

MINUTES
SEVEN HUNDRED AND NINETY-THIRD MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
SEPTEMBER 26, 2007

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Cathy Conway, Chairman, at 11:48 A.M., Wednesday, September 26, 2007, in the Administrative Conference Room of the Teachers' Retirement System, 5th Floor, Oliver Hodge Building, 2500 North Lincoln Boulevard, Oklahoma City, Oklahoma. The agenda/meeting notice was posted in accordance with 25 O.S. 2001 Section 311(9).

TRUSTEES PRESENT:

Cathy Conway, <i>Chairman</i>	Richard Goman
James Smith, <i>Vice-Chairman</i>	John Kirkpatrick
Dick Neptune, <i>Secretary</i>	Matti Palluconi
Sherrie Barnes	Galeard Roper
Bruce DeMuth	Michael Simpson

TRUSTEES NOT PRESENT:

Sandy Garrett
Tony Hutchison
Vacant Position

TRS STAFF PRESENT:

Tommy C. Beavers, *Executive Secretary*
Sue Callahan, *Assistant Executive Secretary*
Bill Puckett, *Chief Investment Officer*
Kim Bold, *Human Resources Director*
Joe Ezzell, *Secretary-Treasurer*
Edward Romero, *Comptroller*
Adam Attaoui, *Information Security Administrator*
Becky Yearout, *Cash Management Officer*
Jacqueline Shannon, *Public Information Officer**
Karen Yost, *Assistant to Executive Secretary and Board of Trustees*

LEGAL COUNSEL PRESENT:

David L. Kinney, *Assistant Attorney General*

INVESTMENT CONSULTANT PRESENT:

Gregory T. Weaver, *President, gregory.w.group*
Douglas J. Anderson, *gregory.w.group*
Tony Kay, *gregory.w.group*

OTHERS PRESENT:

Larry Asberry, Jr., *Office of State Finance**
Dwight Bruss, *State Department of Education*
Norman Cooper, *Oklahoma Retired Educators Association*
Tommy Fulton
Jerry Johnson, *Oklahoma Education Association*
Mark Schlachtenhauser, *Capitol Network News*

*Indicates late arrival or early departure.

BOARD POLL FOR QUORUM

Chairman Conway called the meeting to order and asked for a poll of the Board to determine a quorum being present. Trustees responding were as follows: Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING
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MINUTES of AUGUST 22, 2007, BOARD MEETING APPROVED

The Chairman asked for corrections, additions or a motion to approve the minutes of the August 22, 2007, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. A motion was made by Mr. Smith with a second made by Mr. Simpson for approval of the minutes. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

**REPORT FROM THE TWO HUNDRED AND TWENTY-SIXTH
INVESTMENT COMMITTEE MEETING**

The Investment Committee meeting convened at 9:00 a.m. Wednesday, September 26, 2007, and adjourned at 12:40 p.m. Committee members present were as follows: Chairman Cathy Conway; Matti Palluconi; Michael Simpson; James Smith*; and Dick Neptune. Other trustees present were Ms. Barnes*; Mr. Gorman*; and Mr. Roper*.

The Chairman asked gregory.w.group for their report.

**PRESENTATION BY gregory.w.group
Market Performance, Manager Review, Asset Allocation Review,
August 31st Performance Summary and Manager Status**

Greg Weaver and Doug Anderson of gregory.w.group, investment consultant to the Board, gave the Board an overview of their monthly report, given in-depth to the Investment Committee earlier in the day.

Mr. Weaver reported that Kenneth Johnson and Peter Palfrey with Loomis Sayles & Company, and Marcia Clark and Martin Feeny with Pacific Investment Management Company, were present at the Investment Committee meeting, with both managers giving detailed presentations. Mr. Weaver said PIMCO is the largest fixed income manager in the Fund's portfolio having approximately \$650 million invested, with Loomis having roughly \$350 million in their portfolio and that both managers are in compliance with the System's investment guidelines.

Mr. Anderson informed the Board that the fee listed for PIMCO on page 2-02 should actually be 0.25 and not 0.26.

**Investment Committee Recommendation to Invest
in New PIMCO Fund, Distressed Mortgages**

Chairman Conway stated there is a recommendation from the Investment Committee, to the full Board, to place \$100 million in the new PIMCO fund, upon approval from the Board's legal counsel. She stated that, if approved, \$50 million would be taken from the PIMCO portfolio and \$50 million from the Fund's passive management portfolio, i.e. Standish Mellon.

Mr. Kinney stated the recommendation also included Mr. Beavers, Mr. Puckett and gregory.w.group in the approval process.

The Chairman asked if there was further discussion, and there being none asked for a poll of the Board.

Investment Committee Recommendation Approved

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The Investment Committee Recommendation was approved by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes.

