

**Regular Meeting
Board of Trustees**

September 11, 2001

The Board of Trustees of the Arkansas Teacher Retirement System convened on Tuesday, September 11, 2001, at 8:30 a.m. The meeting was held in the ATRS Board Room, 1400 West Third, Little Rock, Arkansas.

Members of the Board Present:

Linda Parsons, Chair
Charles Vondran, Vice Chair
Winfred Clardy
Hazel Coleman
Charles Dyer
Dr. Paul Fair
John Fortenberry
Mary Harris
Ann Harbison
Betty McGuire
Louis Midkiff
Frank White
Gus Wingfield

Members of the Board Absent:

Jimmie Lou Fisher
Ray Simon

Staff Present:

Bill Shirron, Executive Director
Angelo Coppola, Deputy Director
George Snyder, Chief Fiscal Officer
Gail Blair, Manager, Data Processing
Dena Dixson, Manager, Membership & Payroll
Tammy Medlock, Administrative Assistant
Michael Ray, Manager, Benefits & Counseling
Hugh Roberts, Investment Fund Supervisor
Barbara Waldrop, Manager, Preretirement Education

Others Present:

Lloyd Black, Arkansas Retired Teachers Association
James McGuire, Guest of Betty McGuire
Don Roberts, Arkansas Retired Teachers Association
Leonard Venable, Office of the State Treasurer

VIII. Roll Call

The minutes were recorded by Tammy Medlock of the Teacher Retirement staff.

IX. Adoption of Agenda

Mr. Shirron requested that two items be added under "New Business": A) Discussion - Paying off Riley Building Loan; and, B) Employment of a Real Estate Advisor. Mrs. Parsons added that Mr. Vondran and Mrs. Harris had statements to make under "General Comments," and Mrs. McGuire suggested that someone make a report on the NCTR Education Workshop that was held in Portland, Oregon, in July. Mrs. Coleman made a motion to adopt the agenda as amended. The motion carried.

X. Public Comments on Agenda Items

XI. Investment Committee Report - Charles Vondran, Chair

Mr. Vondran reviewed the minutes of the Investment Committee meetings held July 24 and August 21, 2001. Mr. Snyder noted from the minutes of July 24, that the duties of the CPA hired by ATRS are not to review alternative investments but to assist the auditors.

It was also noted the policies and procedures for real estate outlined on page 32 of the brochure contained an error. The first sentence under the heading "Screening Committee" should read as follows:

"The Screening Committee will review all loans and acquisition proposals to insure they meet all guidelines and procedures approved by the board of trustees." The corrected policies and procedures can be found in (Attachment C).

It was noted the next meeting of the Investment Committee, scheduled for September 18, might be cancelled or postponed. Mr. Vondran will contact members and will notify the board of the next meeting date.

EXECUTIVE SESSION

XII. Policies Committee Report – Dr. Paul Fair, Chair

Mr. Fortenberry made a motion to adopt the policies recommended on pages 46-48 (also on pages 62-64) of the brochure as amended. The motion carried. Mrs. McGuire voted "no."

XIII. Teacher Retirement System Reports

Mrs. Harris made a motion to place the September Teacher Retirement reports on the agenda for the next regular meeting in November. The motion carried. Mr. Shirron asked the board to retain their copy of the September brochure to bring to the November meeting.

XIV. New Business

A. Discussion – Paying off Riley Building Loan

Mr. Vondran made a motion that ATRS pay off PERS for the Riley Building loan in the amount of approximately \$1.15 million. The motion carried.

B. Employment of Real Estate Advisor

Mr. White made a motion that ATRS hire James Hathaway to represent the system's real estate interests with the city of Highfill, Arkansas. The motion carried.

XV. Executive Director's Comments

A. Report on Meetings with Cooper Consultants

A called board meeting is scheduled for October 11 with Cooper Consultants to select the finalists to interview for Investment Consultant.

B. Report on Robert Bowers' Contract

Mr. Vondran made a motion to employ Robert Bowers. The motion carried.

In other business:

Retirement Village Groundbreaking Ceremony. Mr. Shirron asked the board to notify him if they plan to attend the groundbreaking (open house) for the retirement village scheduled for October 20.

Letter to Money Managers. Mr. Snyder distributed a letter to the board for their review that will be sent to ATRS' money managers regarding the report format and frequency (*Attachment D*).

Requested Board Reports. By common consent, the board requested that Mr. Snyder provide at each regular meeting a report of funds returned by private equity managers, and when appropriate, a report that shows how new (or existing) money managers are funded.

