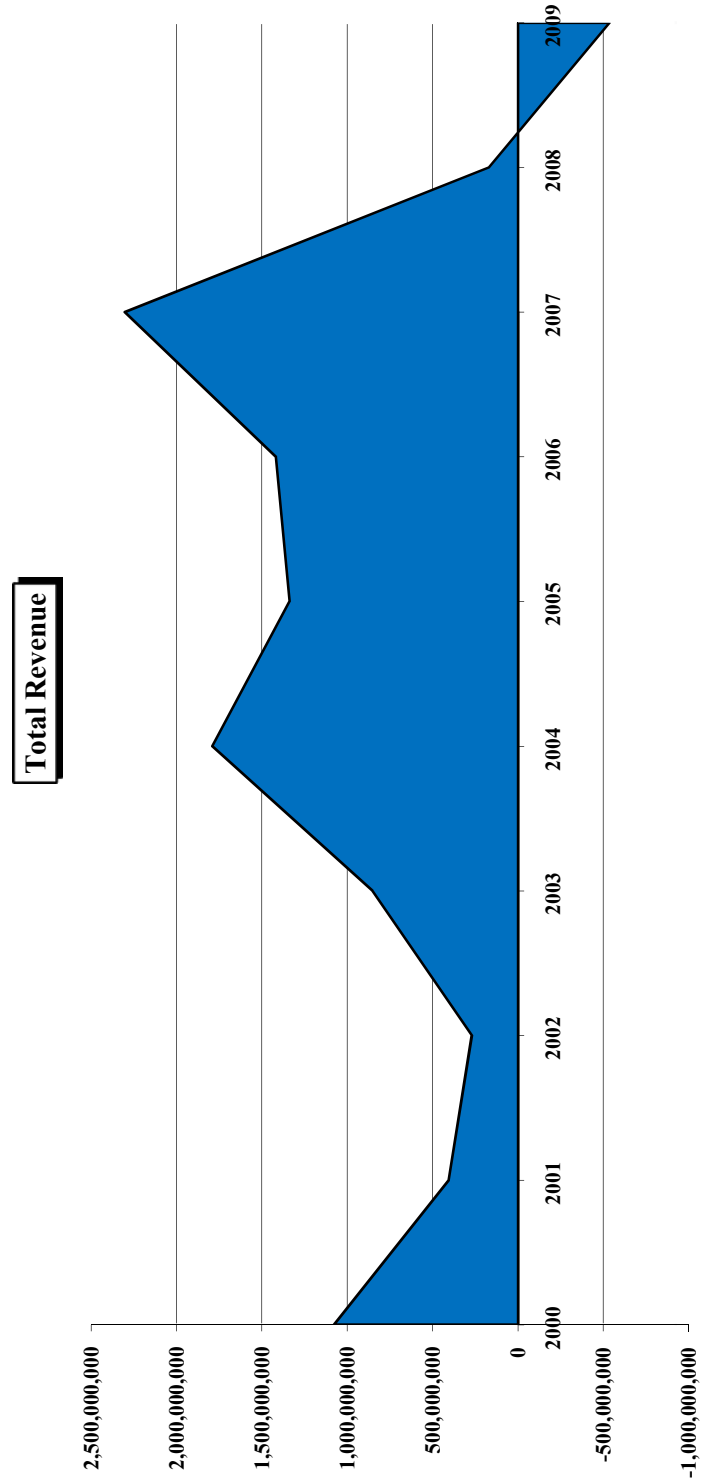
<u>Year</u>	<u>Additions</u>				<u>Deductions</u>			<u>Total Changes in Net Assets</u>
	<u>Member</u>	<u>Employer</u>	<u>State and Federal Matching</u>	<u>Net Investment Income</u>	<u>Benefit Payments</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	
2000 *	\$203,027,123	\$130,758,712	\$145,029,086	\$599,709,397	\$500,289,049	\$61,725,419	\$2,964,237	\$513,545,613
2001 *	221,934,654	172,749,389	155,331,620	(144,067,802)	537,308,002	65,763,326	3,471,796	(200,595,263)
2002 *	231,260,978	210,829,995	154,196,326	(325,734,295)	561,222,392	58,495,950	3,905,754	(353,071,092)
2003 *	224,952,145	218,841,977	143,147,463	266,036,160	608,976,125	73,563,552	4,007,846	166,430,222
2004 *	238,312,953	219,126,867	156,142,888	1,178,338,068	647,277,986	52,327,030	3,851,320	1,088,464,440
2005 *	241,459,049	227,791,719	177,966,919	691,956,300	701,715,390	44,060,265	4,212,266	589,186,066
2006 *	256,586,987	241,174,959	218,294,582	703,031,333	727,379,279	52,902,064	4,425,007	634,381,511
2007 *	294,291,782	271,012,403	264,904,170	1,474,628,856	767,212,709	57,378,925	4,549,159	1,475,696,418
2008 *	295,661,038	308,804,479	288,036,554	(722,427,217)	806,540,725	63,925,592	4,791,118	(705,182,581)
2009 *	\$296,916,898	\$338,974,512	\$279,672,051	(\$1,452,047,400)	\$876,273,193	\$75,692,946	\$5,216,493	(\$1,493,666,571)

\* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

**Schedule of Revenue by Source  
For Periods Ended June 30**

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	State of Oklahoma and		<u>Net Investment Income</u>	<u>Other Revenue</u>	<u>Total</u>
			<u>Various Grant Sources</u>	<u>Investment Income</u>			
2000 *	\$203,027,123	\$130,758,712	\$145,029,086	\$597,428,861	\$2,280,536	\$1,078,524,318	
2001 *	221,934,654	172,749,389	155,331,620	(146,783,146)	2,715,344	405,947,861	
2002 *	231,260,978	210,829,995	154,196,326	(328,671,703)	2,937,408	270,553,004	
2003 *	224,952,145	218,841,977	143,147,463	263,873,633	2,162,527	852,977,745	
2004 *	238,312,953	219,126,867	156,142,888	1,175,826,812	2,511,256	1,791,920,776	
2005 *	241,459,049	227,791,719	177,966,919	688,638,096	3,318,204	1,339,173,987	
2006 *	256,586,987	241,174,959	218,294,582	699,048,530	3,982,803	1,419,087,861	
2007 *	294,291,782	271,012,403	264,904,170	1,469,645,750	4,983,106	2,304,837,211	
2008 *	295,661,038	308,804,479	288,036,554	(732,959,172)	10,531,955	170,074,854	
2009 *	\$296,916,898	\$338,974,512	\$279,672,051	(\$1,461,365,729)	\$9,318,329	(\$536,483,939)	

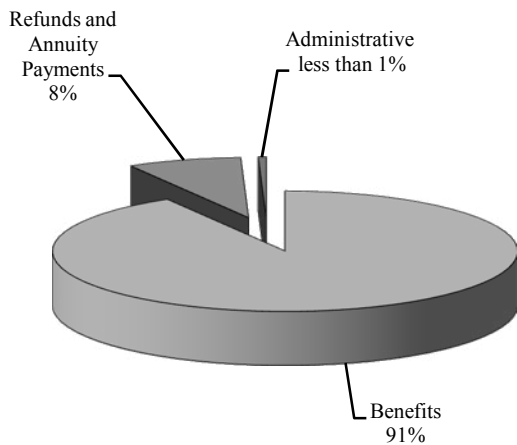
\* - Investment income includes both realized and unrealized gains and losses on investments.



