



**OKLAHOMA TEACHERS**  

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**RETIREMENT SYSTEM**

**BOARD OF TRUSTEES**

**REGULARLY SCHEDULED**  
**MEETING**

**JANUARY 25, 2012**

**9:00 AM**

**MEETING MATERIALS**

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**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**Regular Board Meeting**  
**Wednesday, January 25, 2012 – 9:00 AM**  
**TRS Administration Board Room**  
**2500 N. Lincoln Blvd., 5<sup>th</sup> Floor, Oklahoma City, OK**

**AGENDA**

- 1. ROLL CALL FOR QUORUM**
- 2. SWEARING IN OF NEW TRUSTEE – JAMES DICKSON**
- 3. DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES FOR THE DECEMBER 14, 2011 BOARD MEETING**
- 4. PRESENTATION BY INVESTMENT MANAGER(S):**
  - A. Shapiro Capital Management
  - B. Tocqueville Asset Management
- 5. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT CONSULTANT MONTHLY REPORT**
- 6. DISCUSSION AND POSSIBLE ACTION ON MANAGER STATUS SUMMARY REPORT**

*The Board of Trustees may elect to make any changes to the status of any manager based on the information available at the Board meeting*
- 7. DISCUSSION AND POSSIBLE ACTION ON INVESTMENT COMMITTEE REPORT**
- 8. DISCUSSION AND POSSIBLE ACTION ON TRUSTEE POLICY MANUAL**
  - A. Board Governance
  - B. Committee Charters
- 9. DISCUSSION AND POSSIBLE ACTION ON LEGAL REPORT**
- 10. DISCUSSION AND POSSIBLE ACTION ON EXECUTIVE DIRECTOR REPORT**
  - A. Service Dashboard
  - B. Client Status Update
  - C. FY-2012 Agency Budget
  - D. Legislative Update
  - E. Other Items for Discussion
- 11. DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. SUPP. 2007 § 307(b)(1) FOR THE PURPOSE OF CONFIDENTIAL COMMUNICATIONS BETWEEN TRUSTEES CONCERNING PERSONNEL MATTERS RELATING TO THE POSITION OF EXECUTIVE DIRECTOR OF THE OKLAHOMA TEACHERS RETIREMENT SYSTEM**
  - A. Vote to Convene into Executive Session
  - B. Vote to Return to Open Session
- 12. DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**
- 13. QUESTIONS AND COMMENTS FROM TRUSTEES**
- 14. NEW BUSINESS**
- 15. ADJOURNMENT**

**MEETING MINUTES  
DECEMBER 14, 2011  
BOARD OF TRUSTEES  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Michael Simpson, Chairman, at 9:00 A.M., in the Administration Board Room, 5<sup>th</sup> Floor, Oliver Hodge Education Building, 2500 N. Lincoln Blvd., OKC, OK. The meeting notice and agenda was posted in accordance with 25 O.S. Section 311(A)(11).

**TRUSTEES PRESENT:**

Michael Simpson, *Chairman*  
Gary Trennepohl, *Vice Chairman*  
Bruce DeMuth, *Secretary*  
Cathy Conway  
Vernon Florence

Richard Gorman  
Stewart Meyers, Jr.  
Bill Peacher  
James Smith  
Billie Stephenson

**TRUSTEES ABSENT:**

Sherrie Barnes  
Jill Geiger

Jonathan Small

**TRS STAFF PRESENT:**

James R. Wilbanks, *Executive Director*  
Josh Richardson, *Internal Auditor*  
Becky Wilson, *Executive Assistant*

Joe Ezzell, *Assistant Executive Director*  
Lester LaPorte, *Comptroller*

**LEGAL COUNSEL PRESENT:**

Regina Switzer, *Assistant Attorney General*

**INVESTMENT CONSULTANT PRESENT:**

Greg Weaver, *Gregory W. Group*  
Tony Kay, *Gregory W. Group*

Douglas J. Anderson, *Gregory W. Group*

**OTHERS PRESENT:**

Jack Herron, *Retired Professional OK Educators*

Shawn Ashley, *E-Capitol*

*\*Denotes either late arrival or early departure*

**ITEM 1 - ROLL CALL FOR QUORUM:** Chairman Simpson called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 2 – SWEARING IN OF NEW TRUSTEES:** Stewart E. Meyers, Jr. and William L. “Bill” Peacher were sworn in as new trustees to the Board.

**ITEM 3 - MEETING MINUTES:** Chairman Simpson asked if there were any changes to the meeting minutes. A motion was made by Mr. DeMuth with a second made by Ms. Conway to approve the November 16, 2011 meeting minutes. The motion carried by a unanimous voice vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 4 – PRESENTATION BY INVESTMENT MANAGERS:** Franklin Park, ING and JP Morgan, Investment Managers, were present to give respective presentations to the Board.

*A break was taken from 10:00 a.m. to 10:12 a.m.  
A break for lunch was taken from 11:47 a.m. to 12:20 p.m.*

**ITEM 5 – INVESTMENT CONSULTANT MONTHLY REPORT:** Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board their monthly report. No action was necessary.

**ITEM 6 – MANAGER STATUS SUMMARY REPORT:** Greg Weaver and Douglas Anderson of Gregory W. Group, Investment Consultants to the Board, gave the Board the Manager Status Summary Report. After discussion, a motion was made by Ms. Conway with a second made by Ms. Stephenson to extend the On Notice status for Brandes and Goldman Sachs until March 2012. The motion carried by a unanimous voice vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 7 – FRANKLIN PARK AMENDMENT:** After discussion, a motion was made by Ms. Conway with a second made by Dr. Trennepohl to approve the Franklin Park Amendment as presented. The motion carried by a unanimous voice vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 8 – PROMULGATION OF PERMANENT RULES:** Dr. Wilbanks gave a brief presentation to the Board on the draft of Permanent Rules and changes that were being considered. After a lengthy discussion about the draft rules, a motion was made by Mr. DeMuth with a second made by Mr. Peacher to amend the proposed changes in rules 715:10-3-1 through 715:10-3-5, changing the effective date of the change from July 1, 2012 to July 1, 2013. The motion carried by a unanimous roll call vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

Dr. Wilbanks then presented the Board with an amendment to the draft to the proposed Rule 715:10-3-1. After discussion, a motion was made by Ms. Conway with a second made by Dr. Trennepohl to change the amended draft rule as recommended by Dr. Wilbanks. The motion carried by a unanimous voice vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

A motion was then made by Mr. DeMuth with a second made by Ms. Conway to open the rulemaking record. The motion carried by a unanimous voice vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 9 – EXECUTIVE DIRECTOR REPORT:** Dr. Wilbanks gave his report to the Board, including an update on the new client accounting system going live on January 3, 2012 and legal action occurring prior to the Board Meeting. A motion was made by Ms. Conway with a second made by Dr. Trennepohl to approve the Executive Director Report. The motion carried by a unanimous voice vote. Trustees responding were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**ITEM 10 – QUESTIONS AND COMMENTS FROM TRUSTEES:** Chairman Simpson informed the Board that he had been appointed to the NCTR Trustee Education Committee and Dr. Wilbanks had been appointed the Vice Chair of the NCTR Legislative Committee. In March 2012, they will be attending a conference in Washington, D.C. and if the Board had any comments or concerns regarding NCTR to let them know.

Jim Smith commented that the Legal Report should be presented to the Board at least quarterly, and updates on legislation should also be included monthly. Dr. Wilbanks informed the Board that it was the intent that the Legal Report only be included quarterly, and it would be in the January Board Packet. He also said there have been no updates on legislation because the Legislature is not in session at this time. If there is legislation regarding OTRS, legislative updates will start to be included in the January Board Packet as well.

**ITEM 11 – NEW BUSINESS:** There was no further business from the Board.

**ITEM 12 – ADJOURNMENT:** There being no further business, a motion was made by Dr. Trennepohl with a second made by Ms. Stephenson to adjourn. The meeting was adjourned at 2:12 p.m. Trustees present at adjournment were Ms. Conway; Mr. DeMuth; Mr. Florence; Mr. Gorman; Mr. Meyers; Mr. Peacher; Mr. Smith; Ms. Stephenson; Dr. Trennepohl; and Chairman Simpson.

**BOARD OF TRUSTEES, TEACHERS’ RETIREMENT SYSTEM OF OKLAHOMA**

**BY:** \_\_\_\_\_  
**Michael Simpson, Chairman**

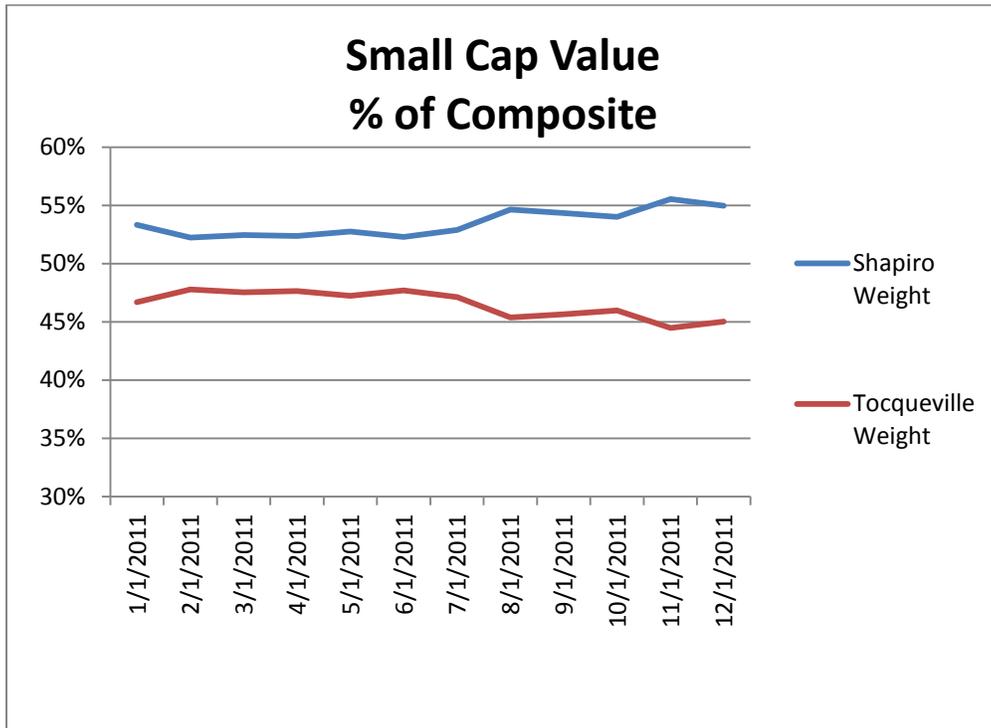
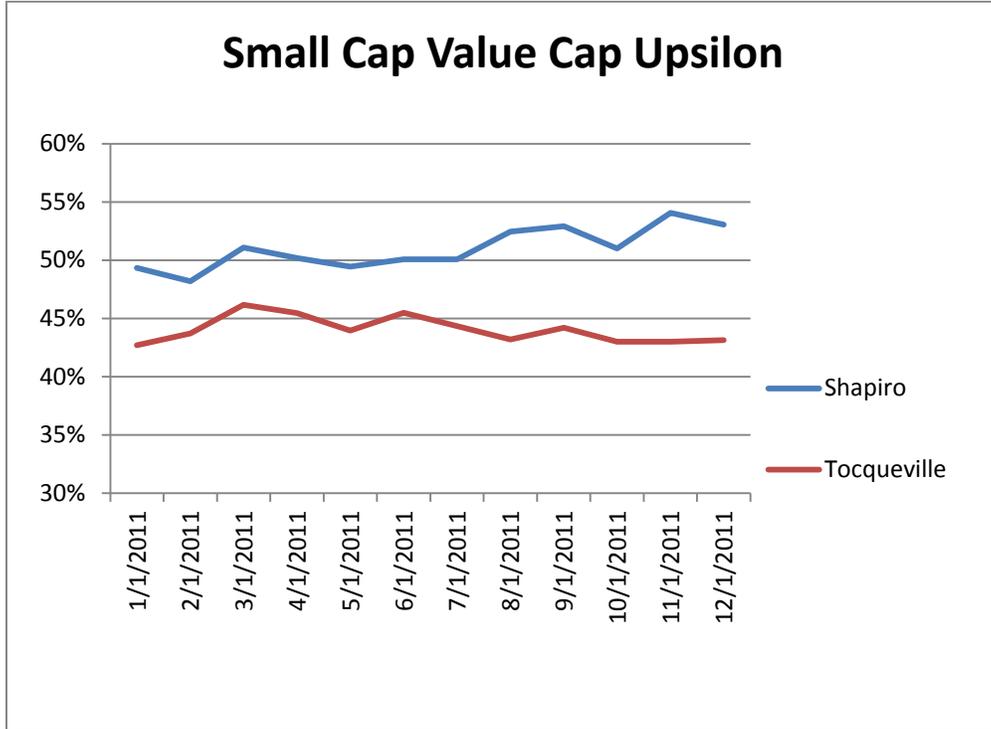
**ATTEST:**

**BY:** \_\_\_\_\_  
**Bruce DeMuth, Secretary**

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers’ Retirement System of Oklahoma, will be available at its next regularly scheduled meeting on January 25, 2012.

**BY:** \_\_\_\_\_  
**Becky Wilson, Executive Assistant to the Executive Director**

# January 2012 Investment Analysis Shapiro/Tocqueville



# December 2011 - Market Performance Update

Mixed Returns Among Equity Markets; Bonds Post Attractive Results



## Equity Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
Dow Jones Industrial Average	1.6	8.4	14.9	2.4
NASDAQ (prc chg only)	-0.6	-1.8	18.2	1.5
S&P 500 cap weighted	1.0	2.1	14.1	-0.3
S&P 500 equal weighted	0.1	-0.1	21.2	1.8
S&P Mid Cap	-0.4	-1.7	19.6	3.3
S&P Small Cap	1.3	1.0	17.0	1.9
S&P REIT	4.7	8.5	21.5	-1.6
Russell 1000 Growth	-0.3	2.6	18.0	2.5
Russell 1000 Value	2.0	0.4	11.6	-2.6
Russell Mid Cap Growth	-1.5	-1.7	22.1	2.4
Russell Mid Cap Value	1.3	-1.4	18.2	0.0
Russell 2000 Growth	-0.2	-2.9	19.0	2.1
Russell 2000 Value	1.6	-5.5	12.4	-1.9
Russell Top 200	1.2	2.8	12.8	-0.6
Russell 1000	0.8	1.5	14.8	0.0
Russell Mid Cap	-0.1	-1.6	20.2	1.4
Russell 2500	0.2	-2.5	18.4	1.2
Russell 2000	0.7	-4.2	15.6	0.2
MSCI World Ex US	-1.1	-11.8	9.1	-3.6
MSCI World Ex US Growth	-1.7	-12.4	9.2	-2.4
MSCI World Ex US Value	-0.4	-11.1	8.9	-4.9
MSCI EAFE	-0.9	-11.7	8.2	-4.3
MSCI Emerging Markets	-1.2	-18.2	20.4	2.7

December was a mixed month for investors as markets struggled with slow growth and the never-ending European debt crisis. Performance was generally positive for equities, especially after December 8-9, when the European Union held a historic conference to address their debt issues. Domestic equities led international markets, which suffered losses for the month and the calendar year. Bonds enjoyed positive returns over both time periods.