Hoisington Change

Chairman Conway stated the Investment Committee is also recommending that the Hoisington portfolio be increased by \$100 million with the funds taken again from Standish Mellon. The Chairman stated this Recommendation also includes giving authority to TRS staff to find the most expeditious way in which to make this transfer of funds.

After further discussion, the Chairman asked for a poll of the Board.

Investment Committee Recommendation Approved

The Investment Committee Recommendation was approved by Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway responding yes.

Net of Fee and Market Performance Summary

This report indicates performance of the Fund, for periods ending August 31, 2007, for each portfolio, net of fees, comparing actual returns versus each manager's benchmark. The results for the last quarter for each portfolio manager are as follows:

H&W Large-Cap, -9.90% vs. -5.81%; Goldman Sachs, -1.65% vs. -1.47%; Aletheia, 0.51% vs. -1.47%; Chase, 3.44% vs. -1.47%; Sawgrass, -0.63% vs. -1.47%; Advisory Research, -8.46% vs. -3.86%; EPOCH, -3.42% vs. -3.86%; AJO, -7.19% vs. -5.73%; Wellington, -3.42% vs. -5.73%; Frontier, -0.26% vs. -5.73%; H&W Mid-Cap, -15.31% vs. -5.73%; Shapiro, -5.79% vs. -6.12%; Tocqueville, -3.19% vs. -6.12%; Smith, -4.73% vs. -6.12%; Capital Guardian, -2.87% vs. -2.83%; Causeway, -3.02% vs. -2.83%; Brandes, -3.71% vs. -2.83%; Thornburg, 5.62% vs. -2.83%; Hoisington, 4.31% vs. 1.77%; Loomis Sayles, 1.58% vs. 1.77%; Lord Abbett, 1.47% vs. 1.77%; MacKay Shields, 1.28% vs. 1.77%; PIMCO, 2.04% vs. 1.77%; Standish, 1.85% vs. 1.77%; Stephens, 3.24% vs. 1.77%; and OTRS Cash, 0.47% vs. 0.56%.

Total Fund performance is as follows: Month of August 2007, 0.59% vs. 0.78%; last quarter, -2.64% vs. -2.34%; 1-year, 13.46% vs. 12.69%; 3-years, 12.64% vs. 12.28%; 5-years, 13.18% vs. 12.40%; and since inception, 10.60% vs. 11.02%. *(Returns over one year are annualized.)*

Manager Status Summary - Update/Change

This report gives the status of each investment manager, i.e. in "Compliance", on "Alert", and on "Notice", which may be caused by performance or organizational issues. There are six managers on "Alert", one manager on "Notice", with all other managers in "Compliance".

The Chairman asked Mr. Puckett for his reports.

TRS INVESTMENT REPORTS

Mr. Puckett gave the Board a brief report and stated he would be glad to answer any questions the Board might have. The TRS Investment reports are listed as follows:

Portfolio Distribution

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The total market value of the portfolio was \$9,415,493,669.13 invested approximately 29% in fixed income, 69% in equities with the balance in accrued income and residual cash positions.

Short-Term Investment Account

The monthly rate of return for Short-Term cash was 0.47%, the three-month return was 1.38%, and the trailing twelve-month return was 5.51%.

Book Value to Market Value Comparison

This report gives equity holdings where the market value has fallen at least 20% below cost, along with securities that have been removed from the previous month's report due to appreciation in value or having been sold.

Fiscal Year Comparison of Securities Lending

Mr. Puckett stated this report monitors securities lending and how it has performed this year compared to last year's numbers.

Earnings on Securities Lending

This report shows the previous and current year's earnings on securities lent and the lendable balance, including the market value and gross returns.

Renewal of Bloomberg Contract

The Chairman stated the Investment Committee is recommending renewal of Bloomberg's contract. Part of the service used from Bloomberg is ascertaining whether or not a manager has been in business for at least three years. The Chairman asked if there were any questions and there being none asked for a poll of the Board.

Investment Committee Recommendation to Renew Approved

The Investment Committee Recommendation was approved by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes.

The Chairman asked Mr. Beavers for his reports.

**REPORT OF THE EXECUTIVE SECRETARY
Report of Routine Items and Executive Secretary Report for August 2007**

Mr. Beavers referred the Board to section 3 in their binders and made his report, stating he would be glad to answer any questions.

**Motion for Approval of Routine Items
and Adoption of the Executive Secretary Report Carried**

The Chairman asked for a motion from the Board. A motion was made by Dr. Kirkpatrick with a second being made by Mr. DeMuth. The motion carried by a unanimous voice vote. Trustees responding were: Mr. Gorman; Mr. Simpson; Mr. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway. The Reports are as follows:

Monthly Expenditures

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Monthly Expenditures consists of claims, receipts and claims for authorized expenditures, retirement payroll, tax-deferred annuity withdrawals, payment to beneficiaries of retired and active members, persons withdrawing contributions and total dedicated revenue.

