

MINUTES
EIGHT HUNDREDTH MEETING
OF THE
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
APRIL 30, 2008

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 1:00 P.M., Wednesday, April 30, 2008, 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>	Sherrie Barnes	Matti Palluconi
James Smith*, <i>Vice-Chairman</i>	Bruce DeMuth	Galeard Roper
Dick Neptune, <i>Secretary</i>	Darryl Hatcher	Michael Simpson

TRUSTEES NOT PRESENT:

Sandy Garrett
Richard Gorman
Tony Hutchison
John Kirkpatrick

TRS STAFF PRESENT:

Tommy C. Beavers, *Executive Secretary*
Kim Bold, *Director of Human Resources*
Joe Ezzell*, *Director of Internal Auditing*
Edward Romero*, *Secretary/Treasurer*
Marta Coombes, *Comptroller*
Kimber Chessmore, *Senior Internal Auditor*
Becky Yearout, *Cash Management 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*
Kevin Blake, *gregory.w.group*

OTHERS PRESENT:

Larry Asberry*, *State Office of Finance*
Dwight Bruss*, *State Department of Education*
Norman Cooper*, *Oklahoma Retired Educators Association*
Mike Gallagher*, *J. P. Morgan*
Marsha Mathews*, *J.P. Morgan*
Alex Leonard*, *J.P. Morgan*
Bryan Smith*, *e Capitol News Service*

*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; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Hatcher; and Chairman Conway.

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MINUTES of MARCH 26, 2008, BOARD MEETING APPROVED

The Chairman asked for corrections, additions or a motion to approve the minutes of the March 26, 2008, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. A motion was made by Mr. DeMuth with a second made by Mr. Neptune for approval of the minutes. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Hatcher; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Mr. DeMuth; and Chairman Conway.

**REPORT FROM THE TWO HUNDRED AND THIRTY-THIRD
INVESTMENT COMMITTEE MEETING**

The Investment Committee meeting convened at 9:02 a.m. Wednesday, March 26, 2008, and adjourned at 11:59 a.m. Committee members present were as follows: Chairman Cathy Conway; members, Matti Palluconi; Michael Simpson; Dick Neptune; and James Smith*. Other trustees present were Ms. Barnes*; Mr. Gorman*; Dr. Kirkpatrick*; and Mr. Hatcher*.

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

**PRESENTATION BY gregory.w.group
Market Performance, Asset Allocation Review,
March 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 that was presented, in full, to the Investment Committee earlier in the day.

Mr. Weaver reported that Peter Eichler, Joe Boskovich, Jr. and Chad Cook with Aletheia, Peter Tuz and Ty Hach with Chase Investment, and Martin LaPrade and Chris Greco with Sawgrass, made presentations to the Investment Committee earlier in the day. He said each manager is operating within the Retirement System's policies and guidelines and there are no organizational issues.

Net of Fee and Market Performance Summary

This report indicates performance of the Fund, for periods ending March 31, 2008, 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, -10.59% vs. -8.72%; Goldman, -10.38% vs. -10.18%; Aletheia, -6.75% vs. -10.18%; Chase, -9.06% vs. -10.18%; Sawgrass, -11.35% vs. -10.18%; Advisory Research, -10.75% vs. -9.52%; EPOCH, -8.12% vs. -9.52%; AJO, -9.51% vs. -9.98%; Wellington, -10.30% vs. -9.98%; Frontier, -8.78% vs. -9.98%; H&W Mid-Cap, -10.10% vs. -9.98%; Shapiro, -11.47% vs. -9.90%; Tocqueville, -13.58% vs. -9.90%; Smith, -11.31% vs. -9.90%; Capital Guardian, -8.87% vs. -8.82%; Causeway, -7.59% vs. -8.82%; Brandes, -11.05% vs. -8.82%; Thornburg, -10.24% vs. -8.82%; Hoisington, 3.06% vs. 2.17%; Loomis, 1.87% vs. 2.17%; Lord Abbett, 0.97% vs. 2.17%; MacKay Shields, 1.80% vs. 2.17%; PIMCO, 1.90% vs. 2.17%; Standish, 2.47% vs. 2.17%; Stephens, 3.92% vs. 2.17%; and OTRS Cash, 1.00% vs. 0.88%.

Total Fund performance is as follows: Month of March 2008, -0.92% vs. -0.37%; last quarter, -6.54% vs. -6.02%; 1-year, -3.14% vs. -2.13%; 3-years, 7.10% vs. 7.38%; 5-years, 12.70% vs. 12.01%; and since inception, 9.79% vs. 10.29%. *(Returns over one year are annualized.)*

**Manager Status Summary and
Possible Action**

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 five (5) managers on "Alert" and one manager on "Notice", with all other managers in "Compliance".

The Chairman stated the Investment Committee determined no action was necessary on this matter at this time.