The domestic equity market favored larger companies and value stocks during the month. Performance was mixed for the year. International equities struggled during the year. Developed markets and emerging markets posted similar losses over the quarter. Trailing three year returns have moved much higher recently as the late 2008 returns have fallen off the return stream.

Bond markets posted attractive returns for December and all of 2011. Trailing year returns were especially strong for long term Treasury bonds. Core fixed income earned adequate results. T-Bills posted barely positive returns for the month and year.

## Bond Total Returns

Index	Last Month	Last Year	Last 3 Years	Last 5 Years
BC T-Bills	0.0	0.1	0.1	1.4
BC Long Treasury	3.1	29.9	7.4	11.0
BC US Agg	1.1	7.8	6.8	6.5

S&P 500: Last Six Months



S&P 500 VIX Volatility Index: Last Six Months



Dow Jones Industrial Average: Last Six Months



# Oklahoma Teachers' Retirement System

Investment Manager Profile – As December 31, 2011



Manager	Location	Structure	Investment Mandate	Portfolio Size	Status	Management Fee
Shapiro Capital Management	Atlanta, Georgia	Independent Investment Advisor	Small Cap Value Equity	\$ 469,310,979	In Compliance	0.72%
Tocqueville Asset Management	New York, New York	Independent Investment Advisor	Small Cap Value Equity	\$ 384,439,686	In Compliance	0.66%

Manager	Last Month	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Since Inception
Shapiro Capital Management	<b>0.1</b>	<b>12.0</b>	<b>-5.6</b>	<b>24.9</b>	<b>3.8</b>	<b>9.9</b>	<b>8.4</b>
<i>Russell 2000</i>	0.7	15.5	-4.2	15.6	0.1	5.6	5.3
<i>Russell 2000 Value</i>	1.6	16.0	-5.5	12.4	-1.9	6.4	6.6
							February, 1998
Tocqueville Asset Management	<b>0.7</b>	<b>10.2</b>	<b>-18.0</b>	<b>9.7</b>	<b>-2.5</b>	<b>6.1</b>	<b>6.1</b>
<i>Russell 2000</i>	0.7	15.5	-4.2	15.6	0.1	5.6	4.5
<i>Russell 2000 Value</i>	1.6	16.0	-5.5	12.4	-1.9	6.4	7.7
							October, 2000

Manager	Management Philosophy	Represented By:
Shapiro Capital Management	Deep value individual stock selection with special attention paid to undiscovered value and management. Shapiro will work with company management to unlock value to shareholders. Special expertise in spin-offs and other difficult to understand corporate structures. Portfolio will be concentrated among approximately thirty holdings that Shapiro know very well.	Mr. Michael McCarthy Mr. Samuel Shapiro
Tocqueville Asset Management	Contrarian value manager concentrating on individual companies undergoing significant changes. Tocqueville will allocate portfolios towards sectors poised to benefit from economic cycles. Portfolios will hold under fifty individual positions.	Mr. Drew Rankin Mr. Alan Huang

# Oklahoma Teachers' Retirement System

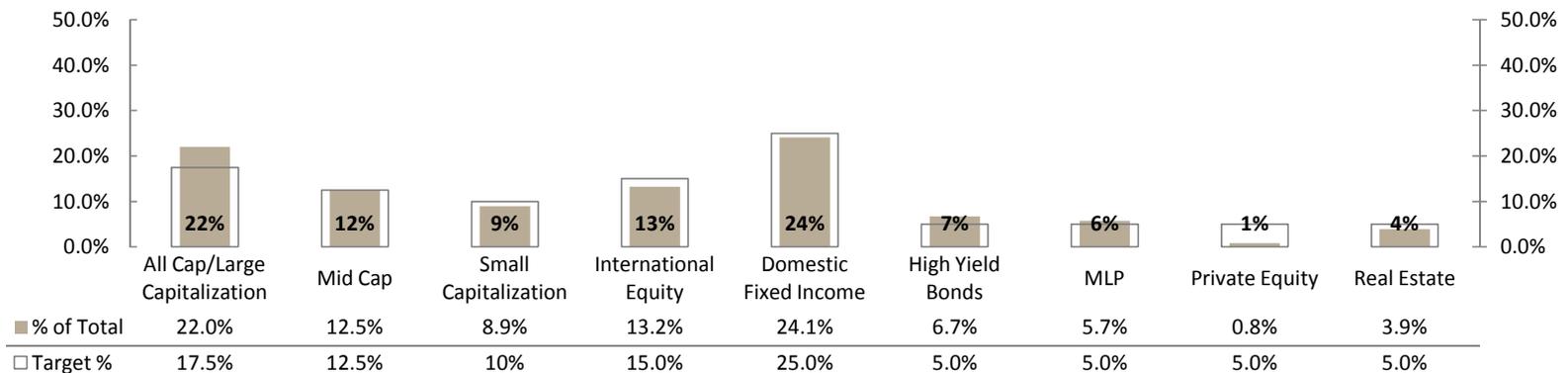
## Monthly Asset Allocation Review

As of December 31, 2011



Asset Class	Total Market Value	Percentage of Total	Target Percentage	Action?*
All Cap/Large Cap	2,097,876,342	22.0%	17.5%	Yes
Mid Cap	1,188,587,450	12.5%	12.5%	No
Small Cap	853,750,666	8.9%	10.0%	Yes
<b>Total Domestic Equity</b>	4,140,214,458	43.4%	<b>40.0%</b>	No
<b>International Equity</b> (includes new small cap portfolios)	1,264,028,520	13.2%	<b>15.0%</b>	Yes
<b>Fixed Income</b> (excludes OBP)	2,299,203,865	24.1%	<b>25.0%</b>	No
<b>High Yield Bonds</b>	642,161,335	6.7%	<b>5.0%</b>	Yes
<b>MLP</b>	545,017,199	5.7%	<b>5.0%</b>	Yes
<b>Private Equity</b>	78,247,992	0.8%	<b>5.0%</b>	Yes
<b>Real Estate</b>	370,204,765	3.9%	<b>5.0%</b>	Yes
<b>Cash</b>	29,837,612	0.3%	<b>0.0%</b>	Yes

### Current vs. Target Asset Allocation



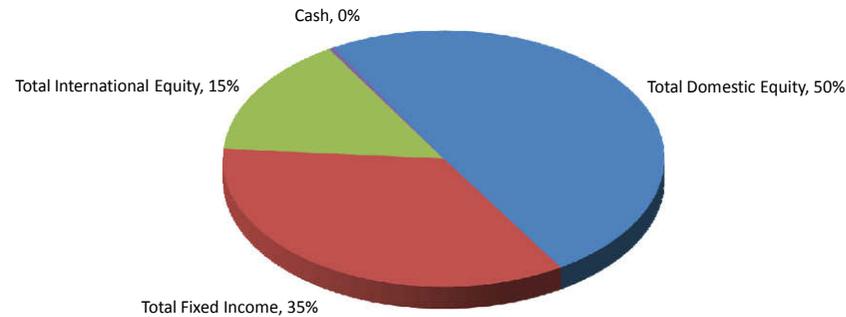
\*Action is suggested when the allocation falls outside of 90% to 110% of its target allocation.

Oklahoma Teachers' Retirement System Composites and Total Fund  
Performance Summary as of December 31, 2011



	Market Value	Last Month	Last Quarter	Fiscal Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Total Domestic Equity	<b>4,140,214,458</b>	0.2	12.2	-9.2	-2.9	16.6	0.3	4.8	9.7	8.5	3.31.90
S&P 500		1.0	11.8	-3.7	2.1	14.1	-0.3	2.9			
Total All Cap Equity	781,512,744	0.1	12.4	-6.0	2.2	14.7	0.7	-	2.1	1.7	9.30.06
Russell 3000		0.8	12.1	-5.0	1.0	14.9	0.0	3.5			
Total Large Cap Equity	1,316,363,598	0.7	10.8	-4.1	1.8	14.2	-1.3	3.6	8.7	8.1	1.31.95
S&P 500		1.0	11.8	-3.7	2.1	14.1	-0.3	2.9			
Total Mid Cap Equity	1,188,587,450	-0.3	14.5	-11.4	-4.1	20.7	2.3	7.4	8.0	7.6	11.30.98
Russell MidCap		-0.1	12.3	-8.9	-1.5	20.2	1.4	7.0			
Total Small Cap Equity	853,750,666	0.4	11.2	-16.0	-11.6	16.5	0.2	5.1	7.2	5.3	1.31.98
Russell 2000		0.7	15.5	-9.8	-4.2	15.6	0.1	5.6			
Total International Equity	1,264,028,520	-1.1	4.5	-16.6	-12.5	8.2	-3.2	5.6	8.1	3.9	1.31.96
MSCI ACWI ex-US		-0.9	3.4	-16.2	-11.7	8.2	-4.3	5.1			
Total Fixed Income (excludes High Yield)	2,299,203,865	1.8	2.2	8.1	11.9	9.6	8.6	7.0	7.6	6.2	3.31.90
Barclays Aggregate		1.1	1.1	5.0	7.8	6.8	6.5	5.8			
Master Limited Partnerships	545,017,199	5.8	16.9	9.5	-	-	-	-	11.8	10.5	2.28.2011
Alerian MLP Index		5.8	16.3	8.2	-	-	-	-			
High Yield Fixed Income	642,161,335	2.0	4.9	-2.4	2.9	-	-	-	18.9	22.3	2.28.2009
ML High Yield II		2.5	6.2	-0.5	4.4	-	-	-			
Cash	29,837,612	-	-	-	-	-	-	-	-	-	-
91 Day T-bill		0.0	0.0	0.0	0.1	0.1	1.5	-			
<b>Total Fund</b>	<b>9,541,285,121</b>	<b>0.8</b>	<b>7.7</b>	<b>-4.3</b>	<b>0.9</b>	<b>13.5</b>	<b>2.9</b>	<b>6.5</b>	<b>8.9</b>		<b>11.30.91</b>
Allocation Index		1.0	8.0	-3.5	1.8	12.9	2.1	5.7	8.9		11.30.91
Actuarial Assumption		0.6	1.9	6.6	8.0	8.0	8.0	8.0	8.1		11.30.91

Composite Allocation by Asset Class

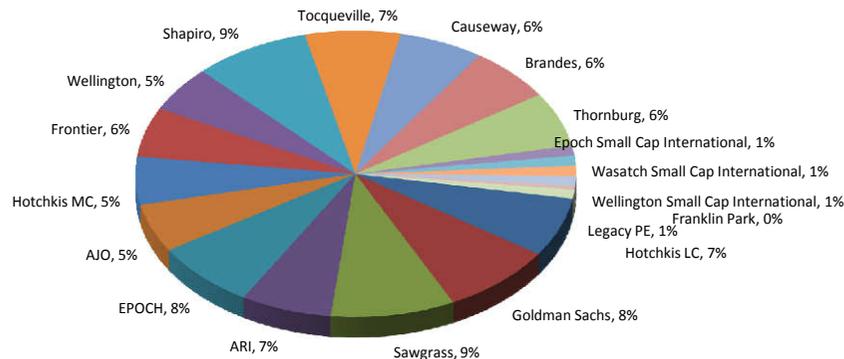


Oklahoma Teachers' Retirement System Equity Portfolios  
Performance Summary as of December 31, 2011



	Market Value	Last Month	Last Quarter	Fiscal Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Hotchkis & Wiley Large Cap	365,840,338	1.6	12.4	-6.6	-2.6	17.3	-4.5	4.7	9.6	9.0	3.31.90
<i>Russell 1000 Value</i>		2.0	13.1	-5.2	0.4	11.5	-2.6	3.9			
Goldman Sachs Sawgrass	451,543,571	-0.8	9.3	-5.6	-1.9	16.5	1.6	1.9	9.2	7.9	3.31.90
<i>Russell 1000 Growth</i>	498,979,689	1.3	10.9	-0.7	9.2	15.8	2.0	-	3.6	4.1	6.30.06
Advisory Research EPOCH	365,134,194	-0.2	10.8	-4.7	2.9	13.5	-0.6	-	1.2	1.7	9.30.06
<i>Russell 3000 Value</i>	416,378,550	0.5	13.8	-7.0	1.5	15.5	1.8	-	3.0	1.7	9.30.06
<i>Russell 3000 Value</i>		0.8	12.1	-5.0	1.0	14.9	0.0	3.5			
<i>Russell 3000 Value</i>		2.0	13.3	-5.5	-0.1	11.6	-2.6	4.1			
Causeway Capital Brandes	338,676,604	-1.0	5.5	-18.0	-12.1	11.1	-3.1	-	8.8	7.9	4.30.03
Thornburg	339,178,811	-0.9	3.5	-14.3	-10.2	5.4	-4.5	6.4	9.8	3.9	1.31.96
<i>MSCI ACWI Ex US</i>	336,842,727	-1.2	4.6	-17.4	-12.7	11.2	0.8	-	4.7	1.1	11.30.05
<i>MSCI ACWI Ex US</i>		-1.1	3.7	-16.9	-13.7	10.7	-2.9	6.3			
Wellington Frontier Capital	284,648,480	-1.4	16.6	-14.0	-6.3	23.1	1.8	7.5	9.1	6.9	8.31.98
<i>Russell MidCap Growth</i>	308,437,455	-1.2	8.8	-10.5	-4.1	17.4	5.6	-	7.7	6.7	5.31.02
<i>Russell MidCap Growth</i>		-1.5	11.2	-10.3	-1.7	22.1	2.4	5.3			
AJO Partners	298,933,720	0.2	13.4	-9.5	1.8	18.7	2.0	7.8	9.0	7.1	8.31.98
<i>Russell MidCap Value</i>		-0.1	12.3	-8.9	-1.5	20.2	1.4	5.1			
Hotchkis & Wiley Mid Cap	296,567,796	1.4	20.2	-11.6	-7.6	25.5	-0.4	-	10.4	9.0	7.31.02
<i>Russell MidCap Value</i>		1.2	13.4	-7.6	-1.4	18.2	0.0	-			
Shapiro Capital Management Tocqueville	469,310,979	0.1	12.0	-11.5	-5.6	24.9	3.8	9.9	8.4	7.7	1.31.98
<i>Russell 2000 Value</i>	384,439,686	0.7	10.2	-20.8	-18.0	9.7	-2.5	6.1	6.9	6.6	10.31.00
<i>Russell 2000 Value</i>		1.6	16.0	-8.9	-5.5	12.4	-1.9	6.4			
<i>Russell 2000 Value</i>		0.7	15.5	-9.8	-4.2	15.6	0.1	5.6			
Advisory Research Small Cap International	61,651,122	-	-	-	-	-	-	-	-	-	12.31.12
Epoch Small Cap International	61,842,237	-	-	-	-	-	-	-	-	-	12.31.12
Wasatch Small Cap International	62,742,676	-	-	-	-	-	-	-	-	-	12.31.12
Wellington Small Cap International	61,560,308	-	-	-	-	-	-	-	-	-	12.31.12
<i>MSCI EAFE Small Cap</i>		-1.9	-0.6	-19.1	-15.9	14.6	-4.1	9.0			
Legacy Private Equity Portfolio	55,902,342	0.0	-0.7	-0.1	-5.3	-7.0	-	-	-6.5	-	9.30.08
Franklin Park Private Equity	22,345,650	-0.8	-8.9	-24.6	-	-	-	-	-	-	5.31.11

