

MINUTES
SEVEN HUNDRED AND NINETY-FIRST MEETING
BOARD OF TRUSTEES
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
JULY 25, 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 1:30 P.M., Wednesday, July 25, 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
Bruce DeMuth	Galeard Roper
	Michael Simpson

TRUSTEES NOT PRESENT:

Sherrie Barnes
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*
Adam Attaoui, *Information Security Administrator*
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:

Larry Asberry, Jr., *Office of State Finance**
Dwight Bruss, *State Department of Education*
Norman Cooper, *Oklahoma Retired Educators Association*
Tommy Fulton, *Retired Member*
Erin Boeckman, *Capitol Network News*
Harold Sare, *Oklahoma Retired Educators Association*

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

MINUTES of JUNE 27, 2007, BOARD MEETING APPROVED

The Chairman asked for corrections, additions or a motion to approve the minutes of the June 27, 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; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway.

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

The Investment Committee meeting convened at 10:00 a.m. Wednesday, July 25, 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 Mr. Gorman; Dr. Kirkpatrick; and Mr. Roper*.

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

**PRESENTATION BY gregory.w.group
Market Performance, Manager Review, Asset Allocation Review,
June 30th 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 Sam Shapiro and Michael McCarthy with Shapiro Capital Management and Drew Rankin and Doug Adams with Tocqueville, were present at the Investment Committee meeting. Mr. Weaver said each manager had given detailed presentations to the Investment Committee and that each manager has performed well since their inception. Also, 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 June 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, 3.95% vs. 4.93%; Goldman Sachs, 8.89% vs. 6.86%; Aletheia, 5.83% vs. 6.86%; Chase, 5.05% vs. 6.86%; Sawgrass, 5.47% vs. 6.86%; Advisory Research, 6.94% vs. 5.77%; EPOCH, 6.15% vs. 5.77%; AJO, 5.99% vs. 5.30%; Wellington, 10.55% vs. 5.30%; Frontier, 9.73% vs. 5.30%; H&W Mid-Cap, 4.77% vs. 5.30%; Shapiro, 6.05% vs. 4.42%; Tocqueville, 3.84% vs. 4.42%; Smith, 8.53% vs. 4.42%; Capital Guardian, 7.19% vs. 6.67%; Causeway, 7.38% vs. 6.67%; Brandes, 6.04% vs. 6.67%; Thornburg, 12.61% vs. 6.67%; Hoisington, -3.10% vs. -0.52%; Loomis Sayles, -0.77% vs. -0.52%; Lord Abbett, -0.61% vs. -0.52%; MacKay Shields, -0.37% vs. -0.52%; PIMCO, -0.91% vs. -0.52%; Standish, -0.50% vs. -0.52%; Stephens, -0.94% vs. -0.52%; and OTRS Cash, 1.35% vs. 1.26%.

Total Fund performance is as follows: Month of June 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.)

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".

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**Renewal of Manager Contracts:
MacKay Shields; Lord Abbett; Hoisington and Stephens Capital**

The Chairman stated the Investment Committee is recommending renewal of the contracts of MacKay Shields; Lord Abbett; Hoisington; and Stephens. 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; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman; and Chairman Conway responding yes.

Request by MacKay Shields to Invest in Credit Default Swaps (CDS)

The Chairman stated the Investment Committee is recommending approval of MacKay Shields' request to allow investments in Collateralized Default Swaps (CDS), staying within their Fixed Income guidelines. The Chairman asked if there were any questions and there being none asked for a poll of the Board.

Investment Committee Recommendation Approved

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

**Request by PIMCO to Invest in Credit Default Swaps (CDS)
and Interest Rate Swaps (IRS)**

The Chairman stated the Investment Committee is recommending approval of PIMCO's request to allow investments in Collateralized Default Swaps (CDSs) and Interest Rate Swaps, staying within their guidelines, but recommends the Board deny PIMCO's request in the use of Sector Funds. The Chairman asked if there were any questions and there being none asked for a poll of the Board.

