

MINUTES
SEVEN HUNDRED AND EIGHTY-NINTH MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MAY 23, 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, May 23, 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
Sandy Garrett*	James Smith
Richard Gorman	

TRUSTEES NOT PRESENT:

Bruce DeMuth
Tony Hutchison

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*
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*
Jeffrey Rudd, *Associate*

OTHERS PRESENT:

Larry Asberry, Jr., *Office of State Finance*
Norman Cooper, *Oklahoma Education Association*
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: Dr. Kirkpatrick; Ms. Barnes; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; Ms. Minton; and Chairman Palluconi.

MINUTES of APRIL 25, 2007, BOARD MEETING APPROVED as CORRECTED

The Chairman asked for corrections, additions or a motion to approve the minutes of the April 25, 2007, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. A motion was made by Ms. Conway with a second made by Dr. Kirkpatrick 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; Ms. Barnes; Dr. Kirkpatrick; and Chairman Palluconi.

REPORT FROM THE TWO HUNDRED AND TWENTY-SECOND

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INVESTMENT COMMITTEE MEETING

The Investment Committee meeting convened at 10:00 a.m. Wednesday, May 23, 2007, and adjourned at 12:50 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; Ms. Minton; and Mr. Simpson*.

As gregory.w.group was not available to begin their report to the Board, and in the interest of time, 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 \$9,481,247,075.71 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 0.44 basis points, the three-month return was 1.31%, and the trailing twelve-month return was 5.49.

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 APRIL 2007

Total recaptured commissions for the month was \$40,497, total commissions paid was \$463,336, with a net cost per share of \$0.027 and year-to-date net cost per share of \$0.027. Fiscal year-to-date, recaptured commissions total \$388,618 on \$3,935,127 in paid commissions.

Commissions Paid Report

This report shows commissions paid for the period January 1, 2007 through March 31, 2007.

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 would make a report to the Board at the July meeting concerning JP Morgan's past year's performance during the conversion.

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

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**PRESENTATION BY gregory.w.group
Market Performance, Manager Review, Asset Allocation Review,
April 30th Performance Summary and Manager Status**

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

Mr. Weaver reported that Harry Hartford and Eric Crabtree with Causeway Capital, and Brian McMahon and Chris Neill with Thornburg were present and gave the Board in-depth reports concerning their respective portfolios. He said Causeway has approximately \$365 million in their portfolio and Thornburg has around \$213 million and that both have performed well since their inception. Mr. Weaver stated the presentations were informative, explaining their process, investment philosophy, their individual results and how they are looking towards the future, and that there are no organizational issues with either of these firms.

Net of Fee and Market Performance Summary

This report indicates performance of the Fund, for periods ending April 30, 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, 4.20% vs. 3.66%; Goldman Sachs, 4.71% vs. 3.30%; Aletheia, 4.75% vs. 3.30%; Chase, 1.63% vs. 3.30%; Sawgrass, 2.87% vs. 3.30%; Advisory, 3.32% vs. 3.35%; EPOCH, 2.84% vs. 3.35%; AJO, 5.40% vs. 4.81%; Wellington, 6.50% vs. 4.81%; Frontier, 7.28% vs. 3.99%; H&W Mid-Cap, 3.99% vs. 4.81%; Shapiro, 7.53% vs. 2.07%; Tocqueville, 4.30% vs. 2.07%; Smith, 4.08% vs. 2.07%; Capital Guardian, 6.51% vs. 8.13%; Causeway, 8.11% vs. 8.13%; Brandes, 8.62% vs. 8.13%; Thornburg, 8.97% vs. 8.13%; Hoisington, 2.76% vs. 2.09%; Loomis Sayles, 2.40% vs. 2.09%; Lord Abbett, 2.17% vs. 2.09%; MacKay Shields, 2.31% vs. 2.09%; PIMCO, 2.20% vs. 2.09%; Standish, 2.29% vs. 2.09%; Stephens, 2.42% vs. 2.09%; and OTRS Cash, 1.31% vs. 1.28%.

Total Fund performance is as follows: Month of April 2007, 2.97% vs. 2.94%; last quarter, 4.53% vs. 3.95%; 1-year, 12.57% vs. 11.48%; 3-years, 12.93% vs. 12.23%; 5-years, 11.08% vs. 10.20% and since inception, 10.86% vs. 11.21%. (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".