Equity Portfolio Allocation by Manager



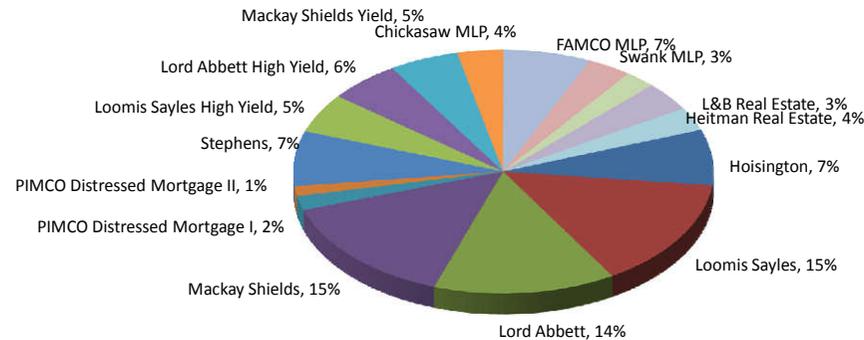
# Oklahoma Teachers' Retirement System Fixed Income Portfolios

Performance Summary as of December 31, 2011



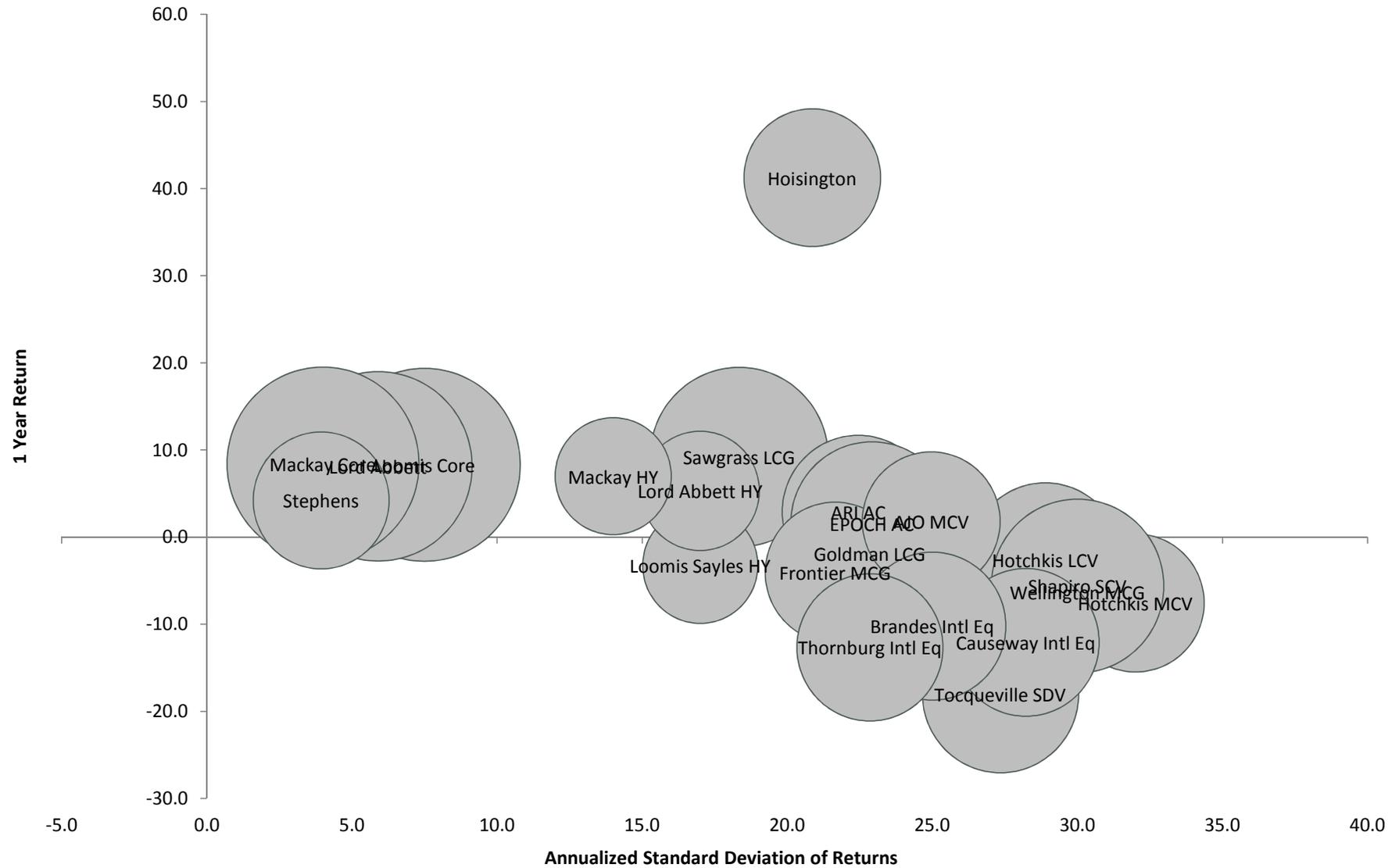
	Market Value	Last Month	Last Quarter	Fiscal Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Index Since Inception	Inception Date
Hoisington	293,808,028	3.9	2.5	39.1	41.3	6.4	12.5	-	10.8	5.5	10.31.04
Loomis Sayles	578,435,212	1.6	2.7	3.8	8.3	12.9	9.6	7.4	7.3	6.3	7.31.99
Lord Abbett	556,721,306	1.3	1.7	4.5	8.1	11.1	7.8	-	6.6	5.5	10.31.04
Mackay Shields	580,024,281	1.9	2.9	3.8	8.4	9.9	8.0	-	6.7	5.5	10.31.04
PIMCO Distressed Mortgage I	75,368,963	-	-2.6	-7.5	3.0	26.3	-	-	7.5	6.8	5.31.08
PIMCO Distressed Mortgage II	52,221,729	-	-7.6	-10.7	1.7	-	-	-	32.9	6.8	12.31.08
PIMCO BRAVO	41,679,692	-	1.4	4.1	-	-	-	-	6.0	7.4	3.31.11
Stephens	290,215,038	0.5	0.6	2.2	4.2	4.2	6.5	-	5.4	5.5	10.31.04
<i>Barclays Aggregate</i>			1.1	1.1	5.0	7.8	6.8	6.5	5.8		
Loomis Sayles High Yield	208,664,942	1.5	3.1	-8.6	-3.3	-	-	-	17.8	22.3	2.28.09
Lord Abbett High Yield	220,584,836	2.6	6.3	-0.4	5.3	-	-	-	20.2	22.3	2.28.09
Mackay Shields Yield	212,911,557	1.9	5.1	2.0	7.0	-	-	-	18.7	22.3	2.28.09
<i>Merrill Lynch High Yield II</i>			2.5	6.2	-0.5	4.4	-	-	-		
Chickasaw Capital MLP	141,708,254	7.4	17.0	11.3	-	-	-	-	15.7	10.4	2.28.2011
FAMCO MLP	268,713,142	5.5	16.2	9.3	-	-	-	-	9.7	10.4	2.28.2011
Swank MLP	134,595,804	4.6	18.0	7.9	-	-	-	-	9.9	10.4	2.28.2011
<i>Alerian MLP Index</i>			5.8	16.3	8.2	-	-	-	-		
AEW Real Estate	93,120,246	-	3.5	3.5	-	-	-	-	3.5	-	-
Heitman Real Estate	153,469,336	-	3.3	4.3	-	-	-	-	4.3	-	4.30.2011
L&B Real Estate	123,615,184	-	0.2	0.3	-	-	-	-	0.3	-	5.31.2011
<i>NCREIF - Open End Divers Core Equity</i>			-	-	-	-	-	-	-		

## Fixed Income Portfolio Allocation by Manager



# Oklahoma Teachers' Retirement System Risk/Return Comparison

As of December 31, 2011



# Oklahoma Teachers' Retirement System

Estimated Net of Management Fee Performance Summary

As of December 31, 2011



Portfolio	Market Value	Estimated Fee	Last Month	Last Quarter	1 Year	3 Years Annualized	5 Years Annualized	10 Year Annualized	Since inception	Index Since inception	Inception Date
Hotchkis & Wiley	\$ 365,840,338	0.34	1.6	12.4	-2.9	17.0	-4.8	4.4	9.3	8.0	3.31.90
<i>Russell 1000 Value</i>			2.0	13.1	0.4	11.5	-2.6	3.9			
Goldman Sachs	\$ 451,543,571	0.27	-0.8	9.2	-2.1	16.2	1.3	1.7	8.9	6.6	3.31.90
Sawgrass	\$ 498,979,689	0.36	1.3	10.9	8.8	-	-	-	3.2	4.1	6.30.06
<i>Russell 1000 Growth</i>			-0.3	10.6	2.6	18.0	2.5	2.6			
Advisory Research	\$ 365,134,194	0.34	-0.2	10.7	2.5	13.2	-	-	0.8	1.7	9.30.06
EPOCH	\$ 416,378,550	0.45	0.5	13.7	1.1	15.1	-	-	2.5	1.7	9.30.06
<i>Russell 3000</i>			0.8	12.1	1.0	14.9	3.2	3.4			
AJO Partners	\$ 298,933,720	0.55	0.2	13.2	1.3	18.1	1.4	7.3	8.4	7.1	8.31.98
Wellington	\$ 284,648,480	0.45	-1.4	16.5	-6.7	22.6	1.3	7.1	8.6	6.9	8.31.98
Frontier Capital Management	\$ 308,437,455	0.56	-1.2	8.6	-4.6	16.8	5.0	-	7.1	6.7	5.31.02
Hotchkis & Wiley Mid Cap	\$ 296,567,796	0.50	1.3	20.1	-8.1	25.0	-0.9	-	9.9	9.0	7.31.02
<i>Russell MidCap</i>			-0.1	12.3	-1.5	20.2	1.4	5.1			
Shapiro Capital Management	\$ 469,310,979	0.72	0.0	11.8	-6.3	24.2	3.1	9.2	7.7	7.7	1.31.98
Tocqueville	\$ 384,439,686	0.66	0.6	10.0	-18.7	9.0	-3.2	-	6.2	8.3	9.30.00
<i>Russell 2000</i>			-8.7	-14.0	22.2	0.8	1.5	5.9			
Legacy Private Equity	\$ 55,902,342	-	-	-	-	-	-	-	-	-	9.30.08
Franklin Park	\$ 22,345,650	-	-	-	-	-	-	-	-	-	5.31.11
<i>S&amp;P 500 + 4.0%</i>			1.1	12.8	6.1	18.1	3.7	6.9			
Causeway Capital	\$ 338,676,604	0.37	-1.0	5.4	-12.5	10.7	-3.5	-	8.4	7.9	4.30.03
Brandes	\$ 339,178,811	0.42	-0.9	3.4	-10.6	4.9	-4.9	6.0	9.4	3.9	1.31.96
Thornburg	\$ 336,842,727	0.51	-1.2	4.5	-13.2	10.7	-	-	4.1	1.1	11.30.05
<i>MSCI ACWI Ex US</i>			-1.1	3.7	-13.7	10.7	-2.9	6.3			
Advisory Research	\$ 61,651,122	0.70	-	-	-	-	-	-	-	-	12.31.2011
Epoch	\$ 61,842,237	0.83	-	-	-	-	-	-	-	-	12.31.2011
Wellington	\$ 62,742,676	0.98	-	-	-	-	-	-	-	-	12.31.2011
Wasatach	\$ 61,560,308	0.90	-	-	-	-	-	-	-	-	12.31.2011
<i>MSCI EAFE Small Cap</i>											
Hoisington	\$ 293,808,028	0.15	3.9	2.4	41.1	6.3	12.3	-	10.7	5.5	10.31.04
Loomis Sayles	\$ 578,435,212	0.15	1.6	2.7	8.1	12.8	9.5	7.2	7.1	6.3	7.31.99
Lord Abbett	\$ 556,721,306	0.17	1.3	1.7	7.9	10.9	7.6	-	6.4	5.5	10.31.04
Mackay Shields	\$ 580,024,281	0.21	1.9	2.9	8.2	9.7	7.7	-	6.5	5.5	10.31.04
PIMCO Distressed Mortgage I	\$ 75,368,963	0.25	-	-2.7	2.8	-	-	-	7.2	6.8	5.31.2008
PIMCO Distressed Mortgage II	\$ 52,221,729	0.25	-	-7.6	1.4	-	-	-	32.6	6.8	12.31.2008
Stephens	\$ 290,215,038	0.16	0.5	0.5	4.0	4.0	6.4	-	5.2	5.5	10.31.04
<i>Barclays Aggregate</i>			1.1	1.1	7.8	6.8	6.5	5.8			
Loomis Sayles High Yield	\$ 208,664,942	0.50	1.5	3.0	-3.8	-	-	-	17.3	22.3	2.28.09
Lord Abbett High Yield	\$ 220,584,836	0.38	2.5	6.2	4.9	-	-	-	19.8	22.3	2.28.09
Mackay Shields High Yield	\$ 212,911,557	0.45	1.9	5.0	6.5	-	-	-	18.2	22.3	2.28.09
<i>ML High Yield II</i>			2.5	6.2	-0.5	-	-	-			
AEW Real Estate	\$ 93,120,246	0.83	-	3.3	-	-	-	-	-	0.9	-
Heitman Real Estate	\$ 153,469,336	0.82	-	3.1	-	-	-	-	-	0.9	4.30.2011
L&B Real Estate	\$ 123,615,184	0.45	-	0.1	-	-	-	-	-	0.9	5.31.2011
<i>NCREIF - Open End Divers Core Equity</i>											
Chickasaw MLP	\$ 141,708,254	0.80	7.3	16.8	-	-	-	-	-	17.6	2.28.2011
FAMCO MLP	\$ 268,713,142	0.50	5.4	16.1	-	-	-	-	-	17.6	2.28.2011
Swank MLP	\$ 134,595,804	0.45	4.6	17.9	-	-	-	-	-	17.6	2.28.2011
<i>Alerian MLP Index</i>			5.8	16.3	8.2	-	-	-			
<b>Total Fund</b>	<b>\$ 9,541,285,121</b>	<b>0.36</b>	<b>0.8</b>	<b>7.6</b>	<b>0.5</b>	<b>13.1</b>	<b>2.6</b>	<b>6.1</b>	<b>8.6</b>	8.9	11.30.91
<i>Allocation Index</i>			1.0	8.0	1.8	12.9	2.1	5.7	8.9		
<i>Actuarial Assumption</i>			0.6	1.9	8.0	8.0	8.0	8.0	8.0		