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Chairman Conway said Becky Yearout, TRS Cash Management Officer, would make the next report as Mr. Puckett is absent today.

TRS INVESTMENT REPORTS

Ms. Yearout gave the Board a brief report and stated she 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 \$8,876,816,741.30 invested approximately 35% in fixed income, 65% 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 0.30, the three-month return was 1.00%, and the trailing twelve-month return was 5.17%.

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.

Domestic Equity Commissions Recaptured

For the month of February, this report shows commissions paid of \$621,354, recaptured commissions totaled \$60,320 with a net per share of \$0.028, and for the Fiscal Year, commissions paid of \$4,718,193, recaptured of \$604,669, with a net per share of \$0.026.

Fiscal Year Comparison of Securities Lending

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.

The Chairman asked Ms. Yearout for comments.

J.P. Morgan Report Progress of Custodial Services

Ms. Yearout stated TRS has been receiving the files since April 1st the way we had originally asked them to be. She said the Investment Department is very comfortable with the JP Morgan reports at this time.

Mr. Ezzell stated his Audit Department has received everything previously requested and with a few minor changes to their reports, feel confident all requests will be taken care of.

Renewal of Manager Contracts Aletheia; Chase; Sawgrass; Loomis Sayles, and Frontier

The Chairman stated the Investment Committee is recommending renewal of these manager contracts. She asked for discussion and there being none asked for a poll of the Board.

Investment Committee Recommendation Approved

The Investment Committee recommendation was approved by Mr. DeMuth; Ms. Barnes; Mr. Roper;

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Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Hatcher; 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**

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

The Chairman asked if there was a motion for approval and adoption from the Board. A motion was made by Mr. Smith with a second made by Mr. DeMuth. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Hatcher; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Mr. DeMuth; and Chairman Conway. 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 \$738,340.13 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 \$16,151.61.

Recommendations for Retirement

There were eight (8) disability and 74 regular contracts filed for retirement.

Disability Retirement Provided by Social Security

There were four (4) 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 was one (1) disability retirement re-evaluated and recommended for continuation.

Out-of-State Travel

Requests for Audit Department staff to attend various conferences.

Tax-Sheltered Annuity Hardship Requests

There was one hardship request for the month of March that was approved.

Termination of Retirement Benefits

Monthly benefits were terminated for 108 members due to their deaths, and seven (7) who returned to teaching.

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New Members

There were 304 new member applications. The list of new applications may be reviewed in the Executive Secretary's office.

Employees' Salaries

This report indicates employee salaries and positions within the Retirement System. Employee salaries totaled \$202,821.79. (Can include longevity and supplemental payroll.)

Financial Statements

These reports cover the month of March 2008.

The Chairman asked Mr. Beavers for his update on legislation.

TRS LEGISLATION

Mr. Beavers referred the Board to section 9 in their binders and gave the Board an update on legislation that could affect the Retirement System. Mr. Beavers passed out an updated list of current legislation. He stated if any Board member wished to see a bill in its entirety, he would be glad to furnish a copy and would be glad to answer any questions the Board might have.

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

Mr. Kinney reported to the Board updated information on current and future legal issues facing the Retirement System. Mr. Kinney stated he would be glad to answer any questions the Board may have.

**CONTRACT FOR LEGAL SERVICES
ATTORNEY GENERAL'S OFFICE
DAVID KINNEY, ASSISTANT ATTORNEY GENERAL**

Mr. Beavers stated the Retirement System has had a contract with the Attorney General's (AG's) office for a number of years, to provide legal services. He said David Kinney is the assigned attorney from the AG's office. Mr. Beavers reported this contract is not only for Mr. Kinney's services but the legal expertise of the AG's office stating, in effect, the Retirement System is contracting with one of the largest and best law firms in the state of Oklahoma. Mr. Beavers stated he is recommending the Board continue the services of the AG's office.

Contract for Legal Services Approved

A motion was made by Mr. Simpson with a second made by Mr. Neptune for approval. The motion carried by Mr. DeMuth; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Hatcher; and Chairman Conway responding yes.

Chairman Conway stated the next item on the agenda is for discussion and possible action to resolve into executive session for the purpose of a confidential communication between the Trustees and counsel concerning the pending investigation, claim or action in the following matter and that is seeking lead plaintiff status against MoneyGram International, Inc. and to choose a firm to represent the Teachers' Retirement System.

**POSSIBLE EXECUTIVE SESSION and ACTION FOR CONFIDENTIAL
COMMUNICATION CONCERNING MONEYGRAM INTERNATIONAL, INC.**

Mr. Kinney stated in his opinion it is necessary for the Trustees to resolve into executive session, and it was his recommendation, since discussion in a public meeting would impair the ability of the

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Trustees to resolve these matters in the public interest. Three outside law firms, Bernstein Litowitz, Nix-Patterson, and Berman DeValerio, have provided confidential reports to be presented along with their recommendations.

