

MINUTES
SEVEN HUNDRED AND EIGHTY-SEVENTH MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MARCH 28, 2007

The regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Matti Palluconi, Chairman, at 1:30 P.M., Wednesday, March 28, 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:

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

TRUSTEES NOT PRESENT:

Sandy Garrett, *State Superintendent of Public Instruction*
Tony Hutchison, *Director, Office of State Finance*

TRS STAFF PRESENT:

Tommy C. Beavers, *Executive Secretary*
Sue Callahan, *Assistant Executive Secretary*
Bill Puckett, *Chief Investment Officer*
Kara Johnson, *Internal Auditor*
Adam Attaoui, *Information Security Administrator**
Edward Romero, *Comptroller*
Karen Yost, *Assistant to Executive Secretary and Board of Trustees*
Becky Yearout, *Cash Management Officer*

INVESTMENT CONSULTANT PRESENT:

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

OTHERS PRESENT:

Dwight Bruss, *State Department of Education*
Norman Cooper, *Oklahoma Educators' Association**
Tommy Fulton, *Retired Member*
Larry Asberry, *Office of State Finance**

*Indicates late arrival or early departure.

BOARD POLL FOR QUORUM

Chairman Palluconi 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; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; Ms. Minton; and Chairman Palluconi.

MINUTES of FEBRUARY 28, 2007, BOARD MEETING APPROVED

The Chairman asked for corrections, additions or a motion to approve the minutes of the February 28, 2007, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. A motion was made by Dr. Kirkpatrick with a second made by Ms. Conway for approval of the minutes. The motion carried by a unanimous voice vote. Trustees responding were as follows: Ms. Minton; Mr. Gorman; Mr. Simpson; Mr. Smith; Mr. Neptune; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Palluconi.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING
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**REPORT FROM THE TWO HUNDRED AND TWENTIETH
INVESTMENT COMMITTEE MEETING**

The Investment Committee meeting convened at 10:00 a.m. Wednesday, March 28, 2007, and adjourned at 12:42 p.m. Committee members present were as follows: Chairman Matti Palluconi; Cathy Conway; James Smith* and Dick Neptune. Other trustees present were Ms. Barnes*; Ms. Minton; and Mr. DeMuth*.

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

**PRESENTATION BY gregory.w.group
Market Performance, Manager Review, Asset Allocation Review,
February 28th 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.

Chris Grieco and Dean McQuiddy with Sawgrass Asset Management, Peter Wood and Brian Lazorishak with Chase Investment Counsel, and Peter Eichler and Joe Boskovich, Jr. with Aletheia Research and Management were present, each giving the Board an in-depth report concerning their investment portfolio. Mr. Weaver stated each manager has a distinct approach to in how they invest their portfolio.

Net of Fee and Market Performance Summary

This report indicates performance of the Fund, for periods ending February 28, 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, 3.87% vs. 1.94%; Goldman Sachs, -0.26% vs. 0.98%; Aletheia, -1.05% vs. 0.98%; Chase, -1.21% vs. 0.98%; Sawgrass, 1.24% vs. 0.98%; Advisory, 4.22% vs. 1.43%; EPOCH, 0.84% vs. 1.43%; AJO, 4.47% vs. 3.53%; Wellington, 1.64% vs. 3.53%; Frontier, 3.47% vs. 3.53%; H&W Mid-CAP, 3.64% vs. 3.53%; Shapiro, 6.88% vs. 1.20%; Tocqueville, 4.17% vs. 1.20%; Smith, 0.54% vs. 1.20%; Capital Guardian, 3.32% vs. 4.70%; Causeway, 3.32% vs. 4.70%; Brandes, 4.13% vs. 4.70%; Thomburg, 3.54% vs. 4.70%; Hoisington, -0.92% vs. 0.91%; Loomis Sayles, 2.26% vs. 0.91%; Lord Abbett, 1.02% vs. 0.91%; MacKay Shields, 0.87% vs. 0.91%; PIMCO, 0.69% vs. 0.91%; Standish Mellon, 1.08% vs. 0.91%; Stephens, 0.71% vs. 0.91%; and OTRS Cash, 1.34% vs. 1.27%.

Total Fund performance is as follows: Month of MARCH 2007, 0.43% vs. 0.00%; last quarter, 2.48% vs. 0.80%; 1-year, 11.09% vs. 10.31%; 3-years, 10.48% vs. 9.85%; 5-years, 10.56% vs. 9.82%; and since inception, 10.66% vs. 10.95%. (Returns over one year are annualized.)

Manager Status Summary

This report gives the status of each investment manager, i.e. in "Compliance", on "Alert", and on "Notice", which could be caused by performance or organizational issues. Mr. Weaver stated that g.w.g. is recommending the status of Frontier Capital Management and Loomis Sayles be changed to "In Compliance".