Renewal of Investment Manager Contracts

The Chairman stated the Investment Committee is recommending renewal of the following manager contracts: Advisory Research, Aronson + Johnson + Ortiz; EPOCH; PIMCO; and Wellington.

Investment Committee Recommendation Approved

The Chairman asked for a poll of the Board. The Investment Committee Recommendation was approved by Ms. Garrett; Dr. Kirkpatrick; Ms. Barnes; Ms. Conway; Mr. Roper; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; Ms. Minton; and Chairman Palluconi responding yes.

Renewal of Global Custodian/Securities Lending Contract

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After discussion, Chairman Palluconi stated the Investment Committee is recommending renewal of the contract with J.P. Morgan and asked for a poll of the Board.

Investment Committee Recommendation Approved

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

1ST QUARTER EXECUTIVE SUMMARY - gregory.w.group

Greg Weaver and Doug Anderson gave materials concerning their executive summary for the first quarter and gave the Board and in-depth report on the Fund's performance for the period ending March 31, 2007. Mr. Weaver said that, as is always the case, the goal of the Fund's investment strategy is to meet the 8% actuarial assumption rate of return.

The Executive Summary shows that the fiscal year to date return was 13.3% and for the trailing twelve months, an 11.0% return. The report indicated for the one-year period ending December 31, 2006, the total market value of the Fund was \$8.93 billion and the 2007 year-to-date total market value is \$9.17 billion, with 53.0% in domestic equity; 17.1% in international equity; 28.4% in fixed income, and 1.5% in cash.

Mr. Weaver stated that g.w.g would perform a new Asset Allocation Study this summer, stating the last time the asset allocation was fully reviewed was 2002. He said the challenge this summer is to factor in how the world markets have changed, and to consider investing in non-traditional assets, i.e. real estate, private equity, etc.

Mr. Weaver stated that concluded their report.

A break was taken from 2:30 until 2:38

The Chairman asked Mr. Beavers for his reports.

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

**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. Roper with a second being made by Mr. Neptune. The motion carried by a unanimous voice vote. Trustees responding were: Ms. Garrett; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; M. Gorman; Ms. Minton; 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 \$2,046,388.52 and may include payments for: Board expenses, TRS staff

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travel, communications, contingency, maintenance, insurance, rent, etc.; investment expenditures, Social Security, and retirement payments.

Claims

Claims submitted for approval totaled \$5,840.26.

Recommendations for Retirement

There were eight (8) disability and 68 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.

Out-of-State Travel

This report is to request travel to the National Council on Teacher Retirement Directors' meeting by Mr. Beavers and a request by members of the Board to travel to the National Council on Teacher Retirement Trustee Workshop.

Tax-Sheltered Annuity Hardship Requests

There was one (1) request to withdraw funds.

Termination of Retirement Benefits

Monthly benefits were terminated for 114 members due to their deaths, and twenty-nine (29) who returned to teaching.

New Members

There were 261 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 \$186,150.73. (Can include longevity and supplemental payroll.)

Financial Statements

These reports cover the month of April 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 also stated there will be an administrative hearing at the June meeting. Mr. Kinney said he would be glad to answer any questions the Board might have.

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. He referred the Board to page 6-5, stating

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HR1026 was passed by the Legislature asking administrators of the state's various pension funds to consider divesting any holdings of companies that are doing business with Sudan, Syria, Iraq and North Korea.

**RENEWAL OF EXTERNAL AUDITOR CONTRACT
COLE & REED**

Mr. Beavers referred the Board to section 7 in their binders and stated there are no changes to this contract and that he would recommend renewal.

The Chairman asked for a motion from the Board.

Motion Carried to Renew External Auditor Contract

A motion was made by Ms. Garrett with a second being made by Dr. Kirkpatrick for renewal. The motion carried by Ms. Minton; Mr. Gorman; Mr. Simpson; Mr. Smith; Mr. Neptune; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Ms. Garrett; and Chairman Palluconi 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.

NEW BUSINESS

The Chairman referred the Board to the flyer before them about the Public Fund Trustee Education Conference that will be held in September. She 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, a motion to adjourn was made by Mr. Neptune and seconded by Ms. Conway. Chairman Matti Palluconi declared the meeting adjourned at 2:58 p.m. Trustees present at adjournment were as follows: Ms. Garrett; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Mr. Neptune; Mr. Smith; Mr. Simpson; Mr. Gorman; Ms. Minton; 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 - JUNE 27, 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 it's next regularly scheduled meeting on June 27, 2007.

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