

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

AUGUST 24, 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 1:30 P.M., Wednesday, August 24, 2005, 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 at 8:15 a.m., Tuesday, August 23, 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
Denise Rhodes, <i>Secretary</i>	Galeard Roper
Sherrie Barnes	Michael Simpson
Bruce DeMuth	James Smith
Sandy Garrett*	

TRUSTEES NOT PRESENT:

Claudia San Pedro
Vacant Position

TRS STAFF PRESENT:

Tommy C. Beavers, *Executive Secretary*
Sue Callahan, *Assistant Executive Secretary*
Bill Puckett, *Chief Investment Officer*
Kim Bold, *Director, Human Resources*
Jennelle Enevoldsen, *Director, Internal Auditing*
Edward Romero, *Comptroller*
Kara Johnson, *Senior Internal Auditor*
Becky Yearout, *Cash Management Officer*
Karen Yost, *Assistant to Executive Secretary and Board of Trustees*
Stefan Von Dollen, *Auditor Intern*

ACTUARY PRESENT:

Chris Conradi, *Gabriel, Roeder, Smith & Company*
Flick Forna, *Gabriel, Roeder, Smith & Company*

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, *gregory.w.group*

OTHERS PRESENT:

Charles Barnes, *Sand Springs Public Schools*
Dwight Bruss, *State Department of Education*
Norman Cooper, *Oklahoma Education Association*
Tommy Fulton, *TRS Retired Member*
Charles Hopkins, *Oklahoma Retired Educators Association*
Tony Hutchison, *Office of State Finance*
Harold Sare, *Oklahoma Retired Educators Association*

*Denotes 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 Simpson; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Ms. Rhodes; Mr. Neptune; Mr. Smith; Mr. DeMuth; and Chairman Palluconi. (Ms. Garrett arrived after the poll of the Board.)

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**SWEARING IN NEW TRUSTEES
Sherrie Barnes and Michael Simpson**

Chairman Palluconi stated the Board would like to welcome Sherrie Barnes and Michael Simpson as new members of the TRS Board of Trustees and asked them to recite the Oath of Office. The Oath reads as follows:

"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 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."

Ms. Barnes and Mr. Simpson were welcomed to the Board of Trustees by members of the Board, and TRS staff.

MINUTES of July 27, 2005, BOARD MEETING APPROVED as CORRECTED

The Chairman asked for corrections, additions or a motion to approve the minutes of the July 27, 2005, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. Mr. Roper pointed out that he had not attended the June Board meeting and asked this be reflected accordingly in the July minutes.

A motion was made by Mr. DeMuth with a second being made by Ms. Rhodes for approval of the minutes, as corrected. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. DeMuth; Mr. Smith; Mr. Neptune; Ms. Rhodes; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. Simpson; Ms. Garrett; and Chairman Palluconi.

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

The Investment Committee meeting convened at 10:04 a.m. Wednesday, August 24, 2005, and adjourned at 12:52 p.m. Committee members present were as follows: Chairman Matti Palluconi; Cathy Conway; Dick Neptune; and James Smith. Other Trustees present were as follows: Sherrie Barnes; Denise Rhodes; Michael Simpson; John Kirkpatrick*; and Galeard Roper*.

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

**PRESENTATION BY gregory.w.group
Market Performance, Asset Allocation Review, July 310 Performance Summary**

Greg Weaver and Doug Anderson of gregory.w.group, investment consultant to the Board, were present to make their monthly report to the Board.

Mr. Weaver stated that Ted Giuliano with Neuberger Berman, and Nancy Baker and Nancy Rogers with Standish Mellon, made their reports to the Investment Committee earlier today. Mr. Weaver stated that both managers were very thorough in their presentations, giving in-depth reports about their portfolio structure and strategy, and their outlook on the economy.

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Net of Fee and Market Performance Summary

This report indicates performance of the Fund, for periods ending July 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, 7.18% vs. 7.17%; H&W Large-Cap, 10.88% vs. 6.52%; Goldman Sachs, 9.18% vs. 9.56%; AJO, 13.43% vs. 13.28%; Wellington, 15.41% vs. 13.28%; Frontier, 13.33% vs. 13.28%; H&W Mid-Cap, 14.21% vs. 13.28%; Shapiro, 11.24% vs. 17.67%; Tocqueville, 19.85% vs. 17.67%; Smith, 16.76% vs. 17.67%; Capital Guardian, 5.57% vs. 4.64%; Causeway, 4.63% vs. 4.64%; Brandes, 5.05% vs. 4.64%; Hoisington, 3.09% vs. 0.71%; Loomis Sayles, 1.26% vs. 0.71%; Lord, Abbett, 1.01% vs. 0.71%; MacKay Shields, 1.03% vs. 0.71%; Neuberger Berman, 0.83% vs. 0.71%; PIMCO, 1.06% vs. 0.71%; Standish Mellon, 0.69% vs. 0.71%; Stephens, 0.07% vs. 0.71%; and OTRS Cash, 0.79% vs. 0.77%.

