

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
October 5, 2004**

The Board of Trustees of the Arkansas Teacher Retirement System held a regular meeting on Tuesday, October 5, 2004, in the Board Room of the Arkansas Teacher Retirement System Building at 1400 West Third Street in Little Rock, Arkansas.

Members of the Board Present

Linda Parsons, Chair
John Fortenberry, Vice Chair
Monty Betts
Winfred Clardy
Hazel Coleman
Lawrence Colston
Dr. Paul Fair
Betty McGuire
Robin Nichols
Ellen Terry
Gus Wingfield

Guests Present:

Bobby Lester, ARTA
Tom Gay, Attorney General's Office
Jim McGuire, Trustee Spouse
Lloyd W. Black, ARTA
Richard Hutchinson, AEA
Steve Kelly, AOS
Lem Wigginton, ARTA
Ruby Wigginton, ARTA
Estella Smith, Bureau of Legislative Research
Matthew Miller, Bureau of Legislative Research
Mike Wickline, *Arkansas Democrat-Gazette*

Members of the Board Absent:

Bunny Adcock
Charles Dyer
Dr. Ken James
Jim Wood

Staff Present:

David Malone, Director
Julie Cabe, Deputy Director
Wayne Greathouse, Investments
Hugh Roberts, Investments
Michael Kaucher, Investments
Suzanne Davenport, Accounting
George Synder, Internal Auditor
Michael Ray, Benefits/Counseling
Gail Bolden, Data Processing
Nona Comer, Accounting
Donna Hobbs, Personnel
Carolyn Abbott, Preretirement
Judy Brown, Payroll
Jo Ann Carroll, MPA

I. Call to Order

Linda Parsons called the meeting to order at 9:06 a.m. with a quorum of the Board present.

II. Adoption of Agenda

Hazel Coleman moved adoption of the agenda, Robin Nichols seconded, and the Board unanimously approved the motion.

III. Approval of Minutes

John Fortenberry moved approval of the minutes of the regular meeting on June 15, Ellen Terry seconded, and the Board unanimously concurred.

Mr. Fortenberry moved approval of the minutes of the special meeting on July 29, Ms. Nichols seconded, and the Board unanimously approved the motion.

Mr. Fortenberry moved approval of the minutes of the special meeting on August 18, Ms. McGuire seconded, and the Board unanimously approved.

IV. Public Comment on the Agenda

No comments were made.

V. Report of the Investment Committee

A. Mr. Fortenberry reported on the September 13 meeting of the Investment Committee and reviewed the draft minutes of the meeting.

B. Mr. Malone reported that the System had received a total of \$325,352 in the Commission Recapture Program in the first three months and was on a pace to recover \$1 million or more the first year.

C. Winfred Clardy moved adoption of **Resolution No. 2004-28 (Attachment No. 1)** authorizing the sale of approximately 65 acres of property north of Highway 226 and south of Ridge Pointe Phase IV in Jonesboro to Mark Fowler and Associates at a price of \$16,000 an acre. Robin Nichols seconded the motion, which the Board unanimously approved. The Board previously approved the sale of 35 acres in an adjacent tract to Mr. Fowler and Associates, and the present sale of the remaining 65 acres will complete the transfer of all the property owned by ATRS in Jonesboro.

D. Hazel Coleman moved approval of the sale of 63 acres of property near the Gregg Avenue/Fulbright Expressway intersection to Stonehill-PRM Realty at a price of \$5.250 million (**Resolution No. 2004-29 – Attachment No. 2**). Dr. Fair seconded the motion, and the Board unanimously concurred.