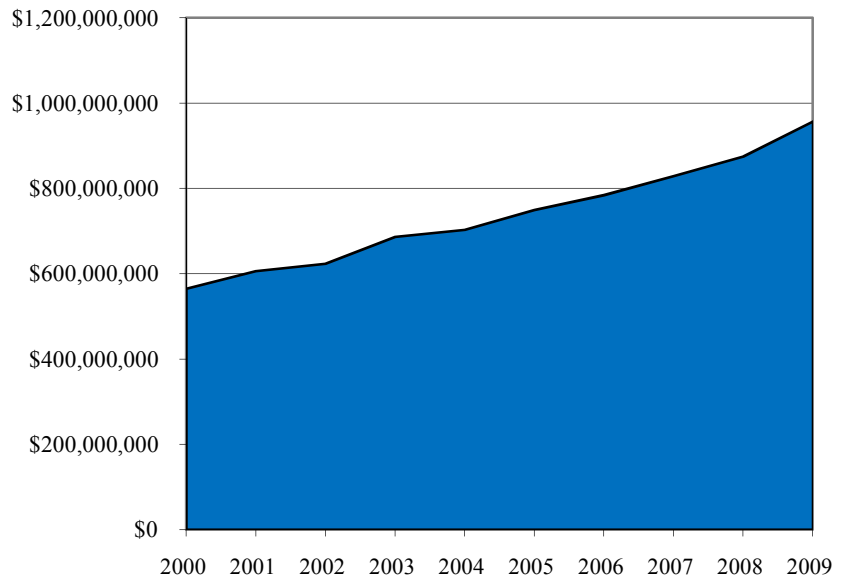
## Schedule of Expenses by Type For Periods Ended June 30

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
2000	\$500,289,049	\$61,725,419	\$2,964,237	\$564,978,705
2001	537,308,002	65,763,326	3,471,796	606,543,124
2002	561,222,392	58,495,950	3,905,754	623,624,096
2003	608,976,125	73,563,552	4,007,846	686,547,523
2004	647,277,986	52,327,030	3,851,320	703,456,336
2005	701,715,390	44,060,265	4,212,266	749,987,921
2006	727,379,279	52,902,064	4,425,007	784,706,350
2007	767,212,709	57,378,925	4,549,159	829,140,793
2008	806,540,725	63,925,592	4,791,118	875,257,435
2009	\$876,273,193	\$75,692,946	\$5,216,493	\$957,182,632

**2009 Expenses**



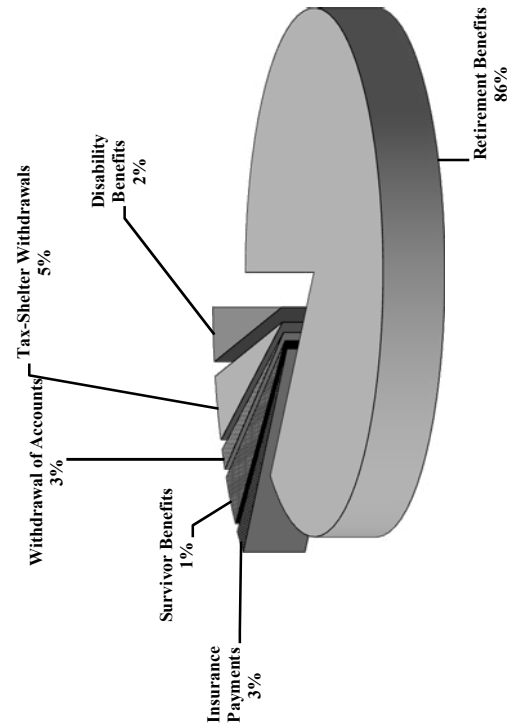
**Total Expenses**



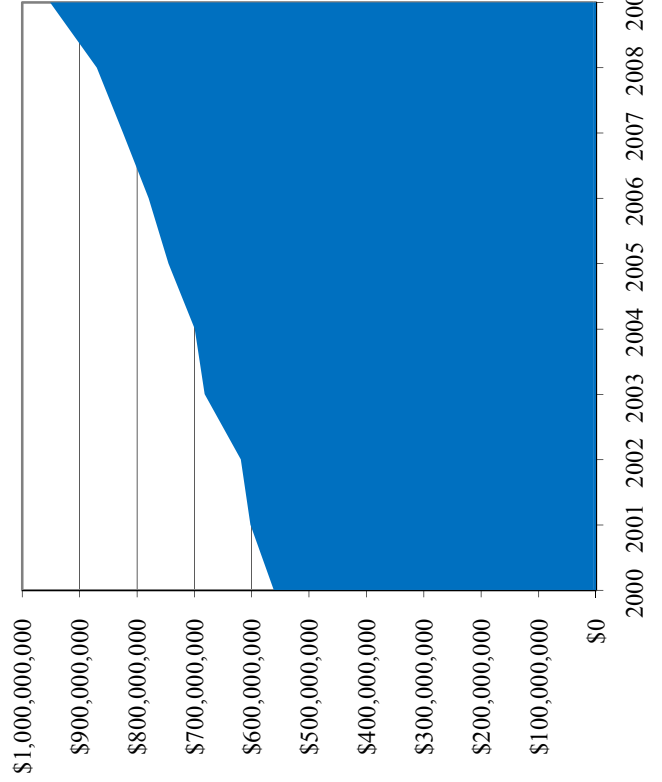
**Schedule of Benefit Expenses by Type  
For Periods Ended June 30**