# Oklahoma Teachers' Retirement System

Manager Status Summary

As of December 31, 2011



Manager	% of Total Portfolio	Mandate	Status	Reason - Date of Most Recent Change (term)
<b>Domestic Equity</b>				
<b>Goldman Sachs</b>	<b>5%</b>	<b>Large Cap Growth Equity</b>	<b>On Notice</b>	<b>Personel - October 2011 (December 2011)</b>
Sawgrass	5%	Large Cap Growth Equity	In Compliance	
Hotchkis & Wiley	4%	Large Cap Value Equity	In Compliance	
Advisory Research	4%	All Cap Equity	In Compliance	
EPOCH	4%	All Cap Equity	In Compliance	
AJO Partners	3%	Mid Cap Equity	In Compliance	
Frontier Capital Management	3%	Mid Cap Growth Equity	In Compliance	
Hotchkis & Wiley	3%	Mid Cap Value Equity	In Compliance	
Wellington	3%	Mid Cap Growth Equity	In Compliance	
Shapiro Capital Management	5%	Small Cap Value Equity	In Compliance	
Tocqueville	4%	Small Cap Value Equity	In Compliance	
Franklin Park	0%	Private Equity	In Compliance	
<b>International Equity</b>				
<b>Brandes</b>	<b>4%</b>	<b>International Value Equity</b>	<b>On Notice</b>	<b>Performance - March 2011 (December 2011)</b>
Causeway Capital	4%	International Value Equity	In Compliance	
Thornburg	4%	International Value Equity	In Compliance	
Advisory Research		International Small Cap Equity	In Compliance	
Epoch		International Small Cap Equity	In Compliance	
Wellington		International Small Cap Equity	In Compliance	
Wasatach		International Small Cap Equity	In Compliance	
<b>Fixed Income</b>				
Hoisington	3%	Fixed Income	In Compliance	
Loomis Sayles	6%	Fixed Income	In Compliance	
Lord Abbett	6%	Fixed Income	In Compliance	
Mackay Shields	6%	Fixed Income	In Compliance	
Stephens	3%	Fixed Income	In Compliance	
Loomis Sayles - High Yield	2%	High Yield Fixed Income	In Compliance	
Lord Abbett - High Yield	2%	High Yield Fixed Income	In Compliance	
Mackay Shields - High Yield	2%	High Yield Fixed Income	In Compliance	
Chickasaw	1%	MLPs	In Compliance	
Famco	3%	MLPs	In Compliance	
Swank	1%	MLPs	In Compliance	

## **Chapter 4 – Board Governance**

### **Statement of Governance Principles**

To ensure the accountability and authority for governance and management of the Oklahoma Teachers Retirement System, the Board adopts these governing principles to identify and distinguish between the roles of the Board and its members, and the Executive Director, Executive Staff and any fiduciaries or vendors of the System.

### **Board Responsibilities**

Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to ensure that the System is appropriately governed and managed, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administration, solely in the best interest of the participants and beneficiaries. With the overriding goal of protecting Fund assets, the Board's role is to:

1. Adopt and Monitor Policies
  - A. Set the long-term strategic direction for the System, focusing on the goals of the System against which its performance is measured and monitored.
    - i. Set policies for the System focusing on:
      - a. Asset allocation
      - b. Unfunded liabilities
      - c. Risk-adjusted rates of return
      - d. Potential future risks
    - ii. Select, annually evaluate, make salary and other compensation decisions, establish responsibilities and duties within the standards established by state law, and, if necessary, take disciplinary action against the Executive Director.
    - iii. Delegate execution of established Board policy and strategic objectives to the Executive Staff.
    - iv. Establish rules and regulations for the administration of the System and for the transaction of its business.
2. Review and Evaluate Performance
  - A. Monitor performance and regularly review results as compared to:
    - i. Strategic plan and other long-range goals

- ii. Performance measures that include external as well as internal measures.
- B. Review, approve, and monitor actuarial data and assumptions.
- 3. Review and Evaluate Financial and Administrative Operations
  - A. Review and approve the annual budget, financial standards and policies, material capital allocations and material transactions.
  - B. Ensure the integrity of the financial control and reporting system.
  - C. Oversee all audits, approve the external audit, and provide that financial controls are in place.
- 4. Other Board Responsibilities
  - A. Be responsible and accountable to the Clients and beneficiaries of the System.
  - B. Be responsive to representative organizations, participating public employers and others with interests in the System, and the citizens of the State of Oklahoma.
  - C. Monitor relations and communications with Clients, beneficiaries, their organizations, and others with oversight interests.
  - D. Conduct Client hearings and decide appeals.
  - E. Take all necessary action upon applications for retirement, disability benefits, refund of accumulated contributions, and all other matters deemed necessary by the Board.
  - F. Recommend Board and Committee meeting calendars, with the advice of the Executive Staff and Committee Chairs.
- 5. Governing Style
  - A. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and committee level and between the Board and the Executive Director, Assistant Director and Staff. The Board strives to achieve a governing style that emphasizes:
    - i. Strategic leadership
    - ii. Outward vision
    - iii. Focus on the future
    - iv. Pro-activity
    - v. Encouragement of collegiality, including the creation of an environment which supports the mission of the System

- vi. Respect for diversity in viewpoints
  - vii. Governance by consensus
  - viii. A team environment with System management.
  - ix. Ethical conduct of Board business to avoid even the appearance of impropriety.
- B. The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board members to live by the policies articulated herein and to govern with excellence.
- C. The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board may use the expertise of individual Board members to enhance the ability of the Board as a body, rather than to substitute the individual's judgments for the Board's values.
- D. The Board will direct, control and inspire the organization through the careful establishment of broad policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long term impacts on the System, and its Clients and beneficiaries.
- E. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability.
- F. Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.
- G. The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its commitments.

## **Trustee Responsibilities**

1. Attendance: All Trustees are expected to attend all Board and applicable committee meetings. While attendance is not always possible, Trustees should, once the calendar for a year is set, immediately flag any scheduling conflicts and thereafter manage their schedules to avoid creating additional conflicts. Absences for medical or other substantial reasons shall be deemed excused absences in the discretion of the Board Chair.
2. Preparation: Trustees should come to Board meetings having read the materials prepared and circulated by staff.

3. Education: Trustees should identify areas where they might benefit from additional education and work with staff to find educational opportunities. Trustees should fulfill the training expectations outlined in the Trustee Education Policy set forth below and are encouraged to attend additional educational opportunities as outlined in therein.
4. Representation: At times, Trustees may be called on to represent the Oklahoma Teachers Retirement System to various constituencies, including officers of state government, state agencies, or other groups.
5. Collegiality: Members shall make every effort to engage in collegial deliberations, and to maintain an atmosphere where Board or committee members can speak freely, explore ideas before becoming committed to positions, and seek information from staff and other members. To the extent possible, members are encouraged to come to meetings without having fixed or committed their positions in advance.
6. Independence: Oklahoma Teachers Retirement System Trustees and their delegates shall, upon taking office, affirm an oath confirming their independence and their understanding of their fiduciary duties. The oath shall read as follows:

"I, \_\_\_\_\_, do solemnly swear (or affirm) that I will support, obey, and defend the Constitution of the United States and the Constitution of the State of Oklahoma, and that I will not knowingly receive, directly or indirectly, any money or other valuable thing, for the performance or nonperformance of any act or duty pertaining to my office, other than the compensation allowed by law as a member of the Board of Trustees. I further swear (or affirm) that I will diligently and honestly administer the affairs of the Board of Trustees and that I will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Teachers' Retirement System of Oklahoma to the best of my ability."

7. Disclosure of Financial Interests: Oklahoma Teachers Retirement System Trustees and their delegates shall be required to annually file the appropriate financial interest disclosures with the Oklahoma Ethics Commission.
8. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to the System shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information and at all times individual Board members shall act in the best interest of the System consistent with his/her fiduciary duty.
9. Board members shall not attempt to exercise individual authority over the System, investment managers, consultant or any other vendors of the System, except as explicitly set forth in Board policies.

10. Board members' interaction with the Executive Staff, investment managers, consultants or vendors must recognize the lack of authority vested in individual Board members except when explicitly Board authorized.
11. Board members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions or policies.
12. Board members will make individual assessments or evaluations of the Executive Director when such Board member deems it necessary or in the normal course of evaluations of such individuals.
13. Board members shall not represent to any investment manager, consultant, or any other vendor of the System that the individual Board member retains any authority to speak on behalf of, obligate or influence the decision making process of the System, or the Board, unless specifically authorized by the Board. This is not meant to restrict proper communications between Board members and vendors seeking information or clarifications concerning Board business.
14. Individual Board members shall refer proposals or other communications regarding potential or existing investments or other contracts directly to the Chair of the Board and the Executive Director.
15. Individual Board members shall not seek the advice or counsel of the System's Legal Counsel, any outside counsel, or actuarial consultants on projects and issues that require a substantial amount of time or work, without first verifying with the Chair of the Board and the Executive Director that the expenditure of professional fees is appropriately related to service on the Board. The Legal Counsel shall ensure that all Board members receive the benefit of any legal advice or counsel provided to any individual Board member.
16. Individual Board members are not to become involved in operational management of the System, except as requested by the Executive Director or as directed by the Board.
17. Whenever the System is in the process of selecting or employing advisors, managers, consultants, contractors or vendors, individual Board members shall limit their communications with any person or entity (or agent for such person or entity) that may be under consideration in such selection or hiring process, in a manner that is consistent with the Board's competitive bid standard. Any Board member who becomes aware of a contact by a person or entity (or agent for such person or entity) that the Board member reasonably believes violates the competitive bid standards shall report the contact to the Chair of the Board. The Board Chair shall inform the Executive Staff of the contact, who is responsible for responding in accordance with the Board's policies.
18. Avoidance of Appearance of Nepotism: Even if otherwise permissible under State conflict of interest laws and/or Board policy, Trustees should avoid participating in Oklahoma Teachers Retirement System matters in which a close relation of the Trustee has a personal, managerial or substantial financial interest. A "close relation" is defined

as a spouse, mutual financial dependent, significant other or person in an intimate relationship; a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin. A “substantial financial interest” exists if the personal financial effect of the Oklahoma Teachers Retirement System matter on the close relation would be \$250 or more in a 12-month period and that effect is particular to the close relation as opposed to affecting a much larger group. For example, under this policy, a Trustee would not be precluded from participating in a decision to recommend legislation that would increase the percentage amount of a cost-of-living adjustment paid to all retirees even if the Trustees’ mother would receive this increase along with all other retirees. However, if the Trustees’ mother files an appeal that contends that her specific cost-of-living adjustment had been calculated incorrectly by Oklahoma Teachers Retirement System, under this policy the Trustee would be precluded from participating in the decision regarding this appeal.

## **Board of Trustees Chair Responsibilities**

The Board Chair shall lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board’s process. The Chair’s specific duties as set forth in the statutes, or as delegated by the Board, are to:

1. Provide leadership to the Board in terms of collegiality and ethical conduct.
2. Ensure that Board operations are consistent with its own policies and those legally imposed upon it, and ensuring that Board member activities fall within the Board’s policies regarding governance, prudence and ethics.
3. Set the Board agenda with input from Board members and the Executive Staff, articulating, prioritizing and scheduling agenda items as appropriate.
4. Conduct Board meetings, controlling the process of Board deliberations pursuant to rules adopted by the Board.
  - A. Limit meeting discussion content to those issues that are within the Board’s responsibility.
  - B. Ensure timely, fair, orderly, thorough and efficient deliberations.
5. Make decisions in those areas for which the Board and state law has expressly delegated the Chair decision-making authority.
  - A. Convene and chair meetings of the Board.
  - B. Appoint Committee membership, with consideration given the expressed desires of individual Board members and the value of periodic rotation of Committee members so as to provide direct exposure to differing Board responsibilities.

- C. In consultation with affected Committee Chairs, and Board membership, give consideration to the expressed desires of individual Board members concerning the value of providing direct exposure to differing Board responsibilities.
  - D. In consultation with affected Committee Chairs, resolve the scope of authority of different committees, with the goal of ensuring the most effective and efficient use of Board time.
6. Represent the Board and the System, or designate other board representatives, to outside parties and organizations.
  7. Act as the liaison for communications between the Board and Executive Staff. This shall not be construed to limit the ability of any Board member to interact with the Executive Staff.
  8. Lead the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.

### **Committee and Committee Chairs Responsibilities**

1. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they:
  - A. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
  - B. Review, address and make recommendations to the Board on all matters related to the choice of custodians and investment managers of the assets of the System, on the establishment of investment and fund management guidelines, and in the planning and development on investment policy.
  - C. Make recommendations to the Board on all non-investment related matters including rules and regulations for the operation and management of the System.
2. All Board members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are a member of the Committee. Board members may participate in Committee discussions, but may only vote in Committees in which they are members.
3. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
  - A. In consultation with the Chair of the Board, the Executive Staff, the Consultant, and with input from Board members, set the Committee agenda.
  - B. Convene and chair meetings of the Committee.

- C. Ensure that the Committee operates to assist the Board consistent with its delegated authority and Board rules including:
  - i Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility.
  - ii Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcing the Board's rules of order.
- D. Work directly with the Executive Staff, with the staff person(s) assigned by the Executive Staff and Consultants, on matters within the Committee authority.
- E. In consultation with the members of the Committee and the Executive Staff to determine the most appropriate method of and time for obtaining and considering independent consultant input on issues within the Committee's authority.
- F. In consultation with the Executive Staff review the matters that were presented to the Committee and evaluate whether these matters represent an effective and efficient method of achieving the Board's policies and strategic direction. Report conclusions and recommendations to the Board of Trustees for action.