- E. The suggested policy on sales procedures was presented with amendments proposed by the Investment Committee (**Attachment No. 3**). The proposed policy has been referred to the Policies Committee.
 - F. Mr. Fortenberry moved approval of the proposal of Rebsamen Insurance (**Resolution No. 2004-30 – Attachment No. 4**) to insure the property holdings of the Retirement System for the period October 1, 2004, through October 1, 2005, for a total of \$129,426.00 down from \$147,767.00 for the current year. Ms. McGuire seconded the motion, which was unanimously approved by the Board.
 - G. Monty Betts moved approval of **Resolution No. 2004-31 (Attachment No. 5)** authorizing a three-year contract with Ennis, Knupp & Associates beginning January 1, 2005, at a fee rate of \$340,000 a year, and Lawrence Colston seconded the motion, which the Board unanimously adopted.
 - H. Dr. Fair moved adoption of **Resolution No. 2004-32 (Attachment No. 6)** expressing appreciation to Dr. Worthie Springer for his service on the ATRS Medical Board. Mr. Fortenberry seconded the motion, and the Board of Trustees unanimously concurred. Dr. Springer has served on the Medical Board since January 1999.
- VI. Mr. Clardy moved adoption of **Resolution No. 2005-33 (Attachment No. 7)** appointing Dr. William Rutledge to serve on the ATRS Medical Board, Ms. McGuire seconded, and the Board unanimously approved the motion.
- VII. Staff Reports
- A. Mr. Fortenberry moved approval of the ATRS Medical Board reports for June, July, and September 2004. Dr. Fair seconded, and the Board unanimously approved the motion. Ms. Terry expressed concern that the Medical Board does not meet in August, and Dr. Fair asked that the staff study the long-term figures on requests to the Medical Board with an emphasis on the effect of omitting an August meeting.
 - B. No other staff reports required action.
- VIII. Executive Director's Comments
- Mr. Malone requested a meeting of the Legislative Committee to begin preparations for the 2005 legislative session, and the meeting was set for Thursday, October 28, at 1:00 p.m.

He announced that the Southern Conference on Teacher Retirement would meet in Little Rock in 2006 and requested the assistance of Board members in planning and executing the conference.

X. Executive Session and Adjournment

The Board entered into executive session to discuss personnel matters at 9:45 a.m. No action was taken. The session ended at 11:50 a.m., and the regular meeting immediately adjourned.

Katherine Corcoran, Recorder

David Malone, Executive Director

Linda Parsons, Board Chair

Date Approved

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 WEST THIRD STREET
LITTLE ROCK, ARKANSAS 72201**

**RESOLUTION
No. 2004-28**

Sale of Jonesboro Retirement Village Property

BE IT RESOLVED that the Board of Trustees of the Arkansas Teacher Retirement System approves the sale of approximately sixty-five (65) acres of property north of Highway 226 and south of Ridge Pointe Phase IV in Jonesboro, Arkansas, to Mark Fowler of Jonesboro, at a price of \$16,000.00 per acre.

FURTHER RESOLVED that the Board of Trustees authorizes the Executive Director to execute the sale.

Adopted this ____ day of October, 2004

Linda Parsons, Chair
Arkansas Teacher Retirement System

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 WEST THIRD STREET
LITTLE ROCK, ARKANSAS 72201**

**R E S O L U T I O N
No. 2004-29**

Sale of Fayetteville Retirement Village Property

BE IT RESOLVED that the Board of Trustees of the Arkansas Teacher Retirement System approves the sale of approximately sixty-three (63) acres of property near Gregg Ave/Fulbright Expressway intersection, (Section 34 of Township 17 of Range 30) in Fayetteville, Arkansas, to Stonehill-PRM Realty and or assigns, at a price of \$5,250,000.00.

FURTHER RESOLVED that the Board of Trustees authorizes the Executive Director to execute the sale.

Adopted this ____ day of October, 2004

Linda Parsons, Chair
Arkansas Teacher Retirement System

DRAFT 9/14/04*

AGENDA ITEM V.E. Discussion of sales procedures.

II. OWNERSHIP OF REAL ESTATE

A. INVESTMENT GOALS:

- The ATRS real property portfolio shall be structured so that available staff can effectively and efficiently manage the portfolio, with an outside manager or multiple managers for day-to-day management of the individual properties.
- An expected rate of return shall be established for each property in the ATRS real property portfolio at the time of purchase. Current market conditions shall be taken into account in establishing the expected return for each individual property as long as the effect on meeting the goal for real estate investments is taken into consideration.
- The goal of the real estate investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate domestic real estate market as measured by the NCREIF National Property Index over a full market cycle (approximately five years).
- Each property in the ATRS real property portfolio shall be suitable for institutional investment.

