

Actuarial Consultant Services Agreement

This Services Agreement is entered into this 1st day of July, 2006, by and between the Oklahoma Public Employees Retirement System Board of Trustees and Milliman, Inc. The initial term of this Agreement shall be for a one (1) year period commencing July 1, 2006, and ending June 30, 2007.

I. RECITALS

1.1 The Oklahoma Public Employees Retirement System Board of Trustees (“BOARD”) is a statutory body created at 74 O.S. 2001, Section 901 et seq., as amended, to administer and manage certain retirement and deferred compensation benefits for the State of Oklahoma and its employees, including the Oklahoma Public Employees Retirement System and the Uniform Retirement System for Justices and Judges (the “PLANS”).

1.2 MILLIMAN shall discharge its duties under this Agreement solely in the interests of the PLANS with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent professional acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, and in accordance with the provisions of this Agreement.

II. RELATIONSHIP BETWEEN THE BOARD AND MILLIMAN

2.1 MILLIMAN has been duly selected and appointed by the BOARD based on a competitive written proposal made pursuant to a nationwide Request for Proposal and search process. The BOARD has negotiated and entered into this Agreement with MILLIMAN for itself and on behalf of the PLANS. MILLIMAN is an

independent contractor entering into this Agreement to provide the services hereunder and is not, nor is intended to be, the employee of the BOARD in the performance of this Agreement.

- 2.2 Nothing in this Agreement is intended to be construed, or be deemed to create any rights or remedies in any third party, including but not limited to a member or participant of the PLANS.

III. MILLIMAN'S DUTIES AND RESPONSIBILITIES

- 3.1 MILLIMAN shall provide advice and services with respect to the actuarial function of the PLANS in accordance with this Agreement. MILLIMAN will perform all services in a professional and workmanlike manner in accordance with applicable professional standards and shall reperform any work not in compliance with this warranty brought to its attention within a reasonable time after the work is performed, at no cost to the BOARD. The BOARD may request the replacement of any individuals assigned to this project in the event the BOARD is dissatisfied with the work product or working relationship with those individuals.
- 3.2 MILLIMAN shall provide advice and services to the BOARD on all aspects of the actuarial function of the PLANS as set forth in the Request For Proposals ("RFP") dated February 1, 2006, and the Response submitted by MILLIMAN dated March 31, 2006, including, but not limited to, annual actuarial valuation and other annual services, triennial experience studies, fiscal impact and actuarial studies of legislative proposals or plan amendments, development and implementation of an assessment methodology and an actuarial plan, special

studies for benefit proposals, consultation, education and meetings of the BOARD, cooperation with the Oklahoma State Pension Commission and legislative meetings, general consulting services, and other such services as may be mutually agreed upon in writing between the parties from time to time. MILLIMAN shall develop and provide an interactive simulation model as more fully set forth in Section 3.3 of this Agreement. MILLIMAN shall also provide stochastic modeling once each fiscal year, as requested by the Board's staff. The tasks and scope of this engagement shall be as set forth in the RFP and Response submitted by MILLIMAN, as may be amended in writing, and agreed upon prior to the performance of any services. The scope of the engagement may be amended at any time by written agreement of the parties.

3.3 MILLIMAN shall develop and deliver an interactive simulation model for the use by the staff of the BOARD based on the most recent actuarial valuation results and current plan provisions for the PLANS. This model must project actuarial and statutory contribution rates, asset and liability measures, and unfunded actuarial liabilities. The model must allow the staff of the BOARD to make projections based on, but not limited to, alternative levels of investment returns, alternative plan designs, amortization periods, and future payroll growth. The model shall be delivered to the BOARD no later than sixty (60) days following delivery of the actuarial valuation report to the BOARD.

3.4 MILLIMAN warrants, in relation to the simulation model set forth in Section 3.3 of this Agreement, that (i) any software tools provided, including the model, do not infringe or otherwise violate any third party's intellectual property rights, and

(ii) the software tools will perform in substantial conformance with the associated documentation delivered with such software tool. In the event of a breach of the warranty set forth in part (ii) of the previous sentence, MILLIMAN shall, as the BOARD's sole and exclusive remedy, repair or replace the software tool at no charge. MILLIMAN does not warrant the performance or results obtained by using the software tools. The warranties set forth herein shall not apply in the event the software tools are modified or altered in any way by the BOARD or any third party.

3.5 MILLIMAN agrees upon request and at a time mutually agreed upon, to make available to the representatives of the BOARD any and all records pertaining to the duties and responsibilities under this Agreement. MILLIMAN shall communicate progress to the staff on a bi-weekly basis in the form and manner requested by staff.

