

MINUTES
SEVEN HUNDRED AND NINETY-SECOND MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
AUGUST 22, 2007

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 12:30 P.M., Wednesday, August 22, 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:

Cathy Conway, <i>Chairman</i>	Richard Goman
James Smith, <i>Vice-Chairman</i>	John Kirkpatrick
Dick Neptune, <i>Secretary</i>	Matti Palluconi
Sherrie Barnes	Galeard Roper
Bruce DeMuth	Michael Simpson

TRUSTEES NOT PRESENT:

Sandy Garrett
Betty Minton
Tony Hutchison

TRS STAFF PRESENT:

Tommy C. Beavers, *Executive Secretary*
Sue Callahan, *Assistant Executive Secretary*
Bill Puckett, *Chief Investment Officer*
Kim Bold, *Human Resources Director*
Joe Ezzell, *Secretary-Treasurer*
Edward Romero, *Comptroller*
Adam Attaoui, *Information Security Administrator*
Becky Yearout, *Cash Management Officer*
Jacqueline Shannon, *Public Information 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*

OTHERS PRESENT:

Larry Asberry, Jr., *Office of State Finance**
Brad Beckworth, *Nix-Patterson & Roach**
Dwight Bruss, *State Department of Education*
Norman Cooper, *Oklahoma Retired Educators Association*
Erin Boeckman, *Capitol Network News*

*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; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway.

MINUTES of JULY 25, 2007, BOARD MEETING APPROVED

The Chairman asked for corrections, additions or a motion to approve the minutes of the July 25, 2007, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. A motion was

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

**PENDING CLAIMS RE:
DELPHI SECURITIES - DERIVATIVE AND ERISA LITIGATION
AND DELPHI CORPORATION, *ET.AL.*, DEBTORS**

The Chairman stated the Board would hear agenda item 9 for discussion and possible action. She said the Board could resolve into executive session for the purpose of confidential communications with outside counsel concerning the Delphi cases in which the Retirement System is co-lead plaintiff.

The Chairman asked Mr. Kinney for his comments.

Mr. Kinney stated he is recommending the Board, under the Open Meeting Act, enter into an executive session, as open discussion would impair the Board's ability to resolve these matters in the public interest. He said the matters in question would be the two securities cases, Delphi securities and Delphi Corporation. Mr. Kinney indicated that Brad Beckworth, attorney with Nix-Patterson & Roach, the Board's outside counsel, is present to make a confidential report on the settlement sessions he has attended, and a recommendation for the Board's consideration.

Chairman Conway said as the Board has heard the explanation and recommendation of the System's legal counsel to resolve into executive session for the purposes of discussion of confidential communications with the Board's outside counsel in the matter of the Delphi cases. She asked for questions or a motion.

Motion to Enter into Executive Session Carried

A motion was made and seconded that the Board enter into Executive Session for the purpose of discussing agenda item 9. The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes.

Chairman Conway stated the motion carried and the meeting would now resolve into Executive Session, asking Tommy Beavers, David Kinney, Bill Puckett and Brad Beckworth to remain with the Board for this session.

Motion to Return to Open Session Carried

A motion was made by Dr. Kirkpatrick with a second made by Mr. Simpson for the Board to return to Open Session. The motion carried by Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway responding yes.

Chairman Conway stated by 10 in favor and zero opposed, I declare the motion to have prevailed, the Board is now back in regular session.

The Chairman asked Mr. Kinney for any comments.

Mr. Kinney stated for purposes of the record, the trustees considered agenda item 9 during the executive session, no votes or official actions were taken while the trustees were in executive session.

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

Motion to Settle Carried

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A motion was made by Mr. Roper with a second by Mr. DeMuth to settle the cases as described in agenda item 9 in accordance with the recommendation of counsel and the discussions held in executive session, and the Executive Secretary be authorized to execute and deliver the agreement and do such further acts as are necessary to effectuate and implement the settlement. The Chairman asked if there was a second. A second was made by Mr. DeMuth

The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes. (*Mr. Beckworth left after the vote.*)

A break was taken from 11:29 to 11:34

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

The Investment Committee meeting convened at 9:00 a.m. Wednesday, August 22, 2007, and adjourned at 12:40 p.m. Committee members present were as follows: Chairman Cathy Conway; Matti Palluconi; Michael Simpson; James Smith*; and Dick Neptune. Other trustees present were Ms. Barnes*; Mr. Gorman*; and Dr. Kirkpatrick*.