### **Executive Director Responsibilities**

1. The Board shall appoint an Executive Director, who shall be the managing and administrative officer of the System and, as such, shall have charge of the office, record, supervision and direction of the employees of the System.
2. The Board has delegated to the Executive Director responsibility for the administration, management and leadership of the System consistent with Board delegation of authority. Policy and direction set by the Board is implemented through the Executive Director so that a strong relationship exists between the Board and the Executive Director, and a clear delineation of authority which is critical to the accomplishment of the Board's objectives. This broad responsibility includes: (1) investment oversight; (2) hiring, supervising, monitoring, evaluating, and, when necessary, taking disciplinary action or terminating senior managers and staff as delegated; (3) services to beneficiaries; (4) budgeting; (5) governmental affairs/media relations; (6) employee training and development; (7) succession planning; (8) actuarial valuations; and (9) legal representation; and (10) establishing goals and objectives to meet the aforementioned responsibilities. In the absence of the Executive Director, the Assistant Executive Director shall assume these responsibilities.
3. Executive Director's duties are defined by the Board and include the following:
  - A. With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for the System by the Board, including as necessary:
    - i Determining the appropriate methods for attaining the Board-established policies and strategic objectives.

- ii Directing the System employees in furtherance of those objectives.
  - iii Ensuring that management activities and decisions are within Board-approved policies
- B. Monitor the working relationship between the System staff person(s), investment managers, consultants and any other vendors of the System, and the Committee Chairs, to ensure the efficient operation of the Board's committees.
  - C. Represent the System, or designate other staff representatives, to outside parties and organizations.
  - D. Provide leadership to the System employees in terms of collegiality and ethical conduct.
  - E. Act as the liaison for communication and information flow between the Board, the System employees and the Clients and beneficiaries.
  - F. Inform the Chair of the Board of inquiries and requests concerning System business that may be sensitive in nature.
  - G. Report to the Board on the status of pending legislation impacting the System.
4. Board-Executive Staff Linkage
- A. Decisions or instructions of individual Board members, officers, or committees are not binding on the Executive Staff except in instances when the Board has specifically authorized such exercise of authority.
  - B. In the case of Board members or committees requesting information or assistance without Board authorization, the Executive Staff can refuse such requests that require, in the Executive Staff's opinion, a material amount of staff time or funds or is disruptive. (The exception would be when such request is in connection with the Board member's capacity as a Client of the system and such request would be responded to for any Client of the system.)
  - C. The Board will generally never give instructions to the Executive Staff, but will instead communicate any requests or questions to the Executive Director for delegation to Executive Staff at the discretion of the Executive Director.
  - D. The Board will refrain from evaluating, either formally or informally, any staff person other than the Executive Director.

## **Vendor Responsibilities**

1. A vendor of the System, and any employees, principals, or agents of a vendor of the System (“Vendor”), which is a fiduciary with respect to the System pursuant to 70 O.S. § 17-106.2 shall at all times fully comply with the duties and responsibilities set out by Oklahoma law and, in particular, 70 O.S. § 17-106.2.
2. The Vendor shall not offer or provide to a Board member and the Executive Staff any gifts or gratuities from an individual organization with a value in excess of Fifty Dollars (\$50) per year in violation of 70 O.S. § 17-106.
3. The Vendor shall take positive steps to prohibit breaches of duty, communications seeking to influence improperly the Board, Board members, or the Executive Staff, or improper communications with individuals who may receive personal gains as a result of Board or Executive Staff actions.
4. The Vendor’s failure to abide by this section, or any other applicable section, of this Code of Conduct and Governance Policy may result in the Board’s termination of the Vendor’s contract with the System.

## **Audit Committee Charter**

### **Purpose**

The Audits and Risk Management Committee has been established to assist the Oklahoma Teachers' Retirement Board in fulfilling its fiduciary oversight responsibilities for the:

1. Internal Audit Process,
2. System of Internal Control,
3. Financial Reporting Process,
4. System of Risk Management,
5. External Audit of the Financial Statements, and
6. Engagements with Other External Firms.

### **Authority**

The Audit Committee shall have the authority to recommend to the Board for action:

1. The appointment of and provision for the compensation of, and oversee the work of the independent certified public accounting firm employed by Oklahoma Teachers Retirement System to audit the financial statements.
2. The retention of consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or to assist in the conduct of an investigation.
3. Requests to provide oversight of audit and investigation activities of financial, ethical, and/or fraud matters.
4. All Committee actions must be ratified or adopted by the Board to be effective.

### **Composition**

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

### **Meetings**

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

### **Responsibilities**

The Audits Committee shall have responsibility for the following:

1. Designating at least one member as the “audit committee financial expert,” as defined by the Securities and Exchange Commission. The member’s knowledge should include an understanding of generally accepted accounting principles for public pension funds issued by the Governmental Accounting Standards Board. If a financial expert is not available on the Committee, an experienced professional will be selected possessing the qualities listed in the Securities and Exchange Commission (SEC)’s “Audit Committee Financial Expert” definition. Candidates for this non-voting position will be recommended by Oklahoma Teachers Retirement System Executive Management and approved by the Board Chair.
2. Overseeing the reporting and integrity of all financial information reporting.
3. Providing the policy and framework for an effective system of enterprise-wide risk management, and providing the mechanisms for periodic assessment of the system of risk management.
4. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.
5. Ensuring management maintains an effective system of internal controls and provides the mechanisms for periodic assessment of the system of internal controls.
6. Overseeing the appointment and work of the Internal Auditor and the work of the Internal Audit Division.
7. Serving as the primary liaison and providing the appropriate forum for handling all matters related to audits, examinations, compliance, investigations or inquiries of the Oklahoma State Auditor and other appropriate State or Federal agencies.
8. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by an external audit firm.
9. Reporting to the Board on all activities, findings and recommendations of the Committee.
10. Provide an open avenue of communication between internal audit, the external auditors and the Committee and Board.

## **Investment Committee Charter**

### **Purpose**

The Investment Committee has been established by the Oklahoma Teachers Retirement System Retirement Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged to administer the Fund's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the system; and to maximize the financial stability of the Funds in an efficient and cost effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Trustee capacity, and strive to follow sound policies and procedures that enhance good, fair, and open decision making. The Committee's core objective is to diversify the investments so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Board's overall objective of promoting the best interests for Oklahoma Teachers Retirement System, its Clients, retirees, and beneficiaries.

### **Authority**

The Investment Committee shall have the authority to recommend to the Board for action:

1. All matters relating to the investment portfolio including, but not limited to, strategic asset allocation, any tactical changes to the strategic asset allocation; pursuing new asset categories, and changes to investment policy.
2. The engagement of investment advisors, consultants, managers and counsel as necessary; to assist the Board in carrying out its responsibilities.
3. The Committee will not consider any proposed investment that has not gone through the System's due diligence process and been reviewed by the System's professional staff.
4. All Committee actions must be ratified or adopted by the Board to be effective.

### **Composition**

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

### **Meetings**

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

### **Responsibilities**

The Investment Committee shall have responsibility for the following:

1. Determining the Fund's overall investment objectives, risk tolerance and performance standards in accordance with the Oklahoma Constitution and the Teachers' Retirement Law.
2. Determining the asset allocation of the Fund, including consideration of asset classes and sub-classes not currently utilized in the Fund.
3. Determining the overall Fund Investment Policy as well as asset class and program investment policies.
4. Monitoring the performance of the investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers
5. Determine appropriate levels of staff delegation with respect to investment transactions in the various asset classes of the Fund.
6. Determine and ensure compliance with the System's corporate governance policies in an effort to protect Oklahoma Teachers Retirement System assets through the pursuit of good governance and operational accountability.
7. Determining the relative amount of internal and external management.
8. Monitoring the direct and indirect costs of each asset category.
9. Determining and ensuring compliance with the appropriate reporting standards and time horizons.
10. Identifying and discussing potential legislation related to investments.
11. Ensuring that Oklahoma Teachers Retirement System investments are made in conformance with applicable investment policies and investment resolutions.

should seek designation as lead plaintiff, co-lead plaintiff, or opt out of a class action, the System shall appoint special counsel to the matter.

If the System determines not to participate in the litigation, active monitoring of the litigation may include regular reports from counsel to staff regarding the status of a case, settlement discussions and/or the proceedings.

Where the potential recovery is not significant, the staff shall monitor the litigation to take the steps necessary to insure that the System will share in any recovery.

### **Participation in Settlement**

Staff shall develop and implement procedures for ensuring the timely submission of claims on behalf of the System in all appropriate securities class action settlements.

### **Reports to Board**

Staff shall report to the Board as necessary, but at least semi-annually, to keep the Board fully informed of those cases that are being monitored or in which the System is actively participating. Staff shall keep the Board apprised of any unusual or extraordinary events as they occur.

### **Retention of Outside Counsel**

The Board may retain one or more consultants to serve as Securities Monitoring and Litigation Counsel (Counsel), monitoring consultant, or in another capacity, as necessary to advise and/or represent the System in class action securities litigation matters. When the Board determines that the System should seek designation as lead plaintiff, co-lead plaintiff, or opt out of a class action, the Board shall appoint special counsel to the matter. In instances where the Board has a Portfolio Monitoring Agreement with the appointed law firm, a separate contract shall be executed specific to the litigation.

## REPORT OF LEGAL COUNSEL

### Teachers' Retirement System of Oklahoma 4<sup>th</sup> Calendar Quarter, 2011

#### LITIGATION

##### 1. OTRS vs. Delphi Corp., Federal Class Action Litigation

**Issues:** OTRS is represented by securities counsel, Nix, Patterson & Roach, of Dangerfield, Texas. Nix, Patterson has previously been approved as class action securities counsel for the state of Oklahoma by the Oklahoma Attorney General.

**Status:** OTRS and the State of Mississippi retirement fund were named co-lead plaintiffs. Pleadings were final in federal court, Detroit, Michigan. In September 2005, Delphi filed for Chapter 11 bankruptcy protection. Along with all other class action members in the federal civil action, OTRS was an unsecured creditor in the bankruptcy action. Delphi requested mediation for itself and certain officers and directors on July 23, 2007. A proposed settlement agreement was approved by OTRS trustees on August 22, 2007. The proposed settlement against Delphi was approved in the class action case on January 11, 2008, and the Bankruptcy Court approved the settlement and plan of confirmation on January 17, 2008. Hearings continue for Delphi to exit their bankruptcy court case. The Auditor's Settlement became effective June 26, 2008. A final settlement is pending.

**Status:** Proof of Claim filed for OTRS; Awaiting funding of Delphi's bankruptcy settlement.

##### 2. Lionel M. Raff, et al vs. The Teachers' Retirement System of Oklahoma and Oklahoma State University, Class Action Petition

**Issues:** Plaintiffs, Lionel M. Raff and Mark G. Rockley, on behalf of themselves and all others similarly situated, claim that for numerous years they have been employed as professors at OSU. The professors contributed to both TRS and to TIAACREF as a part of their retirement program. They allege OSU significantly reduced their contributions to TIAA. Further, they allege that TRS has through the years made misrepresentations, or 'tricked' the professors, regarding the low base retirement option and subsequent TRS calculations that determine retirement. The professors allege that salary caps imposed by TRS rules and statutes are arbitrary and capricious and in violation of due process and equal protection; and, further, such salary caps are a breach of contract between OSU, TRS and the plaintiff professors.

**Status:** The case was filed in Oklahoma County District Court, October 4, 2001, Case No. CJ-2001-7651. The Attorney General's office is providing legal representation to OSU and OTRS in this matter through senior litigation counsel, Assistant Attorney General, Scott Boughton. Scott has represented OTRS in complex litigation cases many times in the past. Motion for Summary Judgment by Defendants, OTRS and OSU, and a Motion To Certify Class by Plaintiffs, is pending before Judge Nancy L. Coats. Settlement discussions continue. The Court has taken under advisement the issue of dismissing OTRS and may rule on that issue separately from the legal issues regarding OSU. This case appears to be dormant.

### **3. American Home Mortgage Investment Corporation**

**Issues:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as a class action securities counsel for the State of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. To this case, the firm recommended that TRS pursue lead plaintiff status to pursue the American Home Mortgage case.

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on September 26, 2007, and has joined with the Oklahoma Police Pension & Retirement System, to be named co-lead plaintiff. A hearing was held the week of January 21, 2008. On March 19, 2008, TRS and Police Pension were named lead plaintiffs. A mediation conference was held in New York on January 16, 2009, and a proposed settlement was approved by the Trustees on February 4, 2009, April 29, 2009, and May 27, 2009. Motion for Approval of Class Action Settlement filed January 6, 2010. Court has approved settlements. Claims deadline was March 1, 2010.

**Status:** Claims processing pending.

### **4. MBIA, INC.**

**Issues:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as a class action securities counsel for the State of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. To this case, the firm recommended that TRS pursue lead plaintiff status to pursue MBIA, Inc.

TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on January 23, 2008. TRS filed its motion for lead plaintiff status on March 11, 2008. The Court appointed TRS Lead Plaintiff on June 30, 2008. A complaint was filed on October 17, 2008. Defendants filed a Motion to Dismiss on March 17, 2009. TRS filed an Opposition to the Motion to Dismiss. Hearing on Motion to Dismiss was held on March 5, 2010. On March 31, 2010, the Court issued an opinion that substantially denied Defendant's Motion to Dismiss. MBIA filed a Motion to Dismiss and Second Amended Complaint, and on October 8, 2010, BLB&G filed its opposition. The Court Denied the motion in large part. The Board approved settlement on July 20, 2011 and the Court approved the settlement in all respects on December 15, 2011.

**Status:** Court approved settlement.

### **5. MoneyGram International, Inc.**

**Issues:** OTRS is represented by securities counsel, Nix, Patterson & Roach, of Dangerfield, Texas. Nix, Patterson has previously been approved as class action securities counsel for the state of Oklahoma by the Oklahoma Attorney General. TRS voted to seek lead plaintiff status at its April 2008 meeting. TRS filed its motion on May 27, 2008, and was named lead plaintiff. A complaint was filed on October 3, 2008. MoneyGram filed their motion to dismiss on January 13, 2009. TRS filed a response on February 9, 2009. Oral arguments were held on March 11, 2009. The Court denied the motion to dismiss on May 20, 2009.

Nix, Patterson filed Lead Plaintiff Initial Disclosures on July 10, 2009. AG's office assisted Nix, Patterson in compiling discovery responses. Nix, Patterson completed first discovery response - due July 31, 2009. Brief in support of motion for Class Certification filed on August 21, 2009. Reply memorandum filed in support of motion for Class Action on January 22, 2010. Mediation process began late January, 2010. Settlement approved by TRS on February 24, 2010. The Court approved the settlement in all respects on June 17, 2010.

