

**MINUTES**  
**SEVEN HUNDRED AND SIXTY-FOURTH MEETING**  
**BOARD OF TRUSTEES**  
**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**APRIL 20, 2005**

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 1:35 P.M., Wednesday, April 20, 2005, in the Administrative Conference Room of the Teachers' Retirement System, 5<sup>th</sup> Floor, Oliver Hodge Building, 2500 North Lincoln Boulevard, Oklahoma City, Oklahoma. The agenda/meeting notice was posted at 8:30 a.m., Tuesday, April 19, 2005, 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>	Dick Neptune
Kenneth Anderson	Susan Raasch
Bruce DeMuth	Galeard Roper

**TRUSTEES NOT PRESENT:**

Sandy Garrett  
Scott Meacham  
James Smith  
Denise Rhodes, *Secretary*  
Vacant Trustee Position

**TRS STAFF PRESENT:**

Tommy C. Beavers, *Executive Secretary*  
Bill Puckett, *Chief Investment Officer*  
Adam Attaoui, *Information Security Administrator*  
Joe Ezzell, *Secretary-Treasurer*  
Jennelle Enevoldsen, *Director, Internal Auditing Department*  
Edward Romero, *Comptroller*  
Kara Johnson, *Senior Internal Auditor*  
Becky Yearout, *Cash Management Officer*  
Karen Yost, *Assistant to Executive Secretary and Board of Trustees*

**LEGAL COUNSEL PRESENT:**

John M. McCormick, *Asst. Attorney General*, Office of the Oklahoma Attorney General

**INVESTMENT CONSULTANT PRESENT:**

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

**OTHERS PRESENT:**

Jill Geiger, *Office of State Finance*  
Investment Managers, *See Page 2 of Minutes*

*\*Denotes late arrival or early departure.*

**SWEARING IN NEW TRUSTEES**  
**Bruce DeMuth and John Kirkpatrick**

Vice-Chair Palluconi stated the Board would like to welcome Bruce DeMuth and Dr. John Kirkpatrick as new members of the TRS Board and asked Dr. Kirkpatrick and Mr. DeMuth to each recite the Oath of Office.

"I do solemnly swear 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

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of the Board of Trustees. I further swear 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."

Vice-Chair Palluconi, members of the Board, and staff welcomed Mr. DeMuth and Dr. Kirkpatrick to the Board of Trustees.

Mr. Beavers stated the Teachers' Retirement System had received the signed oath of office forms from each of the new members and that they have been filed with the office of the Secretary of State.

**BOARD POLL FOR QUORUM**

Vice-Chair Palluconi called for a poll of the Board to determine a quorum being present. Trustees responding were as follows: Mr. DeMuth; Ms. Raasch; Mr. Neptune; Mr. Roper; Ms. Conway; Mr. Anderson; Dr. Kirkpatrick; and Vice-Chair Palluconi.

Vice-Chair Palluconi reported that Tommy Fulton had not been reappointed to the Board and that she would be Acting Chair until the June Board meeting, when the Board will be reorganized by election of officers. She stated as Acting Chair (Chairman), she has asked Cathy Conway to act as Vice-Chair until the June meeting, and to also become a member of the Investment Committee.

**MINUTES of MARCH 23, 2005, BOARD MEETING APPROVED**

The Chairman asked for corrections, additions or a motion to approve the minutes of the March 23, 2005, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. A motion was made by Ms. Raasch with a second being made by Mr. Neptune for approval of the minutes. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. DeMuth; Mr. Anderson; Ms. Conway; Mr. Roper; Mr. Neptune; Ms. Raasch; Dr. Kirkpatrick; and Chairman Palluconi.

**REPORT FROM THE ONE HUNDRED AND NINETY-NINTH  
INVESTMENT COMMITTEE MEETING**

The Investment Committee meeting convened at 10:00 a.m. Wednesday, April 20, 2005, and adjourned at 12:41 p.m. Committee members present were as follows: Chairman Matti Palluconi; Cathy Conway; Dick Neptune; and Susan Raasch.

**PRESENTATION BY gregory.w.group**

**Presentations by Investment Managers: Hotchkis & Wiley, and Goldman Sachs  
Market Performance, Asset Allocation Review, March 31 Performance Summary**

Greg Weaver and Doug Anderson of gregory.w.group, investment consultant to the Board, made their monthly report to the Board and talked about the performance of the managers that had made presentations to the Investment Committee that morning. Presentations were made by George Davis, Stan Majcher and J.P. Flagler with Hotchkis and Wiley, the Mid-Cap and Large-Cap portfolios, and by Dennis Byrne and Kenneth Berents with Goldman Sachs. Each manager made a complete review of their holdings, results, investment philosophy, attribution analysis, sector weightings, and more. Mr. Weaver stated that both of these managers began their association with the Retirement System in 1990 and both have performed very well since inception.

Mr. Weaver stated a more in-depth presentation of the first quarter executive summary on the performance of the fund would be made at the May Board meeting.