The Chairman stated the Board has heard the explanation and recommendation of the Board's legal counsel to resolve into executive session for the purpose of discussing confidential communications with our outside law firms in the matter of MoneyGram International, Inc. The Chairman asked if there were any questions and there were none.

Enter into Executive Session

A motion was made by Mr. Smith to resolve into executive session for the purpose of consideration of the agenda item 6. A second was made by Mr. Simpson. The Board entered into Executive Session at 1:32 p.m. The motion carried by Mr. Hatcher; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Mr. DeMuth; and Chairman Conway responding yes. The Chairman stated all were in favor, the motion carried, and I declare we will now resolve into executive session.

Return to Open Session

A motion was made by Mr. Roper with a second made by Mr. Smith to return to Open Session at 1:45 p.m. The motion carried by Mr. DeMuth; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Hatcher; and Chairman Conway responding yes. The Chairman declared the motion to have prevailed and the Board is now back in regular session and will consider agenda item 7 at this time.

The Chair recognizes Mr. Kinney.

Mr. Kinney stated for purposes of the record, the Trustees considered agenda item 6 during the executive session, the following Trustees were present: Mr. DeMuth, Ms. Barnes, Mr. Roper, Ms. Conway, Mr. Smith, Mr. Neptune; Ms. Palluconi, Mr. Simpson, and Mr. Hatcher; the following other individuals were present: Mr. Beavers, Ms. Yost, Ms. Bold, Ms. Yearout, and Mr. Kinney. No vote or official action was taken while the Trustees were in executive session.

Chairman Conway asked if there was a motion from the Board.

Action Resulting from Executive Session

A motion was made by Mr. Simpson with a second made by Mr. Smith to seek lead plaintiff status against MoneyGram International, Inc., and choose the firm of Nix, Patterson & Roach to represent the Teachers' Retirement System of Oklahoma and that the Executive Secretary be authorized to sign such documents as may be necessary to effectuate and implement this action. The Chairman asked for a vote of the Board for approval. The motion carried by Mr. Hatcher; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Mr. DeMuth; and Chairman Conway responding yes. The Chairman declared the motion to have prevailed.

A break was taken from 1:45 p.m. to ~~2:54~~ 1:54 p.m.

INTERVIEW FOR PRIVATE EQUITY ASSET CLASS Aldus Equity Partners; Grove Street Advisors, LLC; and Partners Group

Mr. Weaver stated that gregory.w.group (g.w.g.) is thoroughly convinced the Board should commit 5% of the Fund's portfolio for investing in Private Equity. He reminded the Board this percentage was approved at the March meeting. Mr. Weaver said g.w.g. is recommending this action because they believe by allocating 5% of the Fund's portfolio, it should increase the return by 50 basis points. He referred the Board to the material before them, an overview of the three firms to be interviewed today with the end result of hiring one firm for this new portfolio.

Mr. Weaver stated he had personally interviewed each firm at least twice and said these three firms are excellent, with distinct organizations, ownership, size and each having public fund experience. He said each firm's experience in creating portfolios and working with boards like this one and their consultants is very important. He said prior to funding this new portfolio, the investment policy, contract execution and portfolio structure will be looked at in detail. Mr. Weaver estimated it will take

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from three to six months to finalize the process.

Chairman Conway informed the Board, and explained to each manager, that each firm will be given thirty minutes to make their presentation, with time for questions from the Board and response from each individual firm. The Chairman stated Mr. Neptune, Secretary to the Board, would be the official timekeeper.

Presenting today for Aldus Equity, are Matt O'Reilly and Thomas Henley; for Grove Street, Clinton Harris, Catherine Crockett, and Barry Gonder; and for Partners Group, Scott Essex and Andreas Baumann.

After completing the interview process and in-depth discussion by the Board, investment consultant, and TRS staff, the Chairman asked for a motion from the Board.

Motion to Hire Aldus Equity Partners Carried

A motion was made by Mr. DeMuth with a second made by Mr. Neptune to hire Aldus Equity Partners as the new Private Equity Portfolio manager. The motion carried by Mr. DeMuth; Ms. Barnes; Mr. Roper; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Hatcher; and Chairman Conway responding yes. *(Mr. Smith left for the day prior to the end of the interview process.)*

**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, and there was none.

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ADJOURNMENT

There being no further business before the Board, the Chairman declared the meeting adjourned at 4:28 p.m. Trustees present at adjournment were as follows: Mr. Hatcher; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Roper; Ms. Barnes; Mr. DeMuth; 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 - May 28, 2008

Investment Committee Meeting begins at **9:00 A.M.**

Board Meeting begins at **1:00 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 May 28, 2008.

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