Total Fund performance is as follows: Month of JULY 2005, 2.82% vs. 2.71%; last quarter, 7.43% vs. 6.82%; 1-year, 16.32% vs. 15.34%; 3-years, 14.88% vs. 13.54%; 5-years, 5.83% vs. 5.19%; and since inception, 10.54% vs. 11.08%. *(Returns over one year are annualized.)*

**gregory.w.group SECOND QUARTER, 2005
EXECUTIVE SUMMARY**

Greg Weaver and Doug Anderson of gregory.w.group, made their second quarter Executive Summary to the Board. This summary is on the Fund's investment performance for the second quarter period ending June 30, 2005. The report showed the Fund ended the second quarter with a total market value of \$7.547 billion. For the year ended June 30, the Fund earned a total return of 10.42%, compared to 9.43% for the benchmark index. Out-performance for the most recent quarter resulted from the Fund's asset allocation and the domestic and fixed income portfolios.

The Chairman stated that rather than being made during the Investment Committee meeting, g.w.g.'s future quarterly reports would be made during the full Board meeting, beginning with the November report for the third quarter.

TRS INVESTMENT REPORTS AS OF July 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 \$7,748,383,488.28 invested approximately 27% in fixed income, 71% 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 0.26% basis points, the three-month return was 0.79%, and the trailing twelve-month return was 2.43%.

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 JUNE 2005

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Total recaptured commissions for the month was \$40,255 total commissions paid was \$311,089, with a net cost per share of \$0.028 and year-to-date net cost per share of \$0.030. Fiscal year-to-date, recaptured commissions total \$754,176 on \$4,817,557 in paid commissions.

Renewal of Investment Manager Contracts

The Chairman stated the Investment Committee is recommending renewal of the contract with Bloomberg. Also, the Investment Committee is recommending renewal of manager contracts with Hoisington, Lord, Abnett & Company, MacKay Shields, Stephens Capital, and Tocqueville Asset Management. Chairman Palluconi asked for a poll of the Board. There are no changes to these contracts.

Approval of Bloomberg Carried

The Investment Committee Recommendation was approved. The Recommendation carried by Ms. Garrett; Mr. Simpson; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Ms. Rhodes Mr. Neptune; Mr. Smith; Mr. DeMuth; and Chairman Palluconi responding Yes.

**Renewal of Contracts Approved
for Hoisington, Lord Abnett, MacKay Shields, Stephens and Tocqueville**

The Investment Committee Recommendation was approved. The Recommendation carried by Mr. DeMuth; Mr. Smith; Mr. Neptune; Ms. Rhodes; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. Simpson; Ms. Garrett; and Chairman Palluconi responding Yes.

Report on Custodial and Securities Lending Services

Mr. Beavers reported that Chairman Matti Palluconi, Bill Puckett, Jennelle Enevoldsen and himself would be making on-site visits to two of the firms that submitted RFPs, State Street in Boston and JP Morgan/Chase in New York City, on August 30 and 31. He stated that Northern Trust in Chicago would be visited in September.

International Equity Investment Manager Update

Mr. Beavers informed the Board that contract negotiations had been completed with Thornburg and that the on-site visit would be conducted sometime during the month of September. He reminded the Board that Thornburg would be funded with \$150 million and that funding would be coming from Brandes and Causeway, at \$75 million each.

**REPORT on EXPERIENCE STUDY by
GABRIEL, ROEDER, SMITH and COMPANY, ACTUARY**

Christian Conradi and Flick Fornia of Gabriel, Roeder, Smith and Company (GRS) gave the Board an detailed report on the experience study they performed for the Retirement System. The experience study is performed every five years as a checkup on the material and data used to perform the annual actuarial valuation. They stated there were no negative surprises arising from the study and are recommending only a few minor changes to the assumptions used in performing the annual valuation report.

After considerable discussion between the Board and GRS, the Chairman asked for a motion from the Board.

