



OKLAHOMA TEACHERS RETIREMENT SYSTEM



Comprehensive Annual Financial Report

A Component Unit of the State of Oklahoma

Fiscal Year Ended June 30, 2014



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Mission Statement

We collect, protect and grow assets to provide a secure retirement income for public education employees.

Vision

The vision of Oklahoma Teachers Retirement System is to:
Provide quality service to our clients in an efficient, economical manner,
Provide our clients on-demand and accurate access to their personal financial information,
Educate our clients about their retirement benefits, and
Inform our clients about the financial status of Oklahoma Teachers Retirement System so they will be confident in our ability to provide their benefits.

Core Values

We value the following in delivering our service:

- Customer Service
- Teamwork
- Reputation
- Adequate Funding
- Competency
- Ethical Behavior



OKLAHOMA TEACHERS RETIREMENT SYSTEM

A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Tom Spencer
Executive Director

Prepared by the Finance Department of the Oklahoma Teachers Retirement System

Oklahoma Teachers Retirement System

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Oklahoma City, OK 73152

(405) 521-2387

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Table of Contents

Introductory Section	7
Transmittal Letter from the Executive Director	8
Board of Trustees	12
Organization Chart	13
2013-2014 Teachers' Retirement System of Oklahoma Plan Summary	14
Certificate of Achievement for Excellence in Financial Reporting	16
Financial Section	17
Independent Auditors' Report	18
Management's Discussion and Analysis	20
Basic Financial Statements	
Statements of Fiduciary Net Position	25
Statements of Changes in Fiduciary Net Position	26
Notes to Financial Statements	27
Required Supplementary Information	47
Schedule of Changes in Employers' Net Pension Liability	47
Schedule of Employers' Net Pension Liability	48
Schedule of Contributions from Employers and Other Contributing Entities	49
Schedule of Investment Returns	50
Other Supplementary Information	51
Schedule of Investment Expenses	51
Schedule of Administrative Expenses	52
Schedule of Professional/Consultant Fees	53
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 <i>Government Auditing Standards</i>	54
Schedule of Reportable Findings	56
Investment Section	59
Professional Consultants and Advisors	60
Statement of Investment Policies	62
Investments Performance	63
FY 2014 Strategy Performance	64
Top Ten Holdings	65
Investment Expenses	66
Investment Managers	67
Assets Managed by Investment Manager Chart	68
Investment Returns	69
Schedule of Brokerage Commissions Paid	70
Summary of Investments	76
Actuarial Section	77
Certification of the 2014 Actuarial Valuation	79
Executive Summary	83
Schedule of Active Member Valuation Data	84
Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption	84
Schedule of Increase and Decreases of Benefit Recipients	85
Total Experience Gain or Loss	86
Solvency Test	87
Schedule of Funding Progress	89
Schedule of Changes in the Employers Net Pension Liability and Related Ratios	90

Schedule of Employer Contributions	91
Notes to Schedule of Contributions	91
Summary of Plan Provisions	92
Summary of Actuarial Assumptions and Methods	101
Statistical Section	109
Statistical Section Summary	110
Retired Members by Type of Benefits	111
Average Benefit Payments	112
Principal Participating Employers	113
Schedule of Average Payment Amounts	114
Active Personnel	115
Schedule of Retired Members by Types of Benefits	116
Distribution by Years of Service	117
Distribution by Age at Retirement	118
Distribution by Retiree Age	119
Distribution by Monthly Income	120
Schedule of Cash Receipts and Disbursements	121
Schedule of Changes in Net Position	122
Schedule of Revenue by Source	123
Schedule of Expenses by Type	124
Schedule of Benefit Expenses by Type	125
Retirees in State of Oklahoma, by County	126
2014 Participating Employers	127

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OKLAHOMA TEACHERS RETIREMENT SYSTEM



Introductory Section



TOM SPENCER
EXECUTIVE DIRECTOR

MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

December 18, 2014

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 2014 Comprehensive Annual Financial Report (CAFR) of the Oklahoma Teachers Retirement System (the System) for the fiscal year ended June 30, 2014. 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 \$14.229 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

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that the transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures. 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. Internal control is designed to provide reasonable assurance, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes first, that the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of cost and benefits requires estimates and judgments by management. The System has its own internal audit program and uses a private firm retained by the Board of Trustees that answers directly to the Board. The firm not only analyzes financial issues and risk, but also provides advice on work flow and internal processes improvements.

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, 2014, the System's investment portfolio realized a 22.4% rate of return. This was due to the continual recovery in the United States and global equity markets.

A properly funded pension plan continues to be the Board's most significant challenge. As of June 30, 2014, 63.2% of the System's actuarial liabilities were covered by the actuarial value of assets. This is an increase from the 57.2% funded ratio reported for June 30, 2013. The increase in funded percentage is principally due to significant asset growth, investment performance, and the FY 2009 losses falling out of the five-year actuarial asset smoothing. Based upon the current statutory contribution schedule, the funding period is 11 years. This is a six year decrease from the 17 year funding period in 2013.

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 2014 were \$301.3 million, which represents 7.5% of covered payroll. This compares to \$290.0 million for the fiscal year ending June 30, 2013. Member contributions include direct payments by members to reestablish service credit, purchase Oklahoma service, 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 2014 totaled \$707.1 million, compared to \$701.3 million for fiscal year 2013. Contributions from local school districts and federal revenues increased by \$11.5 million as the state's contribution decreased by \$4.7million.

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 fiscal year 2014, the System paid \$57.9 million more in retirement, survivor and insurance benefits than in the preceding year, \$176 thousand less in refunds to active clients who terminated accounts, and \$2.5 million less 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 and the average benefit payments. The decrease in refunds and death benefits and is due to a decrease in the number of members making withdrawals from the defined benefit plan. Administrative expenses increased by \$126 thousand due primarily to a increase in general administrative costs.

Investments

For FY 2014, the System experienced a 22.4% positive rate of return. Net investment income, including realized and unrealized gains and losses, was a positive \$2,547 million compared to a positive \$1,793 million for FY 2013. Net assets totaled \$14.5 billion at market value on June 30, 2014 compared to \$12.0 billion on June 30, 2013. These numbers include the amounts held in trust for members who participate in the Systems 403(b) Tax Sheltered Annuity Plan.

On June 30, 2014, the System's investment portfolio mix at market value was 20.4% fixed income, 62.3% equities, 8.8% Master Limited Partnerships, 4.4% real estate, 2.6% Private Equity, Opportunistic 1.2% and Cash 0.3% . 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, Treasury Bills and Notes, Commercial Paper, foreign currency exchange contracts, private equity, master limited partnerships and bank deposits collateralized by U.S. Government securities.

A summary of the System's investment activities during fiscal year 2014 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 for the fiscal year ended June 30, 2013. This is the twenty-first consecutive year the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, 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.

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,



Tom Spencer
Executive Director



Riley Shaull, CPA CGFM
Comptroller

TEACHERS RETIREMENT SYSTEM OF OKLAHOMA

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Oklahoma City, Oklahoma 73105

Mailing Address:
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BOARD OF TRUSTEES

Mr. William L. "Bill" Peacher, Chairman

Mr. Vernon Florence, Vice-Chairman

Ms. Elizabeth H. "Beth" Kerr, Secretary

Mr. James Dickson, *Trustee*,

Ms. Judie M. Harris, *Trustee*

Mr. Roger Gaddis, CPA/CFP, *Trustee*

Ms. Jill Geiger, *Trustee*, Ex-Officio

Dr. Philip Lewis, *Trustee*

Mr. Stewart E. Meyers, Jr., *Trustee*

Ms. Billie C. Stephenson, *Trustee*

Dr. Gary Trennepohl, *Trustee*

Dr. Gregory Z. Winters, *Trustee*

Mr. Andrew Oster, *Trustee*, Ex-Officio

TEACHERS RETIREMENT SYSTEM OF OKLAHOMA

**OKLAHOMA TEACHERS RETIREMENT SYSTEM
BOARD OF TRUSTEES**

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General Counsel

VACANCY TO BE FILLED
Executive Director

Susan Yingling
Executive Assistant

- Professional Consultants**
- Tax Counsel
Ice Miller
 - Actuary
Gabriel, Roeder, Smith & Company
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 - Investment Custodian
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Joe Ezzell, CPA (ret 6/30/14)
Assistant Executive Director
FINANCE/ACCOUNTING

Dixie Moody
Director of Client Services
CLIENT SERVICES

Kim Bold
Human Resources Director
HUMAN RESOURCES

vacant
Director of Investments
Investments

Debra Plog
Employer Reporting Manager
Employer Reporting

vacant
Secretary-Treasurer

Riley Shauli, CPA, CGFM
Comptroller

Lisa Van Liew, CPA
Assistant Comptroller

Sherry Blasko
Financial Accountant

Donna Spurrier, CPO
Business Manager

Kaleb Jones
Financial Accountant

Lisa Giles
Client Services Manager
Communication & Education

Debra Schmitt
Client Services Manager
Information Center

Frances Rogers
Client Services Manager
Retirement Planning

Melissa Kempkes
Investment Analyst

Richard Plett (ret 6/30/14)
Sr. Retirement Planning Consultant
(Voucher Review)

Sherrie Kenney
Sr. Retirement Planning Consultant
(Finalization/Post Ret/PLSO)

Nita Henderson
Retirement Planning Consultant
(Projections and Estimates)

Anthony Gilliard
Retirement Planning Consultant
(Voucher Review/Audit/Billings/Estimates)

Brandi Bernard
Retirement Planning Consultant
(Survivor Benefits/OPERS Transfers)

Lisa Miranda
Retirement Planning Consultant
(Withdrawals)

Olga Phillips
Data Management Analyst

Diane Burdine
Data Management Analyst

Dennis Latham
Retirement Planning Consultant
(Information Center)

Craig Hasty
Retirement Planning Consultant
(Information Center)

Terri Shrock
Retirement Planning Consultant
(Front Desk)

Tammie Lambert-Miller
Retirement Planning Consultant
(Information Center)

Kimberly Couts
Retirement Planning Consultant
(Information Center)

Rocky La Marr
Retirement Planning Consultant
(Information Center)

vacant
Retirement Planning Consultant
(Information Center)

Kris Thornton
Retirement Planning Consultant
(Audit/Billings/Estimates)

Angie Wilson
Retirement Planning Consultant
(Audit/Billings/Estimates)

Debbie Conrad
Retirement Planning Consultant
(Audit/Billings/Estimates)



OKLAHOMA TEACHERS RETIREMENT SYSTEM

Plan Summary 2013-2014

BEGINNINGS

The Oklahoma Teachers Retirement System (the System) 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 member of the System, your contribution rate is 7% of your total compensation (salary and your fringe benefits).

Statutes also require employers to contribute a percentage of applicable employee earnings. The employer contribution rate for K-12 school districts, career-techs, and junior colleges is 9.5%. 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 8.55%.

MEMBERSHIP

Oklahoma statutes require classified personnel to be members of the System. 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 the System if the Oklahoma Teachers Retirement System 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 the System 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 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

You are fully vested after five years of contributory Oklahoma membership service and may choose to take an early, reduced retirement benefit, or stay to qualify for a regular, unreduced retirement benefit. A vested client is eligible to receive a retirement benefit when one of the following requirements is met:

Age 62 or Combination 80. Those who joined the System prior to 7/1/92 may retire with an unreduced benefit at age 62 or when the client's age and years of creditable service total 80 points. The

highest three salaries are used in the calculation of the benefit. A reduced annuity is available at the minimum age of 55.

Age 62 or Combination 90. Those who joined the System after 7/1/92 and before 11/1/11 may retire with unreduced benefits at age 62 or when the client's age and years of creditable service total 90 points. Those who qualify under Combination 90 use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula. A reduced annuity is available at the minimum age of 55.

Age 65 or Combination 90 at Age 60. Those who joined the System on or after 11/1/11 may retire with an unreduced benefit at age 65 or when the client's age is at least 60 and years of creditable service total at least 90 points. Those who qualify under this rule use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula. A reduced annuity is available at the minimum age of 60.

The Oklahoma Teachers Retirement System is a governmental defined benefit plan under Section 401(a) of the Internal Revenue Code. The retirement benefits paid to our members are not determined by the market value of their retirement account, but rather by a formula. The formula includes years of service and highest average salary multiplied by a 2% computation factor.

The final average salary is not limited to the highest average salary defined under the Rule of 80 (highest three salaries) or Rule of 90 (highest five consecutive salaries), but may include any years previously capped.

The Education Employees Service Incentive Plan (EESIP) provides the opportunity for capped years to be diminished by two years for every one year worked beyond the full retirement eligibility date. If salaries earned prior to July 1, 1995 are greater than \$40,000, there will be a cost to participate in EESIP. Clients retiring from a four year university, college or other related entity are not eligible to participate in this plan.

If you work for a comprehensive university (OU/OSU) or other associated entity, your retirement benefit calculation may involve a multi-step process. First, we will determine your capped average salary prior to July 1, 1995. Next we will determine your capped average salary between July 1, 1995 and June 30, 2007. Finally, years of service that did not meet the caps as well as service credit earned after July 1, 2007, will be incorporated into the retirement benefit formula using the highest average of actual total compensation, not to exceed the IRS compensation limits. There may be as few as one average salary or as many as four weighted averages to determine the final average salary used in the final benefit calculation.

Each of the Systems' 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.

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 disability retirement benefit if you are active and have at least 10 years of contributory 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 System's Medical Review Board and the Board of Trustees. *(Continued on Reverse Side)*

If you are awarded Social Security Disability benefits, you qualify for disability benefits with the System if you incur the disability while employed by the public schools and provide the System 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, Oklahoma Teachers Retirement System will pay for the first \$100 to \$105 of monthly premiums for you, but not for your dependents. The actual amount paid by the System 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 Group Insurance Board before termination.

SURVIVOR BENEFITS

Your designated beneficiary or estate is entitled to survivor benefits if you are a member of the System 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 Oklahoma Teachers Retirement System 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 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(ies) 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 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 service credit.

If you return to qualifying employment, you may redeposit your withdrawn account after you contribute to the System 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 the System.

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 the System without terminating employment. If

you are an optional member and withdraw your account without leaving your job, the IRS requires that pre-tax contributions remain on deposit and cannot be refunded until you leave your job.

If you continue working for your employer after terminating your membership, you can rejoin the System 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.

THE 403(b) TAX SHELTERED ANNUITY PLAN

The System sponsors a tax sheltered annuity program qualified under § 403(b) of the Internal Revenue Code. 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.

The tax sheltered annuity program has been managed internally since its inception in 1964. In July 2009, the Board of Trustees hired Voya Financial Inc. to be the service provider for the 403(b) Plan.

Under the new plan, participants may access their accounts 24 hours a day by calling a toll-free number or via the internet. Customer service representatives are available each weekday from 7:00 am to 8:00 pm. The investments are flexible and diversified with fifteen options to choose from.

The most exciting feature of the new plan is the comprehensive educational strategy developed by Voya. A dedicated representative from Voya will be available to meet with you at least annually to discuss your retirement goals and needs.

RIGHTS AND RESPONSIBILITIES

Oklahoma Teachers Retirement System publications provide answers to general questions. You are responsible for resolving any questions about your retirement account. You are entitled to counseling from the staff concerning any questions you have about your retirement account. The System 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

OKLAHOMA TEACHERS RETIREMENT SYSTEM

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405-521-2387 (OKC Area)

877-738-6365 (Toll Free)

Website:

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

This Plan Summary provides general information summarizing the basic benefits available to members of the System. If conflict arises between information contained in this summary and state statutes or official Oklahoma Teachers Retirement System rules, the law and/or rule takes precedence.

Revised 01/2015



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Oklahoma Teachers
Retirement System**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



OKLAHOMA TEACHERS RETIREMENT SYSTEM



Financial Section

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Teachers' Retirement System of Oklahoma (the System), a part of the financial reporting entity of the state of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Teachers' Retirement System as of June 30, 2014, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note N of the financial statements, in 2014 the System adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in pages XX through XX is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2014, on our consideration of the System's internal control over financial reporting and on 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* in considering the System's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 10, 2014

Management's Discussion and Analysis
Teachers' Retirement System of Oklahoma
June 30, 2014 and 2013

Management is pleased to present this discussion and analysis of the financial activities of the Oklahoma Teachers Retirement System ("OTRS" or the "System") for the years ended June 30, 2014 and 2013. The System is responsible for administering retirement benefits for a 401(a) defined benefit plan for all educational employees of the state of Oklahoma as well as a 403(b) plan which is a tax-advantaged retirement savings plan available for public education organizations. The System was established on July 1, 1943, for the purpose of providing these retirement benefits and other specific benefits for qualified persons employed by public educational institutions. The main purpose of the System is to provide a primary source of lifetime retirement benefits relative to years of service at the time of retirement. It is the objective of the System to provide these benefits in a prudent, responsible, and cost-effective manner. Plan net assets are used to pay current and future benefits to retired clients.

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. OTRS's basic financial statements are comprised of three components: 1) *statement of fiduciary net position*, 2) *statement of changes in fiduciary net position*, 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 fiduciary net position* presents information on all of the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as *net position restricted for pensions*. Over time, increases or decreases in plan net position 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 fiduciary net position* but is located in both the *notes to the financial statements* and the *required supplementary information*.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent fiscal year. Changes in net position are recognized using the accrual basis of accounting, in which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which 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.

The *required supplementary information* presents a Schedule of Changes in Employers' Net Pension Liability, Schedule of Employers' Net Pension Liability, Schedule of Contributions from Employers and Other Contributing Entities and Schedule of Investment Returns. Other supplementary information includes the Schedule of Administrative Expenses, the Schedule of Investment Expenses, and the Schedule of Professional/Consultants Fees. These schedules provide additional analysis of the information provided in the financial statements.

Management's Discussion and Analysis (Continued)
Teachers' Retirement System of Oklahoma
June 30, 2014 and 2013

CONDENSED FINANCIAL INFORMATION

Fiduciary net position as of June 30:

	2014	2013	2014 % Change
ASSETS			
Cash	\$ 17,695,733	\$ 14,903,504	18.7%
Receivables	201,958,789	286,998,149	-29.6%
Long- and short-term investments, at fair value	14,531,814,990	12,133,453,542	19.8%
Capital assets, net	2,848,571	2,180,235	30.7%
TOTAL INVESTMENTS AND OTHER ASSETS	14,754,318,083	12,437,535,430	18.6%
Securities lending institutional daily assets fund	2,475,662,654	2,363,777,689	4.7%
TOTAL ASSETS	17,229,980,737	14,801,313,119	16.4%
LIABILITIES			
Investment settlements and other liabilities	314,844,654	397,929,117	-20.9%
Payable under securities lending agreement	2,475,662,654	2,363,777,689	4.7%
TOTAL LIABILITIES	2,790,507,308	2,761,706,806	1.0%
NET POSITION			
Net position restricted for pensions	<u>\$ 14,439,473,429</u>	<u>\$ 12,039,606,313</u>	19.9%

Changes in fiduciary net position for the year ended June 30:

	2014	2013	2014 % Change
ADDITIONS:			
Member contributions	\$ 301,300,811	\$ 290,044,395	3.9%
Employer contributions	386,895,127	373,789,020	3.5%
Matching contributions	24,352,831	26,995,423	-9.8%
Dedicated tax revenue	295,804,717	300,509,886	-1.6%
Member tax shelter contributions	3,026,532	2,910,706	4.0%
Net investment income gain (loss)	2,587,292,673	1,783,073,902	45.1%
Security lending net income	8,590,136	9,531,387	-9.9%
TOTAL ADDITIONS	3,607,262,827	2,786,854,719	29.4%
DEDUCTIONS:			
Benefit payments	1,153,051,607	1,095,144,055	5.3%
Refund of member contributions and tax sheltered annuity	50,061,499	52,732,344	-5.1%
Administrative expenses	4,282,605	4,156,867	3.0%
TOTAL DEDUCTIONS	1,207,395,711	1,152,033,266	4.8%
NET INCREASE IN NET POSITION	2,399,867,116	1,634,821,453	46.8%
NET POSITION RESTRICTED FOR PENSIONS			
BEGINNING OF YEAR	12,039,606,313	10,404,784,860	15.7%
END OF YEAR	<u>\$ 14,439,473,429</u>	<u>\$ 12,039,606,313</u>	19.9%

Management's Discussion and Analysis (Continued)
Teachers' Retirement System of Oklahoma
June 30, 2014 and 2013

FINANCIAL HIGHLIGHTS AND ANALYSIS

The increase in net position primarily is due to investment gains as a result of significant market improvement in fiscal year 2014. The total investment returns for fiscal year 2014 were positive 22.4%. Domestic and international equity compose 67.8% of the investment portfolio asset allocation; domestic equity returned 27.6% while international equity returned 21.1%.

	<u>2014</u>	<u>2013</u>
Plan net position	\$ 14,439,473,429	\$ 12,039,606,313
Yearly % change	19.9%	15.7%

The total investment return for the five year period of 16.1% is above the actuarial assumed rate of investment return. The continued strengthening of the United States and global markets has driven this rate up since 2009. The assumed actuarial rate of return is currently 8.0%.

<u>Total Returns</u>	<u>1 year</u>	<u>3 year</u>	<u>5 year</u>	<u>10 year</u>
2014	22.4%	13.6%	16.1%	9.0%
2013	17.8%	14.0%	7.7%	8.8%

Benefit payments increased 5.3% in 2014 compared to 2013. The increase is a result of a 3.3% increase in the number of benefit recipients and a 0.5% increase in the average monthly benefit. Benefit payments in 2014 to retired members exceed contributions from contributing members and employers by \$173 million, or a ratio of 1.17 to 1. A ratio of less than one would signify that the System is receiving more contributions than it pays out in benefits. While that may be desirable, that would be very rare for a mature defined benefit retirement system. In a mature pension system like OTRS a significant percentage of the benefits are paid out of investment earnings that are not reflected in this ratio. The table below reflects the ongoing employer and member contributions.

	<u>2014</u>	<u>2013</u>
Member contributions	\$ 301,300,811	\$ 290,044,395
Employer contributions	386,895,127	373,789,020
Matching contributions	24,352,831	26,995,423
Dedicated tax revenue	295,804,717	300,509,886
Total contributions	<u>\$ 1,008,353,486</u>	<u>\$ 991,338,724</u>
Benefit payments	\$ 1,153,051,607	\$ 1,095,144,055
Refund of contributions	28,718,256	28,894,193
Total payments	<u>\$ 1,181,769,863</u>	<u>\$ 1,124,038,248</u>

Management's Discussion and Analysis (Continued)
Teachers' Retirement System of Oklahoma
June 30, 2014 and 2013

FINANCIAL HIGHLIGHTS AND ANALYSIS (Continued)

The number of benefit recipients increased 3.3% in 2014 as compared to 3.5% in 2013. This is comparable the fiscal year 2013. The increase in the number of benefit recipients has remained consistent over the past year. There was a net increase of 1,808 and 1,865 members that entered retirement for fiscal year 2014 and fiscal year 2013, respectively.

	2014	2013
Benefit recipients	56,389	54,581
Yearly % change	3.3%	3.5%
Net increase	1,808	1,865

The following table reflects the average monthly benefit for service retirements. While the table above reflects an increase in the number of retirees in the past year of 3.3% the table below reflects the average benefit per retiree has only increased by 0.5% in 2014 as compared to 2013. The increase in benefit recipients was 3% higher than the increase in average benefit payment below. This is due to members retiring at a younger age and receiving a lower average benefit payment than in fiscal year 2013.