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

**PRESENTATION BY gregory.w.group
Market Performance, Manager Review, Asset Allocation Review,
July 31st 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 David Hoisington and Jan Bright with Hoisington Investment Management Company, and William Tedford and Alan Tedford with Stephens Capital Management, were present at the Investment Committee meeting, with both managers giving detailed presentations. Mr. Weaver said these two managers are the only interest-rate sensitive managers for the Fund for the Fixed Income portfolio. He commented that each manager has performed well since their inception and that both managers are in compliance with the System's investment guidelines.

Net of Fee and Market Performance Summary

This report indicates performance of the Fund, for periods ending July 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, -6.56% vs. -3.49%; Goldman Sachs, 0.20% vs. 0.47%; Aletheia, 1.50% vs. 0.47%; Chase, 2.45% vs. 0.47%; Sawgrass, 0.27% vs. 0.47%; Advisory Research, -2.94% vs. -1.77%; EPOCH, -0.01% vs. -1.77%; AJO, -2.64% vs. -2.34%; Wellington, 1.03% vs. -2.34%; Frontier, 4.59% vs. -2.34%; H&W Mid-Cap, -9.17% vs. -2.34%; Shapiro, -2.92% vs. -4.44%; Tocqueville, -1.83% vs. -4.44%; Smith, -0.38% vs. -4.44%; Capital Guardian, 2.34% vs. 0.55%; Causeway, -0.26% vs. 0.55%; Brandes, -0.21% vs. 0.55%; Thomburg, 8.60% vs. 0.55%; Hoisington, -0.50% vs. -0.23%; Loomis Sayles, -0.67% vs. -0.23%; Lord Abbett, -0.52% vs. -0.23%; MacKay Shields, -0.66% vs. -0.23%; PIMCO, -0.32% vs. -0.23%; Standish, -0.18% vs. -0.23%; Stephens, 0.04% vs. -0.23%; and OTRS Cash, 1.37% vs. 1.23%.

Total Fund performance is as follows: Month of July 2007, -1.00% vs. -1.01%; last quarter, 4.49% vs. 3.98%; 1-year, 18.19% vs. 15.55%; 3-years, 12.50% vs. 11.62%; 5-years, 12.43% vs. 11.27%; and since inception, 10.84% vs. 11.16%. (*Returns over one year are annualized.*)

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Manager Status Summary - Update/Change

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 six managers on "Alert", one manager on "Notice", with all other managers in "Compliance".

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 \$9,431,675,002.81 invested approximately 29% 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 1.37%, and the trailing twelve-month return was 5.50%.

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, Period Ending JULY 2007

Total recaptured commissions for the month was \$88,744, total commissions paid was \$610,849, 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 \$595,281 on \$5,737,407 in paid commissions.

Commissions Paid, Period Ending June 30, 2007

This report indicates the total of all commissions paid for the period April 1, 2007 through June 30, 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 the previous and current year's earnings on securities lent and the lendable balance, including the market value and gross returns.

Request by Loomis Sayles and PIMCO the Use of Sector Funds

Mr. Beavers stated this was discussed in detail during the Investment Committee meeting and the Committee is recommending that the System allow PIMCO and Loomis Sayles to utilize these sector funds as part of their overall investment strategy used within the System's portfolio. A telephone conference was held with Retirement System staff, PIMCO, and the System's tax attorney Ice-Miller, concerning this matter and it was determined there would not be any problem with the IRS concerning possible co-mingling of the System's larger investment Fund and the smaller 403B Fund.

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Investment Committee Recommendation Approved

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

**Renewal of Manager Contracts
Tocqueville Asset Management LP**

The Chairman stated the Investment Committee is recommending renewal of Tocqueville's contract. The Chairman asked if there were any questions and there being none asked for a poll of the Board.

Investment Committee Recommendation to Renew Approved

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

**2ND QUARTER EXECUTIVE SUMMARY
gregory.w.group**

Greg Weaver and Doug Anderson of gregory.w.group, investment consultant to the Board, made an in-depth presentation to the Board concerning investment performance for the second quarter of 2007, period ending June 30, 2007.

This Summary indicates the Fund's total market value for that period was \$9.6 billion. Mr. Weaver stated, as always, the goal of the Fund's investment strategy is to meet the actuarial assumption of 8%, and the Fund has exceeded its actuarial assumption over the last one, three, and five year periods, and for the year just ended, exceeded the assumption by 10.51%. The Fund was invested with 53% in domestic equity; 18% in international equity; 27% in fixed income, and 2% in cash.