Retirement Village Fund. Dr. Coppola reported the retirement village deposits have been placed in an interest-bearing account.

Payment of Board Members' Personal Expenses. Dr. Fair made a motion to resolve:

“WHEREAS, the members of the Board of Trustees of the Arkansas Teacher Retirement System are authorized reimbursement of expenses for attending trustee meetings in accordance with Act 1211 of 1995;

NOW, THEREFORE, BE IT RESOLVED, *the ATRS Board of Trustees authorizes payment of personal expenses, not otherwise reimbursed, which are incurred by ATRS Board officers in the performance of their system-related duties.*

BE IT FURTHER RESOLVED, *such reimbursement, (1) will cover any losses in salary or compensation that resulted from their attendance at ATRS Board or Committee meetings, and will be paid to the officer's employer, (2) will cover the costs of communication (long-distance telephone calls, postage, etc.) with other trustees or staff members."*

The motion carried. Mr. Dyer voted "No."

Real Estate Investment Manager. Mr. Shirron distributed a list of professionals for the board to consider serving on the Real Estate Committee. Mr. Clardy suggested adding the President of the Bankers' Association, the President of the State Chamber of Commerce, the Real Estate Commissioner, and the President of the State Architects Association, because they serve only one year terms. Mr. Shirron will develop an RFP for a Real Estate Investment Manager.

Re-cap of Tentative Meeting Dates.

- October 15 - Called Board Meeting with Cooper Consultants to select finalists for consultant interviews, Capital Hotel, 7:00 p.m.- dinner, 8:00 p.m.- meeting
- September 18 - Investment Committee – Will be rescheduled
- October 11 - Policies Committee with Robert Bowers, Capital Hotel, 4:30 p.m. – meeting; 6:30 p.m. – dinner.

Mrs. Harris made a motion for an emergency adjournment. The motion carried and the Board adjourned at 10:10 a.m.

Linda Parsons
Linda Parsons, Chair

Bill A Shirron
Bill Shirron, Secretary to the Board

11-5-01
Date

RESOLUTION

WHEREAS, *the members of the Board of Trustees of the Arkansas Teacher Retirement System are authorized reimbursement of expenses for attending trustee meetings in accordance with Act 1211 of 1995;*

NOW, THEREFORE, BE IT RESOLVED, *the ATRS Board of Trustees authorizes payment of personal expenses, not otherwise reimbursed, which are incurred by ATRS Board officers in the performance of their system-related duties.*

BE IT FURTHER RESOLVED, *such reimbursement, (1) will cover any losses in salary or compensation that resulted from their attendance at ATRS Board or Committee meetings, and will be paid to the officer's employer, (2) will cover the costs of communication (long-distance telephone calls, postage, etc.) with other trustees or staff members.*

10th
ADOPTED this 10TH day of September, 2001

Linda Parsons

Linda Parsons, Chairman
ARKANSAS TEACHER RETIREMENT SYSTEM

Contained in 9/11/01 minutes



FLAKE & KELLEY

MANAGEMENT

Specialists in Leasing, Property Management, and Real Estate Consulting

MEMORANDUM

to: Angelo Coppola
 from: Brandon Rogers
 J. C. Halsell
 subject: Victory Building
 date: September 5, 2001

Mari Lynn

Please find listed below the current tenant list for the Victory Building and the status of each lease.

<u>Tenant</u>	<u>Usable Sq. Ft.</u>	<u>Status</u>
Arkansas State Treasurer	8,482	Signed Lease
Division of Legislative Audit	6,322	Signed Lease
Arkansas Coalition Against Domestic Violence	2,533	Signed Lease
Arkansas Trucking Association	2,928	Signed Lease
Subway	2,000	Lease out for Signature
Department of Special Education	9,808	Waiting on Governor's Approval
Arkansas Healthcare Association	2,948	*Signed Lease
KARK	34,799	Signed Lease
PFL	16,521	Signed Lease
Bankruptcy Trustee	9,520	Signed Lease
Total Usable Square Feet	95,861	<i>Signed Lease</i>

** Subject to Tenant's Board approval*

JC.sh
 jc/victory/memo/angelo coppola. september 4, 2001

Flake & Kelley Management

Managed Properties on Behalf of
Arkansas Teacher Retirement System
July 1, 2000 through June 30, 2001