**Status:** Claims processing pending.

## **6. Medtronic, Inc.**

**Issues:** TRS is represented by securities counsel, Bernstein, Litowitz, Berger & Grossman LLP (BLB&G) of New York, New York. BLB&G has previously been approved as a class action securities counsel for the State of Oklahoma by the Oklahoma Attorney General. From time to time, the law firm reviews stock losses and recommends to the Attorney General that legal action be taken to recover certain egregious state fund losses. To this case, the firm recommended that TRS pursue lead plaintiff status to pursue Medtronic, Inc.

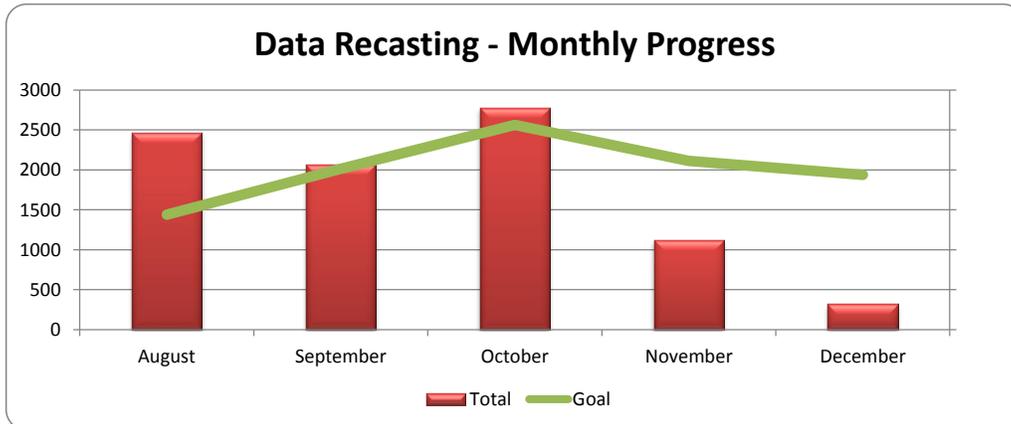
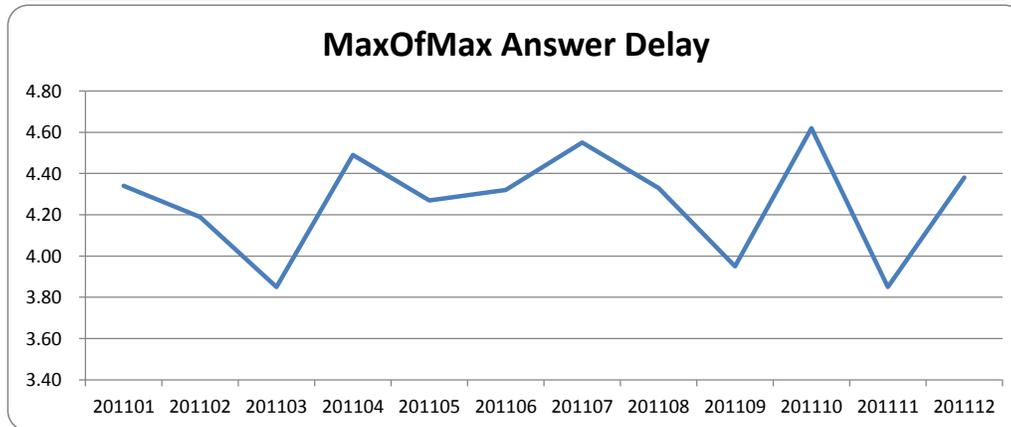
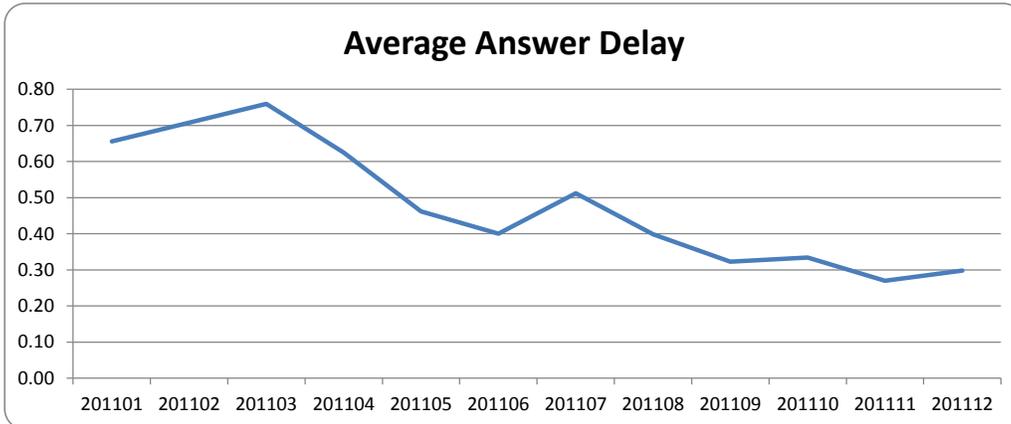
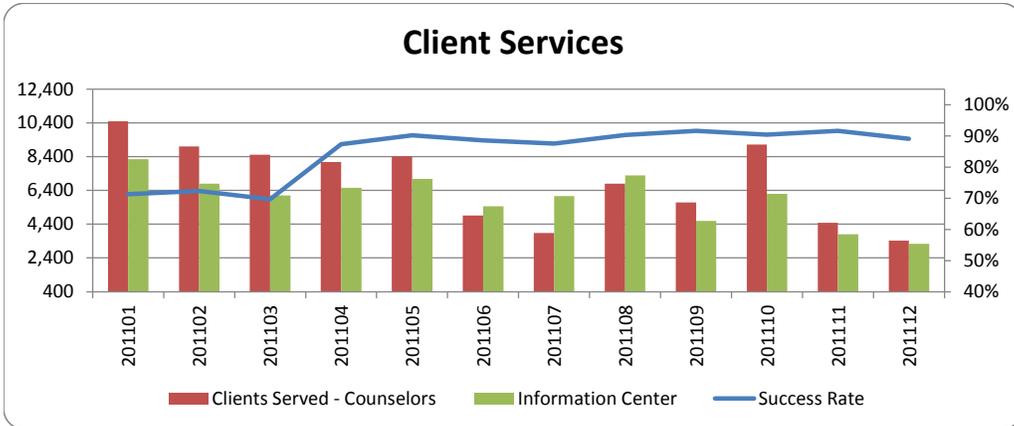
TRS trustees approved the recommendation of BLB&G to seek lead plaintiff status at its meeting on February 4, 2009, and to seek co-lead plaintiff status with Oklahoma Firefighters Pension Fund. Danske Investment Management Als, and Union Asset Management Holding AG on March 25, 2009. The court approved the co-lead plaintiffs on April 21, 2009. BLB&G filed an amended complaint August 21, 2009. BLB&G filed response to Defendant's Motion to Dismiss on or about November 19, 2009. On February 3, 2010, Defendant's Motion to Dismiss was substantially denied. Early mediation was conducted on June 24-25, 2011. Second mediation will be conducted on January 23, 2012 in New York.

**Status:** Discovery ongoing.

## **ADMINISTRATIVE**

There is one administrative matter pending. A member, currently under "rule of 90" has appealed the decision of staff to deny her request to be placed under the "rule of 80". She contends that she was not given an opportunity to join the system earlier, and that she should have been given that opportunity. The matter will be heard by an administrative law judge on January 26, 2012.

Dashboard



*Teachers' Retirement System of Oklahoma  
Client Status Update Report - Finance Division  
December 31, 2011*

**Board Meeting January 25, 2012**

<i>Cash Basis</i>	December 2010	December 2011		
<i>Monthly Contributions:</i>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$19,462,599.07	\$35,068,714.46	\$15,606,115.39	80.19%
Employer Contributions	30,198,473.46	40,339,640.47	10,141,167.01	33.58%
State Revenue	<u>17,660,766.05</u>	<u>20,338,036.29</u>	<u>2,677,270.24</u>	<u>15.16%</u>
Total Retirement Receipts	67,321,838.58	95,746,391.22	28,424,552.64	42.22%
 <i>Monthly Distributions:</i>				
Retirement Benefits	78,318,213.72	76,061,065.66	(2,257,148.06)	-2.88%
Withdrawals and Death Benefits	<u>4,148,870.26</u>	<u>3,320,376.99</u>	<u>(828,493.27)</u>	<u>-19.97%</u>
Total Benefit Payments	<u>82,467,083.98</u>	<u>79,381,442.65</u>	<u>(3,085,641.33)</u>	<u>-3.74%</u>
Net (Receipts - Payments)	<u>(\$15,145,245.40)</u>	<u>\$16,364,948.57</u>	<u>\$31,510,193.97</u>	<u>-208.05%</u>
	Year to Date	Year to Date		
<i>Year to Date Contributions:</i>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>\$ Change</u>	<u>% Change</u>
Member Deposits	\$117,165,892.20	\$141,215,141.38	\$24,049,249.18	20.53%
Employer Contributions	180,577,813.16	179,555,776.40	(1,022,036.76)	-0.57%
State Revenue	<u>120,738,921.89</u>	<u>134,403,713.44</u>	<u>13,664,791.55</u>	<u>11.32%</u>
Total Retirement Receipts	418,482,627.25	455,174,631.22	36,692,003.97	8.77%
 <i>Year to Date Distributions:</i>				
Retirement Benefits	489,497,369.88	512,530,302.49	23,032,932.61	4.71%
Withdrawals and Death Benefits	<u>26,508,833.69</u>	<u>28,241,061.41</u>	<u>1,732,227.72</u>	<u>6.53%</u>
Total Benefit Payments	516,006,203.57	540,771,363.90	24,765,160.33	4.80%
Net (Receipts - Payments)	<u>(\$97,523,576.32)</u>	<u>(\$85,596,732.68)</u>	<u>\$11,926,843.64</u>	<u>-12.23%</u>

# New Annuities

January 2012

Retirement Type	Retirement #	Annuitant Name	Begin Date	Amount
<b>Disability</b>	D092932	CYNTHIA A BRISCOE	2/1/2012	\$1,459.18
	D092937	VELMA A DELAUGHTER	2/1/2012	\$1,182.92
	D092939	DARLA E JOHNSON	2/1/2012	\$1,005.65
	<b>3 annuities</b>			<b>\$3,647.75</b>
<b>Early</b>	092944	CONNIE J CUNNINGHAM	2/1/2012	\$1,340.35
	092950	BRETT M DICKERSON	2/1/2012	\$944.58
	092956	BEHNAM ETEMAD	2/1/2012	\$1,085.99
	092973	MARSHA R BESHIRS	2/1/2012	\$110.10
	092993	MELODY A CHAMBERS	2/1/2012	\$477.95
	093016	ROBERT HARPER	2/1/2012	\$194.61
	093020	REBECCA E HAUSE	2/1/2012	\$401.75
	093022	STEPHANIE K HOLCOMB	2/1/2012	\$715.58
	093058	PATRICIA D SEWARD	2/1/2012	\$1,355.34
	093083	CAROL A STOPP	2/1/2012	\$334.93
	093104	ANGELA WOLFKILL	2/1/2012	\$260.56
	093115	ANN C OWENS	2/1/2012	\$488.93
	093127	SHIRLEY M NELSON	2/1/2012	\$751.51
	093132	MARY K PARISH	2/1/2012	\$564.63
	<b>14 annuities</b>			<b>\$9,026.81</b>
<b>Normal</b>	023229	JEANNE E BROWN	2/1/2012	\$598.48
	023632	KATHRYN E DOWD	2/1/2012	\$1,843.11
	033272	BENNIE J BALLARD	2/1/2012	\$944.34
	034191	DOROTHY L WILSON	2/1/2012	\$1,125.36
	036052	LOYD B HARDY	2/1/2012	\$429.47
	037071	OLETA F BARTON	2/1/2012	\$1,003.36
	037229	VELDA F MOORHEAD	2/1/2012	\$586.40
	037638	MARILYN S JONES	2/1/2012	\$239.44
	038132	BERTA S BULMAN	2/1/2012	\$2,141.81
	040428	Mike E McCoy	2/1/2012	\$398.01
	044470	JUDITH A COLCLASURE	2/1/2012	\$2,101.21
	047445	DARRELL R FRAZIER	2/1/2012	\$1,072.09
	053763	MARSHA M CUNNINGHAM	2/1/2012	\$1,780.17
	064805	LILY M POSTOAK	2/1/2012	\$177.26
	092929	FORREST W MULKEY III	2/1/2012	\$2,527.65
	092930	JIMMIE R JAMES	2/1/2012	\$2,169.93
	092931	KATHLEEN M NILES	2/1/2012	\$2,052.29
	092933	ROXANNE L ERICKSEN	2/1/2012	\$193.62
	092935	WILLIAM T ADAMS	2/1/2012	\$211.31
	092940	CATHY J CHOATE	2/1/2012	\$652.05
	092941	JAMESETTA GOODE	2/1/2012	\$128.16
	092942	REBECCA L GLANVILLE	2/1/2012	\$558.37
	092943	MELINDA W COLBERT	2/1/2012	\$2,310.92
	092945	ANTHONY R DAUGHERTY	2/1/2012	\$1,040.57
	092946	LOIS A DAWES	2/1/2012	\$1,277.57
	092947	LAURIE A DENNEY	2/1/2012	\$1,437.32
	092948	HERBERT H DENNIS JR	2/1/2012	\$891.53