<u>Year</u>	<u>Age and Service Benefits</u>	<u>Disability Benefits</u>	<u>Insurance Payments</u>	<u>Survivor Benefits</u>	<u>Withdrawal of Accounts</u>	<u>Tax-Shelter Withdrawals</u>	<u>Total</u>
2000	\$460,558,191	\$10,617,612	\$20,537,317	\$8,575,929	\$29,460,152	\$32,265,267	\$562,014,468
2001	487,643,857	11,284,416	29,159,573	9,220,156	31,432,937	34,330,389	603,071,328
2002	511,344,325	11,876,256	29,227,075	8,774,736	26,728,503	31,767,447	619,718,342
2003	557,082,285	12,877,668	29,625,205	9,390,967	30,176,320	43,387,232	682,539,677
2004	593,951,000	13,406,316	31,142,570	8,778,100	33,663,294	18,663,735	699,605,015
2005	646,805,731	14,351,904	30,933,923	9,623,832	26,935,850	17,124,415	745,775,655
2006	671,474,697	15,115,176	30,421,535	10,367,870	30,864,619	22,037,445	780,281,342
2007	710,990,189	15,454,800	30,491,840	10,275,879	33,829,654	23,549,272	824,591,634
2008	748,710,866	15,833,880	30,404,352	11,591,627	35,254,496	28,671,096	870,466,317
2009	\$818,781,566	\$16,441,272	\$30,523,203	\$10,527,153	\$32,130,596	\$43,562,350	\$951,966,139

**2009 Benefit Expenses**



**Total Benefit Expenses**



## Retirees in the State of Oklahoma by County

Of the 46,796 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 90.2% or 42,208 remain state of Oklahoma residents. As such, benefit payments of approximately, \$758,232,299 this year alone went into the State's communities and businesses. Since money changes hands several times, the System's payments have a dramatic effect on the State's economy.