Investment Committee Recommendation Approved

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

Request by Loomis Sayles to Invest in Credit Default Swaps (CDS)

The Chairman stated the Investment Committee is recommending approval of Loomis Sayles' request to allow investments in Collateralized Default Swaps (CDSs), staying within their guidelines, but deny the request to invest in the Loomis Sayles Senior Loan Fund. The Chairman asked for questions and there being none asked for a poll of the Board.

Investment Committee Recommendation Approved

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

The Chairman asked Mr. Puckett for his reports.

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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 \$9,601, 557,779.41 invested approximately 29% 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 0.44 basis points, the three-month return was 1.35%, and the trailing twelve-month return was 5.45%.

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 JUNE 2007

Total recaptured commissions for the month was \$63,054, total commissions paid was \$704,700, with a net cost per share of \$0.028 and year-to-date net cost per share of \$0.028. Fiscal year-to-date, recaptured commissions total \$506,538 on \$5,126,559 in paid commissions.

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 last year's and this year's earnings on securities lent and the lendable balance, including the market value and gross returns.

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 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. Neptune with a second being made by Dr. Kirkpatrick. The motion carried by a unanimous voice vote. Trustees responding were: Mr. DeMuth; Dr. Kirkpatrick; Mr. Roper; Mr. Smith; Mr. Neptune; Ms. Palluconi; Mr. Simpson; Mr. Gorman and Chairman Conway. The Reports are as follows:

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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 \$1,392,872.49 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 \$24,448.91.

Recommendations for Retirement

There were sixteen (16) disability and 449 regular contracts filed for retirement.

Disability Retirement as Provided by Social Security

There were five (5) 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 for Trustees and TRS Staff to attend the 85th Annual National Council on Teacher Retirement Convention in Scottsdale, Arizona.

Tax-Sheltered Annuity Hardship Requests

There was one (1) hardship request.

Termination of Retirement Benefits

Monthly benefits were terminated for 92 members due to their deaths, one (1) cancelled retirement, and thirty-six who returned to teaching.

New Members

There were 203 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 \$191,010.22. (Can include longevity and supplemental payroll.)

Financial Statements

These reports cover the month of June 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.

The Chairman asked Mr. Beavers for his comments on the renewal of the contract with Ice Miller for

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legal services with the Retirement System.

**RENEWAL OF CONTRACT WITH
ICE MILLER
FEDERAL PENSION LAW AND TAX CONSULTANT**

Mr. Beavers stated this is for renewal of one of the System's professional services contracts. This firm was retained in 1994 to advise the Retirement System staff on matters involving the Internal Revenue Service and has included determination letters to ensure the System maintains its qualified plan status, and obtaining private letter rulings with the Internal Revenue Service. Mr. Beavers said he is recommending renewal of this contract.

Motion to Renew Contract with Ice Miller Carried

A motion was made by Mr. Roper with a second being made by Mr. Simpson for renewal. The motion carried by Mr. Gorman; Mr. Simpson; Ms. Palluconi; Mr. Neptune; Mr. Smith; Mr. Roper; Dr. Kirkpatrick; Mr. DeMuth; and Chairman Conway responding yes.

**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 any new business before the Board, and there was none.

Mr. Beavers stated he would have the Board's Audit and Personnel Committees meet sometime after the end of July to discuss the vacant Director of Internal Audit position

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ADJOURNMENT

There being no further business before the Board, a motion to adjourn was made by Mr. DeMuth and seconded by Ms. Conway. Chairman Cathy Conway declared the meeting adjourned at 2:10 p.m. Trustees present at adjournment were as follows: Mr. Gorman; Mr. Simpson; Mr. Smith; Mr. Neptune; Ms. Conway; Mr. Roper; Dr. Kirkpatrick; Mr. DeMuth; 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 - AUGUST 22, 2007

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

Board Meeting begins at **12:30 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 its next regularly scheduled meeting on August 22, 2007.

BY: _____