	2014	2013
Average benefit	\$ 1,599	\$ 1,591
Yearly % change	0.5%	2.3%

The ratio of active members to retired members of the System is 1.59 to 1 in 2014, compared to 1.64 to 1 in 2013. This change is caused by the longevity of the Plan's retiree population and an active population that has leveled off. Contributing members increased by 237 while benefit recipients increased by 1,808.

	2014	2013
Members contributing	89,570	89,333
Yearly % change	0.3%	1.8%
Benefit recipients	56,389	54,581
Yearly % change	3.30%	3.50%
Ratio contributing/retired	1.59	1.64

The manner of calculating the funded ratio changed during fiscal year 2014 due to the adoption of GASB Statement No. 67, *Financial Reporting for Pension Plans*. For this reason, there is no comparative presentation for fiscal year 2013.

	2014
Total pension liability	\$ 19,646,619,191
Plan fiduciary net position	142,229,481,368
Ratio of plan fiduciary net position to total pension liability	72.43%

Management's Discussion and Analysis (Continued)
Teachers' Retirement System of Oklahoma
June 30, 2014 and 2013

FINANCIAL HIGHLIGHTS AND ANALYSIS (Continued)

Under GASB Statement 67 this ratio represents the Total Pension Liability compared to the Plan's total net position at market value. Prior to GASB Statement 67 this ratio was calculated using the actuarial value of the Plan's net position.

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 information should be addressed to the Executive Director of the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or (405) 521-2387.

STATEMENTS OF FIDUCIARY NET POSITION

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

As of June 30, 2014 (with Comparative Totals as of June 30, 2013)

	401(a) Plan	403(b) Plan	Totals June 30	
	2014	2013		
ASSETS				
Cash	\$ 17,695,733	\$ -	\$ 17,695,733	\$ 14,903,504
Short-term investments	432,300,020	-	432,300,020	796,745,800
Accrued interest and dividends receivable	43,053,787	-	43,053,787	39,448,046
Member contributions receivable	17,342,295	-	17,342,295	17,143,101
Employer contributions receivable	26,714,511	-	26,714,511	26,082,418
Receivable from the State of Oklahoma	30,261,548	-	30,261,548	28,855,587
Due from brokers for securities sold	84,586,648	-	84,586,648	175,468,997
Security lending institutional daily assets fund	2,475,662,654	-	2,475,662,654	2,363,777,689
Long-term investments:				
Mutual funds	-	209,992,061	209,992,061	204,133,915
U.S. government securities	803,376,179	-	803,376,179	1,056,986,977
U.S. corporate bonds	1,915,066,646	-	1,915,066,646	1,657,819,302
International corporate bonds and government securities	135,500,052	-	135,500,052	117,154,794
Equity securities	9,856,801,852	-	9,856,801,852	7,357,893,901
Alternative investments	587,418,530	-	587,418,530	412,641,707
Real estate	591,359,650	-	591,359,650	530,077,146
Total long-term investments	<u>13,889,522,909</u>	<u>209,992,061</u>	<u>14,099,514,970</u>	<u>11,336,707,742</u>
Capital assets, net	<u>2,848,571</u>	<u>-</u>	<u>2,848,571</u>	<u>2,180,235</u>
TOTAL ASSETS	<u>\$ 17,019,988,676</u>	<u>\$ 209,992,061</u>	<u>\$ 17,229,980,737</u>	<u>\$ 14,801,313,119</u>
LIABILITIES				
Benefits in process of payment	\$ 75,135,942	\$ -	\$ 75,135,942	\$ 71,624,164
Due to brokers for securities purchased	226,440,313	-	226,440,313	317,047,427
Payable under security lending agreement	2,475,662,654	-	2,475,662,654	2,363,777,689
Other liabilities	13,268,399	-	13,268,399	9,257,526
TOTAL LIABILITIES	<u>\$ 2,790,507,308</u>	<u>\$ -</u>	<u>\$ 2,790,507,308</u>	<u>\$ 2,761,706,806</u>
NET POSITION				
Net position restricted for pensions	<u>\$ 14,229,481,368</u>	<u>\$ 209,992,061</u>	<u>\$ 14,439,473,429</u>	<u>\$ 12,039,606,313</u>

See notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2014 (with Comparative Totals for the Year Ended June 30, 2013)

	401(a) Plan	403(b) Plan	Totals Year Ended June 30	
			2014	2013
Additions:				
Members	\$ 301,300,811	\$ -	\$ 301,300,811	\$ 290,044,395
Members tax shelter	-	3,026,532	3,026,532	2,910,706
Employer statutory requirement from local school districts	386,895,127	-	386,895,127	373,789,020
Matching funds	24,352,831	-	24,352,831	26,995,423
Dedicated tax	295,804,717	-	295,804,717	300,509,886
Total contributions	1,008,353,486	3,026,532	1,011,380,018	994,249,430
Investment income:				
Interest & dividends	356,982,304	11,221,530	368,203,834	331,330,336
Net appreciation in fair value of investments	2,255,051,791	12,953,327	2,268,005,118	1,488,032,970
Investment expenses	(48,916,279)	-	(48,916,279)	(36,289,404)
Gain from investing activities	2,563,117,816	24,174,857	2,587,292,673	1,783,073,902
Income from securities lending activities:				
Securities lending income	10,106,042	-	10,106,042	11,213,396
Securities lending expenses:				
Management fees:	(1,515,906)	-	(1,515,906)	(1,682,009)
Net income from securities lending activities	8,590,136	-	8,590,136	9,531,387
Net investment gain	2,571,707,952	24,174,857	2,595,882,809	1,792,605,289
Total additions	3,580,061,438	27,201,389	3,607,262,827	2,786,854,719
Deductions:				
Retirement, death, survivor, and health benefits	1,153,051,607	-	1,153,051,607	1,095,144,055
Refund of member contributions and annuity payments	28,718,256	21,343,243	50,061,499	52,732,344
Administrative expenses	4,282,605	-	4,282,605	4,156,867
Total deductions	1,186,052,468	21,343,243	1,207,395,711	1,152,033,266
NET INCREASE (DECREASE) IN NET POSITION	2,394,008,970	5,858,146	2,399,867,116	1,634,821,453
NET POSITION RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	11,835,472,398	204,133,915	12,039,606,313	10,404,784,860
NET POSITION RESTRICTED FOR PENSIONS, END OF YEAR	\$ 14,229,481,368	\$ 209,992,061	\$ 14,439,473,429	\$ 12,039,606,313

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

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. The plan's benefits are established and amended by State Statute and 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 System administers a cost-sharing multiple-employer pension plan which is a defined benefit pension plan ("DB Plan"), as well as a tax-deferred defined contribution plan ("DC Plan").

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 board of trustees is comprised of six appointees from the Governor's Office, two appointees by the Senate Pro Tempore, two appointees by the House Speaker and three Ex Officio positions. Out of the six appointees from the Governor's Office, one must be a Higher Education representative, one is a nonclassified optional personnel, and the remaining four must work in the public or private funds management, banking, law or accounting field. Out of the two Senate Pro Tempore's as well as the House Speaker's appointees, one must be an active classroom teacher while the other be a retired member of Oklahoma Teachers Retirement. The Ex Officio trustees are the State Superintendent, the Office of Management and Enterprise Services Director and the Career-Tech Director or their designee.

DB Plan: Oklahoma teachers and other certified employees of common schools, faculty and administrators in public colleges and universities, and administrative personnel of state educational boards and employees of agencies who are employed at least half-time must join the System's DB Plan. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week. There are 607 contributing employers in the System. The DB Plan's membership consisted of the following as of June 30:

	2014
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	56,389
Inactive Plan Members Entitled to But Not Yet Receiving Benefits*	10,704
Active Plan Members	89,570
	<u>156,663</u>

* Does not include 9,735 of nonvested terminated members entitled to a refund of their member contributions.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE A--DESCRIPTION OF THE SYSTEM--Continued

DC Plan: Members are also offered a tax-deferred defined contribution plan qualified under the Internal Revenue Code ("IRC") Section 403(b). The DC Plan is also referred to by the System as the Tax-Sheltered Annuity Plan. Membership in the DC Plan is voluntary, and investments primarily consist of mutual funds and are participant directed. ING is responsible for administrative services, including custody and record keeping services.

The DC Plan had approximately 3,783 participants as of June 30, 2014. Contributions are voluntary and require a minimum of \$200 per year. The maximum deferral amount is the lesser of 100% of the participant's compensation or the maximum amount allowed by the IRC, currently \$17,500. Participants age 50 and older may contribute an additional \$5,500 if they qualify for the catch up provision.

NOTE B--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 Office of Management and Enterprise Services. The System's budget process follows the budget cycle for State operations as outlined by the Office of Management and Enterprise Services.

The Executive Director 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.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

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

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. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made anytime during the year at the discretion of the Board. There were no significant investment policy changes for FY-2014.

System investments are reported at fair value. The short-term investment fund is comprised primarily of investments in a money market fund, which are 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.

The System also invests as a limited partner in alternative investments. These investments employ specific strategies such as leverage buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. The strategies of all such funds are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Alternative investment partnerships are valued using their respective net asset value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors and consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

The System's real estate investments are primarily through limited partnerships. Properties owned by the partnership are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice once every year. The System's real estate investments are long term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interests are valued by the System using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually, and may be periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

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

Investments--Continued: 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.

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. The gains and losses on these contracts are included in the income in the period in which the exchange rates change. See Note C for additional information regarding investment derivatives as of June 30, 2014.

The System's investment policy provides for investment diversification of stocks, bonds, fixed income securities, real estate, alternative investments, 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 position.

At June 30, 2014, the asset allocation guidelines established by the Board's investment policy were 40% in Domestic Equity, 17.5% in International Equity, 23.5% in Fixed Income, 5% in Private Equity, 7% in Real Estate and 7% in Master Limited Partnerships.

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.

Risks and Uncertainties: Contributions to the System and the actuarial information included in Note M and 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

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

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 \$202,000 at June 30, 2014.

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 position held in trust for pension benefits at the date of the financial statements and the actuarial information included in Note M and the required supplementary information as of the benefit information date, the changes in System net position 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.

Comparative Totals: The financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE C--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, 2014, the carrying amount of the System's bank deposits was approximately \$17,696,000. The bank balance of the System's bank deposits at June 30, 2014 was approximately \$19,075,000.

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, 2014, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$14,123,000 with its custodial agent. The System's custodial agent for the years ended June 30, 2014 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, 2014

NOTE C--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	S&P Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Income Fair Value
		<i>(in Thousands)</i>	
U.S. Corporate Bonds	AAA	\$ 91,190	3.2%
	AA+	43,565	1.5%
	AA	8,095	0.3%
	AA-	7,384	0.3%
	A+	21,450	0.8%
	A	58,193	2.0%
	A-	102,703	3.6%
	BBB+	102,670	3.6%
	BBB	180,720	6.3%
	BBB-	268,419	9.4%
	BB+	148,025	5.2%
	BB	174,505	6.1%
	BB-	160,942	5.6%
	B+	96,638	3.4%
	B	112,772	4.0%
	B-	118,620	4.2%
	CCC+	72,055	2.5%
	CCC	14,821	0.5%
	CCC-	7,761	0.3%
	CC	293	0.0%
	D	1,338	0.1%
	NR	112,416	3.9%
Total U.S. Corporate Bonds		1,904,575	66.8%
International Corporate Bonds	AA-	3,307	0.1%
	A-	3,200	0.1%
	BBB+	1,726	0.1%
	BBB	4,242	0.1%
	BBB-	5,572	0.2%
	BB-	1,057	0.1%
	B+	3,462	0.1%
	B	3,006	0.1%
	CCC+	3,228	0.1%
	NR	2,576	0.1%
Total International Corporate Bonds		31,376	1.1%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE C--CASH AND INVESTMENTS--Continued

Investment Type	S&P Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Income Fair Value
		<i>(in Thousands)</i>	
International government securities	AAA	11,064	0.4%
	AA+	4,905	0.2%
	AA	2,908	0.1%
	AA-	691	0.0%
	A+	1,723	0.1%
	A	27,653	1.0%
	A-	301	0.0%
	BBB+	4,526	0.2%
	BBB	14,591	0.5%
	BBB-	2,194	0.1%
	BB+	3,507	0.1%
	BB-	218	0.0%
	B+	1,439	0.1%
	B	1,161	0.0%
	B-	1,011	0.0%
	CCC-	126	0.0%
	NR	26,106	0.9%
Total international government securities		104,124	3.7%
Municipal bonds			
	AAA	998	0.0%
	AA+	271	0.0%
	AA	412	0.0%
	AA-	2,149	0.1%
	A	3,192	0.1%
	A-	1,743	0.1%
	BBB+	1,218	0.0%
	NR	509	0.0%
Total municipal bonds		10,492	0.3%
U.S. government securities	AA+	802,741	28.1%
	A+	635	0.0%
Total U.S. government securities		803,376	28.1%
		\$ 2,853,943	100.0%

Short-term investments include \$407,911,051 invested in a money market mutual fund with an S&P rating of AAAm.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE C--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, 2014, the System had the following investments with maturities:

Investment Type	Investment Maturities at Fair Value (in Years)				
	Less than One	One to Five	Five to Ten	More than Ten	Total Fair Value
	<i>(in Thousands)</i>				
U.S. corporate securities:					
Asset-backed securities	\$ 36,103	\$ 51,822	\$ 12,817	\$ 9,827	\$ 110,569
CMO/REMIC/CMBS	83,892	1,138	5,116	42,156	132,302
Corporate bonds	72,981	405,992	957,389	225,342	1,661,704
	<u>192,976</u>	<u>458,952</u>	<u>975,322</u>	<u>277,325</u>	<u>1,904,575</u>
International corporate bonds	8,532	10,677	8,892	3,275	31,376
International governmental securities	30,185	19,600	31,861	22,478	104,124
Municipal bonds	-	-	-	10,492	10,492
U.S. government securities	47,278	210,156	26,037	519,905	803,376
	<u>\$ 278,971</u>	<u>\$ 699,385</u>	<u>\$ 1,042,112</u>	<u>\$ 833,475</u>	<u>\$ 2,853,943</u>

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. or Japan such limit shall be 35%. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2014 is shown in the following table by monetary unit to indicate possible foreign currency risk.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE C--CASH AND INVESTMENTS--Continued

Foreign Currency Risk--Continued:

Currency	<i>(in Thousands)</i>					
	Equities	Corporate Bonds	Government Bonds	Foreign Exchange Contracts	Cash and Cash Equivalents	Grand Total
Australian Dollar	\$ 65,059	\$ 1,835	\$ -	\$ -	\$ 40	\$ 66,934
Brazilian Real	11,042	4,598	3,102	-	-	18,742
Canadian Dollar	37,191	289	-	-	-	37,480
Chilean Peso	245	-	1,245	-	-	1,490
Colombia Peso	3,250	-	266	-	-	3,516
Danish Krone	33,759	-	-	-	-	33,759
Euro	622,500	12,358	21,451	362	1,134	657,805
Hong Kong Dollar	107,335	-	-	(1)	(5)	107,329
Indonesian Rupiah	3,794	-	-	-	-	3,794
Israeli Shekel	892	-	-	-	-	892
India Rupee	-	-	2,289	-	-	2,289
Japanese Yen	458,771	-	-	(1,522)	124	457,373
Malaysian Ringgit	3,811	-	-	-	-	3,811
Mexican Peso	7,113	4,192	31,610	-	-	42,915
New Taiwan Dollar	20,567	-	-	-	-	20,567
New Turkish Lira	5,748	-	-	-	-	5,748
New Zealand Dollar	2,699	-	-	-	-	2,699
Norwegian Krone	27,266	1,164	-	-	-	28,430
Phillipine Peso	5,248	-	8,250	-	-	13,498
Polish Zloty	3,489	-	-	-	-	3,489
Pound Sterling	407,075	6,940	-	(44)	485	414,456
Qatari Rial	548	-	-	-	-	548
Singapore Dollar	27,171	-	-	-	-	27,171
South African Rand	15,442	-	-	-	-	15,442
South Korean Won	36,997	-	-	-	-	36,997
Swedish Krona	44,926	-	-	-	-	44,926
Swiss Franc	191,284	-	-	(2)	-	191,282
Thai Baht	4,151	-	-	-	-	4,151
UAE Dirham	1,555	-	-	-	-	1,555
	<u>2,148,928</u>	<u>31,376</u>	<u>68,213</u>	<u>(1,207)</u>	<u>1,778</u>	<u>2,249,088</u>
Not subject to foreign currency risk	7,707,874	-	35,911	-	430,522	8,174,307
Total	<u>\$ 9,856,802</u>	<u>\$ 31,376</u>	<u>\$ 104,124</u>	<u>\$ (1,207)</u>	<u>\$ 432,300</u>	<u>\$ 10,423,395</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE C--CASH AND INVESTMENTS--Continued

Derivative Instruments: The System's investment derivatives include forward currency contracts. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy. The changes in fair values of the System's investment derivatives are included in net appreciation in fair value of investments in the accompanying statement of plan net position. The fair values of the System's investment derivatives are included in due from brokers for securities sold and due to brokers for securities purchased in the accompanying statement of plan net position. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows:

	<i>(in Thousands)</i>		
Investment Derivatives	Change in Fair Value	Fair Value	Notional
Forward - foreign currency purchases	\$ 2,315	\$ (14)	\$ 4,766,933
Forward - foreign currency sales	(3,389)	(1,193)	8,068,731

A foreign currency forward contract is an agreement that obligates the parties to exchange given quantities of currencies at a pre-specified exchange rate on a certain future date. The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows.

The foreign currency forward contracts subject the System to foreign currency risk because the investments are denominated in international currencies. The risks are described in foreign currency risk schedule where the fair value of the foreign currency contracts in U.S. dollars is presented.

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.95%. The money-weighted rate of return expresses investment performance, net of investment expense, as adjusted for the changing amounts actually invested.

NOTE D--COMMITMENTS

Commitments: At June 30, 2014, the System has total capital commitments related to alternative and real estate investments of \$1,913,000,000. Of this amount, \$882,424,723 remained unfunded.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

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, 2014 was approximately \$2,538,821,000. The underlying collateral for these securities had a fair value of approximately \$2,602,209,000 at June 30, 2014. Collateral of securities and letters of credit represented approximately \$126,546,000 of total collateral at June 30, 2014. 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 position. The following table describes the types of securities lent and collateral as of June 30, 2014.

Type of securities on loan	<i>(in Thousands)</i>	
	Market Value of Securities on Loan	Collateral Value
Government loans compared to non-cash collateral	\$ 87,384	\$ 89,147
Equity loans compared to cash collateral	2,414,925	2,475,663
Corporate loans compared to non-cash collateral	36,512	37,399
	<u>\$ 2,538,821</u>	<u>\$ 2,602,209</u>

At June 30, 2014, 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.

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. At June 30, 2014, the weighted average maturity of the cash collateral investments was 61 days. 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, 2014

NOTE F--CAPITAL ASSETS

Capital assets consist of the following at June 30, 2014:

	<i>(in Thousands)</i>
Furniture and fixtures	\$ 3,098
Accumulated depreciation	<u>(250)</u>
Capital assets, net	<u>\$ 2,848</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, 2014 was approximately \$208,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$215,000 for the year ended June 30, 2014.

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 DC Plan. During FY 2010, the System hired ING as the service provider for the DC Plan. This process was undertaken to steadfastly provide a supplemental retirement program that will enhance the System's clients' retirement future. On April 7, 2014 the ING U.S., Inc publicly traded parent company officially changed its name to Voya Financial, Inc. This had no impact on the DC Plan and did not require the DC Plan to amend the contract or agreement. Voya Financial provides a comprehensive educational strategy and an array of investment options, clients have 24 hours a day access to their accounts on line, and dedicated customer service representatives are available each weekday from 7:00 A.M. to 7:00 P.M.
- 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 approximate balances at June 30:

	<i>(in Thousands)</i>
	<u>2014</u>
Teacher's deposit fund (DC Plan)	\$ 209,992
Expense fund	62,071
Capital assets fund	<u>2,848</u>
	<u>\$ 274,911</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

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, 2014 were \$386,895,127. Employers satisfied 100% of their contribution requirements for 2014.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level, which for the year ended June 30, 2014 was the full amount of regular annual compensation.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active clients. The employer contribution rate was 9.5% beginning on January 1, 2011 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 8.55% starting on January 1, 2011 for comprehensive and four year universities. The rates for fiscal years 2014 are applied on the full amount of the Client's regular annual compensation up to certain limits prescribed by the Internal Revenue Code.

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:

- 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.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE I--BENEFITS--Continued

- 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 are 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).

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 Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014. Such amounts were approximately \$30,136,000 in 2014 and are included in retirement and other benefits expense. The System performs no administrative functions related to the benefits provided by EGID, and the payments have a minimal and declining impact on the operation of the System.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE J--DEDICATED TAX

The plan receives funds provided by the State of Oklahoma, a non-employer contributing entity, through 5.0% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. 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 \$295,805,000 from the State in 2014. Amounts due from the State were approximately \$30,262,000 at June 30, 2014.

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 \$158,000, \$168,000 and \$161,000 for the years ended June 30, 2014, 2013, and 2012, respectively. Total employer contributions paid by the System were approximately \$214,000, \$227,000, and \$219,000 for the years ended June 30, 2014, 2013, and 2012, respectively. The employer contributions for FY 2014, 2013, and 2012 were 117.3%, 113.1%, and 115.9%, respectively, of the actuarial determined annual required contribution amounts and 100% of the contribution rate amounts determined by the legislature.

NOTE L--PLAN AMENDMENTS

The 2014 legislative session resulted in no bills with an actuarial impact on the system.

NOTE M--DB PLAN NET PENSION LIABILITY AND ACTUARIAL INFORMATION

The Components of the net pension liability of the employers' at June 30, 2014, were as follows:

Total pension liability	\$ 19,646,619,191
Plan fiduciary net position	<u>(14,229,481,368)</u>
Employers' net pension liability	<u>\$ 5,417,137,823</u>
Plan fiduciary net position as a percentage of the total pension liability	72.43%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE M--DB PLAN NET PENSION LIABILITY AND ACTUARIAL INFORMATION--Continued

The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as if June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Amortization Method - Level Percentage of Payroll
- Amortization Period - Amortization over an open 30-year period
- Asset Valuation Method - 5-year smooth market
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality - RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

Measurement of the Net Pension Liability: The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. In actuarial terms, this is analogous to the accrued liability as measured using the individual entry age normal actuarial cost method less the market value of assets (not the smoothed actuarial value of assets seen in actuarial valuations based on the Board's adopted assumptions and methods).

A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and June 30, 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE M--DB PLAN NET PENSION LIABILITY AND ACTUARIAL INFORMATION--Continued

Measurement of the Net Pension Liability--Continued: The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
Internationa Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	100.0%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption: The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2014. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 7,610,368,171	\$ 5,417,137,823	\$ 3,565,976,493

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE N--NEW PRONOUNCEMENTS

New Accounting Pronouncements Adopted in Fiscal Year 2014

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 provides further guidance on determining which balances currently reported as assets and liabilities should instead be reported as deferred outflows or deferred inflows of resources. The adoption of GASB 65 did not have a significant impact on the System's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Adoption of GASB 67 had no impact on the System's net position but did result in changes to the presentation of the financial statements, notes to the financial statements, and RSI. Comparative information has not been presented for disclosures required by GASB 67 as presentation of the information for prior years was not practical.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and specifies information required to be disclosed by governments that extend and/or receive nonexchange financial guarantees. The adoption of GASB 70 did not significantly impact the System's financial statements.