<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>	<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>
Adair	323	\$5,992,123	LeFlore	651	\$11,806,168
Alfalfa	110	2,084,084	Lincoln	355	5,776,448
Atoka	183	3,134,545	Logan	378	6,188,285
Beaver	90	1,516,450	Love	94	1,554,245
Beckham	248	4,376,041	Major	98	1,616,831
Blaine	160	2,803,815	Marshall	220	3,960,725
Bryan	678	12,261,176	Mayes	456	8,413,754
Caddo	443	7,148,146	McClain	433	7,096,856
Canadian	1,047	19,271,365	McCurtain	522	9,349,213
Carter	606	10,497,563	McIntosh	364	6,670,377
Cherokee	834	16,078,936	Murray	174	3,290,004
Choctaw	212	3,655,927	Muskogee	1,019	18,793,931
Cimarron	32	532,369	Noble	124	1,938,618
Cleveland	2,597	47,533,303	Nowata	73	1,261,360
Coal	70	1,294,481	Okfuskee	173	2,756,904
Comanche	1,293	23,741,334	Oklahoma	7,337	132,959,232
Cotton	73	1,221,080	Okmulgee	632	10,888,906
Craig	183	3,184,972	Osage	165	2,763,775
Creek	625	10,686,633	Ottawa	586	9,501,867
Custer	452	8,458,418	Pawnee	173	2,731,179
Delaware	320	6,049,662	Payne	1,816	32,668,317
Dewey	112	2,011,232	Pittsburg	559	9,543,260
Ellis	55	894,078	Pontotoc	692	12,798,112
Garfield	640	11,432,408	Pottawatomie	713	12,513,714
Garvin	386	6,481,539	Pushmataha	160	2,748,347
Grady	521	8,947,861	Roger Mills	71	1,212,932
Grant	82	1,406,587	Rogers	755	13,934,222
Greer	88	1,568,787	Seminole	325	5,541,604
Harmon	82	1,419,269	Sequoyah	540	9,956,348
Harper	74	1,382,472	Stephens	571	10,432,280
Haskell	206	3,712,527	Texas	197	3,464,265
Hughes	166	2,914,743	Tillman	114	2,032,609
Jackson	333	6,773,298	Tulsa	5,452	101,267,173
Jefferson	75	1,303,331	Wagoner	339	6,447,869
Johnston	226	4,020,125	Washington	567	9,294,660
Kay	557	9,381,306	Washita	148	2,628,422
Kingfisher	174	3,141,678	Woods	239	4,325,820
Kiowa	163	2,733,251	Woodward	<u>204</u>	<u>3,687,845</u>
Latimer	200	3,368,907			
			Total	<u>42,208</u>	<u>\$758,232,299</u>

## 2009 PARTICIPATING EMPLOYERS PUBLIC SCHOOL DISTRICTS

Achille	Braggs	Colcord	Farris
Ada	Braman	Coleman	Felt
Adair	Bray-Doyle	Collinsville	Fletcher
Afton	Bridge Creek	Comanche	Flower Mound
Agra	Briggs	Commerce	Forest Grove
Albion	Bristow	Copan	Forgan
Alex	Broken Arrow	Cordell	Fort Cobb-Broxtton
Aline-Cleo Springs	Broken Bow	Cottonwood	Fort Gibson
Allen	Brushy	Covington-Douglas	Fort Supply
Allen Bowden	Buffalo	Coweta	Fort Towson
Altus	Buffalo Valley	Coyle	Fox
Alva	Burlington	Crescent	Foyil
Amber Pocasset	Burns Flat-Dill City	Crooked Oak	Frederick
Anadarko	Butler	Crowder	Freedom
Anderson	Butner	Crutcho	Friend
Antlers	Byars	Cushing	Frink Chambers
Arapaho	Byng	Cyril	Frontier
Ardmore	Cache	Dahlongegah	Gage
Arkoma	Caddo	Dale	Gans
Arnett	Calera	Darlington	Garber
Asher	Calumet	Davenport	Geary
Atoka	Calvin	Davidson	Geronimo
Avant	Cameron	Davis	Glencoe
Balko	Canadian	Deer Creek	Glenpool
Banner	Caney	Deer Creek-Lamont	Glover
Barnsdall	Caney Valley	Denison	Goodland
Bartlesville	Canton	Depew	Goodwell
Battiest	Canute	Dewar	Gore
Bearden	Carnegie	Dewey	Gracemont
Beaver	Carney	Dibble	Graham
Beggs	Cashion	Dickson	Grandfield
Belfonte	Catoosa	Dover	Grand View (Cherokee)
Bell	Cave Springs	Drummond	Grandview (Stephens)
Bennington	Cement	Drumright	Granite
Berryhill	Central High	Duke	Grant
Bethany	Central	Duncan	Greasy
Bethel	Chandler	Durant	Greenville
Big Pasture	Chattanooga	Dustin	Grove (Delaware)
Billings	Checotah	Eagletown	Grove (Pottawatomie)
Binger-Oney	Chelsea	Earlsboro	Guthrie
Bishop	Cherokee	Edmond	Guymon
Bixby	Cheyenne	El Reno	Gypsy
Blackwell	Chickasha	Eldorado	Haileyville
Blair	Chisholm	Elgin	Hammon
Blanchard	Choctaw-Nicoma Park	Elk City	Hanna
Bluejacket	Chouteau Mazie	Elmore City	Hardesty
Boise City	Cimarron	Empire	Harmony
Bokoshe	Claremore	Enid	Harrah
Boley	Clayton	Erick	Hartshorne
Boone-Apache	Cleora	Eufaula	Haskell
Boswell	Cleveland	Fairland	Haworth
Bowlegs	Clinton	Fairview	Haywood
Bowring	Coalgate	Fanshawe	Healdton
Boynton	Colbert	Fargo	Heavener

