

REGULAR BOARD OF TRUSTEES MEETING MINUTES

Tuesday, July 31, 2007

Don Bennett called the meeting to order at 10:04 a.m. Other Board members present included Kevin Boehnlein, Karen Davis, Cyndi Walsh, and Cari Whicker. Ryan Kitchell arrived at 10:54a.m.

TRF staff present included Cristy Wheeler, Bob Newland, Tom Abbett, Crystal Lawson, Phil Barnes, Steffanie Rhinesmith, Tom Davidson, Becky Carter, Bethaney Matlock Wolf, Joy Smith, Julia Pogue, Keith Hall and Dan Diebolt. Others present were Marilyn Edwards, Ralph Ayres, Glenn Hatmaker, Chae Hong, and Ken Brunke.

The agenda was presented. Karen Davis moved to approve the agenda. Cari Whicker seconded the motion. The motion carried.

The minutes of the June 26, 2007 meeting were presented. Cyndi Walsh moved to approve the minutes. Karen Davis seconded the motion. The motion carried.

Dan Diebolt presented a monthly summary of payments for August 1, 2007. Cyndi Walsh moved to approve the monthly summary of payments and Kevin Boehnlein seconded the motion. The motion carried.

Tom Abbett presented the expenditures and actual expenses for June 2007.

Cristy Wheeler presented the budget update hand-out for fiscal year 2008. She noted that there was a 3.15% increase after holding a flat budget for 2 years. Cari Whicker moved to approve the 2008 budget and Cyndi Walsh seconded the motion. The motion carried.

Bob Newland introduced Ken Brunke from Callan & Associates. Ken discussed the periodic table of investment returns handout. Bob Newland presented the 2007 investment planning update handout. He noted that he would like to have someone come to discuss hedge funds with the Board. The Board agreed, and there will be a hedge fund educational presentation to the Board at a later date. Don Bennett stated that in the next 12 months he would like to see how TRF is doing with teacher communications and how well the teachers understand what is going on with investments.

Cristy Wheeler began the Director's Report by stating that she attended the National Council on Teacher Retirements administrators' meeting. Cristy also stated the PMOC has a meeting scheduled for August 29th and she will be giving an overview of the Fund. Other agenda items for PMOC include: benefits structure and the possibility of exploring average salaries for retirement instead of high five salaries; presenting an amendment to the beneficiary change legislation to allow out-of-state divorces; and military service credit.

Bob Newland discussed the Sudan divestment legislation status, and stated that there were two responses to the request for proposal: ISS and KLD. Bob stated that PERF and TRF mutually agreed to go with ISS and the next step will be for the General Counsels of PERF and TRF to draft a contract.

Cristy Wheeler stated that all bills that were effective on July 1, 2007 were implemented July 1. Cristy then presented the Q2 goals and metrics hand-out and discussed progress on the Governor's metrics and the Fund's internal goals and metrics. Cristy Wheeler and Crystal Lawson discussed three spot bonus awards that were presented to TRF staff.

Bob Newland presented the private equity hand-out and discussed specific data regarding Portfolio Advisors and Hamilton Lane Advisors. After an open forum of questions from the Board, Don Bennett asked TRF staff for a recommendation and Bob Newland recommended that TRF stay with Portfolio Advisors. With no motion to

accept the staff's recommendation, Kevin Boehnlein recommended that 50% go to Hamilton Lane and 50% go to Portfolio Advisors. Kevin Boehnlein moved to approve the recommendation and Cyndi Walsh seconded the motion. The motion carried.

Phil Barnes referred to the real estate recommendations hand-out and discussed why TRF chose to allocate 90 million dollars to Prudential, 45 million dollars to LaSalle, and 45 million dollars to Fidelity. Don Bennett moved to approve the staff's recommendation and Karen Davis seconded the motion. Chae Hong and Ken Brunke from Callan & Associates continued to answer questions from the Board regarding real estate allocations, and the Board discussed their desire to use some of the additional allocation to increase our international real estate investments. The Board amended their first motion and then recommended that 45 million be allocated to Prudential and 45 million to Lasalle. Kevin Boehnlein moved to approve the Board's recommendation and Cyndi Walsh seconded the motion. The motion carried.

The August Board meeting was set for August 28, 2007 at 10:00a.m.

Don Bennett granted a fifteen minute recess to the Board. The meeting resumed at 12:15 p.m.

Matt Myers began the IT application strategy update presentation by reviewing the SIRIS history, and the process choices for implementing a new system: build, renovate, buy, or do nothing. Matt explained why buying a new package appears to be the best option for TRF based on the review of the functionality, of the available packages and their estimated costs, and other systems' experiences building and renovating systems and their costs. After an open forum of questions, the Board requested more detail regarding the costs of a new system, and Matt stated the RFP process will give answers to these questions. The Board requested to be kept informed on the status of this process.

Ryan Kitchell noted that the Governor asked Kevin Boehnlein to become a member on the PERF Board. Kevin thanked the Board and TRF staff for the opportunity to serve on the TRF Board.

There being no additional business, Kevin Boehnlein moved to adjourn the meeting. Don Bennett seconded the motion. The meeting adjourned at 1:13 p.m.