

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA BOARD OF TRUSTEES MEETING  
DECEMBER 19, 2007**

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**MINUTES  
SEVEN HUNDRED AND NINETY-SIXTH MEETING  
BOARD OF TRUSTEES  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA  
DECEMBER 19, 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 1:35 P.M., Wednesday, December 19, 2007, 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 in accordance with 25 O.S. 2001 Section 311(9).

**TRUSTEES PRESENT:**

Cathy Conway, *Chairman*  
James Smith, *Vice-Chairman*  
Dick Neptune, *Secretary*  
Sherrie Barnes

Bruce DeMuth  
Richard Gorman  
Darryl Hatcher  
John Kirkpatrick

Matti Palluconi  
Galeard Roper  
Michael Simpson

**TRUSTEES NOT PRESENT:**

Sandy Garrett  
Tony Hutchison

**TRS STAFF PRESENT:**

Tommy C. Beavers, *Executive Secretary*  
Bill Puckett, *Chief Investment Officer*  
Kim Bold, *Director of Human Resources*  
Joe Ezzell, *Director of Internal Auditing*  
Edward Romero, *Comptroller*  
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*

**OTHERS PRESENT:**

Norman Cooper, *Oklahoma Retired Educators Association*  
Tommy Fulton

\*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; Mr. Hatcher; and Chairman Conway.

**MINUTES of NOVEMBER 28, 2007, BOARD MEETING APPROVED, AS AMENDED**

The Chairman asked for corrections, additions or a motion to approve the minutes of the November 28, 2007, meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma. It was noted that the meeting date in the first paragraph on page one should read November 28 and not October 24. A motion was made by Mr. Roper with a second made by Mr. Simpson for approval of the minutes as amended. The motion carried by a unanimous voice vote. Trustees responding were as

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follows: Mr. Hatcher; Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

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

The Investment Committee meeting convened at 9:00 a.m. Wednesday, November 28, 2007, and adjourned at 11:08 p.m. Committee members present were as follows: Chairman Cathy Conway; members, Dick Neptune; Matti Palluconi; Michael Simpson; and James Smith. 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,  
November 30<sup>th</sup> 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, given in-depth to the Investment Committee earlier in the day.

Mr. Weaver reported that Bob Betz and John Pietrunti with the Securities Lending division of J.P. Morgan and Alexander Leonard, Mike Gallagher and Marsha Matthews, representing J.P. Morgan, the System's Global Custodian, were present at the Investment Committee meeting. Both groups gave the Investment Committee informative and detailed presentations.

Mr. Puckett stated J.P. Morgan's securities lending performance has been better than expected. He said there are still some accounting problems with the Custody aspect but these would be addressed by the end of this week by their staff and would let TRS know when we can expect final resolution.

**Net of Fee and Market Performance Summary**

This report indicates performance of the Fund, for periods ending November 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, -6.44% vs. -1.61%; Goldman, 3.39% vs. 3.77%; Aletheia, 5.65% vs. 3.77%; Chase, 6.68% vs. 3.77%; Sawgrass, 3.85% vs. 3.77%; Advisory Research, -3.47% vs. 0.80%; EPOCH, 3.56% vs. 0.80%; AJO, 0.32% vs. -0.06%; Wellington, -1.52% vs. -0.06%; Frontier, 4.77% vs. -0.06%; H&W Mid-Cap, -7.99% vs. -0.06%; Shapiro, -4.55% vs. -2.88%; Tocqueville, -8.23% vs. -2.88%; Smith, -5.11% vs. -2.88%; Capital Guardian, 7.66% vs. 5.95%; Causeway, 2.83% vs. 5.95%; Brandes, 3.89% vs. 5.95%; Thornburg, 8.06% vs. 5.95%; Hoisington, 7.44% vs. 3.49%; Loomis, 3.87% vs. 3.49%; Lord Abbett, 3.06% vs. 3.49%; MacKay Shields, 3.20% vs. 3.49%; PIMCO, 4.39% vs. 3.49%; Standish, 3.49% vs. 3.49%; Stephens, 4.18% vs. 3.49%; and OTRS Cash, 1.29% vs. 1.15%.

Total Fund performance is as follows: Month of November 2007, -2.73% vs. -2.62%; last quarter, 1.45% vs. 2.07%; 1-year, 7.99% vs. 7.86%; 3-years, 10.25% vs. 10.38%; 5-years, 13.04% vs. 12.45%; and since inception, 10.50% vs. 10.99% (Returns over one year are annualized.)

**Manager Status Summary**

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 said a possible item for the next agenda will be to remove MacKay Shields from on "Alert" status.

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Chairman Conway 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 \$9,535,502,986.78 invested approximately 30% 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 0.37%, the three-month return was 1.29%, and the trailing twelve-month return was 4.99%.

**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 September, this report shows commissions paid of \$527,792, recaptured commissions totaled \$37,485 with a net per share of \$0.026, and for the Fiscal Year, commissions paid of \$2,076,390, recaptured of \$285,128, with a net per share of \$0.025.

**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.

**Renewal of Manager Contracts  
gregory.w.group**

The Chairman stated the Investment Committee is recommending renewal of the gregory.w.group's consultant contract from February 1, 2008, through January 31, 2009. There are no changes to this 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; Mr. Hatcher; and Chairman Conway responding yes.

