

**MINUTES**  
**SEVEN HUNDRED AND EIGHTY-EIGHTH MEETING**  
**BOARD OF TRUSTEES**  
**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**  
**APRIL 25, 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, April 25, 2007, 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 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*  
Joe Ezzell, *Secretary-Treasurer*  
Kim Bold, *Human Resources Director*  
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*

**INVESTMENT CONSULTANT PRESENT:**

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

**OTHERS PRESENT:**

Larry Asberry, Jr., *Office of State Finance*  
Dwight Bruss, *State Department of Education*  
Tommy Fulton, *Retired Member*

\*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 MARCH 28, 2007, BOARD MEETING APPROVED as CORRECTED**

The Chairman asked for corrections, additions or a motion to approve the minutes of the March 28, 2007, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. Mr. Simpson stated he did attend the Investment Committee meeting in March and would like it so noted in the minutes. A motion was made by Mr. Simpson with a second made by Ms. Conway for approval of the minutes, as corrected. 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.

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

The Investment Committee meeting convened at 10:00 a.m. Wednesday, April 25, 2007, and adjourned at 1:12 p.m. Committee members present were as follows: Chairman Matti Palluconi; Cathy Conway; James Smith and Dick Neptune. Other trustees present were Ms. Barnes\*; Mr. Gorman; Dr. Kirkpatrick\*; Ms. Minton; Mr. Roper\*; and Mr. Simpson.

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

**PRESENTATION BY gregory.w.group  
Market Performance, Manager Review, Asset Allocation Review,  
March 31<sup>st</sup> 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. Anderson gave the Board corrected data for the 1-, 3-, and 5-year performance for the fixed income portfolios.

Paula Pretlow and Chris Ryder with Capital Guardian Trust Company with \$440 million under management and, Patrick Feller and Lawrence Taylor with Brandes Investment Partners, with \$579 million under management, were present. Capital Guardian and Brandes are two of the Fund's international equity managers. Each firm gave the Board an in-depth report concerning their investment portfolios.

Mr. Weaver stated, due to Capital Guardian's performance, gregory.w.group would contact Capital Guardian about the possibility of them changing to a performance based fee schedule.

**Net of Fee and Market Performance Summary**

This report indicates performance of the Fund, for periods ending March 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, 1.51% vs. 1.24%; Goldman Sachs, 0.11% vs. 1.19%; Aletheia, 1.54% vs. 1.19%; Chase, 0.95% vs. 1.19%; Sawgrass, 1.29% vs. 1.19%; Advisory, 2.69% vs. 1.28%; EPOCH, 2.20% vs. 1.28%; AJO, 5.10% vs. 4.38%; Wellington, 3.60% vs. 4.38%; Frontier, 6.75% vs. 4.38%; H&W Mid-Cap, 2.29% vs. 4.38%; Shapiro, 8.50% vs. 1.95%; Tocqueville, 5.42% vs. 1.95%; Smith, 3.12% vs. 1.95%; Capital Guardian, 3.06% vs. 4.15%; Causeway, 2.85% vs. 4.15%; Brandes, 3.54% vs. 4.15%; Thornburg, 3.06% vs. 4.15%; Hoisington, 0.28% vs. 1.50%; Loomis Sayles, 1.79% vs. 1.50%; Lord Abbett, 1.64% vs. 1.50%; MacKay Shields, 1.42% vs. 1.50%; PIMCO, 1.54% vs. 1.50%; Standish, 1.70% vs. 1.50%; Stephens, 1.63% vs. 1.50% and OTRS Cash, 1.33% vs. 1.27%.

Total Fund performance is as follows: Month of March 2007, 1.07% vs. 0.98%; last quarter, 2.74% vs. 1.00%; 1-year, 10.69% vs. 9.77%; 3-years, 10.92% vs. 10.19%; 5-years, 10.20% vs. 9.39%; and since inception, 10.68% vs. 11.07%. (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 could be caused by performance or organizational issues. There is one manager on "Notice", five managers on "Alert", with all other managers in "Compliance".

The Chairman asked Mr. Puckett for his reports.

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**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 \$9,165,039,146.96 invested approximately 30% in fixed income, 68% 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 0.46 basis points, the three-month return was 1.33%, and the trailing twelve-month return was 5.38.

