

MINUTES

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
Tuesday, June 19, 2007
11:00 a.m.**

Red Apple Inn
Club Room
Heber Springs, AR

ATTENDEES

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<p><u>Board Members</u> Lawrence Colston Dr. Paul Fair John Fortenberry Beverly Leming Robin Nichols Linda Parsons Janelle Riddle Ellen Terry Jim Wood Mike Creekmore for Martha Shoffner</p>	<p><u>Staff</u> Gail Bolden Judy Brown Christa Clark Suzanne Davenport Paul Doane Wayne Greathouse Mullahalli Manjunath Michael Ray Hugh Roberts George Snyder Jane Toledo</p>
<p><u>Board & Staff Guests</u> Linda Colston Helen Doane Marie Fair Maxine Fortenberry Bob Leming Clarinda Fleming</p>	<p><u>Guests/Presenters</u> PJ Kelly, Ennis Knupp Steve Cummings, Ennis Knupp Steve Kelly, Auditor's Officer Jenny Ross, Woodland Heights Rodney Thomason, Woodland Heights Porter Brownlee Bill Pearson Brett Collins, State Street</p>
<p><u>Reporters</u> Mike Wickline, Arkansas Democrat Gazette</p>	

- I. ***Call to order.** The meeting was called to order by Chair, Mr. Fortenberry at 11:24 a.m. Roll was taken and absentees were excused by Chair, Mr. Fortenberry.
- II. ***Adoption of Agenda.** A motion was made for adoption of the Agenda by Ms. Nichols with the addition of "Resolution No. 2007-21 re: Policy No. 3-8 Executive

Director Limitations”, seconded by Ms. Parsons and unanimously passed by the Board.

- III. **Public comment on Agenda items.** There were no public comments on the Agenda items.
- IV. ***Approval of Minutes of April 26, 2007.** A motion was made for approval of the Minutes of the Board of Trustees meeting of April 26, 2007 by Ms. Parsons, seconded by Dr. Fair, and unanimously passed by the Board.
- V. **Investment update.** PJ Kelly of Ennis Knupp reviewed the preliminary portfolio performance for the one-month period ending April 30, 2007.
- VI. ***Investment Committee report. Approval of “Draft” Minutes of the May 14, 2007 Investment Committee.** Investment Committee Chair, Ms. Nichols, noted that these minutes are “draft” and must be presented to and approved by the Investment Committee at the next meeting.
 - A. ***Darfur divestment procedure (Resolution No. 2007-14).** *This Resolution is to take action with all investment managers to refrain from investing in any US based companies doing business with the Government of Sudan and related activities that would benefit or support the economy of Sudan, and consider elimination of those Sudan related holdings at the earliest appropriate time.* The motion for adoption of Resolution No. 2007-14 was made by Dr. Fair, seconded by Ms. Parsons and unanimously passed by the Board.
 - B. ***Investment manager “Watch List” procedure (Resolution No. 2007-15).** *This Resolution is to adopt a formal procedure for managers with meaningful underperformance relative to the established benchmark or other concerns to be formally placed on a “Watch List” for a period of 12 months with on-site visits, appearance(s) before the Board and close monitoring of performance with monthly updates.* The motion for adoption of Resolution No. 2007-15 was made by Dr. Fair, seconded by Ms. Nichols, and unanimously passed by the Board.
 - C. ***Procedure re: investment managers meetings with Board of Trustees (Resolution No. 2007-16).** *This Resolution establishes that managers who appear before the Board shall not employ sales-type information, but focus on expanding the knowledge of the Board regarding process, portfolio implementation strategies and relay updated information on personnel and organizational developments.* The motion for adoption of

Resolution No. 2007-16 was made by Ms. Nichols, seconded by Mr. Colston, and unanimously passed by the Board.

- D. ***“Watch List” status for two managers (Resolution No. 2007-17).** *This Resolution is to place ING (due to significant organizational developments) and Eubel Brady Suttman (due to meaningful under-performance with both its portfolio returns relative to the Russell Mid-Cap Value benchmark and its ranking within its peer Mid-Cap Value manager universe) on “Watch List” status. The motion for adoption of Resolution No. 2007-17 was made by Ms. Parsons, seconded by Ms. Leming, and unanimously passed by the Board.*
- E. ***Hiring of Ennis Knupp as Real Estate Consultant and the adoption of the real estate investment strategy (Resolution No. 2007-18).** *This Resolution is for the expansion of the existing mandate with Ennis Knupp to include supervision of the Fund’s Real Estate allocation (other than the Arkansas Related classification which will remain outside its purview) by increasing the contractual arrangements by approximately \$275,000. The motion for adoption of Resolution No. 2007-18 was made by Dr. Fair, seconded by Mr. Wood, and unanimously passed by the Board.*
- F. ***Alternative consultant (Resolution No. 2007-19).** *This Resolution is to authorize the staff to commence a search and RFQ process for suitable candidates to be interviewed by the Investment Committee and approved by the Board of Trustees for the role of Alternative Investment Consultant. The motion for adoption of Resolution No. 2007-19 was made by Ms. Terry, seconded by Ms. Nichols, and unanimously passed by the Board.*