3.6 MILLIMAN shall prepare such reports as may be specified in the RFP and Response submitted by MILLIMAN. The reports shall be given in a form and manner as may be reasonably required by the BOARD. MILLIMAN shall meet with the BOARD at least once or as reasonably requested to discuss the services provided pursuant to this Agreement. MILLIMAN's work is prepared solely for the use and benefit of the BOARD in accordance with its statutory and regulatory requirements. MILLIMAN recognizes that materials it delivers to the BOARD may be public records subject to disclosure to third parties, however, MILLIMAN does not intend to benefit and assumes no duty or liability to any third parties who receive MILLIMAN's work in this fashion and may include disclaimer language

on its work product so stating. To the extent that MILLIMAN's work is not subject to disclosure under applicable public records laws, the Board agrees that it shall not disclose MILLIMAN's work product to third parties without MILLIMAN's prior written consent; provided, however, that the BOARD may distribute MILLIMAN's work to (i) its professional service providers who are subject to a duty of confidentiality and who agree to not use MILLIMAN's work product for any purpose other than to provide services to the BOARD, or (ii) any applicable regulatory or governmental agency, as required.

- 3.7 MILLIMAN shall reasonably cooperate with any contractors or internal staff selected by the BOARD in all matters relating to this Agreement and the operations of the PLANS.
- 3.8 MILLIMAN agrees that BOARD and staff education is a valuable part of the actuarial and consulting services. MILLIMAN agrees to contribute education materials as appropriate and reasonable. MILLIMAN further agrees to reasonably cooperate with the BOARD's staff as an advisor and information resource to the same extent as it would any member of the BOARD.
- 3.9 MILLIMAN agrees that the BOARD shall have the right to use, copy and prepare derivative works for purposes of its administration of the PLANS the work products developed in the course of the services pursuant to this Agreement, whether jointly or individually, in accordance with the provisions set forth in Section 3.6 herein. All such products first developed hereunder shall be considered the property of the BOARD, subject to the restrictions set forth in Section 3.6. This shall not restrict MILLIMAN from performing similar services

for third parties which result in the development of similar work products, provided the individual products developed for the PLANS are protected. MILLIMAN shall retain all rights, title and interest (including, without limitation, all copyrights, patents, service marks, trademarks, trade secret and other intellectual property rights) in and to all technical or internal designs, methods, ideas, concepts, know-how, techniques, generic documents and templates that have been previously developed by MILLIMAN. The BOARD agrees that any work product or materials prepared by MILLIMAN as a part of this engagement shall not be sold by the BOARD for any purpose to any third party. The BOARD shall use such work product or materials only for its internal business purposes.

IV. THE BOARD'S DUTIES AND RESPONSIBILITIES

- 4.1 The BOARD agrees to forward or cause to be forwarded all PLAN records that may be necessary to perform any of the duties pursuant to the provisions of this Agreement.
- 4.2 The BOARD agrees to pay compensation and fees as set forth in Exhibit "A".

V. DISPUTE RESOLUTION

- 5.1 The BOARD and MILLIMAN agree that their authorized representatives will timely meet and negotiate in good faith to resolve any problems or disputes that may arise in performance of the terms and provisions of this Agreement.

VI. TERM AND TERMINATION

- 6.1 The term of this Agreement shall be for the initial contract period commencing July 1, 2006, and ending June 30, 2007. The term of this Agreement may be

extended for successive contract years as provided in Paragraph 6.2 of this Agreement.

- 6.2 This Agreement may be renewed by the BOARD for three (3) succeeding terms of up to one year each, upon written notice given, pursuant to section 7.2, at least thirty (30) days prior to the anniversary date, of the BOARD's intent to renew.
- 6.3 The BOARD or MILLIMAN may terminate this agreement, upon giving thirty (30) day notice, pursuant to section 7.2, at any time.
- 6.4 Nothing in this Agreement shall be construed to limit either party's remedies at law or in equity in the event of a material breach of this Agreement.
- 6.5 Following termination of this Agreement, the BOARD shall continue to have access to MILLIMAN's records of services provided for five (5) years from the date of provision of the services to which the records refer.

VII. GENERAL PROVISIONS

7.1 Assignment

This Agreement and any of the rights, duties, or obligations of the parties hereunder, shall not be assigned by either party without the express written consent and approval of the other party.