Motion Carried to Accept the 2nd Quarter Executive Summary

A motion was made by Mr. Roper with a second made by Mr. Simpson to accept gregory.w.group's report. The motion carried by a unanimous voice vote. Trustees responding were: Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

The Chairman asked Mr. Beavers for his reports.

**REPORT OF THE EXECUTIVE SECRETARY
Report of Routine Items and Executive Secretary Report for July 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. Neptune with a second being made by Dr. Kirkpatrick. The motion carried by a unanimous voice vote. Trustees

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responding were: Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; 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 \$2,117,100.23 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 \$7,730.58.

Recommendations for Retirement

There were six (6) disability and 172 regular contracts filed for retirement.

Disability Retirement as 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.

Out of State Travel

Request by staff to attend various conferences and seminars

Tax-Sheltered Annuity Hardship Requests

There were two (2) hardship requests made in July 2007.

Termination of Retirement Benefits

Monthly benefits were terminated for 106 members due to their deaths, two (2) who cancelled their retirement, and thirty-three who returned to teaching.

New Members

There were 469 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 \$189,396.95. (Can include longevity and supplemental payroll.)

Financial Statements

These reports cover the month of July 2007.

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

Mr. Kinney gave the Board an update on current and future legal issues facing the Retirement System. Mr. Kinney said he would be glad to answer any questions the Board might have.

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Motion to Approve the Legal Report Carried

A motion was made by Mr. Simpson with a second made by Mr. Gorman for approval of the Legal Report. The motion carried by a unanimous voice vote. Trustees responding were: Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

PROMULGATION OF EMERGENCY RULES

Mr. Beavers stated this is in response to legislation passed in May of this year to ensure the System's published administrative rules are in sync with statutes. Mr. Beavers said this is due to the difference in contributions made by the K-12 and career and technology centers, and the comprehensive and 4 year universities and that he is recommending approval.

Motion to Approve Promulgation Carried

After discussion, a motion was made by Mr. DeMuth with a second made by Mr. Simpson for approval of Promulgation of the Emergency Rules. The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes.

STUDY IN CONJUNCTION WITH OPERS

Mr. Beavers said this is a request from the Oklahoma Public Employees Retirement System (OPERS) that the Teachers' Retirement System conduct a comprehensive salary study in conjunction with OPERS. The material in agenda item 7 is a copy of an RFP previously issued by OPERS for this same purpose. He stated OPERS would like for the Retirement System to conduct this survey together and share the cost. Mr. Beavers recommended the Board approve this action and allow the Retirement System to begin the process by issuing an RFP.

Motion to Approve Study with OPERS Carried

A motion was made by Mr. Neptune with a second made by Mr. Smith for approval. The motion carried by a unanimous voice vote. Trustees responding were: Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

OREA MAILING

Mr. Beavers stated there is a provision in the Retirement System's statutes providing that TRS can assist an eligible association of retired educators with a general mailing, the purpose to enroll retired members into an education association. To be eligible, the association must have a minimum of 1,000 dues paying members. The Oklahoma Retired Educators Association (ORES) is requesting this be done. The only involvement the Retirement System will have is providing a mailing list to a commercial mailing firm, OREA will bear the expense of this mailing. Mr. Beavers said he is recommending approval of this request.

Motion to Approve OREA Mailing Carried

A motion was made by Mr. Neptune with a second made by Ms. Palluconi for approval. The motion carried by a unanimous voice vote. Trustees responding were: Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway.

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**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

Chairman Conway stated she wants to set a meeting date for the Board's Audit and Personnel Committee's for the purpose of discussing the vacant Director of Internal Audit position. Mr. Beavers said if the committee members would give him dates and times, he would schedule the meeting.

Chairman Conway and several trustees spoke to the Board about the NCTR Trustee Workshop they had just attended in Boston. Each said it was a very informative and educational workshop, especially the presentation on the education of a System's board members.

The Chairman asked if there was other new business before the Board and there being none asked for a motion to adjourn.

ADJOURNMENT

There being no further business before the Board, a motion to adjourn was made by Mr. DeMuth and

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seconded by Ms. Barnes. Chairman Cathy Conway declared the meeting adjourned at 2:53 p.m. Trustees present at adjournment were as follows: Mr. Gorman; Mr. Simpson; Ms. Paluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

(NO TE: 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 26, 2007

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

Board Meeting begins at **11:30 A.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 its next regularly scheduled meeting on September 26, 2007.

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