

MINUTES

Regular Meeting Board of Trustees

February 11, 2002

The Board of Trustees of the Arkansas Teacher Retirement System met on Monday, February 11, at 8:00 a.m. The meeting was held in the ATRS Board Room, 1400 West Third Street, 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
Ann Harbison
Mary Harris
Betty McGuire
Louis Midkiff
Gus Wingfield
Frank White

Members of the Board Absent:

Jimmie Lou Fisher
Raymond Simon

Members of the Staff Present:

Bill Shirron, Executive Director
Wayne Greathouse, Associate Director-Investments
Tammy Medlock, Administrative Assistant
Hugh Roberts, Retirement Fund Investment Advisor
George Snyder, Chief Fiscal Officer
Dale Walker, Investment Specialist

Others Present:

Robert Bowers, National Council on Teacher Retirement
Jonathan Clark, Cinven
Bill Conrad, A.G. Edwards
Dennis Curtis, Merrill Lynch
Stephen Cummings, Ennis Knupp + Associates
Tom Ferstl, Ferstl Enterprises
Jay Gadberry, Morgan Stanley
Calum Graham, AIB Govett
Patrick Kelly, Ennis Knupp + Associates
Shirley Matheny, Retiree
James McGuire, Guest of Betty McGuire
Julie McKee, Guest

Others Present (Cont'd)

John Richardson, Munder Capital Management
Andrew Richey, ICC Capital Management
Paul Runge, AIB Govett
David Russell, Ennis Knupp + Associates
David Spaulding, Cypress Group LLC
Leonard Venable, Office of the State Treasurer

I. Roll Call

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

II. Adoption of Agenda

Mrs. Coleman made a motion to adopt the agenda as presented. The motion carried.

III. Minutes of November 5-6, 2001 & December 13, 2001

Mr. Midkiff made a motion to adopt the minutes of November 5-6 and December 13, 2001, as presented. The motion carried.

IV. Analysis of ATRS Investment Program - David Russell, Steve Cummings, Patrick "P.J." Kelly - Ennis Knupp + Associates

Mr. Russell presented a proposed work plan (*Attachment A*).

By common consent, the Board agreed they were comfortable with an asset allocation of 5-10% for real estate with 8% as a target.

Mrs. Coleman made a motion requesting the investment consultant bring back information that would include cost comparisons should ATRS decide to participate in an indexed allocation for U.S. equities. The motion carried. Ennis Knupp will bring a recommendation in April regarding the addition of a passive component to ATRS' U.S. equities portfolio.

Ms. Harbison made a motion to put Zurich Scudder on a watch list for six months. The motion did not carry. Representatives from Zurich Scudder will meet with the Board at the regular Board meeting in April.

Mr. Vondran made a motion to terminate Vanderbilt Capital Advisors. The motion carried. Ennis Knupp will delay notification until a replacement manager is located.

Ennis Knupp will prepare detailed background information and competitive information regarding the qualifications of the top 5 to 8 candidate firms to replace Vanderbilt, and present the information to the Investment Committee on March 22. The Investment Committee would select 2 or 3 firms to be interviewed by the Board on April 8 (*Attachment B*).

V. Consultant's Performance Evaluation Report - David Russell, Steve Cummings, Patrick "P.J." Kelly – Ennis Knupp + Associates

Mr. Kelly reviewed the performance evaluation report, which did not include private equity managers. Ennis Knupp will provide the Board's preferred two-page money manager reports each month. All numbers in the Ennis Knupp reports are net of manager fees.

VI. Consultant's Contract

The Investment Committee will review and work on the consultant's contract at its next regular meeting in March.

VII. Investment Program Reports

- A. AIB Govett – Calum Graham, Paul Runge
- B. Regions – Lisa McDaniel (ill)
- C. ICC Capital Management – Andrew Richey
- D. Munder Capital Management – John Richardson
- E. Cinven – Jonathan Clark
- F. Cypress Group LLC – David Spaulding

In other business:

- Mr. Shirron announced that Dr. Coppola had submitted his resignation effective March 15, 2002.

The meeting recessed at 6:10 p.m.