7.2 Notices

Any notice required to be given pursuant to the terms and provisions of this Agreement shall be in writing, postage prepaid, and shall be sent by First Class Mail or by courier or copier and confirmed by First Class Mail, to the BOARD or MILLIMAN at the addresses below. The notice shall be effective on the date indicated on the postmark.

The BOARD and/or the PLANS:

Oklahoma Public Employees Retirement System
Joseph A. Fox, General Counsel
5801 North Broadway Extension, Suite 400
Oklahoma City, Oklahoma 73118

MILLIMAN:

Milliman, Inc.
Patrice A. Beckham, F.S.A.
1120 South 101st Street
Suite 400
Omaha, Nebraska 68124-1088

7.3 Confidential Relationship

All information furnished by the BOARD or the PLANS to MILLIMAN hereunder, including their respective agents and employees shall be treated as confidential ("Confidential Information") and shall not be disclosed to third parties except as required by law or authorized in writing. Any Confidential Information of the BOARD may be used by MILLIMAN only in connection with the services performed pursuant to this Agreement. MILLIMAN agrees to protect the confidentiality of any Confidential Information of the BOARD in the same manner that it protects the confidentiality of its own proprietary and confidential information. Access to the Confidential Information shall be restricted to those of MILLIMAN's personnel engaged under this Agreement. All Confidential Information made available hereunder, including copies thereof, shall be returned upon (a) completion of services or, (b) request by the BOARD, which is first to occur. MILLIMAN, subject to its obligations of confidentiality, may retain one copy of documents containing Confidential Information for archival purposes and to defend its work product. The restrictions set forth in this section shall not

apply to information that is or becomes in the public domain through no fault of MILLIMAN, is independently developed by MILLIMAN, is provided to MILLIMAN by a third party who is not subject to a duty of confidentiality, or is required to be disclosed pursuant to law or legal process.

7.4 Entire Agreement

This Agreement, together with exhibits and scope of engagement letters, contains the entire Agreement between the BOARD and MILLIMAN relating to the rights granted and the obligations assumed by the parties hereunder. Any prior agreements, promises, negotiations, or representations, either oral or written, relating to the subject matter of this Agreement not expressly set forth in this Agreement are of no force or effect. The RFP, bid specifications and Response by MILLIMAN and any other letter agreements are incorporated into this Agreement, specifically by reference.

7.5 Amendment

This Agreement, or any part or section of it, may be amended at any time during the term of the Agreement by mutual written consent of the BOARD and MILLIMAN.

7.6 Governing Law and Venue

This Agreement shall be construed and enforced in accordance with the laws of the State of Oklahoma. Should either party initiate a lawsuit or other dispute resolution proceeding over any matter relating to or arising out of this Agreement, such lawsuit or other proceeding shall be filed in and conducted in Oklahoma County, State of Oklahoma.

7.7 Severability

The terms and provisions of this agreement shall be deemed to be severable one from the other, and determination at law or in a court of equity that one term or provision is unenforceable shall not operate so as to void the enforcement of the remaining terms and provisions of this entire Agreement, or any one of them, in accordance with the intent and purpose of the parties hereto.

7.8 Material Changes

MILLIMAN shall notify the BOARD within thirty (30) days of any of the following changes: (a) MILLIMAN becomes aware that any of the representations, warranties and covenants set forth herein or in its RFP Response cease to be materially true at any time during the term of this Agreement; (b) there is any material change in MILLIMAN's senior personnel assigned to perform services under this Agreement; (c) there is any change in control of MILLIMAN; or (d) MILLIMAN becomes aware of any other material change in its business organization, including, but not limited to the filing of bankruptcy relief or other legal suits or actions.

VIII. INDEMNIFICATION

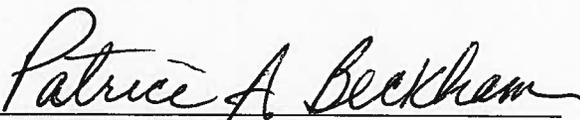
8.1 MILLIMAN shall indemnify and hold harmless the BOARD, its employees and agents, from and against any and all claims, damages, losses, liabilities, suits, costs, charges, expenses (including, but not limited to reasonable attorney fees and court costs), judgments, fines and penalties, of any nature whatsoever, to the extent attributable to any bad faith, negligence, willful misconduct, improper or

unethical practice, infringement of intellectual property rights, breach of trust, breach of confidentiality, breach of contract or violation of any material legal duty or requirement by MILLIMAN acting in connection with this Agreement. This indemnification shall survive any termination of this Agreement.