Receipts and Claims for Authorized Expenditures

Receipts and Claims totaled \$5,446,987.12 and may include payments for: Board expenses, TRS staff travel, communications, contingency, maintenance, insurance, rent, etc.; investment expenditures, Social Security, and retirement payments.

Claims

Claims submitted for approval totaled \$17,822.90.

Recommendations for Retirement

There were eleven (11) disability and 136 regular contracts filed for retirement.

Disability Retirement as Provided by Social Security

There were three (3) disability applicants granted either a continuation of benefits or a new disability retirement, by TRS due to approval of disability retirement through and by the Social Security Administration, as provided by 70 O.S. § 17-105.

Disability Retirement as Re-Evaluated

There was one (1) disability retirement recommended for continuation.

Tax-Sheltered Annuity Hardship Requests

There was one (1) hardship request made in July 2007.

Out of State Travel

Request by staff to attend various conferences and seminars

Termination of Retirement Benefits

Monthly benefits were terminated for 95 members due to their deaths and thirty-eight who returned to teaching.

New Members

There were 1,824 new member applications. The list of new enrollments may be reviewed in the Executive Secretary's office.

Employees' Salaries

This report indicates employee's salaries and their positions within the Retirement System. Employee salaries totaled \$188,278.23. (Can include longevity and supplemental payroll.)

Financial Statements

These reports cover the month of August 2007.

**REPORT OF LEGAL COUNSEL
Litigation and Administrative Matters**

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Mr. Kinney gave the Board an update on current and future legal issues facing the Retirement System. Mr. Kinney said he would be glad to answer any questions the Board might have.

PROPOSED OPERATING BUDGET FOR FISCAL YEAR 2009

Mr. Beavers referred the Board to section 5 in their binders, stating this is the budget that is prepared each year for the Office of State Finance, and is eventually incorporated into the Governor's budget.

Mr. Beavers gave the Board an in-depth report, stating the only major changes will be to personnel services allowing for increases in insurance and other benefits, and professional services which is fees paid to the System's investment managers. He said there is a decrease in data processing because the I.T. conversion will be completed this year.

Mr. Beavers stated he would be glad to answer any questions.

Motion to Approve and Adopt Budget Carried

After discussion, a motion was made by Mr. Roper with a second made by Mr. Smith for approval and adoption of the FY 2009 Administrative Budget. The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes.

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP REQUEST

The Chairman stated this is a request by BLB&G, an outside legal counsel for the System, that the Teachers' Retirement System seek lead plaintiff status against American Home Mortgage Investment Corporation.

Mr. Kinney handed out confidential materials to the Board from BLB&G. He stated the Retirement System has an approximate \$2.5 million loss with this particular equity. Mr. Kinney stated he and Mr. Beavers had spoken with BLB&G and that he and Mr. Beavers are recommending the System seek lead plaintiff status. Mr. Kinney stated one reason for seeking lead plaintiff status is the Oklahoma Police Pension has also had a loss of \$1 million on this equity and would join with the Retirement System as co-lead plaintiffs in this matter.

Mr. Kinney stated his recommendation would also include that the Executive Secretary be authorized to sign any and all documents necessary for the System to act on this and to also allow co-lead plaintiff status for those systems who may wish to join us. He said he would be glad to answer any questions.

Motion to Approve BLB&G Request Carried

After discussion, a motion was made by Mr. Neptune with a second made by Mr. Roper for approval. The motion carried by Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway responding yes.

**FINANCIAL CONDITION & UNFUNDED STATUS OF THE
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

The Chairman asked if there was any further discussion on this issue, and there was none.

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NEW BUSINESS

The Chairman asked if there was new business before the Board and there being none asked for adjournment.

The Chairman stated a new Board Resolution would be on October's agenda for any action by the Board. Also, she stated the Board's Personnel and Audit committees will meet today immediately following the Board meeting.

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ADJOURNMENT

There being no further business before the Board, the Board adjourned at 12:43 p.m. Trustees present at adjournment were as follows: Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway.

(NOTE: An audio recording of this meeting is on file in the Executive Secretary's office.)

The next regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma will be:

WEDNESDAY - OCTOBER 24, 2007

Investment Committee Meeting begins at **10:00 A.M.**

Board Meeting begins at **1:30 P.M.**

Oliver Hodge Education Building
Administrative Conference Room
2500 North Lincoln Boulevard, 5th Floor
Administration Conference Room
Oklahoma City, Oklahoma

BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

BY: _____
Chairman, Cathy Conway

ATTEST:

BY: _____
Dick Neptune, Secretary

Certified correct minutes, subject to approval of the Board of Trustees of the Teachers' Retirement System of Oklahoma, will be available at it's next regularly scheduled meeting on October 24, 2007.

BY: _____
Karen A. Yost, Assistant to the Executive Secretary and the Board of Trustees