**PUBLIC SCHOOL DISTRICTS** *(continued)*

Hennessey	Liberty (Tulsa)	Mulhall-Orlando	Pleasant Grove
Henryetta	Lindsay	Muskogee	(Pottawatomie)
Hilldale	Little Axe	Mustang	Pleasant Grove
Hinton	Locust Grove	Nashoba	(Seminole)
Hobart	Lomega	Navajo	Pocola
Hodgen	Lone Grove	New Lima	Ponca City
Holdenville	Lone Star	Newcastle	Pond Creek
Hollis	Lone Wolf	Newkirk	Porter Consolidated
Holly Creek	Lookeba Sickles	Ninnekah	Porum
Hominy	Lost City	Noble	Poteau
Hooker	Lowrey	Norman	Prague
Howe	Lukfata	North Rock Creek	Preston
Hugo	Luther	Norwood	Pretty Water
Hulbert	Macomb	Nowata	Prue
Hydro-Eakly	Madill	Oak Grove	Pryor
Idabel	Mangum	Oakdale	Purcell
Indiahoma	Mannford	Oaks Mission	Putnam City
Indianola	Mannsville	Oilton	Quapaw
Inola	Maple	Okarche	Quinton
Jay	Marble City	Okay	Rattan
Jenks	Marietta	Okeene	Ravia
Jennings	Marlow	Okemah	Red Oak
Jones	Maryetta	Oklahoma City	Reydon
Justice	Mason	Oklahoma Union	Ringling
Justus-Tiawah	Maud	Okmulgee	Ringwood
Kansas	Maysville	Oktaha	Ripley
Kaw City	McAlester	Olive	Riverside
Kellyville	McCord	Olney	Robin Hill
Kenwood	McCurtain	Olustee	Rock Creek
Keota	McLoud	Oologah-Talala	Rocky Mountain
Ketchum	Medford	Optima	Roff
Keyes	Meeker	Osage Hills	Roland
Keys	Merritt	Osage	Rush Springs
Keystone	Miami	Owasso	Ryal
Kiefer	Middleberg	Paden	Ryan
Kildare	Mid-Del	Panama	Salina
Kingfisher	Midway	Panola	Sallisaw
Kingston	Milburn	Paoli	Sand Springs
Kinta	Milfay	Pauls Valley	Sapulpa
Kiowa	Mill Creek	Pawhuska	Sasakwa
Konawa	Millwood	Pawnee	Savanna
Krebs	Minco	Peavine	Sayre
Kremlin-Hillsdale	Moffett	Peckham	Schulter
Lane	Monroe	Peggs	Seiling
Latta	Moore	Perkins-Tryon	Seminole
Laverne	Mooreland	Perry	Sentinel
Lawton	Morris	Picher-Cardin	Sequoyah
Leach	Morrison	Pickett Center	Shady Grove
Leedey	Moseley	Piedmont	Shady Point
Le Flore	Moss	Pioneer	Sharon-Mutual
Leonard	Mounds	Pioneer Pleasant Vale	Shattuck
Lexington	Mountain View-Gotebo	Pittsburg	Shawnee
Liberty (Okmulgee)	Moyers	Plainview (Carter)	Shidler
Liberty (Sequoyah)	Muldrow	Plainview (Cimarron)	Silo