	092949	KENNETH E DEWBRE	2/1/2012	\$1,439.87
	092951	VICKI J DIMMER	2/1/2012	\$1,342.13
	092952	KHANH P DO	2/1/2012	\$2,899.96
	092953	HENRY W EGGLESTON	2/1/2012	\$916.08
	092954	PAULA A EGGERT	2/1/2012	\$2,289.32
	092955	LARRY G EDWARDS	2/1/2012	\$4,631.98
	092957	MELANIE A EMERSON	2/1/2012	\$1,924.42
	092958	GEORGE A FALK	2/1/2012	\$814.60
	092959	JANICE J FERRIS	2/1/2012	\$3,261.14
	092960	RITA L FISCHER	2/1/2012	\$729.77
	092961	RONNIE D FLEMING	2/1/2012	\$647.21
	092962	MADELINE C FANKHOUSER	2/1/2012	\$1,853.08
	092963	PATSY R COCKRUM	2/1/2012	\$618.87
	092964	MARSHA L ALLISON	2/1/2012	\$2,586.59
	092965	VERA K ANDERSON	2/1/2012	\$3,271.15
	092966	JUDY K ARTHUR	2/1/2012	\$121.91
	092967	MARILYN M ASHLEY	2/1/2012	\$1,610.36
	092968	LUCY L BAILEY	2/1/2012	\$422.02
	092969	JEFFREY L BAUGHMAN	2/1/2012	\$5,514.96
	092970	TIMOTHY A BEACH	2/1/2012	\$2,100.05
	092971	ERNEST E BECKHAM	2/1/2012	\$656.09
	092972	JOSEPH L BENTON	2/1/2012	\$2,687.51
	092974	GLEN S BLACK	2/1/2012	\$2,771.15
	092975	SHARON M BLACK	2/1/2012	\$2,134.78
	092976	GLORIA L BLACKMON	2/1/2012	\$254.17
	092978	JAMES E BLEVINS	2/1/2012	\$3,439.30
	092979	LESLIE L BOHON BOTHWELL	2/1/2012	\$1,693.02
	092980	LARRY D BOWEN	2/1/2012	\$238.83
	092981	ANN M BOYD	2/1/2012	\$1,322.82
	092982	LOMA G BRANNON	2/1/2012	\$997.80
	092983	DEBORAH A BREEZE	2/1/2012	\$541.61
	092984	KENNY M BRIGGS	2/1/2012	\$2,411.39
	092985	MELVIN E BRUMLEY	2/1/2012	\$1,319.38
	092986	MARGARET J BRUNGARDT	2/1/2012	\$430.00
	092987	LAURIE L BURTON	2/1/2012	\$6,612.11
	092988	WILLIAM E BURTON	2/1/2012	\$2,317.55
	092989	DEBERAH E CAIN	2/1/2012	\$1,050.13
	092990	MARK L CANNON	2/1/2012	\$1,656.92
	092991	CYNTHIA D CARROLL	2/1/2012	\$3,052.81
	092992	EDNA CASEY	2/1/2012	\$1,394.43
	092994	CHARLOTTE G CHANDLER	2/1/2012	\$1,053.64
	092995	GARY A CHILDRESS	2/1/2012	\$1,314.43
	092996	RACHEL F CHRONISTER	2/1/2012	\$2,603.02
	092997	NANCY L CHU	2/1/2012	\$2,143.23
	092998	JANALEE P CALDWELL	2/1/2012	\$2,192.03
	092999	CAROLYN S CICIO	2/1/2012	\$130.22
	093000	LINDA L CLUNE	2/1/2012	\$1,605.50
	093001	GEORGE L COLBERT	2/1/2012	\$479.14
	093002	NEIL R FRENCH	2/1/2012	\$1,217.34
	093003	LINDA L FROST	2/1/2012	\$991.19
	093004	JOHN FULBRIGHT	2/1/2012	\$892.42
	093005	PENNI G GAGE	2/1/2012	\$5,561.25
	093006	SANDRA M GANNON	2/1/2012	\$2,252.43
	093007	JOYCE A GARVIE	2/1/2012	\$2,504.99

	093008	GARY W GASKILL	2/1/2012	\$1,468.72
	093009	ANN L GOVEK	2/1/2012	\$564.16
	093010	KAY L GRANT	2/1/2012	\$4,127.48
	093011	ROBERTA A GRAY	2/1/2012	\$1,819.08
	093012	SUSAN E GRAY-MELAUGH	2/1/2012	\$2,448.75
	093013	KIMBERLEY J GREEN	2/1/2012	\$1,941.65
	093014	MARY F GRIFFITH	2/1/2012	\$1,427.43
	093015	JOHN S HARDING	2/1/2012	\$2,880.37
	093017	ALFRED W HARGRAVES	2/1/2012	\$969.92
	093018	JAN C HARDWICK	2/1/2012	\$974.29
	093019	RON W HAYES	2/1/2012	\$506.12
	093021	DAVID N HIMES	2/1/2012	\$3,078.77
	093023	KAREN D HOUSLEY	2/1/2012	\$551.73
	093024	RUTH M HOWELL	2/1/2012	\$2,911.43
	093025	LACHELLE L HUNT	2/1/2012	\$1,767.78
	093026	JEAN HURST	2/1/2012	\$672.76
	093027	PHYLLIS N HUTCHINSON	2/1/2012	\$168.20
	093028	ROBIN A HYBSHA	2/1/2012	\$1,846.08
	093029	DWIGHT A IMMOHOTICHEY	2/1/2012	\$445.09
	093030	SHERDAIN L JACKSON	2/1/2012	\$1,244.94
	093031	FRANCES C JETT	2/1/2012	\$732.84
	093032	SONDRA A JONES	2/1/2012	\$1,481.76
	093033	VELMA J JONES	2/1/2012	\$1,324.75
	093034	DONALD W JUDKINS	2/1/2012	\$1,582.19
	093035	LOUISE KAHRS	2/1/2012	\$215.53
	093036	RICK L MCDANIEL	2/1/2012	\$5,026.98
	093037	DARRYL J MCCULLOUGH	2/1/2012	\$2,981.91
	093038	LINDA K MCBAY	2/1/2012	\$2,176.68
	093039	JOANN W HAYSBERT	2/1/2012	\$2,628.27
	093040	VICKI L VAN HOOK	2/1/2012	\$1,803.65
	093041	ALMA M MCELHOE	2/1/2012	\$1,124.52
	093042	D LAVONNE TOLLETT	2/1/2012	\$1,950.12
	093043	LINDA K MCLAIN	2/1/2012	\$723.29
	093044	MARY M MACROBERT	2/1/2012	\$6,158.36
	093045	WILLENE MALONE	2/1/2012	\$2,013.20
	093046	RITA J MANNING	2/1/2012	\$2,019.27
	093047	MARY A PHILPOTT	2/1/2012	\$5,760.43
	093048	LINDA L MARSHALL	2/1/2012	\$1,040.87
	093049	LAWANA Y KUNZE	2/1/2012	\$535.57
	093050	JANIS M MAXWELL-EISERT	2/1/2012	\$496.41
	093051	MICHAEL L MEFFORD	2/1/2012	\$1,297.10
	093052	BONNIE S MERCER	2/1/2012	\$1,326.84
	093053	WAYNE B MILLS	2/1/2012	\$714.53
	093054	STEWART R RYAN	2/1/2012	\$3,785.12
	093055	JOYCE M SCHOBERT	2/1/2012	\$378.20
	093056	LAVERA A SCHWIEBERT	2/1/2012	\$2,195.77
	093057	JERRIE L SCOTT	2/1/2012	\$4,110.77
	093059	RHONDA G SIMPSON	2/1/2012	\$1,783.99
	093060	RICK A SKAGGS	2/1/2012	\$2,137.56
	093061	CAROLYN J SMALLWOOD	2/1/2012	\$541.19
	093062	LINDA K SMITH	2/1/2012	\$1,184.13
	093063	BILLY G SNELLING	2/1/2012	\$981.24
	093064	CAROL A STANTONCOE	2/1/2012	\$2,573.13
	093065	JEAN STEWARD	2/1/2012	\$503.63

	093066	JAMES F PICKENS	2/1/2012	\$3,077.11
	093067	DAVID A POARCH	2/1/2012	\$2,826.40
	093068	CHARNETIA E POKORNY	2/1/2012	\$882.00
	093069	DENNIS J REA	2/1/2012	\$4,118.23
	093070	TIMOTHY L REAMY	2/1/2012	\$1,570.30
	093071	JOHN E RHOTEN	2/1/2012	\$3,769.37
	093072	CYNTHIA R RICHARD	2/1/2012	\$1,185.62
	093073	CYNTHIA K RITCHISON	2/1/2012	\$1,540.66
	093074	SUSANNA ROGERS	2/1/2012	\$982.19
	093075	WILLIAM ROMANISHIN	2/1/2012	\$2,824.20
	093076	MARK S RUTLEDGE	2/1/2012	\$1,584.94
	093077	NORMA J OBRIEN	2/1/2012	\$2,043.84
	093078	CAROL C ELAM	2/1/2012	\$1,478.87
	093079	MARY J MURRAY	2/1/2012	\$249.69
	093080	RONNIE L OGDEN	2/1/2012	\$596.43
	093081	JAMES E ORGAIN	2/1/2012	\$787.06
	093082	BRYAN K ORRELL	2/1/2012	\$2,664.35
	093084	JANELLA J STURGES	2/1/2012	\$860.80
	093085	MERRY C SUNDAY	2/1/2012	\$3,621.69
	093086	WILLIAM L SUTTON	2/1/2012	\$2,950.43
	093087	WAYNE D SWINSON	2/1/2012	\$1,683.79
	093088	MICAH R TREADWELL	2/1/2012	\$2,424.03
	093089	THOMAS D TRIMBLE	2/1/2012	\$6,237.86
	093090	MONTE P TULL	2/1/2012	\$3,282.65
	093091	LEON UNGER	2/1/2012	\$4,390.76
	093092	BRENDA K VANN	2/1/2012	\$528.21
	093093	HELEN M VAUGHN	2/1/2012	\$1,887.58
	093094	LAURIE J VITT	2/1/2012	\$2,469.82
	093095	SHARON T WADSWORTH	2/1/2012	\$2,272.55
	093096	MARGARET F WAGNER	2/1/2012	\$687.15
	093097	MARY P WALKER	2/1/2012	\$8,964.94
	093098	DORIS A WARD	2/1/2012	\$1,243.00
	093099	LARRY D WETZBARGER	2/1/2012	\$622.70
	093100	MARY F WHITLEY	2/1/2012	\$897.63
	093101	VIRNIA F WILDCAT	2/1/2012	\$2,658.00
	093102	DIANNA M WILLIAMS	2/1/2012	\$2,322.70
	093103	MICHAL K WILLIAMS	2/1/2012	\$2,400.06
	093105	ANGELA R WOOD	2/1/2012	\$2,491.95
	093106	BONNIE K WORLEY	2/1/2012	\$1,645.56
	093107	CHARLES T ZIEHR	2/1/2012	\$2,967.92
	093108	NANCY J KOCH	2/1/2012	\$534.12
	093109	LINDA L LARCHICK	2/1/2012	\$1,300.38
	093110	MARY E LEBLANC	2/1/2012	\$415.09
	093111	MARILYN B LECHTENBERG	2/1/2012	\$1,049.72
	093112	JANE W LICATA	2/1/2012	\$2,134.45
	093113	JANICE L OLIVER	2/1/2012	\$1,612.88
	093116	SALLY A ARRINGTON	2/1/2012	\$2,649.22
	093117	MARSHA J EDMONDS	2/1/2012	\$5,259.01
	093118	DONNA J FRYE	2/1/2012	\$2,153.94
	093119	COLLENE S HOPKINS	2/1/2012	\$2,354.06
	093120	DEBRA A EVANS	2/1/2012	\$1,752.04
	093121	DONNA L KEENER	2/1/2012	\$510.74
	093122	BARBARA E KELSCH	2/1/2012	\$516.06
	093123	MARITA L KENNEMER	2/1/2012	\$887.61

	093124	STANLEY J KILMER	2/1/2012	\$1,694.83
	093125	JANICE L LINNENS	2/1/2012	\$495.50
	093126	MARK E LITTLE	2/1/2012	\$2,250.98
	093128	SUSAN E NEWKHAM	2/1/2012	\$1,703.73
	093129	NORMA G NICHOLS	2/1/2012	\$613.09
	093130	GARY D NODINE	2/1/2012	\$1,599.85
	093131	PATRICIA A NUNLEY	2/1/2012	\$1,882.62
	093133	MARTHA J PATTERSON	2/1/2012	\$1,609.75
	093134	WILLIAM W PETERS	2/1/2012	\$737.34
	093135	BUDDY D THAYER	2/1/2012	\$940.08
	093136	LUCITA J MITCHELL	2/1/2012	\$2,270.22
		<b>200 annuities</b>		<b>\$358,534.80</b>
		<b>217 annuities</b>		<b>\$371,209.36</b>

**Terminated Annuities**

**Begin Date: 1/1/2012**

**End Date: 1/31/2012**

<b>Retirement #</b>	<b>Annuitant Name</b>	<b>Termination Date</b>	<b>Benefit</b>
012354	LOUISE M DAVIS	1/1/2012	\$1,075.31
015061	DURED L GORDON	1/1/2012	\$879.25
015352	RUBY R GRAVES	1/11/2012	\$1,624.04
016799	DORIS L HOUK	1/12/2012	\$660.74
017283	JULIUS A PATTILLO	1/1/2012	\$1,643.41
018181	ELLYCE S MCFARLAND	1/12/2012	\$1,552.07
018999	ALVAH L DYER	1/1/2012	\$1,398.52
019627	MILDRED A GARRETT	1/11/2012	\$600.85
020680	JAMES D MINOR	1/11/2012	\$1,546.96
020964	DOROTHY M WILSON	1/1/2012	\$1,163.75
021612	LEON F WAUL	1/12/2012	\$1,061.00
022324	MAYBELLE W DUVALL	1/11/2012	\$1,628.52
022325	MAYBELLE W DUVALL	1/11/2012	\$940.40
023116	RUTH M DAVIS	1/12/2012	\$199.42
023911	ZELMA NEEDHAM	1/11/2012	\$2,093.00
025341	ZELMA M CHRISTY	1/1/2012	\$1,449.90
025682	EARL J GRIESHABER	1/1/2012	\$2,122.36
025995	JAMES A KEITH	1/12/2012	\$2,172.09
026350	JOHN M PARKER	1/1/2012	\$1,854.05
026448	JUANITA M RADER	1/1/2012	\$1,597.12
026563	CHARLES A SCHINDLER	1/11/2012	\$1,292.92
027066	MARTHA D HELMICH	1/12/2012	\$1,130.97
027619	EMMA G GUMMERE	1/1/2012	\$813.36
028667	ANITA J DIXSON	1/1/2012	\$648.12
029670	MARY E LOVELACE	1/11/2012	\$1,612.88
029848	VIVIAN E TYLER	1/4/2012	\$970.98
031840	CHARLES E LEWIS	1/12/2012	\$2,567.41
031919	SHIRLEY R MCNUTT	1/11/2012	\$1,601.01
032320	BILLY R CALLOWAY	1/1/2012	\$2,823.28
033327	HELEN M BROWN	1/12/2012	\$1,035.40
033951	CAROLYN A WRIGHT	1/1/2012	\$465.04
034191	RAYMOND WILSON	1/12/2012	\$2,250.72
035384	TALITHA E TOLLETT	1/12/2012	\$2,062.42
036420	NEVA N CALLISON	1/1/2012	\$1,945.11
036923	FLOY A SMITH	1/11/2012	\$1,240.44
037066	ANNA D ANGEL	1/11/2012	\$167.66
037088	LEON A BURGES	1/12/2012	\$2,363.86