New Accounting Pronouncements Issued, Not Yet Adopted

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and RSI. The requirements of GASB 68 are effective for fiscal years beginning after June 15, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

NOTE N--NEW PRONOUNCEMENTS--Continued

New Accounting Pronouncements Issued, Not Yet Adopted--Continued

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69). GASB 69 establishes guidance for 1) determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; 2) using carrying values to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; 3) measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and 4) reporting the disposal of government operations that have been transferred or sold. The requirements of GASB 69 are effective for fiscal years beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB 71). GASB 71 addresses an issue regarding application of the transition provisions of GASB 68. Contributions to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the reporting period are required to be recognized as deferred outflows of resources. The requirements of GASB 71 are effective simultaneously with GASB 68.

The System is currently evaluating the effects the above GASB Pronouncements will have on its financial statements.

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Fiscal Year Ending June 30, 2014

TOTAL PENSION LIABILITY

Service cost	\$ 409,199,801
Interest	1,491,722,137
Benefit changes	-
Difference between actual & expected return	(105,344,633)
Assumption changes	-
Benefit payments	(1,153,051,607)
Refunds	<u>(28,718,256)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	613,807,442
TOTAL PENSION LIABILITY - BEGINNING	<u>19,032,811,749</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u><u>\$ 19,646,619,191</u></u>

PLAN FIDUCIARY NET POSITION

Contributions- Employer/State	\$ 707,052,675
Contributions-Members	301,300,811
Net investment income	2,571,707,952
Benefit payments	(1,153,051,607)
Refunds	(28,718,256)
Administrative expense	(4,282,605)
Other	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,394,008,970
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>11,835,472,398</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u><u>\$ 14,229,481,368</u></u>
PLAN'S NET PENSION LIABILITY (ASSET) (a)-(b)	<u><u>\$ 5,417,137,823</u></u>

See independent auditors' report.

SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Fiscal Year Ending June 30, 2014

Total pension liability	\$	19,646,619,191
Plan Fiduciary Net Position		<u>14,229,481,368</u>
Plan's Net Pension Liability	\$	<u>5,417,137,823</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>72.43%</u>
Covered-employee payroll	\$	4,304,297,300
Plan's Net Pension Liability (Asset) as a percentage of covered-employee payroll		125.85%

See independent auditors' report.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contributions	\$ 602,936,966	\$ 619,805,640	588,287,377	822,419,996	742,286,289	714,367,558	590,495,652	575,745,142	535,228,038	722,095,783
Contributions in relation to the actuarially determined contribution:										
Employers (Schools)	386,895,127	373,789,020	376,635,234	364,025,589	366,282,238	338,974,512	308,804,479	271,012,403	241,174,959	227,791,719
State of Oklahoma, a non-employer contributing entity	320,157,548	327,505,309	304,995,663	274,452,205	254,375,139	279,672,051	288,036,554	264,904,170	218,294,582	177,966,919
Contribution deficiency (excess)	<u>\$ (104,115,709)</u>	<u>\$ (81,488,689)</u>	<u>\$ (93,343,520)</u>	<u>\$ 183,942,202</u>	<u>\$ 121,628,912</u>	<u>\$ 95,720,995</u>	<u>\$ (6,345,381)</u>	<u>\$ 39,828,569</u>	<u>\$ 75,758,497</u>	<u>\$ 316,337,145</u>
Covered-employee payroll	<u>\$ 4,304,297,300</u>	<u>\$ 3,933,100,000</u>	<u>\$ 3,924,800,000</u>	<u>\$ 3,773,300,000</u>	<u>\$ 3,854,800,000</u>	<u>\$ 3,807,900,000</u>	<u>\$ 3,751,400,000</u>	<u>\$ 3,598,900,000</u>	<u>\$ 3,354,900,000</u>	<u>\$ 3,175,200,000</u>
Contributions as a percentage of covered-employee payroll	<u>16.43%</u>	<u>17.83%</u>	<u>17.37%</u>	<u>16.92%</u>	<u>16.10%</u>	<u>16.25%</u>	<u>15.91%</u>	<u>14.89%</u>	<u>13.70%</u>	<u>12.78%</u>

NOTES TO SCHEDULE:

Actuarially determined contribution rates are calculated as of June 30.

Members and employers contribute based on statutorily fixed rates. The State of Oklahoma contributes 5.0% of revenues from sales taxes, use taxes, corporate and individual income taxes and lottery proceeds. An additional contribution is made for members whose salary is paid from federal funds or certain grant money.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	Amortization over an open 30-year period
Asset valuation method	5-year smooth market
Inflation	3.00%
Salary increase	Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
Investment rate of return	8.00%
Retirement age	Experience-based table of rates based on age, service and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009
Mortality	RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females

See independent auditors' report.

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Fiscal Year Ending June 30, 2014

Annual money-weighted rate of return, net of investment expenses	21.95%
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See independent auditors' report.

SCHEDULE OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2014

Investment managers	\$ 48,214,279
Investment consultants	<u>702,000</u>
Total investment expenses	<u>\$ 48,916,279</u>

See independent auditors' report.

SCHEDULE OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2014

Salaries and benefits	\$ 2,736,103
General and miscellaneous	584,535
Professional/consultant fees	813,057
Travel and related expenses	69,519
Depreciation expense	<u>79,392</u>
Total administrative expenses	<u>\$ 4,282,605</u>

See independent auditors' report.

SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

For the Year Ended June 30, 2014

Actuarial	\$	90,921
Medical		7,500
Legal		85,481
Audit		122,852
Data processing		231,387
Miscellaneous		<u>274,916</u>
Total professional/ consultant fees	\$	<u>813,057</u>

See 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**

The Board of Trustees
Oklahoma Teachers' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Teachers' Retirement System (the System), a part of the financial reporting entity of the state of Oklahoma, which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of reportable findings, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of reportable findings as Finding 2014-01 to be a material weakness.

System's Response to Findings

The System's response to the finding identified in our audit is described in the accompanying schedule of reportable findings. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 10, 2014

SCHEDULE OF REPORTABLE FINDINGS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

Finding 2014-01

Criteria: The Plan should maintain a system of internal controls that ensures financial statements and footnote disclosures are accurately prepared in accordance with accounting principles generally accepted in the United States of America. Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, requires that the Plan disclose its net pension liability in the footnotes of the Plan's financial statements.

Condition: The Plan relies on an actuary to calculate the net pension liability as disclosed in the notes to the financial statements. As part of the actuarial valuation process, the Plan must provide the actuary with accurate and complete information about Plan participants. The Plan does not currently have sufficient internal controls to ensure that participant data provided to the actuary is accurate and complete.

Cause: The Plan recently implemented a new accounting system where participating employers upload participant data directly to the Plan's portal and there is no review to verify the information uploaded is accurate and complete. Also as part of the change, participant statements are no longer available for participant review to verify the correct information was provided to the Plan.

Effect and Potential Effect: The Plan's lack of internal control could cause the data sent to the actuary to be incomplete and inaccurate causing the net pension liability to be materially misstated.

Recommendation: We recommend that the Plan implement additional controls to help mitigate the risk that the data sent to the actuary might be materially misstated. The additional controls should ensure that participant and payroll information uploaded by the employers into the OTRS system is reviewed by plan participants and/or an employee at OTRS to verify its completeness and accuracy.

Plan Response: Oklahoma Teachers Retirement substantially agrees with this finding. Every multi-employer plan is heavily reliant on data submitted by its participating employers. OTRS cannot be a guarantor that it is 100% accurate. However, OTRS acknowledges that it needs a better system to make sure the data is as reliable as possible. OTRS will begin to collect data from participating employers on new employees for the FY-2015 fiscal year. This data will be checked against what the schools have sent through the online payroll reporting portal that was loaded into ALICE (OTRS' pension administration system). Exceptions will be investigated and corrected as needed. The OTRS Finance Department has asked the software developer of ALICE to modify a program to add a check box on the client screen so that reports can be run to indicate which employees still need to be verified. OTRS can begin doing this immediately.

SCHEDULE OF REPORTABLE FINDINGS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2014

Finding 2014-01--Continued

Plan Response--Continued: OTRS is working with its software developer to finish development of an online client portal for active and retired employees. We are assessing whether to wait for all client accounts to be audited or to go live with the new site with data that is good. OTRS will provide access on its portal to a personalized statement as recommended by the auditors. OTRS will encourage clients to review the information on these statements and report any discrepancies they find. It is anticipated that this will be completed by the end of fiscal year 2015.

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OKLAHOMA TEACHERS RETIREMENT SYSTEM



Investment Section

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
Cove Street Capital, LLC, *Small-Capitalization Value*
El Segundo, California
Epoch Investment Partners, Inc., *All-Capitalization*
New York City, New York
Frontier Capital Management, *Mid-Capitalization Growth*
Boston, Massachusetts
Frontier Capital Management Co. LLC, *Small-Capitalization Value*
Boston, Massachusetts
Geneva Capital Management Ltd., *Small-Capitalization Growth*
Milwaukee, Wisconsin
Hotchkis & Wiley Investment, *Large-Capitalization Value*
Los Angeles, California
Hotchkis & Wiley Investment, *Mid-Capitalization Value*
Los Angeles, California
Northern Trust, *Passive*
Chicago, Illinois
Neumeier Poma Investment Counsel, LLC, *Small-Capitalization Growth*
Carmel, California
Sawgrass Asset Management, LLC, *Large-Capitalization Growth*
Jacksonville Beach, Florida
Shapiro Capital Management Company, Inc., *Small-Capitalization Value*
Atlanta, Georgia
State Street Global Advisors, *Passive*
Boston, Massachusetts
Wasatch Advisors, Inc., *Small-Capitalization Growth*
Salt Lake City, Utah
Wellington Management Company, LLP, *Mid-Capitalization Growth*
Boston, Massachusetts

FIXED INCOME MANAGERS

Hoisington Investment Management Company, *Interest Rate Sensitive*
Austin, Texas
Loomis, Sayles & Company, LP, *Active*
Boston, Massachusetts
Lord Abbett & Company, LLC, *Core+ Active*
Jersey City, New Jersey
MacKay Shields, LLC, *Core+ Active*
New York City, New York

INTERNATIONAL EQUITY MANAGERS

Advisory Research, Inc., *Small-Capitalization*
Chicago, Illinois
Causeway Capital Management, LLC
Los Angeles, California
Epoch Investment Partners, Inc., *Small Capitalization*
New York City, New York
Thornburg Investment Management, Inc., *Small-Capitalization*
Santa Fe, New Mexico
Wasatch Funds, *Small-Capitalization*
Salt Lake City, Utah
Wellington Management Company, LLP, *Small-Capitalization*
Boston, Massachusetts

MASTER LIMITED PARTNERSHIPS

Chickasaw Capital Management
Memphis, Tennessee
Cushing MLP
Dallas, Texas
Advisory Research, Inc.
St. Louis, Missouri

PRIVATE EQUITY MANAGERS

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

REAL ESTATE

AEW
Boston, Massachusetts
Heitman Real Estate
Chicago, Illinois
L & B Real Estate
Dallas, Texas

ADVISORS AND CONSULTANTS

JP Morgan, World Wide Securities Services, *Global Custodian/Securities Lending*
New York City, New York
Gregory W. Group, *Investment Consultant*
Tulsa, Oklahoma
Gabriel, Roeder, Smith & Company, *Actuarial Consultant*
Dallas, Texas
Cole & Reed, PC, *External Auditor*
Oklahoma City, OK
Office of the Attorney General, *Legal*
Oklahoma City, Oklahoma

Statement of Investment Policies

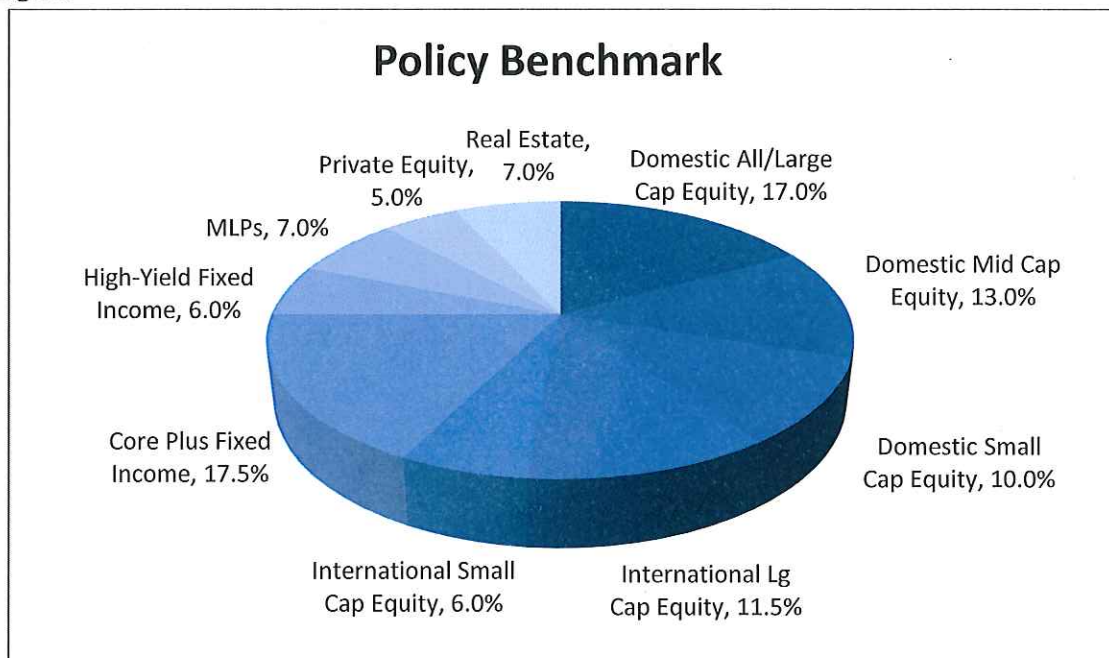
The Teachers Retirement System of Oklahoma's (TRS) policies and procedures provide for a prudent and systematic investment process on behalf of its members, allowing for reasonable expenses of administration of the Fund, and providing for an orderly means whereby employees may be retired from active 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 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.

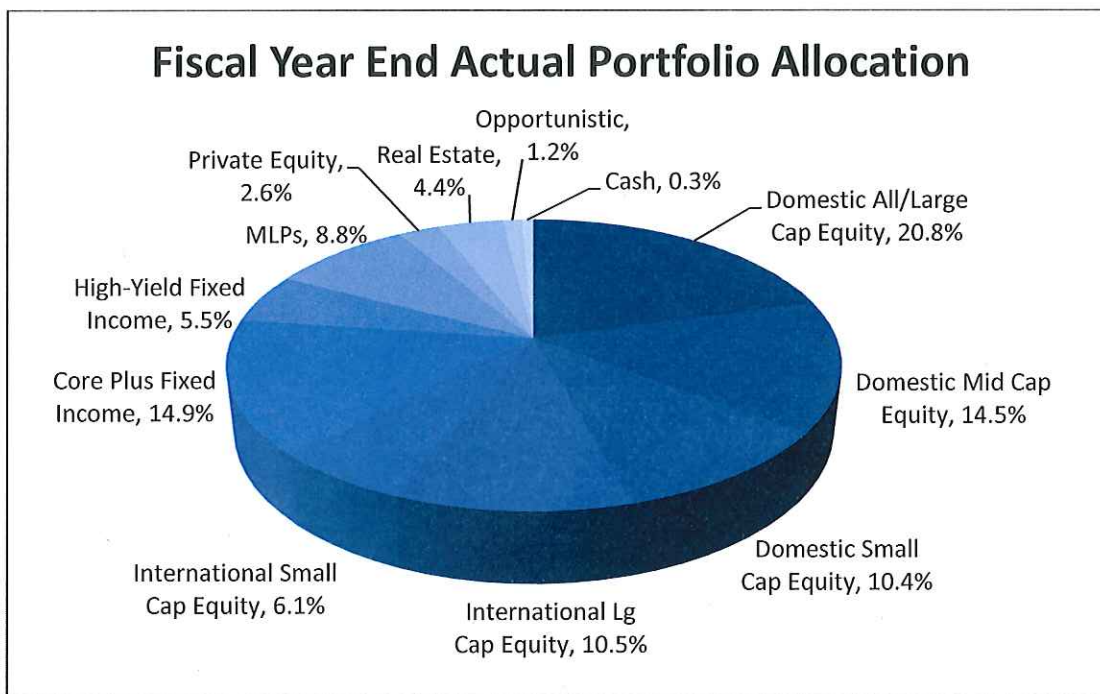
The Board of Trustees diversifies investments to minimize risk. The investment objectives of the Board, as fiduciaries, are long-term rather than short-term. Board policy takes into consideration actuarial assumptions of the retirement program and any unfunded liabilities.

The investment balances presented in this section and the financial section are presented on the accrual basis of accounting.

Investment Allocation Policy

In the pursuit of long-term returns in excess of our 8.0 percent actuarial assumption, while maintaining the goal of capital preservation, TRS has adopted a diversified policy asset allocation. The resulting diversified portfolio is designed to enhance long-term returns while mitigating short-term volatility. To those ends, the TRS policy allocation has a 57.5 percent allocation to domestic and developed market equities and a 23.5 percent allocation to fixed income. All investments are managed by external managers.



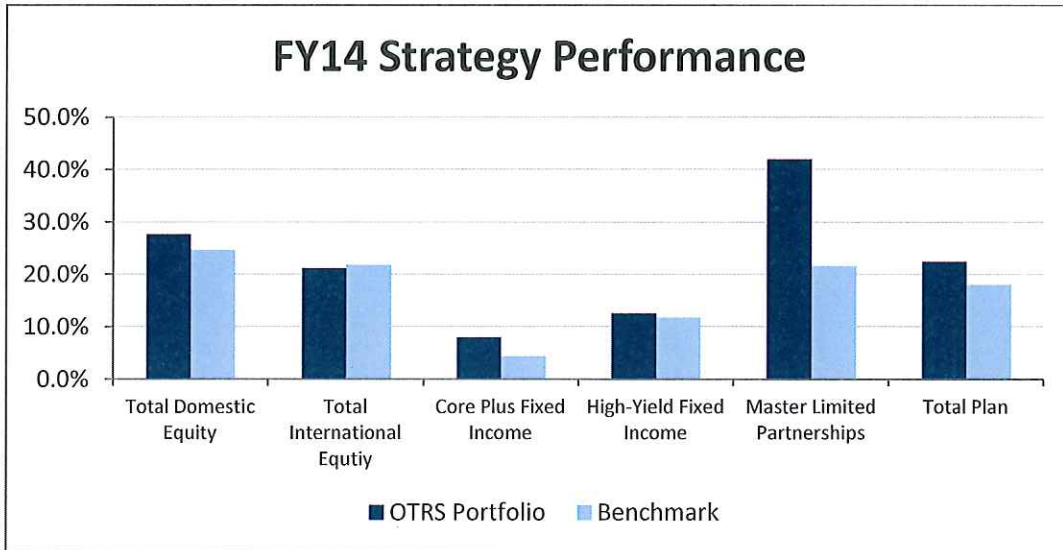


Investment Performance

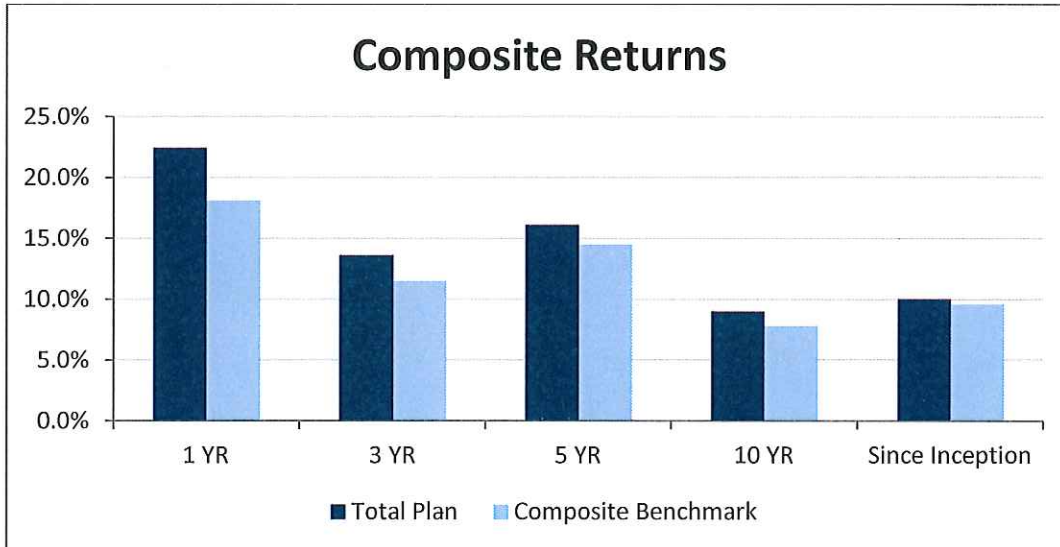
To achieve the investment goals set forth by TRS's Investment Policy Statement, the Board of Trustees employ a strategy of active management. For the Fiscal Year 2014 the Fund realized a 22.4 percent rate of return, calculated using Market Value Rate of Return.

This report is prepared by:

Melissa Kempkes
Investment Analyst



Since inception, December 1, 1991, the TRS Composite has returned 10 percent, gross of fees, while the policy benchmark has returned 9.6 percent both return percentages are calculated using the Market Value Rate of Return. The policy benchmark consists of 25% Barclays Aggregate, 17.5% Russell 1000, 15% MSCI-ACWI Ex US, 12.5% Russell Midcap, 10% Russell 2000, 5% Russell 1000 + 400bp, 5% Merrill HY II Master, 5% Alerian MLP, and 5% NCREIF Fund open end.



Rates calculated using Market Value Rate of Return.

Top Holdings

TRS's ten largest stock and fixed income holdings by market value as of June 30, 2014 are listed below.

