

**MINUTES OF THE
DECEMBER 17, 2008 MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

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 1:03 P.M., Wednesday, December 17, 2008, 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, *Chairman*
James Smith, *Vice-Chairman*
Dick Neptune, *Secretary*
Sherrie Barnes

Bruce DeMuth
Sandy Garrett
Richard Gorman
Darryl Hatcher

John Kirkpatrick
Matti Palluconi
Galeard Roper
Michael Simpson

TRUSTEES NOT PRESENT:

Michael Clingman

TRS STAFF PRESENT:

Tommy C. Beavers, *Executive Secretary*
James R. Wilbanks, *Deputy Director*
Bill Puckett, *Chief Investment Officer*
Edward Romero, *Secretary-Treasurer*
Joe Ezzell, *Director, Internal Auditing*
Marta Coombes, *Comptroller*
Kimber Chessmore, *Senior Internal Auditor*
Adam Attaoui, *Information Security Administrator*
Becky Yearout, *Cash Management Officer*
Karen Yost, *Assistant to the Executive Secretary and Board of Trustees*

LEGAL COUNSEL PRESENT:

David L. Kinney, *Assistant Attorney General*

INVESTMENT CONSULTANT PRESENT: gregory.w.group

Gregory T. Weaver, *gregory.w.group*
Douglas J. Anderson, *gregory.w.group*
Tony Kay, *gregory.w.group*
Casey Morris, *gregory.w.group*

OTHERS PRESENT:

Larry Asberry, *Office of State Finance*
Erin Boeckman*, *eCapitol News*
Billie Brown, *Oklahoma Education Association*
Dwight Bruss, *State Department of Education*
Norman Cooper, *Oklahoma Retired Educators Association*

BOARD POLL FOR QUORUM

Chairman Conway called the Board meeting to order and asked for a poll to determine if a quorum was present. Trustees responding were as follows: Mr. Hatcher; Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; Ms. Garrett; and Chairman Conway.

1. MINUTES of the NOVEMBER 19, 2008, BOARD MEETING APPROVED

A motion was made by Mr. DeMuth with a second made by Mr. Roper to approve the minutes of the November 19, 2008, meeting. The motion carried by a unanimous voice vote.

The Chairman moved to agenda item 7.

7. BOARD OF TRUSTEES RESOLUTION

The Board presented a resolution honoring the service to the Retirement System and its membership by Tommy C. Beavers. Mr. Beavers is retiring as of December 31, 2008.

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Chairman Conway declared adoption of this resolution by the Board of Trustees.

Mr. Beavers expressed his appreciation to the Board.

2. REPORT FROM THE INVESTMENT COMMITTEE MEETING

The Investment Committee meeting convened at 9:07 a.m. Wednesday, December 17, 2008, and adjourned at 12:20 p.m. Committee members present were as follows: Chairman Cathy Conway; members, Mr. Neptune; Ms. Palluconi; Mr. Simpson and Mr. Smith. Other trustees present were Ms. Barnes*; Mr. DeMuth*; Mr. Gorman*; Dr. Kirkpatrick*; Mr. Roper*; and Mr. Hatcher*.

2.A.B. PRESENTATION BY gregory.w.group: Market Performance, Asset Allocation Review, November 30th Performance Summary and Manager Status

Gregory Weaver and Douglas Anderson of gregory.w.group, investment consultant to the Board, gave the Board an overview of g.w.g.'s monthly report that was presented in full to the Investment Committee earlier in the day, also reporting on the manager present during the Investment Committee meeting.

2.B.6.a. Manager Status Summary and Possible Action

No action was taken on this item.

2.C. TRS INVESTMENT STAFF MONTHLY REPORT

Mr. Puckett gave the Board a brief report, given in detail to the Investment Committee earlier in the day.

3.D.a. Renewal of Investment Manager Contracts

The Investment Committee recommended renewal of the manager contract with Smith Asset Management Group, with the contract renewing in February. The recommendation was approved unanimously.

2.D.b.c. Renewal of JP Morgan Custody and Securities Lending Contracts

The Investment Committee recommended renewal of the global custody and securities lending contracts with JP Morgan Chase through June of 2009. The recommendation was approved unanimously.

2.E. Amend or Renew Investment Consultant Contract

Dr. Wilbanks stated the consultant contract is up for renewal by February 1, 2009, and a recommendation will be brought to the Board at the January meeting to renew this contract for one additional year with fee terms to be agreed upon. He stated the recommendation will also state that at the end of the additional year, an RFP for a TRS investment consultant will be let.