**PUBLIC SCHOOL DISTRICTS** *(continued)*

Skelly	Vanoss
Skiatook	Varnum
Smithville	Velma-Alma
Snyder	Verden
Soper	Verdigris
South Coffeyville	Vian
South Rock Creek	Vici
Spavinaw	Vinita
Sperry	Wagoner
Spiro	Wainwright
Springer	Wakita
Sterling	Walters
Stidham	Wanette
Stigler	Wapanucka
Stillwater	Warner
Stilwell	Washington
Stonewall	Washita Heights
Straight	Watonga
Stratford	Watson
Stringtown	Watts
Strother	Waukomis
Stroud	Waurika
Stuart	Wayne
Sulphur	Waynoka
Sweetwater	Weatherford
Swink	Webbers Falls
Tahlequah	Welch
Talihina	Weleetka
Taloga	Wellston
Tannehill	Western Heights
Tecumseh	Westville
Temple	Wetumka
Tenkiller	Wewoka
Terral	White Oak
Texhoma	White Rock
Thackerville	Whitebead
Thomas-Fay-Custer	Whitefield
Timberlake	Whitesboro
Tipton	Wickliffe
Tishomingo	Wilburton
Tom	Wilson (Carter)
Tonkawa	Wilson (Okmulgee)
Tulsa	Wister
Tupelo	Woodall
Turkey Ford	Woodland
Turner	Woodward
Turpin	Wright City
Tushka	Wyandotte
Tuskahoma	Wynnewood
Tuttle	Wynona
Twin Hills	Yale
Tyrone	Yarbrough
Union City	Yukon
Union	Zaneis
Valliant	Zion

**CAREER AND TECHNOLOGY CENTERS**

Caddo-Kiowa	Mid-America
Canadian Valley	Moore-Norman
Central Oklahoma	Northeast Area
Chisholm Trail	Northwest
E. Okla. County	O.T. Austry
Francis Tuttle	Pioneer
Gordon Cooper	Pontotoc
Great Plains	Red River
Green Country	S. Oklahoma
High Plains	Southwest
Indian Capital	Tri-County
Kiamichi	Tulsa Technology Center
Meridian	Wes Watkins
Metro Tech	Western

**COLLEGES AND UNIVERSITIES**

Cameron University	OU Health Sci. Ctr.
East Central Univ.	Rogers St. University
Langston University	SE Oklahoma
Northeastern State	State University
University	SW Oklahoma
NW Oklahoma	State University
State University	Univ. of Central Okla.
Oklahoma St. Univ.	Univ. of Oklahoma
Okla. Panhandle St. Univ.	Univ. Sci. & Arts of Okla.

**JUNIOR COLLEGES**

Carl Albert St. Coll.	OKC Comm. College
Connors St. College	Redlands Comm. College
E. Okla. St. Coll.	Rose State College
Murray State College	Seminole State College
NE Oklahoma A&M	Tulsa Comm. College
N. Oklahoma College	W. Okla. State College

**OTHER PARTICIPATING ENTITIES**

Atoka-Coal Interlocal	John Wesley Charter Sch.
Bd. of Priv. Voc. Schls	Kipp Reach Coll. Prep. Sch.
Bd. of Reg. of Okla. Colleges	McCurtain Cty Inter. Co-op
Bd. of Reg. for Higher Ed.	Mid-DelACT
CCOSA	Mid-Del Central Foods
Cherokee Cty Interlocal Co-op	MooreACT
Choctaw Nation Interlocal	OCAST
Comm. on Teacher Prep.	OKC Fed. of Teachers
Deborah Brown Comm. Sch.	Okla. Educ. Assn.
Dept. of Career and Tech. Ed.	Okla. Sch. of Science and Math
Dept. of Corrections	Ok. St. Election Board
Dept. of Education	Okla. St. Loan Auth.
Dept. of Human Svcs.	Okla. House of Rep.
Dept. of Rehab. Svcs.	Osage Cty Interlocal Coop
Dove Sci. Acad.-OKC	Quartz Mountain
Five Star Interlocal Co-op	Secondary Sch. Act. Assoc.
Garfield Cty. Inter. Co-op	Teachers' Retirement System
Harding Charter Prep. H.S.	Tri-County Interlocal Coop
Harding Fine Arts Ctr.	Tulsa Sch. of Arts and Sciences
Independence Charter M.S.	Western Village Charter Sch.