Ten Largest Stock Holdings

Security	Shares	Market Value
AARON'S INC CLASS'A'COM VTG USD0.5	1,122,800	\$40,016,592
ADT CORP USD0.01	1,094,900	38,255,806
ENTEGRIS INC USD0.01	2,755,978	37,880,918
COMPASS MINERALS INTERNATIONAL INC USD0.01	395,113	37,828,119
WPX ENERGY INC USD1	1,538,648	36,789,074
AXIALL CORP USD0.01	777,395	36,747,462
CST BRANDS INC USD0.01	1,046,443	36,102,284
MOLSON COORS BREWING CO CLASS 'B' COM STOCK	483,500	35,856,360
CABLEVISION SYSTEMS CORP NY GROUP USD0.01	2,006,823	35,420,426
LINDSAY CORP USD1	418,000	35,308,460

Ten Largest Fixed Income Holdings

Security	Quantity	Market Value
UNITED STATES TREAS NTS 0.25%15/APR/2016 ⁽¹⁾	63,917,000	\$63,769,352
UNITED STATES OF AMERICA BOND ZERO CPN 15/MAY/2039 ⁽¹⁾	110,538,000	47,579,977
UNITED STATES TREAS BDS 3.125% 15/FEB/2042 ⁽¹⁾	44,704,000	43,251,120
UNITED STATES TREAS BDS 2.75%15/NOV/2042 ⁽¹⁾	42,946,000	38,336,176
UNITED STATES OF AMERICA NOTES FIXED .25% ⁽¹⁾	37,420,000	37,459,478
TBA FNMA SINGLE FAMILY 30YR 3.5 7/14	35,160,000	36,192,825
UNITED STATES OF AMERICA BOND ZERO CPN 15/MAY/2038 ⁽¹⁾	79,193,000	35,457,874
UNITED STATES OF AMERICA NOTES FIXED 2.125% ⁽¹⁾	28,784,000	29,586,786
USA TREASURY BDS 5.25% 15/FEB/2029 USD1000 ⁽¹⁾	20,396,000	26,145,224
UNITED STATES OF AMERICA NOTES FIXED 1.25% ⁽¹⁾	26,352,000	26,113,251

(1) Securities are explicitly guaranteed by the United States Government.

* A comprehensive list of the Plan's investments at June 30, 2014 may be obtained by contacting the Investment Analyst.

Investment Expenses

For the Fiscal Year 2014, investment fees paid to investment management firms employed by TRS were as follows:

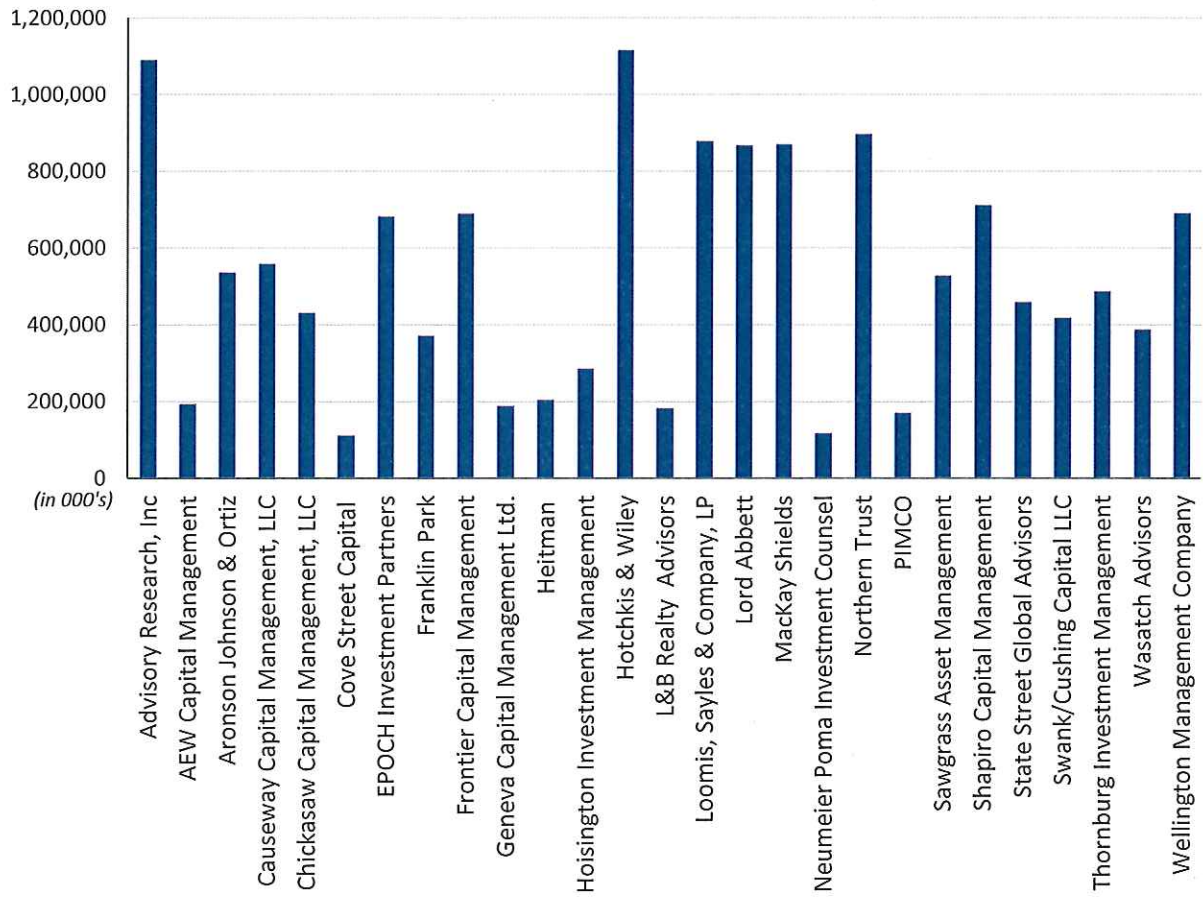
Investment Manager	Fees Paid
Advisory Research, <i>All-Capitalization</i>	\$1,731,722
Advisory Research, <i>Int'l Equity</i>	841,370
Advisory Research, <i>MLP</i>	1,750,012
Aronson Johnson & Ortiz, <i>Mid-Capitalization</i>	1,004,177
Causeway Capital, <i>Int'l Equity</i>	1,748,730
Chickasaw Capital Management, <i>MLP</i>	2,637,807
Cove Street Capital Small-Capitalization	741,794
EPOCH Investment Partners, <i>All-Capitalization</i>	1,859,073
EPOCH Investment Partners, <i>Int'l Equity</i>	1,518,230
Frontier Capital, <i>Mid-Capitalization</i>	3,209,509
Frontier Capital, <i>Small-Capitalization</i>	825,944
Geneva Capital Management, <i>Small-Capitalization</i>	1,325,840
Gregory W. Group, <i>Consultant</i>	702,000
Hoisington Investment Management, <i>Core Fixed</i>	393,052
Hotchkis & Wiley, <i>Mid-Capitalization</i>	2,697,690
Hotchkis & Wiley, <i>Large-Capitalization</i>	1,365,143
Loomis Sayles, <i>Core Fixed</i>	1,058,862
Loomis Sayles, <i>High Yield</i>	1,036,352
Lord Abbett, <i>Core Fixed</i>	1,025,290
Lord Abbett, <i>High Yield</i>	866,689
Mackay Shields, <i>Core Fixed</i>	1,344,899
Mackay Shields, <i>High Yield</i>	1,014,947
Neumeier Poma Investment, <i>Small-Capitalization</i>	711,996
Northern Trust, <i>Equity Index</i>	39,933
Northern Trust, <i>Int'l Equity Index</i>	115,436
Sawgrass, <i>Large-Capitalization</i>	1,711,292
Shapiro Capital Management, <i>Int'l Equity</i>	5,111,352
State Street Global Advisors, <i>Equity Index</i>	146,734
Stephens Inc.	35,488
Swank/Cushing Capital LLC, <i>MLP</i>	1,282,419
Thornburg Investment Management, <i>Int'l Equity</i>	2,391,680
Wasatch Advisors Inc., <i>Int'l Equity</i>	1,688,095
Wasatch Advisors Inc., <i>Small-Capitalization</i>	1,617,697
Wellington Management, <i>Int'l Equity</i>	1,570,599
Wellington Management, <i>Mid-Capitalization</i>	1,794,427
Total	\$48,916,280

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 TRS's Investment Policy Statement.

Investment Manager	Market Value of Assets Under Management (000's)
Advisory Research, Inc	\$1,089,550
AEW Capital Management	192,035
Aronson Johnson & Ortiz	534,796
Causeway Capital Management, LLC	557,293
Chickasaw Capital Management, LLC	429,117
Cove Street Capital	110,378
EPOCH Investment Partners	680,937
Franklin Park	370,489
Frontier Capital Management	688,940
Geneva Capital Management Ltd.	186,946
Heitman	202,939
Hoisington Investment Management	284,168
Hotchkis & Wiley	1,114,987
L&B Realty Advisors	181,573
Loomis, Sayles & Company, LP	877,818
Lord Abbett	866,631
Mackay Shields	868,823
Neumeier Poma Investment Counsel	115,897
Northern Trust	895,917
PIMCO	168,438
Sawgrass Asset Management	526,419
Shapiro Capital Management	710,302
State Street Global Advisors	458,178
Swank/Cushing Capital LLC	416,044
Thornburg Investment Management	485,023
Wasatch Advisors	385,878
Wellington Management Company	689,772
Total	\$14,089,287

Assets Managed by Investment Manager



Investment Returns through June 30, 2014

Domestic Equity	One Year	Three Years	Five Years
Teachers Retirement System of Oklahoma	27.6%	16.7%	20.3%
<i>Russell 3000</i>	25.2%	16.5%	19.3%
<i>S&P 500</i>	24.6%	16.6%	18.8%
<i>Russell 1000 Growth</i>	26.9%	16.3%	19.2%
<i>Russell 1000 Value</i>	23.8%	16.9%	19.2%
<i>Russell 2000</i>	23.6%	14.6%	20.2%
<i>Russell 2000 Growth</i>	24.7%	-	-
<i>Russell 2000 Value</i>	22.5%	-	-
<i>Russell Mid Cap</i>	26.9%	16.1%	22.1%
<i>Russell Mid Cap Growth</i>	26.0%	14.5%	21.2%
<i>Russell Mid Cap Value</i>	27.8%	17.6%	23.0%
International Equity	One Year	Three Years	Five Years
Teachers Retirement System of Oklahoma	21.1%	8.4%	12.5%
<i>MSCI ACWI Ex-US</i>	21.8%	5.7%	11.1%
<i>MSCI EAFE</i>	23.6%	8.1%	11.8%
<i>MSCI EAFE Small Cap</i>	29.1%	9.8%	15.2%
Core Fixed Income	One Year	Three Years	Five Years
Teachers Retirement System of Oklahoma	7.9%	7.1%	8.1%
<i>Barclay's Aggregate</i>	4.4%	3.7%	4.9%
High Yield Fixed Income	One Year	Three Years	Five Years
Teachers Retirement System of Oklahoma	12.5%	9.6%	13.9%
<i>ML High Yield II</i>	11.8%	9.3%	13.9%
Master Limited Partnerships	One Year	Three Years	Five Years
Teachers Retirement System of Oklahoma	42.0%	28.9%	-
<i>Alerian MLP Index</i>	21.6%	19.0%	-
Total Fund	22.4%	13.6%	16.1%

Rates calculated using Market Value Rate of Return.

Schedule of Brokerage Commissions Paid

Year Ended June 30, 2014

Brokers	Principal Traded (in 000's)	Sum Commission Base	Commission Per Share
ABEL NOSER	197,877.34	146,909.26	2.30
ABG SECURITIES	1,527.54	2,286.42	5.73
ACADEMY SECURITIES	8,316.53	4,548.77	3.20
ADP CLEARING & OUTSOURCING SVCS	236.08	471.42	0.54
ANCORA SECURITIES	9,089.58	4,950.02	3.57
AQUA SECURITIES	8,016.73	5,232.00	2.00
AVONDALE PARTNERS	1,644.42	2,051.00	3.37
B RILEY & CO	6,459.60	7,431.66	3.69
BAIRD (ROBERT W.) & CO.	49,796.07	40,053.07	3.33
BANCA IMI SECURITIES	923.72	1,293.38	3.40
BANCO ACTINVER	590.02	1,179.17	0.49
BANCO BILBAO VIZCAYA	2,407.28	3,608.51	0.36
BANCO ITAU	1,407.21	3,032.93	1.61
BANCO PACTUAL	1,772.46	3,969.56	0.85
BANCO SANTANDER	1,087.61	1,664.93	1.81
BANK J VONTOBEL	1,674.52	2,533.23	9.16
BANK OF NEW YORK	3,684.17	2,036.00	1.17
BARCLAYS CAPITAL	262,102.81	188,136.06	1.57
BARRINGTON RESEARCH	4,698.23	2,168.00	4.00
BAYPOINT TRADING	45,259.24	23,116.33	2.02
BEAR STEARNS & CO	165,709.55	103,209.89	1.94
BERENBERG BANK	16,605.41	31,451.65	6.70
BLAYLOCK & CO	2,825.78	1,868.07	3.00
BLOOMBERG TRADEBOOK	33,629.97	24,250.59	2.59
BMO CAPITAL MARKETS	12,620.44	10,427.50	3.78
BNP PARIBAS SECURITIES	12,612.23	14,508.16	3.15
BNY CONVERGEX EXECUTION SOLUTIONS	23,728.61	7,693.03	1.74
BRDESCO	1,499.59	3,086.59	2.24
BREAN CAPITAL	5,751.12	3,678.14	3.54
BREAN MURRAY CARRET & CO	878.28	666.66	3.00
BROAD COURT CAP	16,855.12	14,996.00	4.00
BROCKHOUSE & COOPER	15,906.12	12,111.19	0.35
BROWN BROTHERS HARRIMAN & CO	14.31	0.00	0.00
BUCKINGHAM RESEARCH	5,575.86	4,684.46	3.71
C L KING & ASSOCIATES	8,294.92	4,928.70	3.41
CABRERA CAPITAL MARKETS	3,923.11	2,404.11	3.50

Teachers' Retirement System of Oklahoma
Investment Data - June 30, 2014

Brokers	Principal Traded (in 000's)	Sum Commission Base	Commission Per Share
CALYON SECURITIES	21,246.64	10,595.60	1.06
CANADIAN DEPOSITARY FOR SECS	1,078.25	1,695.69	3.77
CANTOR FITZGERALD	96,598.74	69,002.09	2.21
CAP INSTITUTIONAL SERVICES	201,576.03	163,422.72	2.87
CARNEGIE SECURITIES	13,647.04	27,068.03	6.99
CHARLES SCHWAB	22,175.57	11,653.84	1.56
CIBC	1,242.32	2,845.82	3.12
CICC SECURITIES	3,143.97	5,319.60	0.69
CIMB-GK SECURITIES	1,698.06	4,156.91	0.09
CITIGROUP	237,433.17	246,262.60	1.25
CJS SECURITIES	9,622.47	6,349.68	3.01
CLSA	3,947.26	7,871.39	0.17
COLLINS STEWART	22,810.45	11,102.16	3.24
COWEN & CO	19,837.54	17,392.69	3.64
CRAIG HALLUM	1,398.55	3,807.00	3.05
CREDIT AGRICOLE INDOSUEZ	48,782.36	24,431.89	0.95
CREDIT LYONNAIS	7,549.20	14,724.76	0.42
CREDIT RESEARCH & TRADING	4,863.25	3,832.66	1.39
CREDIT SUISSE FIRST BOSTON	337,997.15	152,352.89	0.95
CSI US INTITUTIONAL DESK	9,553.08	7,224.54	3.29
CUTTONE & CO	2,769.75	2,940.00	3.97
D A DAVIDSON & CO	4,172.59	4,744.00	2.89
D CARNEGIE	1,919.24	3,000.29	1.51
DAIWA CAPITAL MARKETS	25,839.29	39,291.96	2.43
DANSKE BANK	354.70	532.07	6.16
DAVY STOCKBROKERS	504.58	755.93	3.07
DBS VICKERS BALLAS	3,681.81	7,391.27	0.35
DEMATTED MONNESS	15,177.72	23,773.00	3.84
DEN NORSKE BANK	1,606.11	2,396.46	0.32
DEUTSCHE BANK	344,255.28	129,774.74	1.46
DNB NOR MARKETS CUSTODY	1,832.27	2,734.19	6.54
DONALDSON LUFKIN JENRETTE	8,999.56	3,463.53	3.00
DOUGHERTY CO	2,637.43	2,758.96	4.00
DOWLING & PARTNERS	8,944.66	7,271.00	3.83
DREXEL HAMILTON	15,286.36	8,915.34	3.36
EFG EUROBANK SECURITIES	972.81	979.00	1.20
EUROCLEAR	3,265.80	3,422.60	0.45
EUROMOBILIARE	561.85	859.33	0.23
EUROPARTNERS SECURITIES	989.06	341.55	1.35
EVERCORE GROUP	5,781.05	5,239.00	3.92

Teachers' Retirement System of Oklahoma
Investment Data - June 30, 2014

Brokers	Principal Traded (in 000's)	Sum Commission Base	Commission Per Share
EXANE	15,013.48	22,601.74	3.82
FIDELITY CAPITAL MARKETS	10,371.40	5,546.72	1.97
FIRST ANALYSIS SECURITIES	440.69	231.00	3.00
FIRST CLEARING	23,318.91	14,859.64	3.08
FIRST ENERGY CAPITAL	2,647.47	3,975.08	1.28
FIRST UNION CAPITAL MARKETS	74,683.97	82,649.43	4.18
FOKUS BANK	376.89	527.33	2.98
FOX RIVER EXECUTION TECHNOLOGY	6,379.43	1,401.00	1.00
FRANK RUSSELL SECURITIES	923.74	2,139.12	3.00
FRIEDMAN BILLINGS & REMSEY	23,161.04	20,191.02	3.97
G TRADE SERVICES	1,407.75	710.34	0.80
GABELLI & CO	1,393.55	1,261.26	3.00
GIRARD SECURITIES	8,984.53	12,294.48	3.00
GLOBAL HUNTER SECURITIES	3,437.32	2,968.02	3.45
GOLDMAN SACHS	418,482.38	384,169.58	0.73
GOODBODY STOCKBROKERS	1,760.32	2,846.96	3.31
GUGGENHEIM CAPITAL MARKETS	12,055.88	13,099.04	3.83
GUZMAN & CO	25,075.02	16,268.23	1.55
HEIGHT SECURITIES	15,056.52	11,844.38	3.44
HELVEA	597.25	897.61	2.56
HIBERNIA SOUTHCOAST CAPITAL	4,244.47	3,931.50	3.30
HSBC BANK	20,169.60	30,316.77	1.60
IMPERIAL CAPITAL	33,257.12	33,892.00	3.03
ING	1,751.18	2,634.53	2.13
INSTINET	298,059.29	152,436.55	0.32
INVESTEC HENDERSON CROSTHWAITE SECURITIES	514.08	774.26	0.88
ISI GROUP	25,342.25	13,205.55	2.29
ISLAND TRADER SECURITIES	49,971.42	36,788.54	3.49
ITAU SECURITIES	1,343.27	2,689.30	0.58
ITG	232,646.61	128,116.63	0.82
JANNEY MONTGOMERY SCOTT	13,504.27	11,024.10	3.76
JEFFERIES & CO	181,775.05	90,135.36	1.85
JMP SECURITIES	7,389.93	6,516.00	3.60
JNK SECURITIES	20,717.30	10,259.85	1.66
JOHNSON RICE & CO	11,887.60	23,213.26	3.00
JONES TRADING INSTITUTIONAL SERVICES	426,441.76	409,288.39	2.88

Teachers' Retirement System of Oklahoma
Investment Data - June 30, 2014

Brokers	Principal Traded (in 000's)	Sum Commission Base	Commission Per Share
JP MORGAN & CHASE	66,967.96	78,789.63	1.05
KAS ASSOCIATES	965.12	1,364.82	9.38
KEEFE BRUYETTE & WOODS	18,235.21	23,476.68	2.73
KEPLER EQUITIES	12,757.35	19,122.78	4.67
KEYBANC CAPITAL MARKETS	33,978.44	27,074.74	3.88
KIM ENG SECURITIES	2,657.04	5,378.56	0.27
KNIGHT SECURITIES	2,578.66	1,977.72	3.00
LAZARD FRERES & CO	243.00	74.97	3.00
LEERINK SWANN & CO	7,642.25	4,394.67	3.84
LIBERUM CAPITAL	2,034.38	2,277.92	0.82
LIQUIDNET	168,173.56	97,858.04	1.93
Longbow Securities	4,986.45	4,737.19	3.87
LOOP CAPITAL MARKETS	8,928.67	3,081.05	1.80
LYNCH JONES & RYAN	89,119.58	57,253.07	3.00
M&T BANK	243.56	0.00	0.00
MACQUARIE BANK	36,797.82	54,642.60	0.81
MAXIM GROUP	752.17	204.68	2.00
MEDIOBANCA	7,919.04	11,994.33	1.23
MELLON TRUST OF NEW ENGLAND	998.63	0.00	0.00
MERRILL LYNCH	599,373.40	367,845.76	0.59
MISCHLER FINL GROUP	22,860.70	16,261.17	3.50
MITSUBISHI UFJ SECURITIES	7,077.53	6,608.16	3.05
MIZUHO SECURITIES	19,439.79	23,892.11	3.01
MKM PARTNERS	1,458.38	851.61	3.00
MORGAN STANLEY	248,897.82	242,442.90	2.13
NATIONAL FINL SVCS	10,909.59	10,376.40	3.85
NCB STOCKBROKERS	307.86	361.35	0.38
NEEDHAM & CO	5,604.44	5,593.39	3.36
NESBITT BURNS	8,878.20	10,758.87	2.53
NOBLE INTERNATIONAL INVESTMENTS	1,656.47	1,972.00	4.00
NOMURA	7,862.87	8,265.53	1.11
NORTHERN TRUST SECURITIES	4,552.44	0.00	0.00
NUMIS SECURITIES	24,237.08	35,248.64	1.31
ODDO	2,239.03	4,167.90	10.11
ONEIL WILLIAM & CO	2,291.13	897.60	4.00
OPPENHEIMER	20,977.01	21,862.81	3.52
PACIFIC CREST SECURITIES	2,781.46	3,516.50	3.93
PAREL	2,657.80	3,970.07	1.66
PENSERRA SECURITIES	139.26	101.50	3.50
PERSHING	13,757.61	20,065.11	1.34

Teachers' Retirement System of Oklahoma
Investment Data - June 30, 2014

Brokers	Principal Traded (in 000's)	Sum Commission Base	Commission Per Share
PICKERING ENERGY PARTNERS	2,995.89	3,754.20	2.40
PIPER JAFFRAY & CO	12,886.19	14,612.43	3.80
PNC BANK	7.34	0.00	0.00
PULSE TRADING	11,828.74	4,609.95	1.00
RABOBANK	72.21	90.68	6.34
RAYMOND JAMES & ASSOCIATES	68,215.75	59,375.48	3.12
RBC CAPITAL	87,558.02	127,798.42	3.74
REDBURN PARTNERS	3,501.02	4,545.77	1.58
RENCAP SECURITIES	138.23	83.34	2.00
ROSENBLATT SECURITIES	126,009.68	19,031.73	1.14
ROTH CAPITAL PARTNERS	1,390.31	1,147.00	4.00
SALOMON SMITH BARNEY	9,933.08	5,019.90	0.05
SAMSUNG SECURITIES	311.10	737.28	265.21
SANDLER O'NEILL & PARTNERS	1,270.55	933.48	3.00
SANFORD C BERNSTEIN	193,990.55	140,732.13	0.69
SCOTIA CAPITAL	3,180.16	3,840.00	4.00
SCOTT & STRINGFELLOW	5,709.60	5,208.34	2.71
SEB ENSKILDA SECURITIES	860.61	1,590.41	4.26
SG AMERICAS SECURITIES	483,545.66	117,601.64	0.95
SG SECURITIES	2,454.56	3,592.40	2.77
SIDOTI & CO	25,899.71	16,296.05	3.36
SIMMONS & CO	1,884.24	2,348.00	4.00
SJ LEVINSON & SONS	225.29	337.97	1.98
SMBC SECURITIES	18,555.76	27,132.60	3.98
SOCIETE GENERALE	22,193.73	25,656.41	2.23
SPROTT SECURITIES	467.75	898.80	2.80
STANDARD CHARTERED BANK	4,518.22	6,829.26	0.59
STATE STREET BANK	60,554.51	8,191.84	0.46
STEPHENS	29,816.67	21,931.88	3.28
STERNE AGEE & LEACH	26,212.00	18,930.22	3.61
STIFEL NICOLAUS & CO	52,439.45	38,380.87	2.55
STRATEGAS SECURITIES	542.99	328.00	4.00
SUNTRUST CAPITAL MARKETS	7,760.36	5,639.50	3.85
SVENSKA HANDELSBANKEN	2,128.67	3,832.31	6.76
THE BENCHMARK CO	1,435.81	1,300.68	4.00
THEMIS TRADING	93,248.52	20,600.77	1.41
UBS	209,551.37	196,176.19	1.65
WACHOVIA CAPITAL MARKETS	13,411.98	8,005.00	2.72
WEDBUSH MORGAN SECURITIES	19,368.11	27,816.83	3.24

Teachers' Retirement System of Oklahoma
Investment Data - June 30, 2014

Brokers	Principal Traded (in 000's)	Sum Commission Base	Commission Per Share
WEEDEN & CO	190,725.02	63,587.68	1.09
WELLS FARGO	4.91	0.00	0.00
WILLIAMS CAPITAL GROUP	32,146.42	18,309.47	2.96
WOLFE TRAHAN SECURITIES	104,198.25	87,540.27	3.01
WOORI INVESTMENT AND SECURITIES	576.35	1,267.97	205.84
WUNDERLICH SECURITIES	5,397.29	3,750.12	3.80
ZACKS & CO	303.39	392.00	3.50

Summary of Investments
June 30, 2014

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$803,376,179	5.61%
Corporate Bonds	1,915,066,646	13.37%
International Bonds	135,500,062	0.95%
Total Fixed Income	<u>2,853,942,887</u>	<u>19.93%</u>
Equities:		
Domestic	7,707,873,513	53.82%
International	2,148,928,339	15.00%
Total Equities	<u>9,856,801,852</u>	<u>68.82%</u>
Other Investments		
Alternative Investments	587,418,530	4.10%
Real Estate	591,359,650	4.13%
Total Other Investments	<u>1,178,778,180</u>	<u>8.23%</u>
Short-Term Investments:		
Short-term Investments JP Morgan	429,366,210	3.00%
Money Markets	2,933,810	0.02%
Total Short-Term Investments	<u>432,300,020</u>	<u>3.02%</u>
Total Investments	<u><u>\$14,321,822,939</u></u>	<u><u>100.0%</u></u>



OKLAHOMA TEACHERS RETIREMENT SYSTEM



Actuarial Section

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
ANNUAL ACTUARIAL VALUATION
AS OF JUNE 30, 2014

October 22, 2014

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

Dear Members of the Board:

SUBJECT: ACTUARIAL VALUATION AS OF JUNE 30, 2014

At the request of the Teachers' Retirement System of Oklahoma (the System), Gabriel Roeder Smith & Company (GRS) has performed the actuarial valuation of the System. The information in the Actuarial Section is based on our annual actuarial valuation report, with the most recent valuation conducted as of June 30, 2014, and is intended to be used in conjunction with the full report.