VII. Policies Committee report.

- A. **Report of Joint Committee meeting of April 26, 2007.**
- B. ***Recommendation for adoption of permanent new and amended Rules and Regulations to implement 2007 Legislative changes and make Disability (Policy No. 9-3), Employer Contributions (Policy No. 704) and Return to Work (Policy No. 10-2) Policy changes at outlined (Resolution No. 2007-20).** *This Resolution is to authorize the Executive Director to make technical clarifying, and conforming corrections to the ATRS Policies per the Legislative changes to Disability Retirement, Employer Contributions and Retirement Return to Service/Work policies. The motion for adoption of Resolution No. 2007-20) was made by Ms. Parsons, seconded by Dr. Fair, and unanimously passed by the Board.*

- C. ***Recommendation for adoption of changes to Policy No. 3-8, Executive Director Limitations (Resolution No. 2007-21).** *This Resolution is to make technical, clarifying and conforming corrections to Policy No. 3-8.* The motion for adoption of Resolution No. 2007-21 was made by Ms. Parsons, seconded by Ms. Leming, and unanimously approved by the Board.

- VIII. **Woodland Heights management plan.**

- IX. ***Appreciation of Lawrence Colston (Resolution No. 2007-22).** The motion for adoption of Resolution No. 2007-22 was made by Ms. Nichols, seconded by Dr. Fair, and unanimously approved by the Board.

- X. **Staff reports.**
 - A. ***Medical Board reports.** Michael Ray, Manager, Member Services. The motion was made for approval of the Medical board reports by Ms. Terry, seconded by Mr. Wood, and unanimously approved by the Board.

 - B. **Preretirement Department report.** Michael Ray, Manager, Member Services.

 - C. **2007 Retirees and T-DROP reporting.** Michael Ray, Manager, Member Services.

 - D. **ATRS Financial reports.** Suzanne Davenport, Director of Fiscal Affairs.

 - E. **Payroll report.** Judy Brown, Supervisor, Retirement Payroll.

 - F. **Investment summary.** Wayne Greathouse, Deputy Director of Finance.

 - G. **Arkansas Related.** Hugh Roberts, ATRS Real Estate.

- XI. **Executive Director's comments.** The Executive Director will be attending the NCTR Director's meeting on Wednesday in Colorado and Gail Bolden will be attending the NASRA conference the 1st weekend of August in Florida. It was recommended that all Board members, especially new members, attend the NCTR Trustee's workshop and conference in Boston from July 29th to August 2nd. Bunny Adcock has resigned as State Banking Commissioner and has been replaced by Candace Franks. Ms. Franks is the first woman banking commissioner in history. The Executive Director will be visiting with Ms. Franks next week. Debbie Northum has joined Member Services and Gaye Swaim is the new Human Resources manager. The 1st floor plans were reviewed and

ATRS is implementing "green" concepts to the building design as well as internally by changing from styrofoam to plastic beverage containers. ATRS will be implementing a four-day work-week on a trial basis beginning on July 1 through August 31st to accommodate members and save gas. ATRS is working on changing the e-mail and website addresses to ATRS.gov. Dr. Ewing Reed of the ATRS Medical Committee passed away last week. Future meetings of the Investment Committee are scheduled for August and possibly September.

XII. ***Other business.** Policy 4-2-1 Ballots – Paragraph 6. Printed List of Mailing Labels to Eligible Voters. After discussion by the Board, Executive Director, and ATRS Legal, the decision was made to seek the opinion of the Attorney General with regard to providing mailing labels. The motion was made by Ms. Nichols, seconded by Dr. Fair, and unanimously approved by the Board.

XIII. **Executive session for discussion of personnel matters.** It was unanimously decided by the Board to postpone the Executive Session until the next meeting of the Board of Directors in October.

XIV. **Adjournment.** Chair, Mr. Fortenberry adjourned the meeting at 2:41 p.m.

Jane Toledo, Recorder

Paul Doane, Executive Director

John Fortenberry, Chair
Board of Trustees

Date Approved