

**MINUTES**  
**JULY 22/23, 2009 MEETING and RETREAT**  
**BOARD OF TRUSTEES**  
**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

This regularly scheduled meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by James Smith, Chairman, at 1:02 P.M., in the Aspen room of the Post Oak Lodge in Tulsa, Oklahoma. The agenda/meeting notice was posted in accordance with 25 O.S. 2001 Section 311(9).

**TRUSTEES PRESENT:**

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

**TRUSTEES ABSENT:**

Michael Clingman  
Odilia Dank  
Sandy Garrett  
Darrell Hatcher  
Galeard Roper

**TRS STAFF PRESENT:**

James R. Wilbanks, *Executive Secretary*  
Joe Ezzell, *Assistant Executive Secretary*  
Edward Romero, *Secretary-Treasurer*  
Nick Pointer, *Investment Associate*  
Josh Richardson, *Internal Auditor*  
Karen Yost, *Assistant to the Executive Secretary and Board of Trustees*

**LEGAL COUNSEL PRESENT:**

Regina Switzer, *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*

**OTHERS PRESENT:**

Charles Barnes  
Matti Palluconi\*

*\*Denotes either late arrival or early departure.*

**JULY 22, 2009**

**1. BOARD POLL FOR QUORUM**

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

## **2. MINUTES of the June 24, 2009, BOARD MEETING APPROVED**

A motion was made by Ms. Conway with a second made by Mr. DeMuth to approve the minutes of the May 27, 2009, meeting, as presented. The motion carried by a unanimous vote.

Chairman Smith stated Agenda Item 3 would be delayed until Mrs. Palluconi's arrival.

Introductions were made by each person present including: trustees, staff, and investment consultants.

## **4. INVESTMENT COMMITTEE ITEMS:**

### **4.A. Presentation by Investment Manager(s):**

Thornburg and Causeway were present during the Investment Committee meeting and made their respective presentations to the Committee.

### **4.B. GREGORY.W.GROUP REPORT:**

**4.B.1. June 30<sup>th</sup> Performance Summary:** Gregory Weaver, Douglas Anderson and Tony Kay of gregory.w.group, investment consultant to the Board, gave the Board their monthly report.

#### **4.B.2. Manager Status Summary and Possible Action:**

The Investment Committee made a recommendation to remove Goldman Sachs from "on Notice" status to in Compliance. The recommendation was approved by a unanimous vote.

**4.B.3. Update on Asset Reallocation:** An update on the asset reallocation was given to the Board by Greg Weaver.

**4.B.4. Third Party Marketing Disclosure Policy:** Greg Weaver and Douglas Anderson gave the Board a report on the new policy, stating this should be added to the Investment Policy and Guidelines. The Investment Committee recommended the Board approve this amendment to the System's Investment Policy and Guidelines. The Investment Committee recommendation was approved by a unanimous vote.

**4.C. Comparison of Securities Lending:** No action was necessary on this item.

**4.D. Comparison of Short-Term Cash Management Income:** There was no action necessary on this item.

**4.E. Renewal of Manager Contracts:** The Investment Committee recommended renewal of the manager contracts for MacKay Shields, Lord Abbett, Hoisington, and Stephens Capital. The recommendation of the Investment Committee was approved by a unanimous vote.

Also recommended was the renewal of the contract with Bloomberg. The recommendation of the Investment Committee was approved by a unanimous vote.

**5. REQUEST FROM RETIRED EDUCATOR ASSOCIATIONS:** Dr. Wilbanks referred the Board to two letters in the binder, one from the Oklahoma Retired Educators Association and the other from the Professional Oklahoma Educators Association. Dr. Wilbanks said as a result of the passage of SB 880, an organization that is strictly for retired educators would, no matter how many members they may have, has the ability to mail enrollment information to those TRS clients that are not already members of their respective organizations. A motion was made by Mr. Neptune with a second made by Mr. Simpson for approval of these requests. The motion carried by a unanimous vote.

**6. LEGAL REPORT:** Regina Switzer, Assistant Attorney General, made the legal report to the Board. There was no action necessary on this report.

## **7. EXECUTIVE SECRETARY REPORT:**

**7.A.B.C.D.: Client Status update; Financial Reports; Legislative update; Other Items for discussion:** Dr. Wilbanks gave his report to the Board. Dr. Wilbanks stated he would be glad to

answer any questions the Board may have. A motion was made by Mr. DeMuth with a second made by Dr. Kirkpatrick for approval. The motion carried by a unanimous vote.