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**Net of Fee and Market Performance Summary**

This report indicates performance of the Fund, for periods ending March 31, 2005, 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:

NT S&P500, -2.12% vs. -2.15%; H&W Large-Cap, -0.64% vs. 0.09%; Goldman Sachs, -6.37% vs. -4.09%; AJO Partners, 1.52% vs. -0.25%; Wellington, 1.02% vs. -0.25%; Frontier Capital, -2.55% vs. -0.25%; H&W Mid-Cap, -0.51% vs. -0.25%; Shapiro, 0.24% vs. -5.34%; Tocqueville, -5.44% vs. -5.34%; Smith Capital, N/A; Capital Guardian, -0.93% vs. -0.10%; Causeway, 0.34% vs. -0.10%; Brandes, -1.62% vs. -0.10%; Hoisington, N/A; Loomis Sayles, -0.84% vs. -0.48%; Lord Abbett, N/A; MacKay Shields, N/A; Neuberger Berman, -0.27% vs. -0.48%; PIMCO, -0.35% vs. -0.48%; Standish Mellon, -0.44% vs. -0.48%; Stephens, N/A; and TRS Cash, 0.61% vs. 0.65%.

Total Fund performance is as follows: Month of MARCH 2005, -1.36% vs. -1.52%; last quarter, -1.54% vs. -1.34%; 1-year, 7.61% vs. 7.01%; 3-years, 8.61% vs. 5.55%; 5-years, 4.56% vs. 2.53%; and since inception, 10.39% vs. 10.49%. *(Three and Five years are annualized.)*

**TRS INVESTMENT REPORTS AS OF MARCH 31, 2005**

Mr. Puckett gave the Board a brief report. The TRS Investment reports are listed as follows:

**Portfolio Distribution**

The total market value of the portfolio was \$7,373,682,942.60 invested approximately 26% in fixed income, 70% 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 0.23 basis points, the three-month return was 0.61%, and the trailing twelve-month return was 1.79%.

**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 February 2005**

Total recaptured commissions for the month was \$73,832, total commissions paid was \$412,487, with a net cost per share of \$0.029 and year-to-date net cost per share of \$0.031. Fiscal year-to-date, recaptured commissions total \$515,917 on \$3,290,940 in paid commissions.

**Renewal of Manager Contracts - Frontier Capital and Loomis, Sayles**

Chairman Palluconi stated the Investment Committee is recommending renewal of the manager contracts for Frontier Capital (mid-cap equity) and Loomis, Sayles and Company (fixed income) and asked for a poll of the Board.

**Investment Committee Recommendation to Renew Manager Contracts Carried**

The Investment Committee recommendation carried by Mr. DeMuth; Mr. Anderson; Ms. Conway; Mr. Roper; Mr. Neptune; Ms. Raasch; Dr. Kirkpatrick; and Chairman Palluconi responding yes.

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**Delphi Litigation Representation Request**

Chairman Palluconi stated the Investment Committee is recommending the Board allow Nix, Patterson, and Roach to file, on behalf of the Teachers' Retirement System, as lead plaintiff in the Delphi litigation. After discussion, Chairman Palluconi asked for a vote from the Board.

**Investment Committee Recommendation  
to Allow Nix Patterson to Act as Representation Carried**

The Investment Committee recommendation carried by Dr. Kirkpatrick; Ms. Raasch; Mr. Neptune; Ms. Roper; Ms. Conway; Mr. Anderson; Mr. DeMuth; and Chairman Palluconi responding yes.

**Progress Report on International RFP**

Chairman Palluconi asked for a report on the progress of the International RFP.

Greg Weaver stated there were 48 responses to the RFP and that each will be reviewed extensively by gregory.w.group and brought to the Board at the May meeting, with the expectation of selecting at least three entities to interviewed by the Board. He stated this portfolio will have an assignment of approximately \$200 million, and should compliment the existing international managers.

Chairman Palluconi said since gregory.w.group will be presenting the in-depth quarterly executive summary in May, and with the Board's agreement, this report will be made only during the Board meeting, with the meeting to begin at 12:00 p.m. She stated the Investment Committee meeting would begin at it's regular time, 10:00 a.m.

**Proxy Voting for Kerr McGee Corporation**

Chairman Palluconi asked Mr. Beavers for his comments.

Mr. Beavers stated that a settlement has been reached between the parties involved and there is no action that needs to be taken by the Board. He informed the Board that normally , the managers are allowed to vote shares, but that the Board has always reserved the right to vote the proxies or to direct how they should be voted, when the Board felt it would be in the best interest of plan participants and the state of Oklahoma.

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

Mr. Beavers made his report to the Board and stated he would be glad to answer any questions.

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

The Chairman asked for a motion from the Board. A motion was made by Ms. Raasch with a second made by Mr. Anderson. The motion carried by a unanimous voice vote. Trustees responding were as follows: Dr. Kirkpatrick; Ms. Raasch; Mr. Neptune; Mr. Roper; Ms. Conway; Mr. Anderson; 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.

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**Receipts and Claims for Authorized Expenditures**

Receipts and Claims totaled \$1,447,813.15 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 \$9,181.53.