This letter and the schedules listed below represent GRS' certification of the funded status as required for the financial report for the fiscal year ended June 30, 2014 for the System. GRS prepared the *Sensitivity of the Net Pension Liability*, the *Schedule of Changes in the Employers' Net Pension Liability and Related Ratios*, and the *Schedule of Employer Contributions* of the Required Supplementary Information and the *Notes to the Required Supplementary Information* presented in the Financial Section of this report. Full actuarial valuation reports have also been provided to the System.

ACTUARIAL VALUATION

The primary purposes of the actuarial valuation are to determine the adequacy of the current State and employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the actuarial valuation produces various summaries of the data.

FINANCING OBJECTIVES

The member, employer, State, and "grant matching" contribution rates are established by law. Members contribute 7.00% of covered compensation. The contribution rate for employers covered by the Education Employees Service Incentive Plan (EESIP) is 9.50%. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate is 8.55%. No employer contribution rate changes are currently scheduled. There is also an additional contribution made by the comprehensive universities, the Initial Funding Surcharge, which is equal to 2.50% of the payroll for those employees who elect to join the Alternate Retirement Plan in lieu of joining the System. This contribution will continue through FY 2034 or until June 30 of the year in which the unfunded actuarial accrued liability of

the participating institutions is reduced to zero, if earlier. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, individual income taxes, and lottery proceeds to the System. This percentage is currently 5.00%, and no changes are scheduled in this rate. Additionally, the System receives “grant matching” contributions from employers for positions whose funding comes from federal sources or certain grants. The matching contribution rate for FY 2014 was 8.25% and it will remain at 8.25% for FY 2015. This 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 certain grant sources.

The State’s contribution for FY 2015, based on information presented to the State’s Equalization Board, is projected to be \$306 million. Therefore, we project that the State’s contribution plus the matching contribution and the Initial Funding Surcharge will be equivalent to a contribution rate of approximately 8.1% of covered payroll for the fiscal year ending June 30, 2015. Since these three contribution sources are unrelated to the covered payroll of the System, our outlook for the future contribution level from these sources also incorporates the past four years of actual contributions, resulting in a five-year average of 7.9%.

The employer payroll contribution—9.50% for most employers and 8.55% for the comprehensive and regional universities—is projected to average about 9.3% of payroll, so on a combined basis, we expect that the contributing entities will contribute 17.2% of covered payroll (7.9% + 9.3% = 17.2%) in the future.

The State, local and matching 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 of the System.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The unfunded actuarial accrued liability (UAAL) as of June 30, 2013 was \$8.112 billion, and it decreased to \$7.207 billion this year. As a result, the System’s funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 57.2% to 63.2% as of June 30, 2014. This increase was primarily due to a gain on assets with a return on the actuarial value of assets of 15.6% compared to the assumed 8.0%. This funded ratio increases to 72.7% measured on the market value of assets as of June 30, 2014.

The period required to completely amortize the UAAL based upon the contribution schedule is called “the funding period.” Based upon the current statutory contribution schedule, the funding period decreased significantly from 17 years as of June 30, 2013 to 11 years in the current valuation. The decrease is due to the asset gains described above. Based upon the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the market value of assets returns 8%, the UAAL is expected to trend steadily down to zero over the next 11 years.

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 years. The current actuarial value of \$12.369 billion is \$1.860 billion lower than the market value of \$14.229 billion, and the actuarial value of assets is approximately 87% of the market value. As previously stated, the funded ratio determined using the market value of assets rather than the actuarial value is 72.7%.

BENEFIT PROVISIONS

Our actuarial valuation as of June 30, 2014 reflects the benefit and contribution provisions set forth in current statutes. There were no bills enacted during the 2014 State of Oklahoma legislative session that had an actuarial impact upon the System.

A summary of all major plan provisions contained within this valuation is included in the section titled “Summary of Plan Provisions”.

ACTUARIAL ASSUMPTIONS AND METHODS

Assumptions are set by the Board of Trustees, taking into account the recommendations of the System’s actuary. The System has an experience investigation study performed every fifth year. The actuarial assumptions used in this valuation are based upon the 2009 Experience Investigation Study Report, dated September 15, 2010, measuring the experience investigation period FY2005 – FY2009. The current actuarial assumptions were adopted by the Board in September 2010 and first utilized in the June 30, 2010 actuarial valuation report. The retirement assumption was modified after the experience investigation study to incorporate the change in retirement eligibility for members hired on or after November 1, 2011.

We believe the assumptions are internally consistent and reasonable, based on the actual experience of the System, and meet the parameters set by Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions and methods used to develop the *Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios* and the *Schedule of Employer Contributions*, noted above, meet the parameters set forth for the disclosures presented in the Financial Section by Government Accounting Standards Board Statement No. 67.

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.

A summary of the actuarial methods and assumptions incorporated into this valuation is included in the section titled “Summary of Actuarial Assumptions and Methods”.

DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2014 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, 2014 was supplied by the auditors and by the System's staff. GRS is not responsible for the accuracy or completeness of the information provided to us.

CERTIFICATION

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 also comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code. 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 all of the Qualification Standards of the American Academy of Actuaries.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



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



R. Ryan Falls, FSA, EA, MAAA
Senior Consultant



Brad Stewart, ASA, EA, MAAA

Executive Summary

Item	2014	2013
Membership		
• Number of		
- Active members	89,570	89,333
- Retirees and beneficiaries	56,389	54,581
- Inactive, vested	10,704	9,120
- Inactive, nonvested	9,735	8,926
- Total	166,398	161,960
• Payroll	\$ 4,003 million	\$ 3,933 million
Statutory contribution rates	FY 2015	FY 2014
• Employers in EESIP	9.50%	9.50%
• Regional universities	8.55%	8.55%
• Federal/grant salaries	8.25%	8.25%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
Assets		
• Market value	\$ 14,229 million	\$ 11,810 million
• Actuarial value	\$ 12,369 million	\$ 10,861 million
• Return on market value	22.1%	17.3%
• Return on actuarial value	15.6%	7.9%
• State/local/federal contributions	\$ 707 million	\$ 701 million
• External cash flow %	-1.2%	-1.2%
• Ratio of actuarial to market value	86.9%	92.0%
Actuarial Information		
• Normal cost %	9.81%	9.81%
• Unfunded actuarial accrued liability (UAAL)	\$ 7,207 million	\$ 8,112 million
• Funded ratio	63.2%	57.2%
• Funding period (years)	11	17
Actuarially Determined Contribution	FY 2015	FY 2014
• Dollar amount	\$550,652,420	\$602,936,966
• Percent of pay	13.11%	14.62%
Gains/(losses)		
• Asset experience	\$ 819 million	(\$6) million
• Liability experience	107 million	353 million
• Benefit changes	0 million	0 million
• Legislative Changes	0 million	0 million
• Assumption Changes	0 million	0 million
• Total	\$ 927 million	\$ 346 million

**Schedule of Active Member Valuation Data
 Periods Ended June 30**

<u>Valuation Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
2005	84,286	3,175,161,612	37,671	1.53%
2006	87,194	3,354,876,252	38,476	2.14%
2007	88,133	3,598,926,888	40,835	6.13%
2008	88,678	3,751,436,376	42,304	3.60%
2009	89,388	3,807,914,178	42,600	0.70%
2010	89,896	3,854,772,123	42,880	0.66%
2011	88,085	3,773,283,867	42,837	-0.10%
2012	87,778	3,924,843,696	44,713	4.38%
2013	89,333	3,933,056,084	44,027	-1.53%
2014	89,570	4,002,883,716	44,690	1.51%

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption.

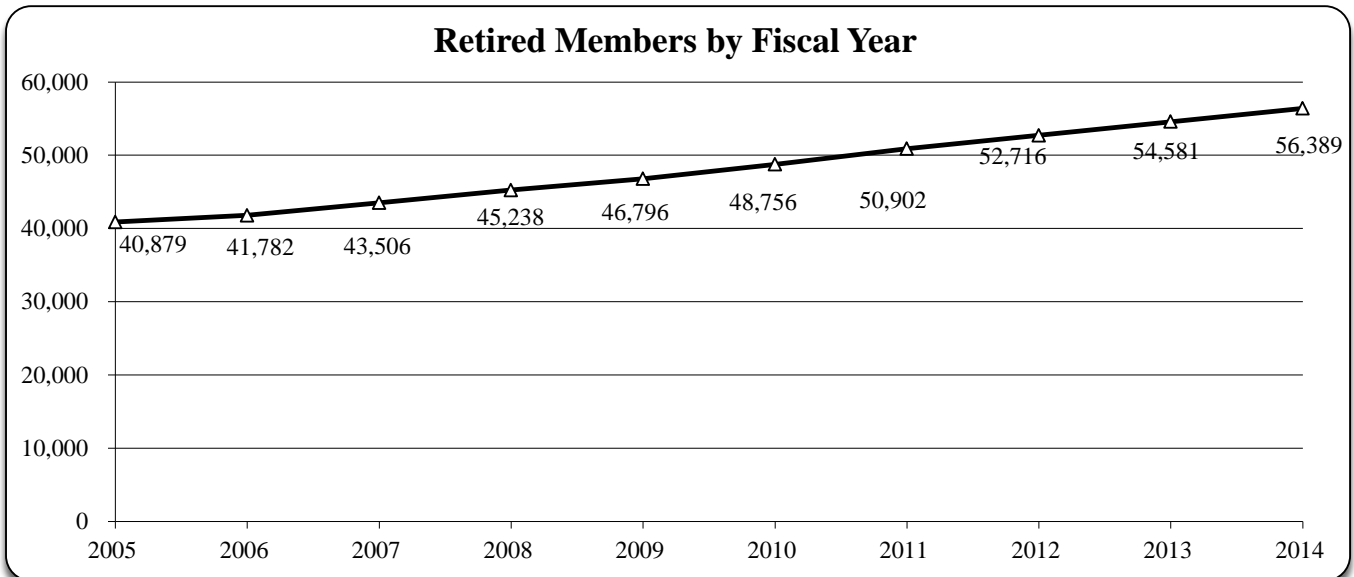
The following table provides the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2014. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate:

1% Decrease 7.00%	Current Single Rate Assumption 8.00%	1% Increase 9.00%
\$7,610,368,171	\$5,417,137,823	\$3,565,976,493

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 <u>Allowances</u>	Average Annual <u>Allowances</u>
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances		
2005	2,346	62,318,530	1,060	8,518,211	40,879	661,157,635	8.9%	16,174
2006	2,060	32,777,192	1,157	7,344,953	41,782	686,589,874	3.8%	16,433
2007	2,696	48,762,552	972	8,907,437	43,506	726,444,989	5.8%	16,698
2008	2,807	46,858,028	1,075	8,758,271	45,238	764,544,746	5.2%	16,900
2009	2,593	77,839,485	1,035	7,161,393	46,796	835,222,838	9.2%	17,848
2010	2,906	47,150,133	946	7,952,632	48,756	874,420,339	4.7%	17,935
2011	2,960	71,573,599	814	6,358,676	50,902	939,635,263	7.5%	18,460
2012	3,003	59,122,021	1,189	10,098,394	52,716	988,658,890	5.2%	18,754
2013	3,305	76,049,460	1,440	22,392,434	54,581	1,042,315,916	5.4%	19,097
2014	3,208	74,367,565	1,400	22,188,183	56,389	1,094,495,298	5.0%	19,410

* 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.



Total Experience Gain or Loss

Item (1)	Year Ending June 30, 2014 (2)	Year Ending June 30, 2013 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 8,112,109,202	\$ 8,397,561,658
2. Normal cost for the year (employer and employee)	\$ 404,662,303	\$ 403,723,342
3. Less: total contributions for the year	\$ (1,008,353,486)	\$ (991,021,880)
4. Interest at 8%:		
a. On UAAL	\$ 648,968,736	\$ 671,804,933
b. On normal cost	16,186,492	16,148,934
c. On contributions	(40,334,139)	(39,640,875)
d. Total	\$ 624,821,089	\$ 648,312,992
5. Expected UAAL (Sum of Items 1 through 4)	\$ 8,133,239,108	\$ 8,458,576,112
6. Actual UAAL	\$ 7,206,590,882	\$ 8,112,109,202
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ 926,648,226	\$ 346,466,910
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ 819,371,741	\$ (6,405,645)
9. Liability gain (loss) for the year	107,276,485	352,872,555
10. Ad hoc COLA granted different than assumed	0	0
11. Impact of changes in actuarial assumptions and methods	0	0
12. Impact of legislative changes	0	0
13. Total	\$ 926,648,226	\$ 346,466,910

Solvency Test

The system's funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one way of evaluating a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retirees;
3. The liabilities for terminated employees with vested benefits; and
4. The liabilities for service already rendered by active members.

In a system that has been following the level contribution rate of payroll financing principle, the liabilities for active member contributions on deposit (liability 1), the liabilities for future benefits to present retirees (liability 2), and the liabilities for terminated employees with vested benefits (liability 3) will be fully covered by present assets except in rare circumstances. In addition, the liabilities for service already rendered by active members (liability 4) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 4 will increase over time. Following is a summary of the solvency test:

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)	(2)	(3)	(4)
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%
2010	4,743.9	123%	10,216.3	265%	419.2	11%	4,601.2	119%	9,566.7	100%	47%	0%	0%
2011	4,931.4	131%	9,316.6	247%	379.9	10%	2,932.9	78%	9,960.6	100%	54%	0%	0%
2012	5,087.4	130%	9,814.2	250%	443.8	11%	3,242.6	83%	10,190.5	100%	52%	0%	0%
2013	5,252.6	134%	10,315.6	262%	469.3	12%	2,935.7	75%	10,861.1	100%	54%	0%	0%
2014	5,221.1	130%	10,780.2	269%	726.8	18%	2,847.5	71%	12,369.0	100%	66%	0%	0%

Note: Dollar amounts in millions

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial		Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
			Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2010	\$9,566.7	\$19,980.6	\$10,414.0	47.9%	\$3,854.8	270.2%
June 30, 2011	\$9,960.6	\$17,560.8	\$7,600.2	56.7%	\$3,773.3	201.4%
June 30, 2012	\$10,190.5	\$18,588.0	\$8,397.6	54.8%	\$3,924.8	214.0%
June 30, 2013	\$10,861.1	\$18,973.2	\$8,112.1	57.2%	\$3,933.1	206.3%
June 30, 2014	\$12,369.0	\$19,575.6	\$7,206.6	63.2%	\$4,002.9	180.0%

Note: Dollar amounts in millions

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Fiscal year ending June 30,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 409,199,801
Interest	1,491,722,137
Benefit Changes	0
Difference between actual & expected experience	(105,344,633)
Assumption Changes	0
Benefit Payments	(1,153,051,607)
Refunds	<u>(28,718,256)</u>
Net Change in Total Pension Liability	\$ 613,807,442
Total Pension Liability - Beginning	<u>19,032,811,749</u>
Total Pension Liability - Ending (a)	<u>\$ 19,646,619,191</u>
Plan Fiduciary Net Position	
Contributions - Employer/State	\$ 707,052,675
Contributions - Member	301,300,811
Net Investment Income	2,571,707,952
Benefit Payments	(1,153,051,607)
Refunds	(28,718,256)
Administrative Expense	(4,282,605)
Other	<u>0</u>
Net Change in Plan Fiduciary Net Position	\$ 2,394,008,970
Plan Fiduciary Net Position - Beginning	<u>11,835,472,398</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,229,481,368</u>
Net Pension Liability - Ending (a) - (b)	\$ 5,417,137,823
Plan Fiduciary Net Position as a Percentage	
of Total Pension Liability	72.43 %
Covered Employee Payroll	\$ 4,304,297,300
Net Pension Liability as a Percentage	
of Covered Employee Payroll	125.85 %

Notes to Schedule:

The covered employee payroll is an estimate of the actual payroll, imputed from individual member contributions, for the fiscal year ending June 30, 2014.

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FY Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Contribution Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 602,936,966	\$ 707,052,675	\$ (104,115,709)	\$ 4,304,297,300	16.43%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: June 30, 2014

Notes Actuarially determined contribution rates are calculated as of June 30. Members and employers contribute based on statutorily fixed rates. The State of Oklahoma contributes 5.0% of revenues from sales taxes, use taxes, corporate and individual income taxes, and lottery proceeds. An additional contribution is made for members whose salary is paid from federal funds or certain grant money.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Amortized over an open 30-year period
Asset Valuation Method	5-year smoothed market
Inflation	3.00%
Salary Increases	Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
Mortality	RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

SUMMARY OF PLAN PROVISIONS

1. Effective Date: July 1, 1943.
2. Plan Year: Twelve-month period ending June 30th.
3. Administration: The Teachers' Retirement System of Oklahoma is administered by a Board of Trustees, which is responsible for administration of the System and investment of System assets. Three members serve ex officio, while a total of ten others are appointed by the Governor (six), the President of the Senate (two), and the Speaker of the House (two), according to various guidelines.
4. Type of Plan: The System is a qualified governmental defined benefit retirement plan. For GASB purposes, it is a cost-sharing multiple-employer PERS.
5. Eligibility: All employees of any public school in Oklahoma, including public colleges and universities, are eligible to participate in the System. Classified personnel (teachers, supervisors, principals, registered school nurses, administrators, etc.) are required to participate, beginning at their date of employment. Non-classified employees (all other employees, such as drivers, secretaries, janitors, cooks, etc.) may, but are not required to, participate. Certain other State employees, such as employees of the System itself, participate in the System. Beginning July 1, 2004, new employees hired by the comprehensive universities (Oklahoma University, the Health Sciences Center, and Oklahoma State University) may elect to join an alternate plan provided by the universities in lieu of joining OTRS. The election to join the alternate plan is irrevocable.
6. Maximum Pay: Prior to July 1, 1995, contributions under this System were based on pay up to a maximum dollar amount. Members could choose between a \$40,000 maximum and a \$25,000 maximum. The member's Final Average Compensation was limited by this same maximum, so the member's election affected both benefits and contributions.

The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employer contributions. It does still have an impact, however. As noted below, benefits based on service earned before July 1, 1995 are limited by the \$40,000 or \$25,000 maximum, whichever was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). See Item 22 below discussing the EESIP provisions.

In addition, the cap on salary continued to apply after June 30, 1995 to members employed by one of the comprehensive universities who entered the System before July 1, 1995. The cap on salary for contribution purposes is shown in the schedule below. All caps were removed effective July 1, 2007.

	<u>Elected \$40,000 Maximum</u>	<u>Elected \$25,000 Maximum</u>
1995/1996	\$44,000	\$27,500
1996/1997	49,000	32,500
1997/1998	54,000	37,500
1998/1999	59,000	42,500
1999/2000	59,000	42,500
2000/2001	64,000	47,500
2001/2002	69,000	52,500
2002/2003	74,000	57,500
2003/2004	79,000	62,500
2004/2005	84,000	67,500
2005/2006	89,000	72,500
2006/2007	94,000	77,500
Thereafter	No limit	No limit

Benefits for the members employed by the comprehensive universities, except for those hired on or after July 1, 1995, are limited by the pay caps for the period before July 1, 2007.

7. Member Contributions: Generally, active members contribute 7.00% of all compensation to the System. A school district may pay all or part of the contribution for its employees.

8. Employer Contributions: Employers are required to contribute a fixed percentage of pay on behalf of active members. The employer contribution rate is now applied to all pay, although historically the rate was not applied to pay above the cap on salary.

The employer contribution rate for years from July 1, 2002 through December 31, 2006 was 7.05% of covered salary. Effective January 1, 2007, the employer contribution rate paid by all employers covered by the EESIP increased to 7.60%. This rate then increased to 7.85% effective July 1, 2007, 8.35% effective January 1, 2008, 8.50% effective July 1, 2008, 9.00% effective January 1, 2009, and 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the rate increased to 7.55% effective January 1, 2008, 8.05% effective January 1, 2009, and 8.55% effective January 1, 2010.

In addition, the State of Oklahoma contributes 5.00% percent of revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The 5.00% rate became effective on July 1, 2007. The rates are shown in the following schedule on the next page.

