

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

**SEPTEMBER 28, 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 1:32 P.M., Wednesday, September 28, 2005, 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 at 8:15 a.m., Tuesday, September 27, 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

**TRUSTEES NOT PRESENT:**

Sandy Garrett  
Claudia San Pedro  
Vacant Position

**TRS STAFF PRESENT:**

Tommy C. Beavers, *Executive Secretary*  
Sue Callahan, *Assistant Executive Secretary*  
Bill Puckett, *Chief Investment Officer*  
Joe Ezzell, *Chief Financial Officer*  
Kim Bold, *Director, Human Resources*  
Jennelle Enevoldsen, *Director, Internal Auditing*  
Edward Romero, *Comptroller*  
Adam Attaoui, *Security Officer*  
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*

**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:**

Vivian Baber, *State Department of Education*  
Norman Cooper, *Oklahoma Education Association*  
Tommy Fulton, *TRS Retired Member*  
Caleb Soptelean, *CNN - Oklahoma City*

**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.

**MINUTES of August 24, 2005, BOARD MEETING APPROVED**

The Chairman asked for corrections, additions or a motion to approve the minutes of the August 24, 2005, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma.

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A motion was made by Mr. Simpson with a second being made by Ms. Rhodes for approval of the minutes. 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 FROM THE TWO HUNDRED AND FOURTH  
INVESTMENT COMMITTEE MEETING**

The Investment Committee meeting convened at 10:02 a.m. Wednesday, September 28, 2005, and adjourned at 1:02 p.m. Committee members present were as follows: Chairman Matti Palluconi; Cathy Conway; Dick Neptune; and James Smith. Other Trustees present were as follows: Michael Simpson; Sherrie Barnes; Denise Rhodes; John Kirkpatrick; and Galeard Roper.

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

**PRESENTATION BY gregory.w.group  
Market Performance, Asset Allocation Review, August 31, Performance Summary**

Greg Weaver and Doug Anderson of gregory.w.group, investment consultant to the Board, were present to give the Board a brief synopsis of their monthly report, given in-depth to the Investment Committee earlier that morning.

Mr. Weaver reported that Ken Johnson and Peter Palfry with Loomis, Sayles and Company, and Marcia Clark and Kristen Monson with PIMCO, had been present at the Investment Committee meeting earlier in the day and that both managers had given very productive, complete reports on their respective strategy for the Fund's portfolio and then an overview of their individual organizations.

**Net of Fee and Market Performance Summary**

This report indicates performance of the Fund, for periods ending August 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, 2.93% vs. 2.92%; H&W Large-Cap, 4.23% vs. 3.57%; Goldman Sachs, 3.24% vs. 3.15%; AJO, 7.68% vs. 7.35%; Wellington, 7.74% vs. 7.35%; Frontier, 7.07% vs. 7.35%; H&W Mid-Cap, 7.19% vs. 7.35%; Shapiro, 8.51% vs. 8.39%; Tocqueville, 15.59% vs. 8.39%; Smith Capital, 5.18% vs. 8.39%; Capital Guardian, 8.10% vs. 7.15%; Causeway, 5.02% vs. 7.15%; Brandes, 6.13% vs. 7.15%; Hoisington, 3.44% vs. 0.91%; Loomis Sayles, 1.42% vs. 0.91%; Lord Abbett, 1.07% vs. 0.91%; MacKay Shields, 1.14% vs. 0.91%; Neuberger Berman, 1.36% vs. 0.91%; PIMCO, 1.24% vs. 0.91%; Standish Mellon, 0.96% vs. 0.91%; Stephens, 0.59% vs. 0.91%; and OTRS Cash, 0.84% vs. 0.82%.

Total Fund performance is as follows: Month of AUGUST 2005, 0.28% vs. 0.21%; last quarter, 4.60% vs. 4.13%; 1-year, 15.82% vs. 14.81%; 3-years, 14.58% vs. 13.32%; 5-years, 4.98% vs. 4.32%; and since inception, 10.50% vs. 11.02%. *(Returns over one year are annualized.)*

**TRS INVESTMENT REPORTS AS OF AUGUST 31, 2005**

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**

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The total market value of the portfolio was \$7,751,764,831.75 invested approximately 27% in fixed income, 70% 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 0.31 basis points, the three-month return was 0.84%, and the trailing twelve-month return was 2.61%.

**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 JULY 2005**

Total recaptured commissions for the month was \$52,298 total commissions paid was \$385,029, with a net cost per share of \$0.030 and year-to-date net cost per share of \$0.030. Fiscal year-to-date, recaptured commissions total \$52,298 on \$385,029 in paid commissions.

**Causeway Account Reimbursement**

Mr. Puckett stated that Causeway had understood they were supposed to reduce our portfolio by a certain sum in order to help fund the System's newest international equity manager and did so before receiving authorization to do so, causing a loss of a little more than \$1.6 million. He stated Causeway's letter on page 2-19 explains this error and that Causeway has reimbursed the Fund by the amount of loss.

The Chairman stated a lengthy discussion was held on this matter during the Investment Committee meeting earlier in the morning. Based on the seriousness of this action, a motion is brought before the Board from the Investment Committee to place Causeway on "Alert" status. She asked for discussion and there being none, asked for a poll of the Board.