B. SALES OF REAL ESTATE INTERESTS

1. The ATRS Staff Review Committee composed of the Retirement Fund Supervisor (chair), Executive Director and Deputy Director Finance, will meet quarterly to identify any pieces of property which do not meet the long term investment goals of the system as listed above.
2. Once such a property is identified, the Retirement Fund Supervisor and the ATRS Real Estate Department staff will (a) research records and files to obtain all purchase and capital improvement costs; and (b) obtain an independent appraisal on the property.

**As Amended by Investment Committee and referred to Policies Committee – 9/14/04*

3. Local realtors will be contacted by the Retirement Fund Supervisor who will request bids for the sales listing.
4. The submitted bids will be reviewed by the ATRS Staff Review Committee, which will award the listing to a selected firm. This selection will not be determined by low bid only. Consideration will also be given for past performance, expertise in asset class, and knowledge of the particular market.
5. The ATRS Staff Review Committee will inform the ATRS Investment Committee of such actions as the next scheduled meeting of the Investment Committee.
6. Purchase offers will be reviewed by the ATRS Review Committee.
 - a. Purchase offers under \$5.0 million will be submitted to the ATRS Investment Committee for approval on behalf of the ATRS Board.
 - b. Purchase offers of \$5.0 million and above will be submitted to the ATRS Investment Committee for review and will be submitted to the ATRS Board for approval.
7. Following appropriate Investment Committee or Board action, the approved offer will be submitted to the ATRS attorney contracted for closing.
8. The purchaser may apply to ATRS for a first mortgage loan.

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 WEST THIRD STREET
LITTLE ROCK, ARKANSAS 72201**

**RESOLUTION
No. 2004-30**

Real Estate Insurance Contracts

On September 13, 2004, the Investment Committee reviewed the recommendations of Rebsamen Insurance, Inc. for appropriate insurance coverage for properties.

The Investment Committee approved the recommendation of the following companies for the period from October 1, 2004, to September 30, 2005:

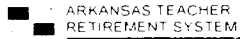
- *Liberty Mutual – Property (\$5,000.00 deductible)
- *First Specialty – Primary Liability
- *St. Paul Travelers – (\$10MM) – Excess Liability

THEREFORE, BE IT RESOLVED that the Board of Trustees hereby ratifies the action of the Investment Committee in the selection of appropriate insurance coverage or the properties held for investment.

Adopted this ____ day of October, 2004

Linda Parsons, Chair
Arkansas Teacher Retirement System

**See Attachment "A"*



**Property Casualty Renewal
October 1, 2004/2005**

Carrier / Line of Coverage	Premiums at Inception Date	
	2003/2004	2004/2005
	(All premiums shown are net of commission and include taxes, fees and Terrorism Risk Insurance Act charges)	
Liberty Mutual – Property (\$ 5,000 Ded.)	\$ 89,415	78,161
First Specialty – Primary Liability	39,830	36,665
Scottsdale (\$10MM) – Excess Liability	18,522	-
St. Paul Travelers (\$10MM) – Excess Liability	-	14,600
Total Premium	147,767	129,426

A.M. Best Insurance Company Ratings:

- ❖ Employers Insurance Company of Wausau – A (Excellent) XV
- ❖ First Specialty Insurance Corporation – A (Excellent) XV
- ❖ Scottsdale Insurance Company – A+ (Superior) XV
- ❖ St. Paul Fire & Marine Insurance Company – A (Excellent) XV

Notes:

- ❖ The property coverage is on a replacement cost basis. The 04/05 property quote includes a 4% inflationary increase in the real property values. This results in a property rate decrease of approximately 16%.
- ❖ The business interruption values will be adjusted to reflect current 100% occupancy revenues.

Attachment "A"

ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201

R E S O L U T I O N
No. 2004-31

BE IT RESOLVED that the Board of Trustees of the Arkansas Teacher Retirement System authorizes the Executive Director to enter into a three-year contract with Ennis Knupp + Associates effective January 1, 2005, for the continuation of investment consulting services to ATRS under the terms and conditions set forth in Attachment "A."