Fiscal Year	State Contribution Percentage
FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%
Thereafter	5.00%

Beginning in FY 2006, the State also contributes 5.00% of lottery proceeds.

If a member's salary is paid from federal funds or certain grant money, an additional contribution (the grant matching contribution) is required. The matching contribution rate is set by the Board of Trustees annually, and is intended to approximate the State's contribution, expressed as a percentage of non federal/grant salaries.

Fiscal Year	Federal/Grant Contribution Percentage
FY 2003	5.00%
FY 2004	4.50%
FY 2005	4.50%
FY 2006	5.00%
FY 2007	7.00%
FY 2008	7.00%
FY 2009	7.50%
FY 2010	7.50%
FY 2011	6.50%
FY 2012	7.00%
FY 2013	8.00%
FY 2014	8.25%
FY 2015	8.25%

9. Service: Employees receive credit for a year of service if they are contributing members for at least six months within one school year. For service performed on or after July 1, 2013, fractional service will be awarded for less than full-time employment performed during the contract year. Fractional service credit will be added together and the resulting sum will be included in the retirement formula calculations.

Credit may also be granted for service prior to the System's effective date, and non-classified employees can purchase credit for their prior service once they have joined the System. Credit is also available for some out-of-state and military service under certain circumstances.

Finally, members receive a year of service credit if they have accumulated 120 days of unused sick leave at termination. As of August 1, 2012, if a member has less than 120 days of unused sick leave at termination, additional service credit for sick leave days shall be equal to the number of unused sick leave days divided by 120 days.

10. Final Average Compensation (FAC): The average of the member's compensation for the three or five years on which the highest contributions are paid. For persons becoming members before July 1, 1992, the averaging period is three years. For other members, the averaging period is five years. For service prior to July 1, 1995, the FAC is limited to \$40,000 or \$25,000, depending on the member's election and participation in the EESIP as discussed in Item 6 above and in Item 22.

11. Normal Retirement

- a. Eligibility: A member is eligible to retire and receive a Normal Retirement benefit if (i) the member is at least age 62 and has credit for five or more years of service, or (ii) the sum of the member's age and service is at least 80 (Rule of 80). For members joining after June 30, 1992, a "Rule of 90" is used instead of the "Rule of 80". Members joining after October 31, 2011 are eligible if (i) the member is at least age 65 and has credit for five or more years of service, or (ii) the member is at least age 60 and meets the "Rule of 90".
- b. Monthly Benefit: 2% of FAC (limited to \$40,000 or \$25,000, as appropriate) times years of service prior to July 1, 1995, plus 2% of FAC (unlimited) times years of service after June 30, 1995. Special provisions apply to members covered by the EESIP (see Item 22 below). Other special provisions apply to higher education members for service during the period July 1, 1995 through June 30, 2007 if their pay in any year in this period exceeded the applicable maximum. Monthly benefits are equal to one-twelfth of the calculated amount.
- c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

12. Early Retirement

- a. Eligibility: A member is eligible to retire early if the member is at least age 55 and has credit for five or more years of service, or at any age after 30 years of service. For members joining after October 31, 2011, a member is eligible to retire early if the member is at least age 60 and has credit for five or more years of service.
- b. Monthly Benefit: The Normal Retirement benefit (based on current years of service) multiplied by the applicable early retirement factor below.

c. Early Retirement Factor:

Retirement Age	Actuarial Equivalent Factors for Members Joining before November 1, 2011	Statutory Factors for Members Joining after October 31, 2011
65 or later	1.000000	1.00
64	1.000000	0.93
63	1.000000	0.86
62	1.000000	0.80
61	0.907808	0.73
60	0.825271	0.65
59	0.751219	N/A
58	0.684644	N/A
57	0.624673	N/A
56	0.570554	N/A
55	0.521634	N/A
54	0.477344	N/A
53	0.437186	N/A
52	0.400720	N/A
51	0.367562	N/A
50	0.337374	N/A

d. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

- a. Eligibility: A member is eligible provided (i) he/she has credit for at least 10 years of service and (ii) the disability is approved by the Medical Board appointed by the Board of Trustees.
- b. Monthly Benefit: Same as for Normal Retirement above (based on current service).
- c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits are reduced or cease entirely upon recovery or reemployment prior to age 60. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the sum of the member's accumulated contributions as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. A married, disabled member may elect a reduced benefit under the Joint & 100% Survivor option (with pop up) form of payments (Option 2 described in Item 17 below).

14. Vested Termination Benefit

- a. Eligibility: A member with at least 5 years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination benefit.
- b. Monthly Benefit: Same as for Normal Retirement above (based on current service). If benefits commence prior to age 62 (age 65 for members joining after October 31, 2011), they may be reduced for Early Retirement above.
- c. Payment Form: Same as for Normal Retirement above.

15. Withdrawal (Refund) Benefit

- a. Eligibility: All members leaving covered employment with less than 5 years of service for a reason other than the member's death. Optionally, members eligible for other benefits may withdraw their contributions in lieu of the regular benefits due.
- b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus a portion of the interest credited by the System on these contributions. Interest is credited at an annual rate of 8%. The portion of the interest paid on termination depends on the member's years of service as follows:

Years of Service	Percent of Interest Refunded
0-15	50%
16-21	60%
22-25	75%
26 or more	90%

16. Death in Service

- a. Eligibility: Death must have occurred while an active member.
- b. Benefit: Upon the death of an active member, a refund of the member's contributions and 100% of the interest credited is paid. In addition, a lump sum of \$18,000 will be paid. If the member is eligible for retirement (early or normal) at the time of death, and the member is married, the spouse may elect to receive a monthly life annuity equal to the retirement benefit for which the member was eligible, reduced as though the member had elected to receive benefits under Option 2 (see below). This annuity is paid in lieu of both (i) the \$18,000 lump-sum death benefit and (ii) the refund of contributions.

The spouse of an EESIP eligible member can elect to receive the enhanced benefit described under Item 22 below.

17. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

- a. Option 1 - A modified cash refund annuity payable for life with a guaranteed refund of the member's contributions and interest, less the total of the "annuity" payments paid. (The "annuity" payment is the portion of the monthly benefit provided by the member's own account balance.)
- b. Option 2 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing without change to the joint annuitant; or if the joint annuitant dies before the member, "popping-up" to the original life annuity amount and continuing for the life of the member.
- c. Option 3 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing at 50% of this amount for the joint annuitant's lifetime; or if the joint annuitant dies before the member, "popping-up" to the original life annuity amount and continuing for the life of the member.
- d. Option 4 - A life annuity with a guarantee that if the member dies before 120 payments (10 years) have been made; the payments will be continued to the member's beneficiary for the balance of the ten-year period.
- e. PLSO Option - A partial lump-sum option (PLSO) is allowed for those members with at least 30 years of service upon retirement. The amount of the PLSO is equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided. A member who elects a PLSO may elect any of the other optional forms of payment as well, taking a further reduction in the annuity amount.

Actuarial equivalence is based on tables adopted by the Board of Trustees.

18. Special Retirees: This is a group of retirees who have been granted a special \$150 per month benefit although they did not fulfill the requirements for service retirement. With cost of living increases, the special retirees now average \$195 per month.

19. Supplemental Medical Insurance

- a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) who have at least 10 years of service credit are eligible for a supplemental medical insurance payment.
- b. Monthly Benefit: Eligible members receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between \$100 and \$105 per month, depending on service and Final Average Compensation.
- c. Payment Form: Benefits are payable as a life annuity on behalf of the retired member to (i) the Oklahoma Employees' Group Insurance Plan, if the member has health coverage under this Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

20. Post-retirement Death Benefit

- a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) are eligible for a post-retirement death benefit.
- b. Benefit: A lump-sum payment of \$5,000.

21. Cost-of-living Increase: From time to time, the System has been amended to grant certain post-retirement benefit increases. However, the System has no automatic cost-of-living increase features.

22. EESIP: The Education Employees Service Incentive Plan (EESIP) was created in 2006. Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

For each "uncapped" year, the \$40,000 cap applicable to service before July 1, 1995 is increased to \$60,000 for retirements in FY 2007, to \$80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being "uncapped." Payment is required only for those years of service that are computed at an elevated or eliminated cap.

Contributions are required at the following rates for salary in excess of the \$25,000 or \$40,000 cap earned in years FY 1998 through FY 1995:

<u>Fiscal Year</u>	<u>Contribution Percentage</u>
FY 1995	8.00%
FY 1994	9.00%
FY 1993	11.00%
FY 1992	11.00%
FY 1991	11.00%
FY 1990	10.50%
FY 1989	10.00%
FY 1988	10.00%

For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

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 number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL), or the funding period.

The actuarial valuation uses the Entry Age actuarial cost method. Under this method, the first step is to determine the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member, or the normal cost rate. The normal cost rate consists of two pieces: (i) the member's contribution rate, and (ii) the remaining portion of the normal cost rate which is the employer's 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 projecting the benefits for this group, all scheduled changes to provisions and member contribution rates are included. The hypothetical group of new entrants was reset in the 2010 experience study, based on actual new members joining during FY 2005 through FY 2009.

The UAAL 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 provided in excess of 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: (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, and (e) employer and State contributions will remain the same percentage of payroll as projected for the current fiscal year.

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 Actuarially Determined Employer Contribution (ADEC). 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, net of expenses and compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% net real rate of return.
2. Salary increase rate: A 4.00% wage inflation component, including 3.00% price inflation, plus a service-related component as shown below:

Years of Service	Service-Related Component	Total Salary Increase Rate
(1)	(2)	(3)
0	8.00%	12.00%
1-2	1.50%	5.50%
3-4	1.25%	5.25%
5-11	1.00%	5.00%
12-17	0.75%	4.75%
18-21	0.50%	4.50%
22-24	0.25%	4.25%
25 or more	0.00%	4.00%

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. Future ad hoc cost-of-living increases: None.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

- a. Healthy males – RP-2000 Combined Mortality Table for males, projected to the year 2016 using Scale AA, multiplied by 90%, no set back.
- b. Healthy females – RP-2000 Combined Mortality Table for females, projected to the year 2016 using Scale AA, multiplied by 80%, no set back.
- c. Disabled males – RP-2000 Mortality Table for disabled males, multiplied by 75%, no set back.
- d. Disabled females – RP-2000 Mortality Table for disabled females, multiplied by 100%, no set back.

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	0.09	0.04	1.69	0.75
45	0.11	0.07	1.69	0.75
50	0.14	0.10	2.17	1.15
55	0.24	0.19	2.66	1.65
60	0.47	0.37	3.15	2.18
65	0.91	0.72	3.76	2.80
70	1.57	1.24	4.69	3.76
75	2.72	1.98	6.16	5.22
80	4.93	3.28	8.20	7.23

Mortality Improvement: To account for future mortality improvement, the tables and table multipliers selected above were chosen so that the assumed mortality rates are smaller than the rates observed in the last experience study, covering experience for FY 2005 – FY 2009. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was:

- 115% for nondisabled male annuitants
- 120% for nondisabled female annuitants
- 112% for disabled male annuitants
- 130% for disabled female annuitants

2. Mortality rates for active members – RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%. Sample rates are shown below:

Age	Expected Deaths per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	0.02	0.01
30	0.03	0.01
35	0.05	0.02
40	0.06	0.04
45	0.09	0.06
50	0.13	0.08
55	0.18	0.13
60	0.29	0.20
65	0.45	0.29

No future improvement was assumed for pre-retirement mortality, since this would not have a material effect on the liabilities or costs.

3. Disability rates - Based on 2010 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	0.025	0.023
30	0.025	0.023
35	0.035	0.045
40	0.065	0.112
45	0.100	0.180
50	0.300	0.270
55	0.450	0.378
60	0.175	0.378
65	0.000	0.000

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 solely on the member's service, developed from the 2010 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Expected Terminations per 100 Lives		
Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	30.00	24.00
1	14.00	12.00
2	12.50	10.50
3	11.00	9.00
4	9.50	8.25
5	8.50	7.50
6	7.50	6.75
7	6.75	6.00
8	6.00	5.25
9	5.25	4.50
10	4.75	4.00
11	4.50	3.50
12	4.00	3.25
13	3.75	3.00
14	3.50	2.75
15	3.25	2.50
16	3.00	2.25
17	2.75	2.00
18	2.50	1.75
19	2.25	1.50
20	2.00	1.40
21	1.75	1.30
22	1.50	1.20
23	1.25	1.10
24	1.00	1.00
25 or more	0.00	0.00

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 2010 Experience Study. Sample rates are shown below:

Expected Retirements per 100 Lives						
Age	Unreduced Retirement				Reduced Retirement	
	Males		Females		Males	Females
	Rule of 80	Rule of 90	Rule of 80	Rule of 90		
Under 50	0.0	0.0	0.0	0.0	0.0	0.0
50	12.0	19.5	12.5	20.0	0.0	0.0
51	12.0	19.5	12.5	20.0	0.0	0.0
52	12.0	19.5	12.5	20.0	0.0	0.0
53	12.0	19.5	12.5	20.0	0.0	0.0
54	12.0	19.5	12.5	20.0	0.0	0.0
55	12.0	19.5	12.5	20.0	1.0	1.5
56	12.0	19.5	12.5	20.0	1.8	2.0
57	12.0	22.0	12.5	22.5	2.0	2.3
58	12.0	22.0	12.5	22.5	2.3	2.5
59	12.0	22.0	12.5	22.5	2.5	2.8
60	12.0	22.0	15.0	25.0	2.8	3.0
61	12.0	22.0	18.0	28.0	3.0	3.5
62	20.0	30.0	25.0	35.0	10.0	10.0
63	18.0	18.0	18.0	18.0	7.5	7.5
64	16.0	16.0	16.0	16.0	7.5	7.5
65	20.0	20.0	25.0	25.0		
66	20.0	20.0	22.5	22.5		
67	20.0	20.0	22.5	22.5		
68	20.0	20.0	22.5	22.5		
69	20.0	20.0	22.5	22.5		
70	20.0	20.0	22.5	22.5		
71	20.0	20.0	22.5	22.5		
72	20.0	20.0	22.5	22.5		
73	20.0	20.0	22.5	22.5		
74	20.0	20.0	22.5	22.5		
75 and over	100.0	100.0	100.0	100.0		

The retirement assumption was further modified for members hired after November 1, 2011. Affected members who would have been assumed to retire prior to age 60 under the above schedule are assumed to retire when first eligible for an unreduced benefit.

C. Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Males are assumed to be three years older than females.
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 (age 65 if hired on or after November 1, 2011).
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. Decrement timing: Decrements of all types are assumed to occur mid-year.

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 date of birth, date of hire, gender, years of service, 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, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Individual member contributions for the 12 months prior to the valuation date were used to determine the actual salary for plan members in the prior plan year. The valuation assumptions for salary increases were used to determine the projected salary for the current plan year. Annualized salary for new members is based on the salary for the same hypothetical group of new members described in Section II, above. Additionally, contributing members were assumed to accrue one additional year of service between the end of the prior employment year and the valuation date.

Additional 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, the actuarial assumptions and methods were developed from the 2010 experience study, and were adopted by the Board of Trustees in September 2010 and first reflected in the June 30, 2010 actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 2005, including the investment return rate, the inflation and payroll growth rates, and the male disability rates.

Since the June 30, 2004 valuation, there has been an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding. The initial assumption was that these would average 1.00% per year. Effective July 1, 2008, the assumption was modified from 1.00% to 2.00% per year. Because of the enactment of HB 2132 in 2011, this assumption was eliminated effective with the June 30, 2011 actuarial valuation.



OKLAHOMA TEACHERS RETIREMENT SYSTEM



Statistical Section

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 111 through page 120 provide data depicting active membership, level of monthly benefits, years of service, and retirement options. The schedules on page 121 to page 125 provide financial data showing revenues and expenses. On page 126 to page 129 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, 2014

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement *						Option Selected #					
		1	2	3	4	5	6	A	B	C	D	E	G
Under \$500	7,027	3,851	2,458	315	72	323	8	3,268	1,707	1,493	317	233	8
\$501-\$1,000	9,396	6,169	1,805	648	72	702	0	4,033	2,157	2,177	795	234	0
\$1,001-\$1,500	8,628	7,293	287	587	7	454	0	3,146	1,978	2,455	904	145	0
\$1,501-\$2,000	13,283	12,492	29	533	1	228	0	4,162	3,424	4,048	1,389	261	0
\$2,001-\$2,500	10,999	10,592	5	370	0	32	0	3,184	2,627	3,600	1,304	284	0
\$2,501-\$3,000	4,147	3,992	1	151	0	3	0	1,276	864	1,374	551	82	0
\$3,001-\$3,500	1,543	1,509	0	34	0	0	0	533	304	499	178	29	0
\$3,501-\$4,000	594	583	0	11	0	0	0	217	96	202	70	9	0
Over \$4,000	772	755	0	17	0	0	0	240	95	312	108	17	0
	Totals	47,236	4,585	2,666	152	1,742	8	20,059	13,252	16,160	5,616	1,294	8

*** 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 the same monthly 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 one-half 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 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 Date	Years of Credited Service							
	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40+
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	\$2,025	\$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
Period 7/1/2009 to 6/30/2010								
Average monthly benefit	\$365	\$613	\$952	\$1,365	\$1,895	\$2,319	\$3,074	\$3,850
Average final average salary	\$35,555	\$34,709	\$36,329	\$38,995	\$44,020	\$49,040	\$55,956	\$65,319
Number of retired members	135	299	321	496	499	465	232	133
Period 7/1/2010 to 6/30/2011								
Average monthly benefit	\$353	\$673	\$982	\$1,509	\$2,002	\$2,413	\$3,097	\$3,920
Average final average salary	\$33,636	\$37,158	\$38,819	\$42,813	\$46,536	\$50,698	\$57,768	\$63,268
Number of retired members	195	377	355	586	564	607	366	163
Period 7/1/2011 to 6/30/2012								
Average monthly benefit	\$405	\$680	\$1,102	\$1,552	\$2,011	\$2,515	\$3,117	\$3,919
Average final average salary	\$37,159	\$37,614	\$41,972	\$44,307	\$46,462	\$52,828	\$57,193	\$64,376
Number of retired members	228	384	351	570	551	585	326	188
Period 7/1/2012 to 6/30/2013								
Average monthly benefit	\$391	\$723	\$1,128	\$1,561	\$2,066	\$2,556	\$3,230	\$4,000
Average final average salary	\$36,578	\$39,000	\$43,594	\$44,481	\$47,659	\$53,436	\$58,340	\$64,544
Number of retired members	203	319	345	517	578	537	351	164
Period 7/1/2013 to 6/30/2014								
Average monthly benefit	\$389	\$760	\$1,132	\$1,627	\$2,090	\$2,654	\$3,341	\$4,163
Average final average salary	\$34,904	\$39,906	\$43,245	\$45,779	\$48,005	\$54,853	\$60,050	\$68,142
Number of retired members	236	338	335	500	549	484	334	169

Principal Participating Employers

Current Year (2014) and Nine Years Ago (2005)

Participating Employer	Fiscal Year 2014			Fiscal Year 2005		
	Covered Members	Rank	Percentage of Total System	Covered Members	Rank	Percentage of Total System
OKLAHOMA CITY PUBLIC SCHOOLS	5,150	1	5.45%	4,436	1	4.96%
OKLAHOMA STATE UNIVERSITY	4,034	2	4.27%	3,959	2	4.43%
TULSA PUBLIC SCHOOLS	3,848	3	4.07%	3,954	3	4.42%
UNIVERSITY OF OKLAHOMA	2,651	4	2.80%	3,089	4	3.46%
MOORE PUBLIC SCHOOLS	2,549	5	2.70%	2,042	7	2.29%
EDMOND PUBLIC SCHOOLS	2,471	6	2.61%	2,175	6	2.43%
OU HEALTH SCIENCES CENTER	1,913	7	2.02%	2,344	5	2.62%
MID-DEL PUBLIC SCHOOLS	1,741	8	1.84%	1,570	10	1.76%
PUTNAM CITY PUBLIC SCHOOLS	1,734	9	1.83%	1,618	9	1.81%
BROKEN ARROW PUBLIC SCHOOLS	1,676	10	1.77%	1,322	12	1.48%
* All Other	66,774		70.63%	62,848		70.33%
Total (607 Employers)	94,541		100.00%	89,357		100.00%

*In Fiscal Year 2014, "all other" consisted of:

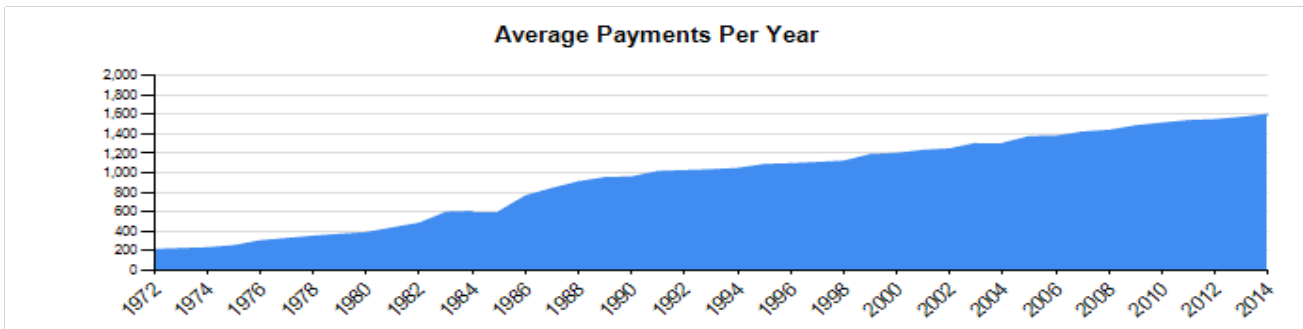
Type	Participating Employers	Members
School Districts	512	51,007
Higher Education	24	9,906
Career Technology	28	4,186
State Agencies	26	1,498
Other	7	177
Total	597	66,774

Schedule of Average Payment Amounts

Fiscal Year Ended June 30, 2014

Date	Regular Annuitants	Date	Regular Annuitants	Special Annuitants
June 30, 1948	\$33	June 30, 1990	\$956	\$159
June 30, 1954	\$75	June 30, 1991	\$1,013	\$159
June 30, 1960	\$83	June 30, 1992	\$1,021	\$159
June 30, 1970	\$179	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
June 30, 1988	\$907	June 30, 2010	\$1,511	\$195
June 30, 1989	\$949	June 30, 2011	\$1,537	\$195
		June 30, 2012	\$1,547	\$195
		June 30, 2013	\$1,571	\$195
		June 30, 2014	\$1,601	\$195

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



Active Personnel

Fiscal Year Ended June 30, 2014

Years of Service	All Active Personnel	Classified Personnel
Under 5 years	39,120	39,120
5-9	16,449	16,449
10-14	13,453	13,453
15-19	8,337	8,337
20-24	6,532	6,532
25-29	3,179	3,179
30-34	1,803	1,803
35-39	576	576
40-44	102	102
45-49	16	16
50-54	2	2
55-59	1	1
Totals	89,570	89,570

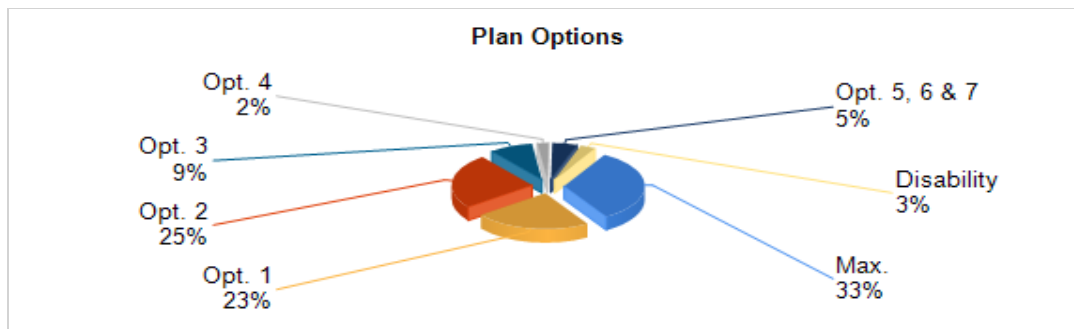
Salary Range	All Active Personnel	Classified Personnel
Under \$5,000	1,683	1,683
\$5,001-\$10,000	3,221	3,221
\$10,001-\$15,000	6,470	6,470
\$15,001-\$20,000	4,443	4,443
\$20,001-\$25,000	4,289	4,289
\$25,001-\$30,000	12,189	12,189
\$30,001-\$35,000	15,898	15,898
\$35,001-\$40,000	12,078	12,078
\$40,001-\$45,000	7,824	7,824
\$45,001-\$50,000	5,041	5,041
\$50,001-\$55,000	3,129	3,129
\$55,001-\$60,000	2,469	2,469
\$60,001-\$65,000	2,064	2,064
\$65,001-\$70,000	1,697	1,697
\$70,001-\$75,000	1,355	1,355
\$75,001 and Above	5,718	5,718
Totals	89,570	89,570

Average Age (years)	45.4	45.4
Average Salary	\$38,238.23	\$38,238.23
Average Service (years)	8.5	8.5

Schedule of Retired Members by Type of Benefits

Selected Plan Options
 Fiscal Year Ended June 30, 2014

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	3,463	15,069	18,532	\$1,513	33%
Option 1	3,015	10,236	13,251	\$1,559	23%
Option 2	7,288	6,613	13,901	\$1,777	25%
Option 3	2,014	2,883	4,897	\$1,926	9%
Option 4	377	872	1,249	\$1,513	2%
Options 5, 6 & 7	749	2,068	2,817	\$1,347	5%
Disability	470	1,272	1,742	\$954	3%
Totals	17,376	39,013	56,389	\$1,599	100%



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.