Dr. Wilbanks informed the Board that Darryl Hatcher has accepted a non-education position and has sent a letter to the Speaker of the House, resigning from the TRS Board of Trustees.

Dr. Wilbanks notified the Board of two openings on the NCTR Executive Committee. He said if any trustee were interested, to let him know and he would so notify NCTR. Dr. Wilbanks also commented on the upcoming September Oklahoma Public Fund Trustee Education Conference the Retirement System is hosting.

**3. RESOLUTION FOR MATTI PALLUCONI:** The Board adopted a resolution acknowledging and honoring the service Mrs. Matti Palluconi has given to the Board and the state by her actions as a former trustee of the Board of Trustees of the Teachers' Retirement System of Oklahoma. Chairman Smith read the resolution into the record and he, the Trustees and TRS staff thanked Mrs. Palluconi for her service.

#### **8. OKLAHOMA TEACHERS' RETIREMENT SYSTEM BOARD OF TRUSTEES ORGANIZATION:**

Dr. Wilbanks and the Board discussed how the Board and its various Committees might be organized in the future. He said currently there is the Board of Trustees and the Investment, Audit, Personnel, Rules, Contract and Securities Litigation Committees, with only two committees being active, the Investment and Audit.

After considerable discussion, a motion was made by Ms. Conway with a second made by Dr. Kirkpatrick to approve the changes, retaining the Audit and Investment Committees, to have the Investment Committee meet every other month the day prior to the Board meeting, with the Audit Committee meeting prior to the regularly scheduled Board meeting, as needed at a time to be scheduled.

A break was taken from 2:50 to 3:05 p.m.

After the break, the Board, TRS staff and the investment consultant agreed that the Investment Committee meeting would occur every other month, beginning in August, the Tuesday before the Board meeting and the meeting would begin at 3:00 p.m., with the Audit Committee meeting to be held quarterly just prior to the start of the Board meeting.

#### **9. OKLAHOMA TEACHERS' RETIREMENT SYSTEM BOARD OF TRUSTEES MEETING LOGISTICS:**

Dr. Wilbanks stated this item had been discussed and the Board meeting will continue it's monthly Meetings, but will begin at 9:00 a.m. rather than 1:00 p.m. on its regularly scheduled date, targeting the noon hour as adjournment, if at all possible. A motion was made by Mr. DeMuth with a second made by Ms. Conway to approve the date and time of the Board meetings. The motion was approved by a unanimous vote.

## **10. INTERNAL AUDITOR REPORTS:**

Dr. Wilbanks stated as was previously discussed, the Audit Committee will meet quarterly, or semi-annually, as the Audit Committee chairman determines. He said the new internal auditor, Josh Richardson, and he would be working closely together to improve the way audits are conducted, making sure all aspects of the Agencies work is being done correctly and in the correct way. Dr. Wilbanks stated the Internal Auditor would make quarterly reports to the Board, keeping the Audit Committee informed during the interim.

## **11. TRS INVESTMENT ASSOCIATE REPORTS:**

Dr. Wilbanks said TRS has a new investment associate, Nick Pointer, and he and Nick would be working closely together on investment matters.

After further discussion, a motion was made by Ms. Conway with a second made by Dr. Kirkpatrick to approve Agenda Items 10 and 11. The motion carried by a unanimous vote.

## **12. INVESTMENT PHILOSOPHY AND STRATEGY:**

Greg Weaver and Doug Anderson of gregory.w.group gave the Board an in-depth report on expanding the types of investments the Fund is in, while providing improved returns and broader diversification of assets. They stated that additional asset classes and investments should be judged critically and each on its own to avoid investment pitfalls as investing appropriately is difficult and requires discipline, hard work and commitment.

Dr. Wilbanks stated there is to be a reception in the main lobby at 6:00 p.m. with dinner this evening beginning at 6:30 in the main dining room. He also stated there would be activities for those who wished to attend in Lodge 2. He also said breakfast tomorrow morning would begin at 7:00 a.m. in the main dining room.

At 4:15 p.m., Chairman Smith stated the meeting was recessed and would reconvene at 8:30 a.m. the following morning, July 23, 2009.