037215	DONNA K LONG	1/11/2012	\$1,846.39
037848	DONNA S WHEATLEY	1/12/2012	\$271.43
038078	EDNA M BASFORD	1/12/2012	\$216.05
038099	JOY G BLACK	1/1/2012	\$1,716.02
039184	CHARLES D BROOKS	1/11/2012	\$547.41
040459	WANDA L MITTS	1/12/2012	\$398.20
041233	PHYLLIS J WINTON	1/11/2012	\$1,284.41
041384	JULIAN P KANTER	1/11/2012	\$1,002.05
042683	BOBBY C PATTERSON	1/12/2012	\$2,829.43
043033	LARRY G BALLARD	1/17/2012	\$1,980.29
047617	TRULA J CHEEK	1/12/2012	\$2,067.29
049501	BERTHA R SIMMS	1/1/2012	\$387.22
055447	DOROTHY M WILSON	1/1/2012	\$2,304.67
056132	PAMALA S COUCH	1/11/2012	\$2,084.11
059153	BETTY L MASSEY	1/1/2012	\$1,877.39
060040	OREN S MAVITY	1/1/2012	\$1,830.33
063862	SANDRA L COLE	1/11/2012	\$5,040.54
066476	SHARON W EDMONSON	1/12/2012	\$1,289.86
072751	KENNETH R DEBERRY	1/1/2012	\$315.74
075480	MARIAN G ASBERY	1/11/2012	\$599.28
D01437	THOMAS C MOONEY	1/12/2012	\$479.26
D01587	WANDA J HANDLE	1/12/2012	\$1,114.78
D02141	MARY J NICHOLS	1/11/2012	\$387.96
D02216	CARLOS C MARTINEZ	1/1/2012	\$938.99
D03048	DIANA S ROBERTS	1/1/2012	\$646.17
	<b>62 annuities</b>		<b>\$85,709.61</b>



**Dedicated Revenue Comparisons With Prior Year**

**Chart I**

<u>Income Source</u>	<b>Monthly Comparison</b>		Summary December 2011	
	FY-2011 Actual	FY-2012 Actual	Variance From Prior Year	
	<u>December 2010</u>	<u>December 2011</u>	\$	%
Individual Income Tax	11,160,989.08	13,371,756.59	2,210,767.51	19.8%
Corporate Income Tax	1,997,975.89	3,538,772.93	1,540,797.04	77.1%
Sales Tax	8,683,488.63	9,177,140.13	493,651.50	5.7%
Use Tax	837,198.75	950,735.29	113,536.54	13.6%
Cigarette/Tobacco Tax	154,016.79	141,081.36	(12,935.43)	-8.4%
Special License Plates	234.60	234.60	0.00	0.0%
Lottery	<u>769,409.25</u>	<u>719,471.75</u>	<u>(49,937.50)</u>	<u>-6.5%</u>
<b>Total Income Source</b>	<b>23,603,312.99</b>	<b>27,899,192.65</b>	<b>4,295,879.66</b>	<b>18.2%</b>

<u>Income Source</u>	<b>6 Months Year to Date</b>		Summary December 2011	
	FY-2011 Actual	FY-2012 Actual	Variance From Prior Year	
	<u>Thru December 2010</u>	<u>Thru December 2011</u>	\$	%
Individual Income Tax	58,956,589.48	67,126,628.10	8,170,038.62	13.9%
Corporate Income Tax	5,625,331.62	7,870,272.88	2,244,941.26	39.9%
Sales Tax	49,520,611.20	53,324,548.99	3,803,937.79	7.7%
Use Tax	4,318,862.78	5,040,586.36	721,723.58	16.7%
Cigarette/Tobacco Tax	837,221.42	896,518.05	59,296.63	7.1%
Special License Plates	2,267.80	2,658.80	391.00	17.2%
Lottery	<u>1,538,818.50</u>	<u>1,438,943.50</u>	<u>(99,875.00)</u>	<u>-6.5%</u>
<b>Total Income Source</b>	<b>120,799,702.80</b>	<b>135,700,156.68</b>	<b>14,900,453.88</b>	<b>12.3%</b>



**Dedicated Revenue Comparisons With Estimate**

**Chart II**

<u>Income Source</u>	<b>Monthly Comparison</b>		Summary December 2011	
	FY-2011 Estimate	FY-2011 Actual	Variance From Estimate	
	<u>December 2011</u>	<u>December 2011</u>	\$	%
Individual Income Tax	10,450,050.00	13,371,756.59	2,921,706.59	28.0%
Corporate Income Tax	1,092,168.75	3,538,772.93	2,446,604.18	224.0%
Sales Tax	8,697,629.18	9,177,140.13	479,510.95	5.5%
Use Tax	791,666.67	950,735.29	159,068.62	20.1%
Cigarette/Tobacco Tax	131,730.00	141,081.36	9,351.36	7.1%
Special License Plates	234.60	234.60	0.00	0.0%
Lottery	<u>719,471.75</u>	<u>719,471.75</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Income Source</b>	<b>21,882,950.95</b>	<b>27,899,192.65</b>	<b>6,016,241.70</b>	<b>27.5%</b>

<u>Income Source</u>	<b>6 Months Year to Date</b>		Summary December 2011	
	FY-2011 Estimate	FY-2011 Actual	Variance From Estimate	
	<u>Thru December 2011</u>	<u>Thru December 2011</u>	\$	%
Individual Income Tax	62,700,300.00	67,126,628.10	4,426,328.10	7.1%
Corporate Income Tax	6,553,012.50	7,870,272.88	1,317,260.38	20.1%
Sales Tax	52,185,775.08	53,324,548.99	1,138,773.91	2.2%
Use Tax	4,750,000.00	5,040,586.36	290,586.36	6.1%
Cigarette/Tobacco Tax	790,380.00	896,518.05	106,138.05	13.4%
Special License Plates	2,267.80	2,658.80	391.00	17.2%
Lottery	<u>1,438,943.50</u>	<u>1,438,943.50</u>	<u>0.00</u>	<u>0.0%</u>
<b>Total Income Source</b>	<b>128,420,678.88</b>	<b>135,700,156.68</b>	<b>7,279,477.80</b>	<b>5.7%</b>

**Chart I**
**FY 2011 and FY 2012 Actual Expenses  
6 Month Year to Date Comparison**

<b>Object of Expenditure</b>	<b>6 Month YTD FY 2011 Actual Expenses</b>	<b>6 Month YTD FY 2012 Actual Expenses</b>	<b>Increase (Decrease) Amount</b>	<b>Increase (Decrease) Percentage</b>
<b>Personal Services</b>				
Salary and Longevity Pay Expenses	1,117,783	745,415	(372,368)	-33.3%
Taxes, Benefits, and Other Expenses	557,854	453,583	(104,271)	-18.7%
<b>Subtotal Personal Services</b>	<b>1,675,637</b>	<b>1,198,998</b>	<b>(476,639)</b>	<b>-28.4%</b>
<b>Professional Services</b>				
Investment Manager Expenses	7,876,408	6,611,315	(1,265,093)	-16.1%
Investment Consultant Expenses	351,000	409,500	58,500	16.7%
Investment Custodian Expenses	0	0	0	~
Pension Commission Expenses	12,625	13,516	891	7.1%
<b>Investment Related Expenses</b>	<b>8,240,033</b>	<b>7,034,331</b>	<b>(1,205,702)</b>	<b>-14.6%</b>
Legal Services - Attorney General	25,666	25,532	(134)	-0.5%
Legal Services - Special Projects	6,986	21,116	14,130	202.3%
Administrative Hearings	0	0	0	~
Actuarial Services	66,320	48,747	(17,573)	-26.5%
Auditing Services	44,800	41,490	(3,310)	-7.4%
Medical Hearings	4,500	4,500	0	0.0%
Miscellaneous Services	63,285	41,411	(21,874)	-34.6%
<b>Subtotal Professional Services</b>	<b>211,557</b>	<b>182,796</b>	<b>(28,761)</b>	<b>-13.6%</b>
<b>Subtotal Investment and Professional Services</b>	<b>8,451,590</b>	<b>7,217,127</b>	<b>(1,234,463)</b>	<b>-14.6%</b>
<b>Travel and Per Diem Expenses</b>				
Non-Employee Travel Expenses	40,380	20,610	(19,770)	-49.0%
Employee Travel Expenses	29,051	16,710	(12,341)	-42.5%
<b>Subtotal Travel and Per Diem Expenses</b>	<b>69,431</b>	<b>37,320</b>	<b>(32,111)</b>	<b>-46.2%</b>
<b>Administrative Expenses</b>				
Miscellaneous Administrative Expenses	114,088	120,892	6,804	6.0%
Rent Expenses	93,983	91,009	(2,974)	-3.2%
Maintenance and Repair Expenses	1,171	2,202	1,031	88.0%
Specialized Supplies and Material Expenses	3,627	0	(3,627)	-100.0%
Office Supplies and Materials Expenses	15,792	9,930	(5,862)	-37.1%
Office Furniture & Equipment Expenses	2,026	0	(2,026)	-100.0%
<b>Subtotal Administrative Expenses</b>	<b>230,687</b>	<b>224,033</b>	<b>(6,654)</b>	<b>-2.9%</b>
<b>Information Technology Expenses</b>				
Professional Services	350,141	361,181	11,040	3.2%
Travel and Per Diem Expenses	130	0	(130)	-100.0%
Miscellaneous Administrative Expenses	21,968	3,500	(18,468)	-84.1%
Rent Expenses	2,188	3,388	1,200	54.8%
Maintenance and Repair Expenses	7,020	3,716	(3,304)	-47.1%
Office Supplies and Materials Expenses	8,342	3,747	(4,595)	-55.1%
Office Furniture and Equipment Expenses	5,062	23,117	18,055	356.7%
<b>Subtotal Information Technology Expenses</b>	<b>394,851</b>	<b>398,649</b>	<b>3,798</b>	<b>1.0%</b>
<b>Total Expenses</b>	<b>10,822,196</b>	<b>9,076,127</b>	<b>(1,746,069)</b>	<b>-16.1%</b>
<b>Totals Investment Expenses Only</b>	<b>8,240,033</b>	<b>7,034,331</b>	<b>(1,205,702)</b>	<b>-14.6%</b>
<b>Totals Information Technology Capital Expenses Only</b>	<b>394,851</b>	<b>398,649</b>	<b>3,798</b>	<b>1.0%</b>
<b>Totals ex Investment and IT Capital Expenses</b>	<b>2,187,312</b>	<b>1,643,147</b>	<b>(544,165)</b>	<b>-24.9%</b>

**Chart II**
**FY 2011 Budget to Actual Expenses  
6 Month Year to Date Comparison**

Object of Expenditure	6 Month YTD FY 2012 Budget	6 Month YTD FY 2012 Actual Expenses	Increase (Decrease) Amount	Increase (Decrease) Percentage
<b>Personal Services</b>				
Salary and Longevity Pay Expenses	1,105,279	745,415	(359,864)	-48.3%
Taxes, Benefits, and Other Expenses	588,420	453,583	(134,837)	-29.7%
<b>Subtotal Personal Services</b>	<b>1,693,698</b>	<b>1,198,998</b>	<b>(494,700)</b>	<b>-41.3%</b>
<b>Professional Services</b>				
Investment Manager Expenses	22,350,000	6,611,315	(15,738,685)	-238.1%
Investment Consultant Expenses	351,000	409,500	58,500	14.3%
Investment Custodian Expenses	37,500	0	(37,500)	~
Pension Commission Expenses	30,000	13,516	(16,484)	-122.0%
<b>Subtotal Investment Expenses</b>	<b>22,768,500</b>	<b>7,034,331</b>	<b>(15,734,169)</b>	<b>-223.7%</b>
Legal Services - Special Projects	30,000	21,116	(8,884)	-42.1%
Legal Services - Attorney General	27,500	25,532	(1,968)	-7.7%
Administrative Hearings	500	0	(500)	~
Auditing Services	23,050	41,490	18,440	44.4%
Actuarial Services	75,000	48,747	(26,253)	-53.9%
Medical Hearings	10,000	4,500	(5,500)	-122.2%
Miscellaneous Services	37,825	41,411	3,586	8.7%
<b>Subtotal Professional Services</b>	<b>203,875</b>	<b>182,796</b>	<b>(21,079)</b>	<b>-11.5%</b>
<b>Subtotal Investment and Professional Services</b>	<b>22,972,375</b>	<b>7,217,127</b>	<b>(15,755,248)</b>	<b>-218.3%</b>
<b>Travel and Per Diem Expenses</b>				
Non-Employee Travel Expenses	39,000	20,610	(18,390)	-89.2%
Employee Travel Expenses	38,225	16,710	(21,515)	-128.8%
<b>Subtotal Travel and Per Diem Expenses</b>	<b>77,225</b>	<b>37,320</b>	<b>(39,905)</b>	<b>-106.9%</b>
<b>Administrative Expenses</b>				
Miscellaneous Administrative Expenses	267,700	120,892	(146,808)	-121.4%
Rent Expenses	114,750	91,009	(23,741)	-26.1%
Maintenance and Repair Expenses	13,250	2,202	(11,048)	-501.7%
Specialized Supplies and Material Expenses	0	0	0	~
Office Supplies and Material Expenses	35,250	9,930	(25,320)	-255.0%
Office Furniture and Equipment Expenses	58,500	0	(58,500)	~
<b>Subtotal Administrative Expenses</b>	<b>489,450</b>	<b>224,033</b>	<b>(265,417)</b>	<b>-118.5%</b>
<b>Information Technology Expenses</b>				
Professional Services	385,000	361,181	(23,819)	-6.6%
Travel and Per Diem Expenses	7,500	0	(7,500)	~
Miscellaneous Administrative Expenses	22,500	3,500	(19,000)	-542.9%
Rent Expenses	25,000	3,388	(21,612)	-637.8%
Maintenance and Repair Expenses	31,250	3,716	(27,534)	-741.0%
Office Supplies and Material Expenses	17,500	3,747	(13,753)	-367.0%
Office Furniture and Equipment Expenses	26,500	23,117	(3,383)	-14.6%
<b>Subtotal Information Technology Expenses</b>	<b>515,250</b>	<b>398,649</b>	<b>(116,601)</b>	<b>-29.2%</b>
<b>Total Expenses</b>	<b>25,747,998</b>	<b>9,076,127</b>	<b>(16,671,870)</b>	<b>-183.7%</b>
<b>Totals Investment Expenses Only</b>	<b>22,768,500</b>	<b>7,034,331</b>	<b>(15,734,169)</b>	<b>-223.7%</b>
<b>Totals Information Technology Capital Expenses Only</b>	<b>515,250</b>	<b>398,649</b>	<b>(116,601)</b>	<b>-29.2%</b>
<b>Totals ex Investment and IT Capital Expenses</b>	<b>2,464,248</b>	<b>1,643,147</b>	<b>(821,100)</b>	<b>-50.0%</b>