Property Name	Acquisition Date	Purchase Price	Current Value*	Net Annual Income	Management Fee
AR Teacher Retirement 1400 West Third Little Rock, AR	Purchase on 12/2/96 handled by BQFA. Management by Flake & Kelley began 12/96	\$6,500,000	\$7,066,300	\$467,358	\$1,100 fixed per mo.
OCSE/Arkla 400 East Capitol Little Rock, AR	2/29/2000	\$2,700,920	\$3,000,000	\$323,692 office rent \$12,624.60 furniture rent	4% of office rent
Harvest Foods 8001 Geyer Springs Little Rock, AR	Purchase on 9/30/97 handled by BQFA. Management by Flake & Kelley began 1/98	\$1,500,000	\$1,310,037	(\$47,974)	\$350 fixed per mo.
Victory Land	Purchased with the NOL building. Management began 6/97		\$1,247,210	\$41,713	4% of total income

** All current values are estimates only drawn from various assumptions. Current values should be concluded by a qualified appraiser.*

** Auditor of State's quarterly rent is \$29,037.25 X 4 = \$116,149.00 annually. Original lease for five (5) years has been renewed for an additional five (5) years.*

**ATRS-RELATED LOANS AND INVESTMENTS
REAL ESTATE COMMITTEE**

1. There shall be a Real Estate Committee composed of five (5) members. Three (3) members will be selected from the business community; the Banking Commissioner; and the System's Real Estate Investment Manager. The System's Legal Counsel and Executive Director shall be ex officio, non-voting members of the Committee.
2. The three (3) members from the business community shall be knowledgeable with respect to real estate matters. A person will be deemed to be "knowledgeable with respect to real estate matters" if that person is a present or former lending officer for federally insured financial institutions, or is a licensed Arkansas real estate broker with five (5) years or more experience as such, or is an Arkansas licensed real estate appraiser (state certified general appraiser or MAI designation), or if the person has credentials comparable to those listed. The members shall be selected by the Board of Trustees from a list compiled by the Executive Director, and the Board shall select the members. With the exception of the Banking Commissioner, the Committee members will be selected to serve staggered terms of a certain number of years. No member of the Real Estate Committee may do business with ATRS while serving on the Committee.
3. Four (4) members of the Real Estate Committee shall constitute a quorum. The system's Legal Counsel must be present at all meetings. Three (3) votes are required to approve any proposal considered by the Committee.
4. The Real Estate Investment Manager shall serve as Chairman of the Real Estate Committee.
5. The purpose of the Real Estate Committee shall be to consider all real estate investments. Real estate investments for purposes of the Committee shall be defined as the acquisition of buildings, land and other real property; the improvements and refurbishing to real estate; loans, participation in real estate partnerships and other similar investments, excluding investments in private equity real estate funds.
6. The Committee shall operate under guidelines and procedures approved by the Board of Trustees.
7. Total real estate investments shall not exceed the asset allocation as determined by the Board of Trustees. The total real estate portfolio will be limited to the percent applied to the total fund balance on June 30 and December 31 each year. Should the recalculation reveal the allocation has been exceeded, no additional investments shall be entered into until the asset allocation exceeds the total real estate investments.

PROCEDURES FOR REAL ESTATE LOANS AND ACQUISITIONS

All real estate loans and acquisitions will be considered using the following process:

1. A Real Estate Loan or Acquisition application will be submitted to the Retirement Fund Investment Supervisor.
2. The Screening Committee will consider proposals.
3. If approved by the Screening Committee, proposals will be submitted to the underwriter.
4. The Real Estate Investment Manager will review the proposals and the underwriting.
5. Proposals will be submitted to Real Estate Committee for action.
6. Reports will be made to Investment Committee and Board of Trustees as to real estate loans and acquisitions.

RETIREMENT FUND INVESTMENT SUPERVISOR

The Retirement Fund Investment Supervisor will review the proposal and write a brief summary of the project, based upon guidelines approved by the Board of Trustees for the Arkansas-Related Investment Program.

SCREENING COMMITTEE

The Screening Committee will review all loans and acquisition proposals to insure they meet all guidelines and procedures approved by the Board of Trustees. The Screening Committee will be composed of the Chairman of the Investment Committee; one other Board member appointed by the Chairman of the Board; and two members of the staff – the Retirement Fund Investment Supervisor and the Associate Director-Investments. The Investments Supervisor will serve as Chairman of the Screening Committee. All members of the Screening Committee will be voting members. The Chief Fiscal Officer will serve as an advisor to the Screening Committee. All loans and acquisition proposals shall be sent to an underwriter approved by the Real Estate Committee.