Motion to Adopt Actuary Recommendations Carried

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A motion was made by Mr. Roper with a second being made by Ms. Rhodes to adopt the recommendations made by Gabriel, Roeder, Smith & Company. The motion carried by Mr. Simpson; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Ms. Rhodes; Mr. Neptune; Mr. Smith; Mr. DeMuth; and Chairman Palluconi responding ye s. (*Ms. Garrett left prior to the end of the actuary report.*)

Mr. Beavers informed the Board that GRS would be at the October meeting to make their June 30, 2005 valuation report to the Board.

A break was taken from 3:04 to 3:15.

The Chairman reminded the Board of the Public Education Trustee Conference to be held in Stillwater on September 21, 22, and 23, stating it was a very informative conference and recommended the members attend.

**REPORT BY DIRECTOR OF INTERNAL AUDITING
Summary Schedule of Prior Findings
as of July 31, 2005**

Ms. Enevoldsen referred the Board to section 4 in the packet and gave the Board a report on the audits performed and the findings and recommendations resulting from those audits. She said the date should reflect as of July 31 instead of June 30. Ms. Enevoldsen stated page 4-3 is the Executive Summary, which notes that many of the findings were corrected during this last quarter, with only two pending, the IT audit and the meeting of the IT Steering Committee

After discussion, The Chairman asked for a motion from the Board.

Motion to Approve Internal Auditing Report Carried

A motion was made by Mr. Neptune with a second being made by Mr. Smith to accept the audit report. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. DeMuth; Mr. Smith; Mr. Neptune; Ms. Rhodes; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. Simpson and Chairman Palluconi.

**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. Rhodes with a second being made by Mr. Neptune. The motion carried by a unanimous voice vote. Trustees responding were as follows: Mr. Simpson; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Ms. Rhodes; Mr. Neptune; Mr. Smith; 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

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Receipts and Claims totaled \$581,637.71 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 \$11,714.08.

Recommendations for Retirement

There were 177 regular and fifteen (15) 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 two (2) disability applicants granted 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 two (2) disability retirement accounts recommended for continuation of benefits.

Out-of-State Travel

Requests by TRS staff and Board members to attend various meetings and conferences.

Retirement Payroll Termination Report

Monthly benefits were terminated for 91 members due to death, one (1) retirement that was cancelled, and 23 members who returned to active employment with an Oklahoma education entity.

New Members

There were 379 new member applications in June, and the list of new enrollments may be reviewed in the Executive Secretary's office.

Personnel Change Report

The TRS Retirement Benefit Manager, James A. Jones, passed away on July 28, 2005.

Employees' Salaries

This report indicates employee's salaries and their positions within the Retirement System. Employee salaries totaled \$178,360.84. (Can include longevity and supplemental payroll.)

Financial Statements

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

Summary of Investment Activity

This report indicates Short-Term and Long-Term investments at market value on a full accrual basis, as of July 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.

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

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Mr. McCormick informed the Board there are no changes in his legal report.

The Chairman asked Mr. Neptune and Ms. Conway to report on the recent trip to San Diego.

Mr. Neptune stated he and several members of the Board had attended the workshop. He gave the Board a report on the NCTR 5th Annual Trustee Workshop held in San Diego this year, that it was a very informative event and recommended that any members of the Board who could attend the next workshop should try do so.

Ms. Conway reported on the visit made to Brandes while in San Diego. She stated they had received an overview of their firm from Charles Brandes, chairman of Brandes, a portfolio overview from Ian Sunder and Patrick Feller, portfolio managers, and a research overview by Kenneth Little, their senior research analyst. She said there was a really good discussion concerning their corporate governance and how Brandes determines whether to vote with or against management. Ms. Conway said it was a very good meeting.

Ms. Conway also informed the Board that the president of NCTR, Karen Kilberg, had made available a website concerning defined benefits retention at www.definedbenefits.org and had invited pension plans to share information.

**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

The Chairman asked if there was any new business and there was none.

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Chairman Palluconi determined all business before the Board had concluded and declared the meeting adjourned.

ADJOURNMENT

The meeting adjourned at 4:02 p.m. Trustees present at adjournment were as follows: Mr. DeMuth; Mr. Smith; Mr. Neptune; Ms. Rhodes; Ms. Conway; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. Simpson; 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 - September 28, 2005

Investment Committee Meeting at **10:00 A.M.**
Board Meeting begins at **1:30 P.M.**

Oliver Hodge Education Building
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: _____
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 September 28, 2005.

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