**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 2007**

Total recaptured commissions for the month was \$34,010, total commissions paid was \$379,733, with a net cost per share of \$0.027 and year-to-date net cost per share of \$0.028. Fiscal year-to-date, recaptured commissions total \$348,121 on \$3,471,798 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 and Mr. Ezzell reported to the Board concerning the ongoing conversion to JP Morgan. Both stated the conversion is taking longer than anticipated.

The Chairman asked for another update at the next Board meeting.

**Renewal of Investment Manager Contracts**

The Chairman stated the Investment Committee is recommending renewal of the following manager contracts: Aletheia Research & Management; Chase Investment Counsel; Sawgrass Asset Management; Frontier Capital; and Loomis, Sayles & Company.

**Investment Committee Recommendation Approved**

The Chairman asked for a poll of the Board. The Investment Committee recommendation was approved 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.

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**Causeway Capital Management Ownership Issue**

Mr. Puckett referred the Board to the letter in their packet from Causeway, and stated the purchase of shares by two of Causeway's principals does not constitute a change in owners or in control.

**Private Equity Investment Review**

During the Investment Committee meeting, gregory.w.group presented materials concerning investing in private equity. Part of this report covered the RFP that was issued during the Fall of 2006 for the possibility of investing in private equity.

**Review of Potential Sudan/Iran Divestiture Issues**

gregory.w.group gave the Investment Committee information concerning divestiture issues about investments/investing in Sudan and Iran.

**INTERNAL AUDITOR'S REPORT  
COST OF LIVING ADJUSTMENT AND SUMMARY OF PRIOR FINDINGS**

Kara Johnson, TRS Internal Auditor, referred the Board to section 3 in their binders stating this audit involves COLA adjustments and also reported on the summary of prior audit findings. Ms. Johnson gave the Board a brief report on what the audit entailed and also gave an update on the findings from audits previously performed.

After discussion, the Chairman called for a motion from the Board to accept and approve the audit report.

**Internal Auditor's Report Approved**

A motion was made by Mr. DeMuth with a second being made by Dr. Kirkpatrick for approval of the internal audit report. The motion carried by Mr. Gorman; Mr. Simpson; Mr. Smith; Mr. Neptune; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Palluconi responding yes. *(Ms. Minton left prior to the poll of the Board, for the day.)*

**DISASTER RECOVERY PLAN**

Mr. Beavers stated a corrected version of the Disaster Recovery Plan was on the table before the Board. Mr. Beavers gave the Board a detailed overview of the Disaster Recovery Plan, which includes recovering from a minor disaster, not being able to access data for a couple of hours, up to a major disaster, loss of the entire facility. He also said the Plan would be reviewed from time to time and updated as necessary.

The Chairman asked for a motion to accept and approve the Disaster Recovery Plan.

**Motion to Approve Disaster Recovery Plan Carried**

A motion was made by Dr. Kirkpatrick with a second being made by Ms. Conway to approve the plan. The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; and Chairman Palluconi responding yes.

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 4 in their binders and made his report, stating he would be glad to answer any questions.

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**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 Mr. Neptune with a second being made by Mr. Roper. The motion carried by a unanimous voice vote. Trustees responding were: 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 \$565,671.53 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 \$6,721.06.

**Recommendations for Retirement**

There were nine (9) disability and 67 regular contracts filed for retirement.

**Disability Retirement as Provided by Social Security**

There were six (6) 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.

**Termination of Retirement Benefits**

Monthly benefits were terminated for 107 members due to their deaths, and six (6) who returned to teaching.

**New Members**

There were 331 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 \$198,235.33. (Can include longevity and supplemental payroll.)

**Financial Statements**

These reports cover the month of March 2007.

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

Mr. Kinney gave the Board a brief overview and update on current legal issues facing the Retirement System. He stated he would be glad to answer any questions the Board might have.

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**TRS LEGISLATION**

Mr. Beavers gave the Board an updated list of legislation, and reported on current legislation being proposed that may affect the Teachers' Retirement System. Mr. Beavers also referred the Board to the copy of the TRS Newsletter before them.

**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.

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**ADJOURNMENT**

There being no further business before the Board, Chairman Matti Palluconi declared the meeting adjourned at 2:42 p.m. Trustees present at adjournment were as follows: Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; 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 - May 23, 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, 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:** \_\_\_\_\_  
**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 May 23, 2007.