**Recommendations for Retirement**

There were 49 regular and nine (9) disability member applications recommended for approval (Disabled members being recommended by the TRS Medical Board for TRS Disability Retirement.)

**Disability Retirement as Provided by Social Security**

There were four (4) disability applicants granted disability retirement by TRS due to approval for 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 retirement accounts recommended for continuation of benefits.

**Disability Retirement Not Recommended**

There was one (1) disability retirement account not recommended for disability retirement benefits.

**Tax-Sheltered Annuity Hardship Request Report**

There was one (1) request for a hardship withdrawal from the tax-sheltered program.

**Out-of-State Travel**

Travel has been requested by staff to attend various conferences and training seminars in May.

**Retirement Payroll Termination Report**

Monthly benefits were terminated for 117 members due to death, one (1) due to cancellation of retirement, and three (3) members that returned to active education employment.

**New Members**

There were 438 new member applications in February, and 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 \$176,161.70. (Can include longevity and supplemental payroll.)

**Financial Statements**

The financial statements are for the period ending March 31, 2005.

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**Summary of Investment Activity**

This report indicates Short-Term and Long-Term investments at market value on a full accrual basis, as of March 31, 2005. Complete documentation of all sales, purchases, redemptions and income received by TRS is on file in the Investment Division and will be furnished upon request.

**PROPOSED LEGISLATION**

Mr. Beavers referred the Board to Section 5 and gave a brief report on bills that have been introduced that may affect the Retirement System this Legislative session.

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

Mr. McCormick informed the Board there were no changes in litigation and no hearings pending.

**PERSONNEL COMMITTEE REPORT**

Chairman Palluconi referred the Board to Section 7 in the binder stating the Board's Personnel Committee had developed the following materials for use by the Board for the TRS Executive Secretary position, 1) Executive Secretary Evaluation, 2) Executive Secretary Job Description, and 3) Plan for Succession.

**Motion to Accept Personnel Committee Report**

A motion was made by Mr. Neptune with a second being made by Ms. Raasch to accept. The motion carried unanimously: Trustees responding were as follows: Mr. DeMuth; Mr. Anderson; Ms. Conway; Mr. Roper; Mr. Neptune; Ms. Raasch; Dr. Kirkpatrick; and Chairman Palluconi.

Chairman Palluconi reminded the Board that the Board's Personnel Committee is made up of herself as chair, with Cathy Conway and Galeard Roper, and that Mr. Fulton attending some of the meetings. She stated once the evaluations have been completed and signed by the trustees and returned to the Personnel Committee, they would be reviewed by the Committee and any and all issues would be addressed with the Executive Secretary. She said this would constitute an annual evaluation.

**Motion to Accept Evaluation Carried**

A motion was made by Ms. Raasch with a second being made by Mr. Anderson to accept the Personnel Committee report. The motion carried by Dr. Kirkpatrick; Ms. Raasch; Mr. Neptune; Mr. Roper; Ms. Conway; Mr. Anderson; Mr. DeMuth; and Chairman Palluconi responding yes.

**RESOLUTIONS HONORING FORMER  
BOARD MEMBERS - TOMMY G. FULTON AND DALE E. NYE**

Chairman Palluconi said as the Board has had the opportunity to read the resolutions for Tommy Fulton and Dale Nye, she asked for adoption by the Board.

Mr. Beavers informed the Board that the Retirement System would deliver the resolutions to the former members along with letters thanking them for their service to the Board and the Retirement System.

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**Motion to Adopt Resolutions Carried**

A motion was made by Ms. Roper with a second being made by Ms. Raasch for adoption. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. DeMuth; Mr. Anderson; Ms. Conway; Mr. Roper; Mr. Neptune; Ms. Raasch; Dr. Kirkpatrick; and Chairman Palluconi.

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

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

**NEW BUSINESS**

Chairman Palluconi stated she needed to ask Mr. Neptune to act as Secretary of today's meeting for the purpose of signing the minutes. The Chairman asked if there was any new business.

Mr. Roper thanked Chairman Palluconi for presiding over the meetings, this date, and stated he would make a motion for adjournment.

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**ADJOURNMENT**

A motion was made by Mr. Roper a second made by Ms. Raasch for adjournment. The motion carried by a unanimous voice vote. Trustees responding were as follows: Dr. Kirkpatrick; Mr. Anderson; Ms. Conway; Mr. Roper; Mr. Neptune; Ms. Raasch; Mr. DeMuth; and Chairman Palluconi. The meeting adjourned at 2:30 P.M.

*(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 - May 25, 2005**

Investment Committee Meeting at **10:00 A.M.**  
Board Meeting begins at **12:00 P.M.**

Oliver Hodge Education Building  
2500 North Lincoln Boulevard, 5<sup>th</sup> Floor  
Administration Conference Room  
Oklahoma City, Oklahoma

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

**BY:** \_\_\_\_\_  
**Chairman, Matti Palluconi**

**ATTEST:**

**BY:** \_\_\_\_\_  
**Secretary, Denise Rhodes**

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 scheduled meeting on May 25, 2005.

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