**Investment Committee Recommendation Carried  
Place Causeway "On Alert"**

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

**Exception Request by Lord, Abbett**

Mr. Puckett stated the letter from Lord, Abbett on page 2-21, is a request for some exceptions to the policies and procedures for short-term investments and stated he recommended approval.

Chairman Palluconi stated that based on the opinions of Mr. Puckett and Gregory W. Group, the Investment Committee brings to the Board a motion to grant the exception request made by Lord, Abbett. There was no further discussion and the Chairman asked for a poll of the Board.

**Investment Committee Recommendation Carried  
Approve Exception Request by Lord, Abbett**

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

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**Remove Loomis Sayles from "Alert" Status**

The Chairman stated that after discussion during the Investment Committee meeting, the Investment Committee is recommending that Loomis Sayles be removed from "Alert" status.

**Investment Committee Recommendation Carried**

The Investment Committee Recommendation carried by Mr. Simpson; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Ms. Rhodes; Mr. Neptune; Mr. Smith; Mr. DeMuth; 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**

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 Dr. Kirkpatrick with a second being made by Ms. Rhodes. 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. 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 \$\$2,973, 079.12 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 \$12,030.06.

**Recommendations for Retirement**

There were 135 regular and ten (10) 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.

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**Disability Retirement Re-Evaluated**

There was only one (1) disability retirement account recommended for continuation of benefits.

**Out-of-State Travel**

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

**Tax-Sheltered Annuity Hardship Requests**

There was one hardship request granted for the month of August 2005.

**Termination of Retirement Benefits**

Monthly benefits were terminated for 109 members due to death, and twenty-seven members who returned to active employment with an Oklahoma education entity.

**New Members**

There were 1,071 new member applications in August, and 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 \$178,360.84. (Can include longevity and supplemental payroll.)

**Personnel Change Report**

There was one resignation in August and one promotion that will become effective October 1, 2005.

**Financial Statements**

The financial statements are for the period ending August 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 August 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.

Mr. Beavers informed the Board that, due to the devastation of Hurricanes Katrina and Rita, many of the TRS staff, mainly the phone center, decided to contact 81 TRS members who lived in the Louisiana and Mississippi area to see if they were okay and if there was anything the Retirement System could do to help them. Initially, we were unable to reach seven members due to phone service being out. One member did call back stating that she was going to stay with a sister and wanted to change where her benefit check was being sent. Mr. Beavers stated he wanted to compliment staff for their efforts.

**PRELIMINARY FISCAL YEAR 2007 OPERATING BUDGET**

Mr. Beavers stated this is the preliminary budget for Fiscal Year 2007 and is provided to the Office of State Finance and will eventually be incorporated into the Governor's budget presented to the Legislature in February. He gave an in-depth report to the Board on the items and figures in the

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budget and stated he would answer any questions the Board might have.

**ADOPT the OPERATING BUDGET for FY2007**

After discussion, the Chairman asked for a motion from the Board to adopt. A motion was made by Ms. Rhodes with a second being made by Ms. Conway for adoption. The motion carried by the following trustees responding yes: Mr. Simpson; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Ms. Conway; Ms. Rhodes; Mr. Neptune; Mr. Smith; Mr. DeMuth; and Chairman Palluconi.

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

Mr. McCormick informed the Board there are no hearings coming to the Board and no new litigation.

**RESOLUTIONS HONORING FORMER  
BOARD MEMBERS - SUSAN L. RAASCH and KENNETH E. ANDERSON**

Chairman Palluconi stated that these resolutions are honoring Ms. Raasch and Mr. Anderson for their service to the Board and the Retirement System.

Chairman Palluconi commented that the Board has a Rules Committee and that Denise Rhodes is its chairman. The Chairman then asked Sherrie Barnes and Bruce DeMuth to serve as the other members of this committee and asked the committee to meet on the morning prior to October Board meeting. There was general discussion about items that could be discussed by the Rules Committee.

The Chairman also stated the Board's Personnel Committee has been asked to develop an evaluation instrument for the Fund's investment consultant and when created, to bring it before the Board for approval.

The Chairman asked Ms. Conway for her comments on the Public Fund Trustee Education Conference held in Stillwater during the previous week.

Ms. Conway gave the Board a brief report about the conference, stating she and several other trustees had attended this conference and that she had found it extremely informative. Ms. Conway and Chairman Palluconi encouraged all trustees to try and attend next year's conference, usually held in September.

The Chairman asked if there was other business before the Board.

Mr. Beavers reminded the Board that the actuary, Gabriel, Roeder, Smith and Company, would make their actuarial report at the October meeting.

Dr. Kirkpatrick asked why the Investment Committee reports were presented in brief detail at the Board meeting and not in their entirety.

Mr. Beavers explained that the main purpose of the Investment Committee is to hear, in their entirety, reports by investment managers, the investment consultant, and TRS staff reports, then hopefully to be able to look at any issues that arise, refine them, and bring those items before the Board for action, in the form of an Investment Committee recommendation.

The Chairman and Mr. McCormick stated that a recommendation from the Investment Committee is brought before the Board in the form of a motion, without a second, with time available for

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discussion prior to any action being taken by the Board as a whole. Also, that any Agenda item may be postponed until a later meeting for further discussion.

**FINANCIAL CONDITION & UNFUNDED STATUS OF THE  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

There was no further discussion on this issue.

**NEW BUSINESS**

Again the Chairman asked if there was further 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 2:30 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 - October 26, 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, 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:** \_\_\_\_\_  
**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 October 26, 2005.

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