## **JULY 23, 2009**

Chairman Smith asked for a poll of the Board to determine a quorum being present. This day, Wednesday, July 23, 2009, trustees responding to the poll were Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Dr. Kirkpatrick; Mr. Neptune; Mr. Simpson; and Chairman Smith.

Dr. Wilbanks gave a recap of the previous days' agenda items and discussions.

Dr. Wilbanks reiterated that this meeting is to gather information on exactly what the Board wants to see coming from TRS staff, setting direction and policy for the Retirement System and what staff can do to make the Trustee's job easier now and into the future.

Dr. Wilbanks introduced Frank Merrick with Foundation Management, and expert in assisting groups such as this Board in thinking about strategic issues. He stated Mr. Merrick is going to conduct a

very informal meeting, discussion oriented, and encouraged the Board to talk about any issues or suggestions they might have.

### **13. IDENTIFY THE MISSION FOR THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA:**

Mr. Merrick asked the Board what the Board thinks is the mission of the Teachers' Retirement System. After considerable discussion with the trustees and staff, the three main issues of the System's mission are the education of the System's active and retired clients, the proper administration of investments and working with the Legislature. It was determined that Mr. Merrick, Dr. Wilbanks and TRS staff compile the Board's suggestions and present a draft Mission Statement at the August Board meeting.

A break was taken from 9:52 a.m. to 10:13 a.m.

### **14. RISK MANAGEMENT IN INVESTMENTS:**

Mr. Merrick, trustees and staff discussed the variables involved in taking risk in investments, also other types of investments, i.e. social, real estate, etc. Looking at investments that would arrive at the actuarially expected return rate of 8%. A final report on this issue would be brought to the Board at the August meeting.

### **15. CUSTOMER SERVICE OBJECTIVES:**

**15. A. and B.:** What Does the TRS Customer Want and Need: Mr. Merrick, trustees and TRS staff stated one of the most important items is educating the new and current clients about their retirement benefits. That a more improved way of educating clients should be looked at which could include automated estimates on the TRS website, sending of annual statements and improve on the TRS website with more and better options to get information to the client. This item is a continuing work in progress

### **16. 18 MONTH STRATEGIC PLAN: New, Better, and Different**

**18.A.B.C.:** **New, Better, Different:** After considerable discussion, several important issues, fiduciary responsibility education, new client orientation, legislative advocacy, measurable client goals, to name a few, were given dates for the Board and staff to act on, extending to July 2010 for finalization. These were the "ASAP", as soon as possible items discussed:

A. Mission Statement  
Deadline: August Board Meeting

B. Legislative Advocacy  
Deadline: December Board Meeting

C. Measureable Customer Service Goals  
Deadline: December Board Meeting

D. Trustee Orientation  
Deadline: First Quarter 2010

E. Financial Reporting Plan  
Deadline: First Quarter 2010

F. New Customer Orientation Plan  
Deadline: July 2010

G. Portfolio: Philosophy, Strategy, and Tactics, globally and locally  
Deadline: July 2010

H. Plan for the Second Board Retreat  
Deadline: Within 12-18 Months

**17. LONG RANGE STRATEGIC PLANNING:**

Mr. Merrick and the trustees and staff agreed there was not enough time to do justice for a discussion on the Retirement System’s long range strategic planning. Another retreat that would include this discussion was considered, with a date to be determined at a later time.

**18. QUESTIONS AND COMMENTS FROM TRUSTEES**

There were no further questions or comments from the Board.

**19. NEW BUSINESS:**

There was no new business before the Board.

**20. ADJOURNMENT:**

There being no further business before the Board, a motion was made by Mr. Simpson with a second made by Mr. DeMuth for adjournment. The meeting was adjourned at 1:53 p.m. Trustees present at adjournment were as follows: Ms. Barnes; Ms. Conway; Mr. DeMuth; Mr. Gorman; Dr. Kirkpatrick; Mr. Neptune; Mr. Simpson; and Chairman Smith.

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

**WEDNESDAY – August 26, 2009**

Investment Committee Meeting begins Tuesday, August 25, 2009, at 3:00 p.m.

Board Meeting begins August 26, 2009 at 9:00 a.m.

Oliver Hodge Education Building  
2500 North Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma

**BOARD OF TRUSTEES, TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

**BY:** \_\_\_\_\_  
**Chairman, James E. Smith**

**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 26, 2009.

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