FURTHER RESOLVED that the Board of Trustees authorizes the Executive Director to execute the sale.

Adopted this 5th day of October 2004

LINDA PARSONS, *Chair*
Arkansas Teacher Retirement System

**SERVICE AGREEMENT DATED OCTOBER 6, 2004
BETWEEN
ARKANSAS TEACHER RETIRMENT SYSTEM
AND ENNIS, KNUPP & ASSOCIATES**

**FEE SCHEDULE
Effective as of 1/1/2005**

Our fee for the services described in the service agreement referenced above will be at a rate of \$340,000 per year, for the period January 1, 2005 through December 31, 2007. Fees are payable on a calendar monthly basis, or portion thereof, in arrears, beginning on the effective date noted above.

We bill separately, at cost, for any travel or delivery costs involved with servicing the relationship. Transition management services, where EnnisKnupp is responsible for coordinating the movement of fund assets is not included under this agreement and may be contracted for separately on a fixed fee or hourly basis. Consulting with regard to specific alternative asset classes (including, but not limited to, selecting individual private equity, hedge fund, real estate, and timber investments) are not included under this agreement and may be contracted for separately on a fixed fee or hourly rate basis. Consulting of a general nature regarding these areas (such as has been provided to ATRS under our current arrangement) will continue to be covered by this contract.

ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201

R E S O L U T I O N
No. 2004-32

WHEREAS, A.C.A. §24-7-303(f) provides that the Board of Trustees of the Arkansas Teacher Retirement System shall appoint a medical committee consisting of three (3) physicians to report to the board whether applicants for disability retirement are physically or mentally totally incapacitated for the further performance of duty; and

WHEREAS, Dr. Worthie Springer has provided invaluable assistance to ATRS and its members since January 1999 as a member of the medical committee, and

WHEREAS, Dr. Springer has resigned his position due to scheduling conflicts.

BE IT RESOLVED that the Board of Trustees of the Arkansas Teacher Retirement System expresses its appreciation to Dr. Worthie Springer for his outstanding service as a member of the ATRS medical committee.

FURTHER RESOLVED that the Board requests the ATRS Executive Director to communicate this appreciation to Dr. Springer.

Adopted this 5th day of October 2004

LINDA PARSONS, Chair
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201

R E S O L U T I O N
No. 2004-33

WHEREAS, A.C.A. §24-7-303(f) provides that the Board of Trustees of the Arkansas Teacher Retirement System shall appoint a medical committee consisting of three (3) physicians to report to the board whether applicants for disability retirement are physically or mentally totally incapacitated for the further performance of duty; and

WHEREAS, there is currently a vacancy on the medical committee due to the resignation of Dr. Worthie Springer, and

WHEREAS, Dr. William Rutledge has been recommended by recommended by the remaining members of the medical committee to replace Dr. Springer, and

WHEREAS, Dr. Rutledge is highly qualified for the position.

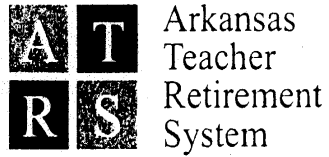
BE IT RESOLVED, That the Board of Trustees of the Arkansas Teacher Retirement System appoints Dr. William Rutledge to serve as a member of the ATRS medical board.

FURTHER RESOLVED, That the Board appreciates Dr. Rutledge's willingness to serve in this capacity.

FURTHER RESOLVED, That the Board requests the ATRS Executive Director to communicate this appreciation to Dr. Rutledge.

Adopted this 5th day of October 2004

LINDA PARSONS, Chair
Arkansas Teacher Retirement System



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

MEMORANDUM

TO: David Malone, Executive Director

FROM: Michael S. Ray, Manager
Benefits and Counseling

SUBJECT: Replacement Physician for ATRS Medical Board

DATE: September 14, 2004

Dr. Worthie Springer has resigned his position on the ATRS medical board due to scheduling conflicts.

Dr. Ewing C. Reed and Dr. John Stotts are the remaining members of the medical board.

They have recommended Dr. William Rutledge to replace Dr. Springer.

Please submit this recommendation to the Board of Trustees of the Arkansas Teacher Retirement System.