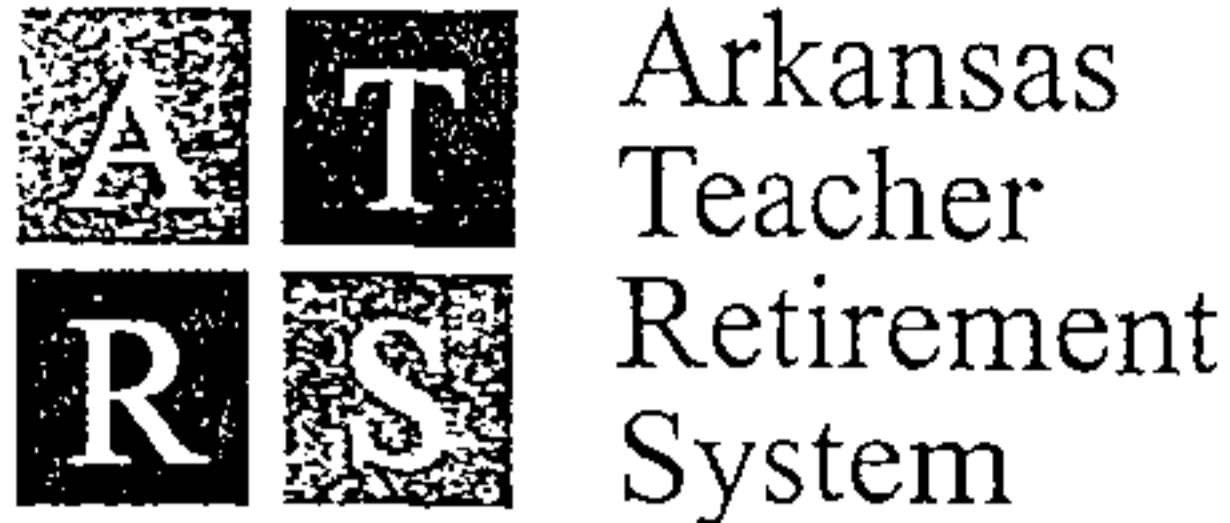
REAL ESTATE INVESTMENT MANAGER

The Real Estate Investment Manager will be employed by the Board of Trustees to review and advise on all aspects of the real estate portfolio. This will include advice on assets and loans currently in the portfolio as well as future loans and acquisitions. The Real Estate Investment Manager shall have a minimum of ten (10) years experience as a commercial real estate broker, property developer, appraiser, counselor, lender or some combination thereof.

REAL ESTATE COMMITTEE

The Real Estate Committee is for the express purpose of reviewing all real estate loans and acquisitions. The Committee will either approve or disapprove the proposals.

Minutes of each meeting will be maintained and reports of the activities of the Real Estate Committee will be presented at each Investment Committee and each regularly scheduled Board of Trustees meeting.



1400 West Third, Little Rock, AR 72201
Phone (501) 682-1517 or (800) 666-2877
Website - <http://www.atrs.state.ar.us>
Email - info@atrs.state.ar.us

September 17, 2001

To whom it may concern:

Discussions from by the Arkansas Teacher Retirement System (ATRS) Board of Trustees have resulted in change in the information desired from its' money managers. The level of reporting regarding activity, and the frequency has changed.

Approximately two months ago each of you were provided with a sample format the Board would like to receive when reporting results. However, the frequency of the report, and the amount of additional information to send was unclear.

Information received by the ATRS Board of Trustees has become excessive. To limit the amount of extraneous material received, the Board has determined that only the two page standard report is required on a quarterly basis. No additional material, unless it pertains directly with the personnel the ATRS Board will come in contact with, is required.

Staff at ATRS, including myself, would like to continue receiving the detailed monthly information. The detailed information should allow staff to answer any question that might arise by board members when reviewing the quarterly information.

If you have any question regarding this request, or you need another copy of the sample report, please call me at (501) 682-2025. Your cooperation in expediting the process is appreciated.

With regards,

A handwritten signature in black ink, appearing to read "G. M. Snyder", is written over a horizontal line.

George M. Snyder CPA
Chief Fiscal Officer
Arkansas Teacher Retirement System

cc: Bill Shirron, Executive Director
Angelo Coppola, Deputy Director
Wayne Greathouse, Associate Director – Investments