2.F. Loomis Sayles Bank Loan Fund

The Chairman stated this was discussed at length during the Investment Committee and there was no action taken on this item.

2.G. Opportunistic Bond Portfolio

The Investment Committee recommended approval of investment in Loomis, Sayles, Lord Abbett and MacKay Shields in Hi-Yield portfolios for the purpose of investing in the Opportunistic Bond Portfolio. The recommendation was approved unanimously.

The Investment Committee recommended that these investments in Loomis, Lord Abbett and

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MacKay Hi-Yield portfolios are to be classified as the Opportunistic Bond Portfolio. The recommendation was approved unanimously.

The Investment Committee recommended the Opportunistic Bond Portfolio Manager Guidelines as presented to the Committee by gregory.w.group, be adopted to govern these investments. The recommendation was approved unanimously.

The Investment Committee recommends the adoption of the transfer of funds as presented by gregory.w.group on the asset allocation review and approve the investment of \$600 million into the Opportunistic Bond Portfolio and to authorize staff to use the most expeditious manner to effect the transfer of funds. The recommendation was approved unanimously.

2.H. Emerging Manager Portfolio

Mr. Weaver said this item had no recommendation or action.

2.I. Extension of 15% Temporary Cash Limit Through June 30, 2009

The Investment Committee recommended that managers be allowed to temporarily hold up to 15% in cash in their portfolios until June 30, 2009. The recommendation to extend the 15% limit was approved unanimously.

2.J. Update on Transition of Funds

Dr. Wilbanks informed the Board that the securities remaining in the transition from Standish Mellon were allocated to the existing fixed income managers using a technique called Second Price Auction where the highest bidder on the security wins the security but they accept it at the cost of the second highest bid. MacKay Shields won the auction and a transition account has been set up for them. The auction from beginning to final bid took only nine days. If the transition process had gone through State Street, we would have realized a loss of \$4.4 million. Transferring securities to existing fixed income managers avoided that realized loss and the System only took an unrealized loss of \$2.2 million, cutting our loss in half, and still have the ability to recover some of that.

3.A. REPORT OF THE EXECUTIVE SECRETARY: Report of Routine Items

Dr. Wilbanks referred the Board to section 3 in their binders and made the report. A motion for approval of the Routine Items was made by Mr. Neptune with a second made by Mr. Simpson. The motion carried by a unanimous voice vote.

3.B. REPORT OF THE EXECUTIVE SECRETARY: Executive Secretary Report

Dr. Wilbanks gave a brief report on the Executive Secretary items in section 3, pages 9-22, in their binders and made his report. A motion was made by Dr. Kirkpatrick with a second made by Ms. Garrett for adoption. The motion carried by a unanimous voice vote.

4. REPORT OF LEGAL COUNSEL: Litigation and Administrative Matters

Mr. Kinney updated the Board on current and future legal issues facing the Retirement System.

6. ANNUAL MEMBERSHIP DUES FOR NCTR (National Council on Teacher Retirement)

Dr. Wilbanks stated this is the renewal of the annual membership dues of the National Conference on Teacher Retirement (NCTR). He said the dues increased this year by \$750, and that approval is recommended. A motion was made by Mr. Simpson with a second made by Dr. Kirkpatrick for approval. The motion carried by a unanimous vote.

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

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The Chairman asked if there was any further discussion on this issue, and there was none.

9. NEW BUSINESS

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

Chairman Conway informed the Board there is a new trustee, Mr. Michael Clingman, and will be the new ex-officio member from the Office of State Finance.

5. PROMULGATION OF PERMANENT RULES: 715:10-11-7 Amended and 715:10-15-26 Amended

Mr. Beavers stated these are the emergency rules approved in October, and action today is to modify existing rules due to changes made in internal revenue regulations, the 403B Tax Sheltered Annuity Program. A motion was made by Mr. Roper with a second made by Mr. DeMuth for approval. The motion was approved unanimously.

10. ADJOURNMENT

There being no further business before the Board, the Chairman declared the meeting adjourned at 1:48 p.m. Trustees present at adjournment were as follows: Mr. Hatcher; Mr. DeMuth; Dr. Kirkpatrick; Ms. Barnes; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Paluconi; Mr. Simpson; Mr. Gorman; Ms. Garrett; and Chairman Conway.

The next regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma will be:

WEDNESDAY - January 28, 2009

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, 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 it's next regularly scheduled meeting on January 28, 2009.

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