**Investment Committee Recommendation
Change Status of Frontier and Loomis Sayles**

The Chairman said the Investment Committee is recommending that Frontier Capital and Loomis Sayles be removed from on "Alert" status and be changed to "In Compliance". There was no further discussion, and the Chairman asked the Board for a vote.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING
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Investment Committee Recommendation Carried

The Investment Committee recommendation carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; Ms. Minton; and Chairman Palluconi responding yes.

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

The total market value of the portfolio was \$9,119,733,293.26 invested approximately 30% in fixed income, 67% 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 0.41 basis points, the three-month return was 1.34%, and the trailing twelve-month return was 5.17%.

Book Value to Market Value Comparison

This lists 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.

Domestic Equity Commissions Recaptured, Period Ending JANUARY 2007

Total recaptured commissions for the month was \$48,543, total commissions paid was \$504,907, with a net cost per share of \$0.029 and year-to-date net cost per share of \$0.028. Fiscal year-to-date, recaptured commissions total \$314,110 on \$3,092,057 in paid commissions.

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 last year's and this year's earnings on securities lent and the lendable balance, including the market value and gross returns.

Update on Conversion to JP Morgan

Mr. Puckett stated he had several conversations with JP Morgan concerning the conversion. Mr. Puckett believes the issue of being able to reconcile on a daily basis should be finalized by the end of April. He said the accounting issues are being dealt with by Joe Ezzell, the TRS Secretary-Treasurer. Mr. Ezzell also said he has had several phone conversations with JP Morgan and is cautiously optimistic the accounting issues will be resolved shortly.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING
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INTERNAL AUDITOR'S REPORT

COST OF LIVING ADJUSTMENT AND SUMMARY OF PRIOR FINDINGS

Chairman Palluconi stated this item would be moved to the April Board meeting.

The Chairman referred the Board to the Disaster Recovery Plan is on the table before the Board, asking them to become familiar with this as it will also be on April's agenda.

The Chairman asked Mr. Beavers for his reports.

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

Mr. Beavers referred the Board to Section Four 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. Simpson. The motion carried by a unanimous voice vote. Trustees responding were: Ms. Minton; Mr. Gorman; Mr. Simpson; Mr. Smith; Mr. Neptune; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Palluconi. The Reports are as follows:

Monthly Expenditures

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 \$6,640,096.65 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 \$10,086.97.

Recommendations for Retirement

There were five (5) disability and 62 regular contracts filed for retirement.

Disability Retirement as Provided by Social Security

There were two (2) 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 Re-Evaluated

There were three (3) disability applicants recommended for continuation of retirement benefits and one (1) that was not recommended for continuation.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING
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Tax-Sheltered Hardship Requests

There was one (1) hardship request made by a member.

Out-of-State Travel

A request by the TRS Secretary-Treasurer and Comptroller to attend the Business Assurance Analytics Training session in Phoenix, Arizona.

Termination of Retirement Benefits

Monthly benefits were terminated for 112 members due to their deaths, and two (2) who returned to teaching.

New Members

There were 440 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 \$190,323.34. (Can include longevity and supplemental payroll.)

Financial Statements

These reports cover the month of February 2007.

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

Mr. Kinney gave the Board a brief overview of current legal issues. He stated he would be glad to answer any questions the Board might have.

TRS LEGISLATION

Mr. Beavers gave the Board an updated list of legislation, referred the Board to section 6 in their binders, and gave the Board an update on legislation being proposed that may affect the Teachers' Retirement System.

CONTRIBUTION RATE FOR 2008

Mr. Beavers stated, each year, the Board must set the contribution rate that school districts pay in additional funds when payment of a teacher's salary is by funds they receive from either federal or other types of grants. The school districts are supposed to match on a pro-rata basis based upon what the State is putting in. He said this has increased from 4.5% up to 7% in the past several years.

Mr. Beavers said his recommendation to the Board is keep the contribution rate at 7% for 2008.

Motion Carried for Contribution Rate

A motion was made by Mr. Neptune with a second being made by Mr. DeMuth to maintain the employee contribution rate for 2008 at 7%. The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; Ms. Minton; and Chairman Palluconi responding yes. (*Ms. Minton left after this vote.*)

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**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.

NEW BUSINESS

The Chairman asked if there was any new business to be brought before the Board, and there was none.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING
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ADJOURNMENT

A motion was made by Mr. Simpson and a second was made by Ms. Conway for Adjournment. The meeting adjourned at 2:18p.m. Trustees present at adjournment were as follows: Mr. Gorman; Mr. Simpson; Mr. Smith; Mr. Neptune; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Palluconi.

(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 - April 25, 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, Matti Palluconi

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 its next regularly scheduled meeting on April 25, 2007.

BY: _____