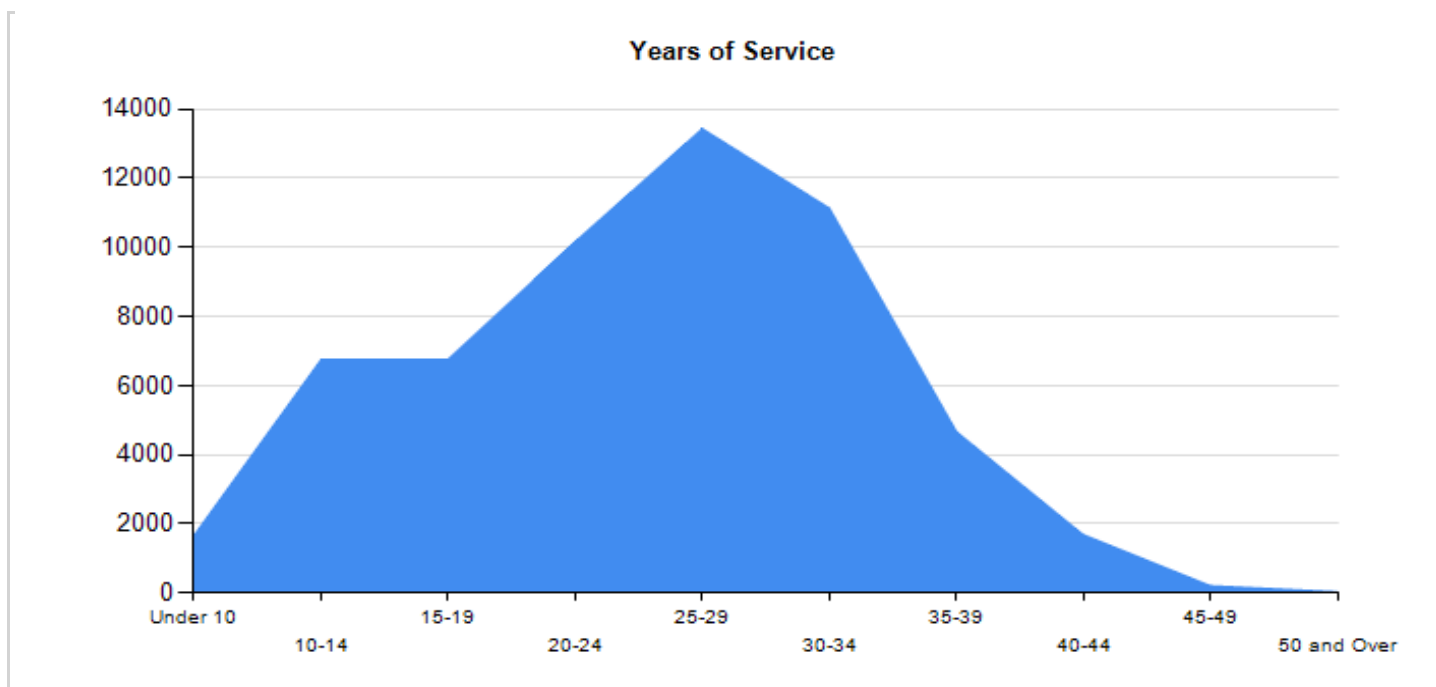
Disability – upon meeting requirements, a vested member may receive a monthly benefit.

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, 2014

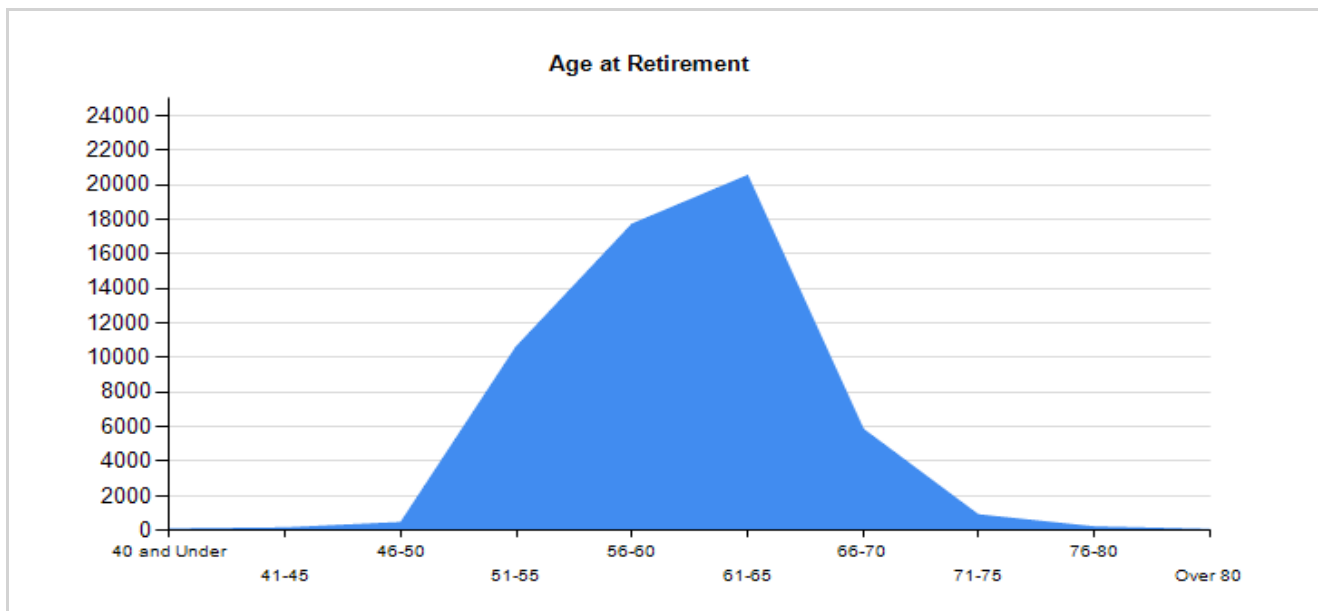
Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	602	1,061	1,663	\$362
10-14	1,825	4,916	6,741	\$520
15-19	1,829	4,921	6,750	\$837
20-24	2,294	7,856	10,150	\$1,306
25-29	3,914	9,493	13,407	\$1,793
30-34	4,032	7,080	11,112	\$2,185
35-39	1,960	2,699	4,659	\$2,682
40-44	796	883	1,679	\$3,256
45-49	107	93	200	\$3,852
50 and Over	17	11	28	\$4,027
Totals	17,376	39,013	56,389	\$1,599



Distribution by Age at Retirement

Fiscal Year Ended June 30, 2014

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	16	56	72	\$698	12.9
41-45	35	102	137	\$936	15.8
46-50	124	322	446	\$1,216	20.1
51-55	4,095	6,500	10,595	\$1,935	28.5
56-60	4,989	12,682	17,671	\$1,598	25.3
61-65	5,776	14,703	20,479	\$1,462	23.2
66-70	1,928	3,923	5,852	\$1,557	23.0
71-75	323	569	892	\$1,531	23.3
76-80	68	126	194	\$1,314	22.2
Over 80	23	29	52	\$976	20.7
Totals	17,377	39,012	56,389	\$1,599	24.8

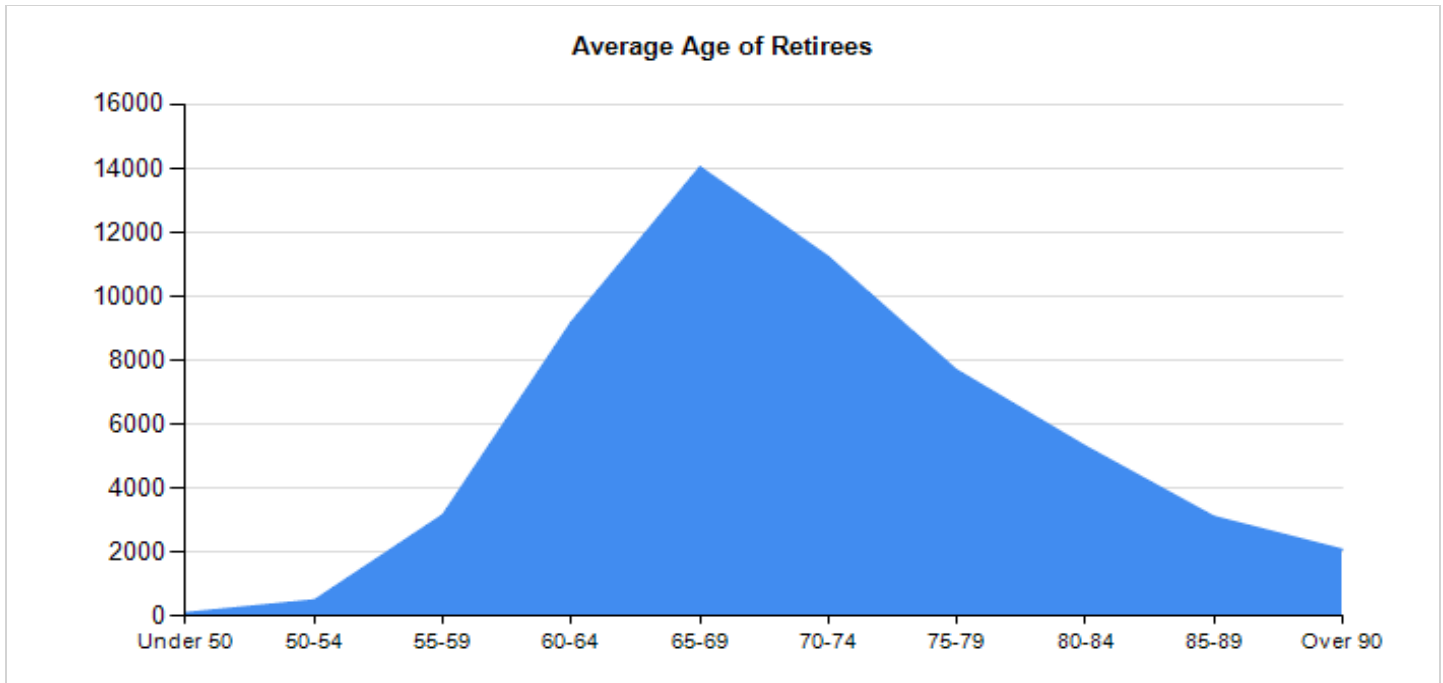


Distribution by Retiree Age

Fiscal Year Ended June 30, 2014

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	117	17.5	\$1,126
50-54	599	26.2	\$1,865
55-59	3,415	26.8	\$1,913
60-64	9,677	25.6	\$1,816
65-69	13,951	24.9	\$1,740
70-74	10,998	24.2	\$1,556
75-79	7,530	23.9	\$1,415
80-84	5,139	23.9	\$1,308
85-89	3,013	24.8	\$1,251
Over 90	1,950	26.0	\$1,174
Totals	56,389	24.8	\$1,599

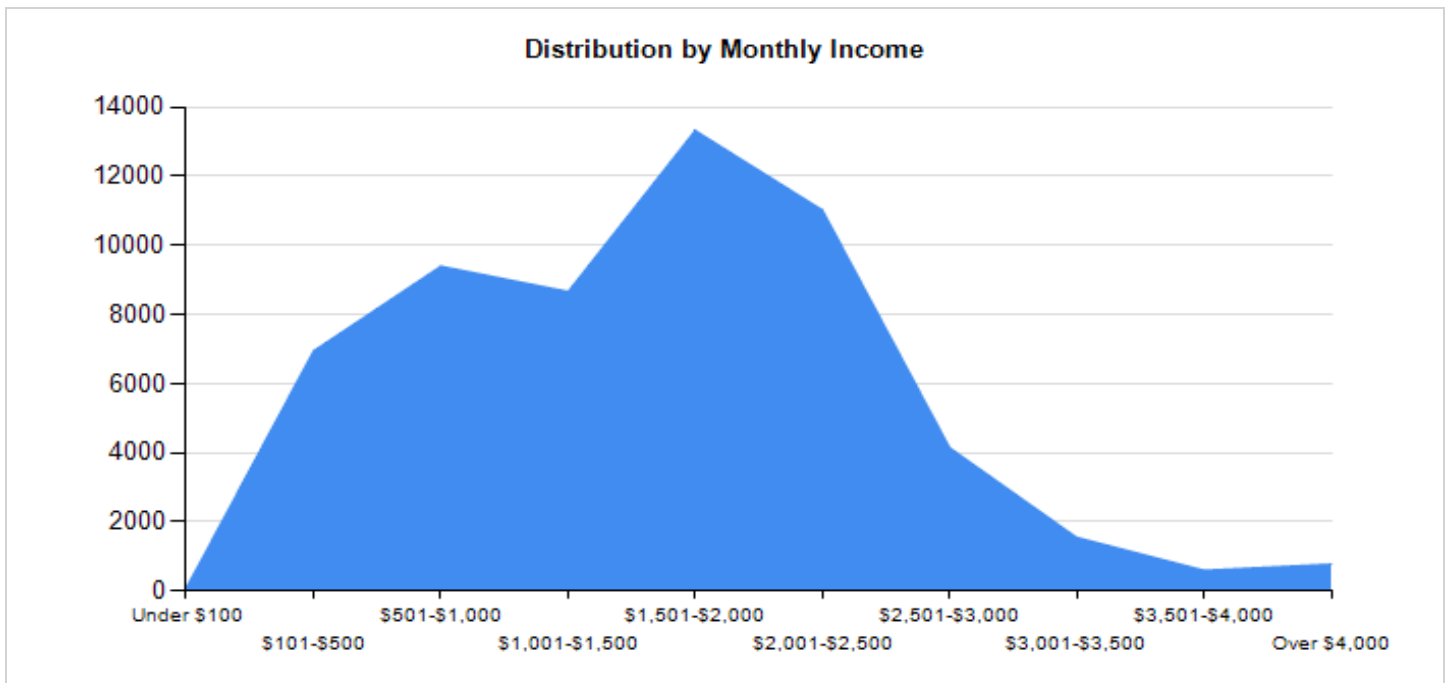
Average age of retired members is 70.5 years.



Distribution by Monthly Income

Fiscal Year Ended June 30, 2014

Monthly Income	Retired Members	Total	Average Payment
Under \$100	89	\$7,518	\$84
\$101-\$500	6,932	\$2,262,492	\$326
\$501-\$1,000	9,379	\$6,879,274	\$733
\$1,001-\$1,500	8,646	\$10,959,921	\$1,268
\$1,501-\$2,000	13,299	\$23,396,304	\$1,759
\$2,001-\$2,500	10,999	\$24,362,433	\$2,215
\$2,501-\$3,000	4,138	\$11,197,110	\$2,706
\$3,001-\$3,500	1,544	\$4,954,289	\$3,209
\$3,501-\$4,000	593	\$2,196,017	\$3,706
Over \$4,000	771	\$3,950,653	\$5,124
Totals	56,389	\$90,166,011	\$1,599



**Teachers' Retirement System of Oklahoma
Schedule of Cash Receipts and Disbursements
Years Ended June 30, 2013 and 2014
401 (a) Plan**

	<u>2014</u>	<u>2013</u>
Cash balance, beginning of year	\$ 14,348,481	\$24,936,734
<u>Receipts:</u>		
Members' contributions	301,300,811	290,044,395
Member tax-shelter	-	-
Employer statutory requirement from local school districts	386,895,127	373,789,020
Matching funds	24,352,831	26,995,423
Dedicated revenue	295,804,716	300,509,886
Interest and Dividend Income	356,982,304	320,417,159
Net gain (loss) on investments	935,343,169	719,325,046
Other revenue	8,590,136	9,531,387
Investments sold	43,159,074	<u>136,779,191</u>
Total receipts	<u>2,352,428,168</u>	<u>2,177,391,507</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	1,153,051,607	1,095,144,055
Refund of member contributions and annuity payments	28,718,256	28,894,193
Administrative expenses	4,282,602	4,156,867
Investment expenses	48,916,280	36,289,404
Equipment purchases	747,725	682,207
Investment purchases	<u>1,113,364,447</u>	<u>1,022,258,012</u>
Total disbursements	<u>2,349,080,917</u>	<u>2,187,424,738</u>
Balance of cash, June 30	<u>\$17,695,733</u>	<u>\$14,903,503</u>

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

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

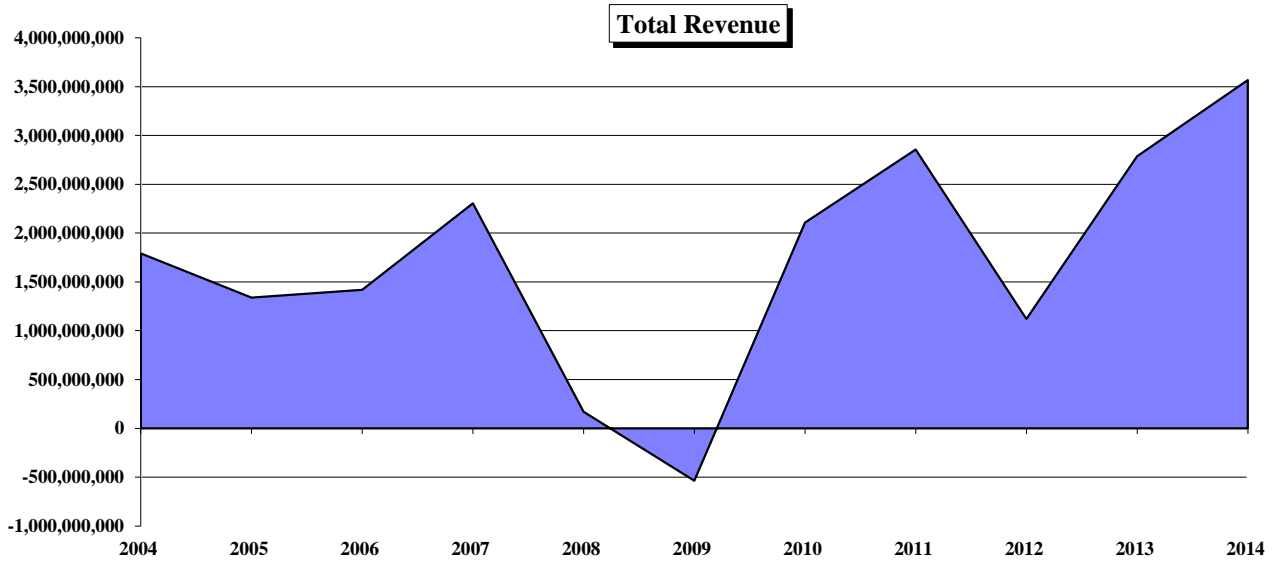
Year	Additions				Deductions			Total Changes in Net Position
	Contributions		State and Federal Matching	Net Investment Income	Benefit Payments	Refunds and Annuity Payments	Administrative Expenses	
	Member	Employer						
2005 *	241,459,049	227,791,719	177,966,919	691,956,300	701,715,390	44,060,265	4,212,266	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)
2010 *	295,649,674	366,282,238	254,375,139	1,191,267,426	912,912,714	74,951,443	4,979,589	1,114,730,731
2011 *	291,654,100	364,025,589	274,451,205	1,925,637,239	979,245,846	58,920,565	4,716,480	1,812,885,242
2012 *	291,385,506	376,635,234	304,995,663	147,103,279	1,036,132,586	54,737,731	4,273,189	24,976,176
2013 *	292,955,101	373,789,020	327,505,309	1,792,605,289	1,095,144,055	52,732,344	4,156,867	1,634,821,453
2014 *	\$ 304,327,343	\$ 386,895,127	\$ 320,157,547	\$ 2,555,596,555	\$ 1,153,051,607	\$ 50,061,499	\$ 4,282,602	\$ 2,359,580,864