**Renewal of Manager Contracts  
Smith Asset Management Group, L.P.**

The Chairman stated the Investment Committee is recommending renewal of the manager's

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contract. There are no changes to this 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. Hatcher; Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

## **Report on Transition of Assets from Hotchkis & Wiley to Chase, Aletheia and Sawgrass**

Mr. Puckett stated the transition began early last week. He said State Street was used to transition the \$250 million taken from Hotchkis & Wiley Large-Cap into Chase, Aletheia and Sawgrass and was completed this last Friday. He said the final report has not been received as of yet, but the System will have saved approximately 20 basis points, including any commissions.

Chairman Conway reported that the final training session for the Board by gregory.w.group, will begin at the conclusion of January's Board meeting. The Board was also reminded to bring the binders given to them at the last training session.

The Chairman asked Mr. Beavers for his reports.

## **REPORT OF THE EXECUTIVE SECRETARY Report of Routine Items and Executive Secretary Report for November 2007**

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 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. Simpson with a second made by Mr. Roper. 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; Mr. Hatcher; 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 \$5,523,554.60 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 \$7,504.61.

### **Recommendations for Retirement**

There were nine (9) disability and 55 regular contracts filed for retirement.

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**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.

**Termination of Retirement Benefits**

Monthly benefits were terminated for 113 members due to their deaths, one (1) who's retirement was cancelled and eleven (11) who returned to teaching.

**New Members**

There were 492 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 \$189,476.13. (Can include longevity and supplemental payroll.)

**Financial Statements**

These reports cover the month of November 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.

**REPORT on SEEKING LEAD PLAINTIFF STATUS  
AGAINST WASHINGTON MUTUAL, INC.**

Mr. Kinney stated the System has approximately a \$9 million loss on this particular investment. He expressed his concern in the Retirement System seeking a legal status in this particular case. One of the System's managers has purchased stock since the lawsuits against Washington Mutual were filed, and there could be a unfavorable perception that while the System seeks lead plaintiff status, the System is still continuing to purchase their stock.

Mr. Kinney said he sees no legal reason the System couldn't try for lead plaintiff, it would be the perception of the System in doing this, again while still purchasing stock. He stated the Board's options are to seek lead plaintiff status or to take no action at all.

After further consideration, the Chairman asked if there was a motion from the Board, and there being none, declared that no action would be taken on this item.

The Chairman stated Agenda Item 6 is for discussion and possible action to resolve into an executive session for the purpose of receiving confidential communications from our outside counsel in the Delphi cases, in which the Retirement System is a co-lead plaintiff. The Chair recognizes Mr. Kinney.

**POSSIBLE EXECUTIVE SESSION and ACTION FOR CONFIDENTIAL  
COMMUNICATION CONCERNING  
DELPHI SECURITIES AND DELPHI CORPORATION**

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

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to resolve these matters in the public interest. Mr. Brad Beckworth with the firm of Nix-Patterson has attended settlement sessions and has forwarded a confidential report to be presented to the Board along with a recommendation.

Chairman Conway 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 counsel in these Delphi cases. The Chairman asked if there were any questions and there were none.

### **ENTER INTO EXECUTIVE SESSION**

A motion was made by Mr. Neptune with a second made by Mr. DeMuth to enter into Executive Session at 2:30 p.m. The motion carried by Mr. Hatcher; Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway responding yes. The Chairman stated by a vote of 11 in favor to none opposed, I declare the motion to have prevailed and the Board will now resolve into Executive Session.

### **RETURN TO OPEN SESSION**

A motion was made by Ms. Palluconi with a second made by Mr. Neptune to resume the Open Session at 2:36. The motion carried by Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; Mr. Hatcher; and Chairman Conway responding yes. The Chairman stated by a vote of 11 in favor and none opposed, I declare the motion to have prevailed and the Board meeting will now resolve into Open Session and consider Agenda Item 7.

The Chair recognizes Mr. Kinney.

Mr. Kinney said, "for purposes of the record, the Trustees considered Agenda Item 6 during the Executive Session, no votes or official action were 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 Ms. Palluconi with a second made by Mr. Neptune to settle the cases described in Agenda Item 6 in accordance with the recommendation of counsel and the discussions held in Executive Session, and that 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 motion carried by Mr. Hatcher; Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Ms. Barnes; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway responding yes. The Chairman said by a vote of 11 in favor and none opposed, I declare the motion to have prevailed.

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

### **TRS LEGISLATION**

Mr. Beavers stated he is recommending one piece of legislation which deals with the Pension Protection Act of 2006. Generally we adjust changes in federal tax regulations through the System's rules, but our legal counsel, Ice Miller, advised the need for statute changes this year. I have asked the author, Senator Mazzei, to consider authorizing the Retirement System to expand its tax-shelter annuity program to offer IRAs and Roth IRAs. This comes after our discussion with Ice Miller. Mr. Beavers stated the author has agreed to introduce this measure.

Mr. Beavers informed the Board he had written a letter to the Chairman of House Appropriations asking the Legislature find a funding source for this year's increase in contributions, but has not yet received a response.

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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**

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

Mr. Kinney reported on possible action to seek lead plaintiff status against Citi Corp. He stated this notification was not received until after the Agenda had been posted, so could not be on today's Agenda. Mr. Kinney said the System's loss is approximately \$6 million. He stated he could not give the Board a recommendation until he has had time to fully evaluate this matter.

**ADJOURNMENT**

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There being no further business before the Board, a motion was made by Mr. Simpson with a second made by Mr. Neptune to adjourn. The meeting adjourned at 2:45 p.m. Trustees present at adjournment were as follows: Mr. DeMuth; Dr. Kirkpatrick; Ms. Bames; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; Mr. Hatcher; 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 - January 23, 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, 5<sup>th</sup> 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 January 23, 2008.

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