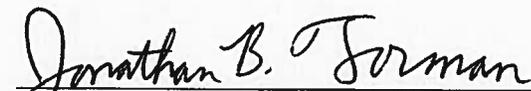
8.2 Notwithstanding any other provision of this Agreement, neither the BOARD nor MILLIMAN shall be held liable for any losses to the PLANS arising from causes beyond the control and without the fault of such party. Such causes may include, but are not restricted to, acts of God, acts of war, acts of any foreign, international, federal or state government in such governments sovereign capacity, fires, exchange or market rulings, suspension of trading, strikes, or mechanical breakdown or failure; provided, that in every case, the failure to perform must be beyond the control and without the fault or negligence of such party.

8.4 Without limiting the indemnification obligations provided in this Agreement, for the duration of this Agreement, MILLIMAN shall provide and maintain, at its own expense, the insurance policies in the type and amounts set forth in its RFP Response.

This agreement made and entered into this 1st day of July, 2006, by and between The Oklahoma Public Employees Retirement System Board of Trustees ("BOARD") and Milliman, Inc. ("MILLIMAN").



Patrice A. Beckham
Principal and Consulting Actuary
For: Milliman, Inc.



Jonathan B. Forman, Vice-Chair
For: Oklahoma Public Employees Retirement
System Board of Trustees

EXHIBIT A

**COMPENSATION RATES
FEES AND EXPENSES**

I. Professional Services Fees

A. Fees for Actuarial Services Outlined in the Agreement:

Year 1 (Fiscal Year End June 30, 2007)	\$121,000
Year 2 (Fiscal Year End June 30, 2008)	\$125,600
Year 3 (Fiscal Year End June 30, 2009)	\$131,200
Year 4 (Fiscal Year End June 30, 2010)	\$136,800

B. Fee for the Triennial Experience Study:

Year 2 (Fiscal Year End June 30, 2008)	\$45,000
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C. Out-of-Pocket Expenses:

The fee is inclusive of out-of-pocket expenses, such as travel, report production, computer charges, lodging, or other expenses incidental to the Agreement. The fee is inclusive of all costs for at least three (3) meetings with the staff and/or the BOARD in Oklahoma City. The BOARD shall have no obligation to reimburse MILLIMAN for any other expenses incurred in connection with this Agreement.

D. Hourly Rates:

For services that are not included in the fees for actuarial services outlined in this Agreement, the hourly rates shall be as follows:

Principal Actuaries	\$340 - 360
Support Actuaries	\$200 - 275
Actuarial Analyst	\$120 - 180
Administrative Support	\$ 80 - 120

E. Payment of Fees:

1. Fees are to be billed in twelve (12) monthly installments each fiscal year (in arrears). In the event of any dispute with regard to a portion of an invoice, the undisputed portion shall be paid as provided herein.
2. Payment shall be made by the BOARD within thirty (30) days of receiving correct and accurate claims or invoices. All payments are made in arrears and no payments shall be made in advance.
3. The fee for the Triennial Experience Study shall be billed following completion of the study and payment shall be made within thirty (30) days of receiving the correct and accurate invoice for such service.

II. Records

MILLIMAN shall keep and maintain appropriate books and records reflecting the services performed and costs and expenses incurred in connection with its performance of the Services. Upon reasonable notice, the BOARD or its representatives shall be entitled to examine and audit any books, records and other documents directly pertaining to charges to the BOARD hereunder, at consultant's premises during normal business hours.

AFFIDAVIT

State of Nebraska

County of Douglas

Patrice Beckham, of lawful age, being first duly sworn, on oath, says

1. He/She is the duly authorized agent of MILLIMAN under the attached agreement, for the purposes of certifying the facts pertaining to the giving of things of value to governmental personnel in order to procure said agreement;
2. He/She is fully aware of the facts and circumstances surrounding the making of the agreement to which this affidavit is attached and has been personally and directly involved in the proceedings leading to the procurement of said agreement;
3. Neither he/she nor anyone subject to his/her direction or control has paid, given or donated or agreed to pay, give or donate to any officer or employee of the State of Oklahoma any money or other thing of value, either directly or indirectly, in the procuring of the agreement;
4. He/She has not previously entered into a contract or agreement with the agency or other state agencies which would result in a substantial duplication of the final product required by the proposed agreement;
5. He/She certifies that no person who has been involved in any manner in the development of this agreement while employed by the State of Oklahoma shall be employed to provide any of the services required by the agreement.

Patrice Beckham

AFFIANT

Subscribed and sworn to before me this 14~~th~~ day of July, 2006.

Kim C. Moser

NOTARY PUBLIC

My Commission Expires: April 21, 2009

My Commission Number: N/A