* - 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**

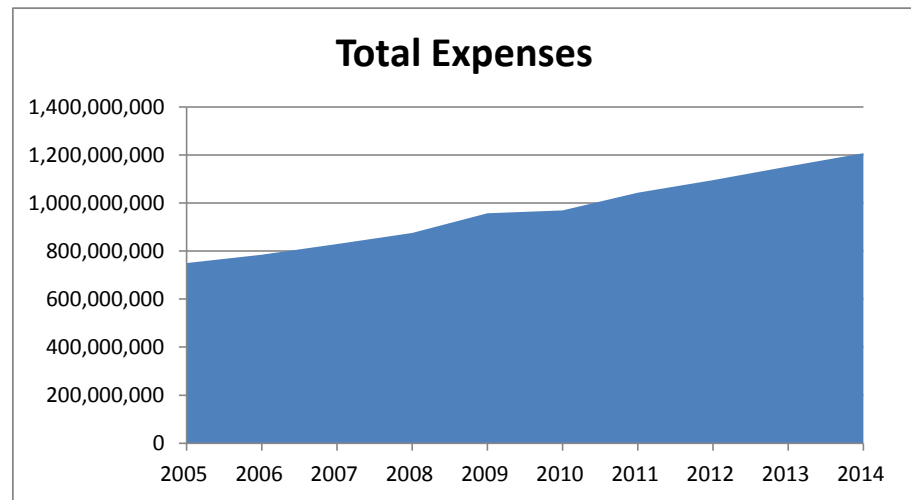
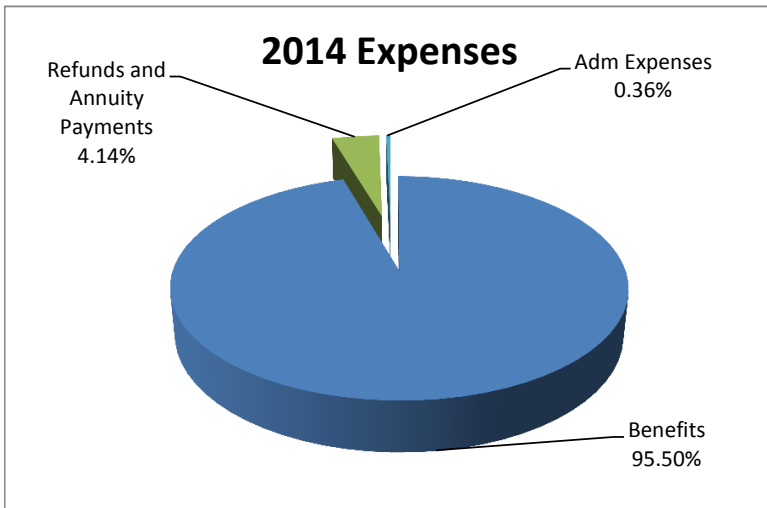
<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>State of Oklahoma and Various Grant Sources</u>	<u>Net Investment Income</u>	<u>Other Revenue</u>	<u>Total</u>
2004 *	238,312,953	219,126,867	156,142,888	1,175,826,812	2,511,256	1,791,920,776
2005 *	241,459,049	227,791,719	177,966,919	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)
2010 *	295,649,674	366,282,238	254,375,139	1,186,235,015	5,032,411	2,107,574,477
2011 *	291,654,100	364,025,589	274,451,205	1,919,301,220	6,336,019	2,855,768,133
2012 *	294,833,537	376,635,234	304,995,663	134,376,020	9,279,228	1,120,119,682
2013 *	292,955,101	373,789,020	327,505,309	1,783,073,902	9,531,387	2,786,854,719
2014 *	304,327,343	386,895,127	320,157,547	2,547,006,419	8,590,136	3,566,976,572

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



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

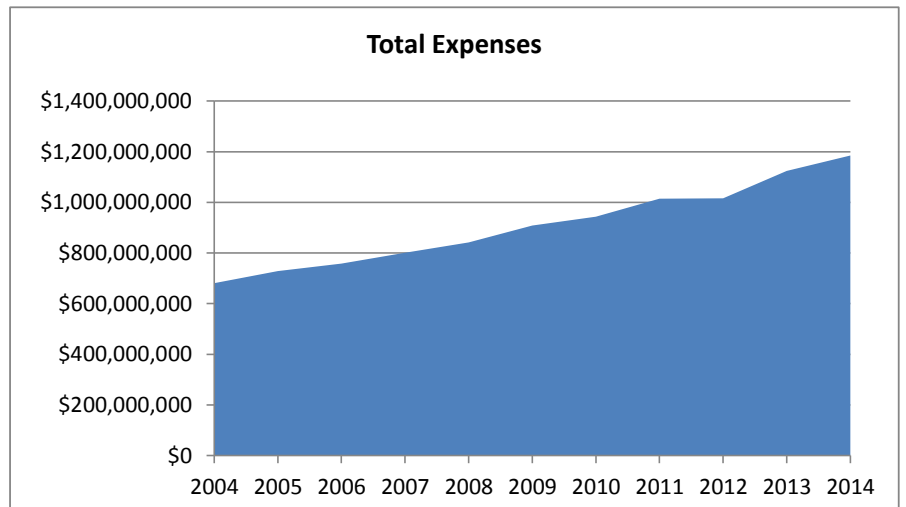
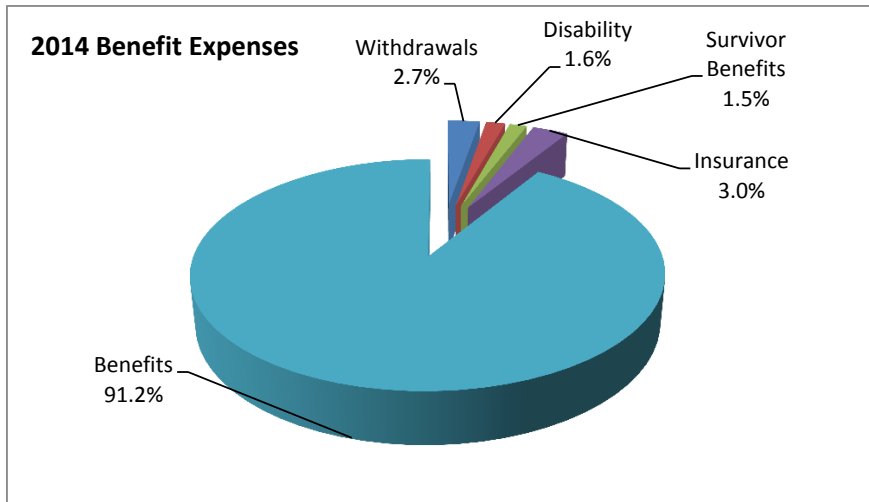
<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
2005	701,715,390	44,060,265	4,212,266	749,987,921
2006	727,379,279	52,902,064	4,425,007	784,706,350
2007	767,212,709	57,378,925	4,549,159	829,140,793
2008	806,540,725	63,925,592	4,791,118	875,257,435
2009	876,273,193	75,692,946	5,216,493	957,182,632
2010	912,912,714	51,304,576	4,979,589	969,196,879
2011	979,245,846	58,920,565	4,716,480	1,042,882,891
2012	1,036,132,586	54,737,731	4,273,189	1,095,143,506
2013	1,095,144,055	52,732,344	4,156,867	1,152,033,266
2014	1,153,051,607	50,061,499	4,282,605	1,207,395,711



Schedule of Benefit Expenses by Type

For Periods Ended June 30

Year	Age And Service Benefits	Disability Benefits	Insurance Payments	Survivor Benefits	Withdrawal of Accounts	Total
2004	\$593,951,000	\$13,406,316	\$31,142,570	\$8,778,100	\$33,663,294	\$680,941,280
2005	\$646,805,731	\$14,351,904	\$30,933,923	\$9,623,832	\$26,935,850	\$728,651,240
2006	\$671,474,697	\$15,115,176	\$30,421,535	\$10,367,870	\$30,864,619	\$758,243,897
2007	\$710,990,189	\$15,454,800	\$30,491,840	\$10,275,879	\$33,829,654	\$801,042,362
2008	\$748,710,866	\$15,866,880	\$30,404,352	\$11,591,627	\$35,254,496	\$841,828,221
2009	\$818,781,566	\$16,441,272	\$30,523,203	\$10,527,153	\$32,130,596	\$908,403,790
2010	\$854,573,317	\$16,803,072	\$29,916,471	\$11,619,585	\$30,409,340	\$943,321,785
2011	\$921,893,090	\$17,742,173	\$29,405,228	\$10,205,355	\$35,211,171	\$1,014,457,017
2012	\$923,869,182	\$18,055,036	\$29,607,919	\$12,339,834	\$32,076,398	\$1,015,948,369
2013	\$1,031,717,190	\$18,714,274	\$27,313,596	\$17,398,994	\$28,894,193	\$1,124,038,248
2014	\$1,080,579,057	\$19,310,123	\$35,743,154	\$17,419,273	\$31,764,369	\$1,184,815,976



Retirees in the State of Oklahoma by County

Of the 56,123 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma, 89% or 50,130 remain state of Oklahoma residents. As such, benefit payments of approximately \$990,246,803.85 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.

County	Recipients	Annual Payment	County	Recipients	Annual Payment
Adair	393	\$7,865,074.61	Leflore	722	\$13,918,903.00
Alfalfa	122	\$2,376,204.06	Lincoln	421	\$7,841,407.65
Atoka	225	\$4,085,774.49	Logan	457	\$8,099,244.43
Beaver	85	\$1,592,300.90	Love	98	\$1,735,964.80
Beckham	298	\$6,111,690.68	Major	124	\$2,297,286.67
Blaine	186	\$3,594,088.78	Marshall	261	\$5,154,804.13
Bryan	785	\$15,331,153.66	Mayer	584	\$12,256,567.97
Caddo	538	\$9,530,017.49	McClain	568	\$10,621,847.75
Canadian	1,377	\$27,552,814.55	McCurtain	586	\$11,182,833.95
Carter	690	\$12,673,960.45	McIntosh	405	\$7,769,841.27
Cherokee	963	\$19,832,625.31	Murray	209	\$4,303,649.13
Choctaw	244	\$4,664,789.72	Muskogee	1,190	\$24,131,761.34
Cimarron	46	\$776,570.99	Noble	153	\$2,883,710.96
Cleveland	3,212	\$65,696,314.57	Nowata	88	\$1,917,618.34
Coal	80	\$1,510,994.74	Okfuskee	184	\$3,407,047.08
Comanche	1,476	\$29,793,523.18	Oklahoma	8,976	\$180,132,466.87
Cotton	91	\$1,637,250.59	Okmulgee	708	\$13,499,286.00
Craig	201	\$3,603,459.01	Osage	204	\$3,526,367.57
Creek	746	\$14,168,615.95	Ottawa	651	\$11,401,104.13
Custer	537	\$10,672,722.49	Pawnee	190	\$3,443,265.62
Delaware	430	\$8,834,894.95	Payne	2,064	\$40,739,809.89
Dewey	129	\$2,510,921.49	Pittsburg	628	\$12,149,867.97
Ellis	58	\$1,049,851.45	Pontotoc	809	\$15,986,156.40
Garfield	749	\$14,601,298.29	Pottawatomie	881	\$17,385,945.18
Garvin	416	\$7,967,610.80	Pushmataha	199	\$3,858,883.18
Grady	628	\$12,325,690.78	Roger Mills	75	\$1,397,746.72
Grant	76	\$1,434,570.20	Rogers	929	\$18,161,818.72
Greer	100	\$2,160,450.29	Seminole	381	\$7,242,706.63
Harmon	84	\$1,543,186.69	Sequoyah	636	\$13,051,136.53
Harper	81	\$1,608,716.15	Stephens	603	\$11,753,220.58
Haskell	239	\$4,426,949.83	Texas	223	\$4,139,271.26
Hughes	197	\$4,249,808.07	Tillman	117	\$2,195,101.04
Jackson	399	\$8,874,141.55	Tulsa	6,640	\$136,518,916.20
Jefferson	80	\$1,507,624.89	Wagoner	402	\$8,187,182.25
Johnston	253	\$4,793,400.93	Washington	627	\$10,895,854.48
Kay	624	\$11,806,191.20	Washita	188	\$3,443,577.72
Kingfisher	221	\$4,343,542.82	Woods	242	\$4,810,665.26
Kiowa	178	\$3,287,710.91	Woodward	245	\$4,718,299.77
Latimer	225	\$3,689,157.90	Total	50,130	\$990,246,803.85

2014 Participating Employers

Public School Districts

ACHILLE	BUFFALO	CUSHING	GLENCOE
ADA	BUFFALO VALLEY	CYRIL	GLENPOOL
ADAIR	BURLINGTON	DAHLONEGAH	GLOVER
AFTON	BURNS FLAT-DILL CITY	DALE	GOODWELL
AGRA	BUTNER	DARLINGTON	GORE
ALBION	BYARS	DAVENPORT	GRACEMONT
ALEX	BYNG	DAVIDSON	GRAHAM-DUSTIN
ALINE CLEO	CACHE	DAVIS	GRAND VIEW
ALLEN	CADDO	DEER CREEK	GRANDFIELD
ALLEN-BOWDEN	CALERA	DEER CREEK-LAMONT	GRANDVIEW
ALTUS	CALUMET	DENISON	GRANITE
ALVA	CALVIN	DEPEW	GRANT
AMBER-POCASSET	CAMERON	DEWAR	GREASY
ANADARKO	CANADIAN	DEWEY	GREENVILLE
ANDERSON	CANEY	DIBBLE	GROVE
ANTLERS	CANEY VALLEY	DICKSON	GROVE
ARAPAHO-BUTLER	CANTON	DOVER	GUTHRIE
ARDMORE	CANUTE	DRUMMOND	GUYMON
ARKOMA	CARNEGIE	DRUMRIGHT	GYPSY
ARNETT	CARNEY	DUKE	HAILEYVILLE
ASHER	CASHION	DUNCAN	HAMMON
ATOKA	CATOOSA	DURANT	HANNA
AVANT	CAVE SPRINGS	EAGLETOWN	HARDESTY
BALKO	CEMENT	EARLSBORO	HARMONY
BANNER	CENTRAL	EDMOND	HARRAH
BARNSDALL	CENTRAL HIGH	EL RENO	HARTSHORNE
BARTLESVILLE	CHANDLER	ELDORADO	HASKELL
BATTIEST	CHATTANOOGA	ELGIN	HAWORTH
BEARDEN	CHECOTAH	ELK CITY	HAYWOOD
BEAVER	CHELSEA	ELMORE CITY	HEALDTON
BEGGS	CHEROKEE	EMPIRE	HEAVENER
BELFONTE	CHEYENNE	ENID	HENNESSEY
BENNINGTON	CHICKASHA	ERICK	HENRYETTA
BERRYHILL	CHISHOLM	EUFAULA	HILLDALE
BETHANY	CHOCTAW/NICOMA PARK	FAIRLAND	HINTON
BETHEL	CHOUTEAU-MAZIE	FAIRVIEW	HOBART
BIG PASTURE	CIMARRON	FANSHAWE	HODGEN
BILLINGS	CLAREMORE	FARGO	HOLDENVILLE
BINGER-ONEY	CLAYTON	FELT	HOLLIS
BISHOP	CLEORA	FLETCHER	HOLLY CREEK
BIXBY	CLEVELAND	FLOWER MOUND	HOMINY
BLACKWELL	CLINTON	FOREST GROVE	HOOKER
BLAIR	COALGATE	FORGAN	HOWE
BLANCHARD	COLBERT	FORT COBB-BROXTON	HUGO
BLUEJACKET	COLCORD	FORT GIBSON	HULBERT
BOISE CITY	COLEMAN	FORT SUPPLY	HYDRO-EAKLY
BOKOSHE	COLLINSVILLE	FORT TOWSON	IDABEL
BOONE-APACHE	COMANCHE	FOX	INDIAHOMA
BOSWELL	COMMERCE	FOYIL	INDIANOLA
BOWLEGS	COPAN	FREDERICK	INOLA
BOWRING	CORDELL	FREEDOM	JAY
BRAGGS	COTTONWOOD	FRIEND	JENKS
BRAY-DOYLE	COVINGTON-DOUG	FRINK-CHAMBERS	JENNINGS
BRIDGE CREEK	COWETA	FRONTIER	JONES
BRIGGS	COYLE	GAGE	JUSTICE
BRISTOW	CRESCENT	GANS	JUSTUS-TIAWAH
BROKEN ARROW	CROOKED OAK	GARBER	KANSAS
BROKEN BOW	CROWDER	GEARY	KELLYVILLE
BRUSHY	CRUTCHO	GERONIMO	KENWOOD

2014 Participating Employers

Public School Districts (continued)

KEOTA	MILBURN	PEGGS	SKELLY
KETCHUM	MILFAY	PERKINS TRYON	SKIATOOK
KEYES	MILL CREEK	PERRY	SMITHVILLE
KEYS	MILLWOOD	PIEDMONT	SNYDER
KEYSTONE	MINCO	PIONEER	SOPER
KIEFER	MOFFETT	PIONEER-PLEASANT VALE	SOUTH COFFEYVILLE
KILDARE	MONROE	PITTSBURG	SOUTH ROCK CREEK
KINGFISHER	MOORE	PLAINVIEW	SPAVINAW
KINGSTON	MOORELAND	PLEASANT GROVE	SPERRY
KINTA	MORRIS	POCOLA	SPIRO
KIOWA	MORRISON	PONCA CITY	SPRINGER
KONAWA	MOSELEY	POND CREEK	STERLING
KREBS	MOSS	PORTER CONSOLIDATED	STIDHAM
KREMLIN-HILLSDALE	MOUNDS	PORUM	STIGLER
LANE	MOUNTAIN VIEW-GOTEBO	POTEAU	STILLWATER
LATTA	MOYERS	PRAGUE	STILWELL
LAVERNE	MULDROW	PRESTON	STONEWALL
LAWTON	MULHALL-ORLANDO	PRETTY WATER	STRAIGHT
LEACH	MUSKOGEE	PRUE	STRATFORD
LEEDEY	MUSTANG	PRYOR	STRINGTOWN
LEFLORE	NASHOBA	PURCELL	STROTHER
LEXINGTON	NAVAJO	PUTNAM CITY	STROUD
LIBERTY	NEW LIMA	QUAPOW	STUART
LIBERTY	NEWCASTLE	QUINTON	SULPHUR
LINDSAY	NEWKIRK	RATTAN	SWEETWATER
LITTLE AXE	NINNEKAH	RAVIA	SWINK
LOCUST GROVE	NOBLE	RED OAK	TAHLEQUAH
LOMEGA	NORMAN	REYDON	TALIHINA
LONE GROVE	NORTH ROCK CREEK	RINGLING	TALOGA
LONE STAR	NORWOOD	RINGWOOD	TANNEHILL
LONE WOLF	NOWATA	RIPLEY	TECUMSEH
LOOKEBA-SICKLES	OAK GROVE	RIVERSIDE	TEMPLE
LOWREY	OAKDALE	ROBIN HILL	TENKILLER
LUKFATA	OAKS MISSION	ROCK CREEK	TERRAL
LUTHER	OILTON	ROCKY MOUNTAIN	TEXHOMA
MACOMB	OKARCHE	ROFF	THACKERVILLE
MADILL	OKAY	ROLAND	THOMAS-FAY-CUSTER
MANGUM	OKEENE	RUSH SPRINGS	TIMBERLAKE INDEPENDENT
MANNFORD	OKEMAH	RYAL	TIPTON
MANNSVILLE	OKLAHOMA CITY	RYAN	TISHOMINGO
MAPLE	OKLAHOMA UNION	SALINA	TONKAWA
MARBLE CITY	OKMULGEE	SALLISAW	TULSA
MARIETTA	OKTAHA	SAND SPRINGS	TUPELO
MARLOW	OLIVE	SAPULPA	TURKEY FORD
MARYETTA	OLUSTEE	SASAKWA	TURNER
MASON	OLOGAH TALALA	SAVANNA	TURPIN
MAUD	OPTIMA	SAYRE	TUSHKA
MAYSVILLE	OSAGE	SCHULTER	TUSKAHOMA
MCALESTER	OSAGE HILLS	SEILING	TUTTLE
MCCORD	OWASSO	SEMINOLE	TWIN HILLS
MCCURTAIN	PADEN	SENTINEL	TYRONE
MCLLOUD	PANAMA	SEQUOYAH	UNION
MEDFORD	PANOLA	SHADY GROVE	UNION CITY
MEEKER	PAOLI	SHADY POINT	VALLIANT
MERRITT	PAULS VALLEY	SHARON MUTUAL	VANOSS
MIAMI	PAWHUSKA	SHATTUCK	VARNUM
MID-DEL	PAWNEE	SHAWNEE	VELMA ALMA
MIDDLEBERG	PEAVINE	SHIDLER	VERDEN
MIDWAY	PECKHAM	SILLO	VERDIGRIS

2014 Participating Employers

Public School Districts (continued)

VIAN	WAUKOMIS	WEWOKA	WOODLAND
VICI	WAURIKA	WHITE OAK	WOODWARD
VINITA	WAYNE	WHITE ROCK	WRIGHT CITY
WAGONER	WAYNOKA	WHITEBEAD	WYANDOTTE
WAINWRIGHT	WEATHERFORD	WHITEFIELD	WYNNEWOOD
WALTERS	WEBBERS FALLS	WHITESBORO	WYNONA
WANETTE	WELCH	WICKLIFFE	YALE
WAPANUCKA	WELEETKA	WILBURTON	YARBROUGH
WARNER	WELLSTON	WILSON	YUKON
WASHINGTON	WESTERN HEIGHTS	WILSON	ZANEIS
WATONGA	WESTVILLE	WISTER	ZION
WATTS	WETUMKA	WOODALL	

Career and Technology Centers

AUTRY	GORDON COOPER	METRO TECH	RED RIVER SCHOOL
CADDO-KIOWA	GREAT PLAINS	MID-AMERICA	SOUTHERN OKLAHOMA
CANADIAN VALLEY	GREEN COUNTRY	MOORE-NORMAN	SOUTHWEST
CENTRAL OKLAHOMA	HIGH PLAINS	NORTHEAST	TRI COUNTY
CHISHOLM TRAIL	INDIAN CAPITOL	NORTHWEST	TULSA
EASTERN OKLAHOMA CO	KIAMICHI	PIONEER	WES WATKINS
FRANCIS TUTTLE	MERIDIAN	PONTOTOC	WESTERN

Colleges and Universities

CAMERON UNIV	N OKLA COLLEGE	OU HEALTH SCIENCES	TULSA COMMUNITY COLLEGE
CARL ALBERT STATE COLLEGE	NE OKLA A&M COLLEGE	REDLANDS COMM. COLLEGE	UNIV CENTER AT PONCA CITY
CONNORS STATE COLLEGE	NE STATE UNIV	ROGERS STATE UNIV	UNIV OF CENTRAL OKLA
EAST CENTRAL STATE	NW OKLA STATE UNIV	ROSE STATE COLLEGE	UNIV OF OKLA
EASTERN OK STATE COLLEGE	OKC COMMUNITY COLLEGE	SE OKLA STATE UNIV	UNIV OF SCIENCES & ARTS
LANGSTON UNIV	OKLA PANHANDLE ST UNIV	SEMINOLE STATE COLLEGE	W OKLA STATE COLLEGE
MURRAY STATE COLLEGE	OKLA STATE UNIV	SW OKLA STATE UNIV	

Other Entities

ATOKA/COAL INTERLOCAL	DEPT OF CORRECTIONS	KIPP REACH COLLEGE PREP	QUARTZ MOUNTAIN
BD OF PRIVATE VOC SCHLS	DEPT OF EDUCATION	KIPP TULSA COLLEGE PREP	S E OKLA INTERLOCAL COOP
BD OF REGENTS HIGHER ED	DEPT OF REHAB SERVICE	OFFICE OF ED QLTY & ACCT	STREET SCHOOL
BD OF REGENTS OK COLLEGE	EPIC CHARTER	OK ED ASSOCIATION	TEACHERS RETIREMENT SYS
C C O S A	FIVE STAR INTERLOCAL	OK SCHL OF SCIENCE & MATH	TRI-CNTY INTERLOCAL CO-OP
CAREER TECH	HARDING CHARTR PREP	OKLA STUDENT LOAN AUTH	TULSA SCHL OF ART & SCI
CHOCTAW NATION COOP	HARDING FINE ARTS CTR	OMES	UNIV CTR OF SOUTHERN OK
COMMISSION ON TCHRS PREP	INDEP CHRTR MIDL SCHOOL	OSAGE CNTY INTER COOP	WEST VILLAGE CHRTR SCHL
DEBORAH BROWN			