

MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD of TRUSTEES
Thursday, August 7, 2008
2:00 p.m.
1400 West Third Street
Little Rock, AR 72201

ATTENDEES	
Board Members Present	ATRS Staff
Dr. Richard Abernathy	Gail Bolden, Chief Operations Officer
Monty Betts	
Hazel Coleman, Vice Chair	Christa Clark, Chief Legal Counsel
Dr. Paul Fair	Paul Doane, Chief Executive Officer
John Fortenberry	Wayne Greathouse, Director of Investments
Beverly Leming	Manju Mullahalli, Director of DP
Bobby Lester	Michael Ray, Director of Member Services
Robin Nichols, Chair	Hugh Roberts, Director of Real Estate
Linda Parsons	Jane Toledo, Secretary
Janelle Riddle	Leslie Ward, Director of Private Equity
Mike Creekmore as Designee for Martha Shoffner	
Steve Kelly as Designee for Jim Wood	Consultants
	Ennis Knupp
Board Members Absent	PJ Kelly
Candace Franks	Joe Marzano
Ken James	
Ellen Terry	Guests
	Helen Holloway, ARTA President Elect
Reporters	Mike Mertens, AAEA
Mike Wickline, Arkansas Dem Gazette	Steve Singleton, ARTA Executive Director

- I. **Call to Order/Roll Call.** Chair, Robin Nichols called the meeting to order at 2:18 p.m.

Roll Call was taken and the following Board Members were noted as absent, Candace Franks, Ken James and Ellen Terry.

- II. **Adoption of Agenda. THE MOTION FOR ADOPTION OF THE AGENDA WAS MADE BY MS. COLEMAN, SECONDED BY MR. LESTER AND UNANIMOUSLY APPROVED BY THE BOARD.**

- III. **Approval of Minutes.**

- A. **Board of Trustee Minutes of April 7, 2008. THE MOTION FOR APPROVAL OF THE BOARD OF TRUSTEE MINUTES OF APRIL 7, 2008 WAS MADE BY MS. RIDDLE, SECONDED BY MR. CREEKMORE AND UNANIMOUSLY APPROVED BY THE BOARD.**
 - B. **Board of Trustee Minutes of June 10, 2008. THE MOTION FOR APPROVAL OF THE BOARD OF TRUSTEE MINUTES OF JUNE 10, 2008 WAS MADE BY DR. FAIR, SECONDED BY MS. COLEMAN, AND UNANIMOUSLY APPROVED BY THE BOARD.**
- IV. **Update of NCTR Trustees Workshop.** Chair, Ms. Nichols discussed her attendance at the NCTR Trustee Workshop along with other Board members, Beverly Leming, Linda Parsons, Janelle Riddle and Hazel Coleman. She provided the manual from the conference for review by all Board members.
- V. **CEO Report.** Paul Doane, CEO notified the Board of Ms. Ellen Terry's resignation from the Board; as a result of the combined efforts of the Benefits and Counseling, Pre-retirement and Payroll Accounting teams all new retiree and T-DROP member applications were issued all payroll and lump sum distributions by the due date, July 31; the Gabriel, Roeder, Smith & Co. contract was approved by the Legislative Peer Review Committee; the NCTR conference will be held in Washington, DC from October 11-16, 2008 and rooms availability is limited; all ATRS building renovations are completed; and ATRS is in the process of reviewing the phone systems and making changes to assure all callers speak with an actual employee instead of voice mail.
- VI. **Report of the Investment Committee.**
- a. **Investment (ESP) Lincoln Vale, \$15 Million.** This is a proposal to approve the hiring of Lincoln Vale as an Activist Manger within the ATRS Emerging Strategy Portfolio and to fund said manager at \$15 Million and to authorize staff to negotiate and finalize all terms and conditions of an investment management agreement to effectuate this approval.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-45 WAS MADE BY MS. LEMING, SECONDED BY MS. PARSONS, AND UNANIMOUSLY APPROVED BY THE BOARD.
 - b. **C/S Fund of Funds Portfolio Additional \$4 Million.** This is a proposal to authorize and additional commitment to Credit Suisse First Boston, which would increase the total commitment in the second private equity fund of funds from \$400 million to \$404.3 million to make an investment in the Lee Equity Partners Fund I.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-46 WAS MADE BY MS. LEMING, SECONDED BY MS. RIDDLE, AND UNANIMOUSLY APPROVED BY THE BOARD.

- c. **Investment Committee Proposed Add of Two Non Board Members.** This is a proposal to add two voting, non Board members, with specific experience in investments to the Investment Committee.

The Board postponed this item to a future meeting.

- d. **Woodland Heights Update/2009 Budget; Construction Costs.** This is a proposal to approve the FY 2009 Budget for Woodland Heights as prepared by Fox Ridge Management to expend \$2.175 million and realize an anticipated \$2.207 million in income, as approved by the Investment Committee and recommended to the Board of Trustees.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-47 WAS MADE BY MS. LEMING, SECONDED BY MS. COLEMAN, AND UNANIMOUSLY APPROVED BY THE BOARD.

- e. **Alternatives - Authorize RFP for Hedge Fund of Funds Mandates.** This is a proposal to authorize its consultant Ennis Knupp, working in conjunction with staff, to proceed with an RFP process to identify qualified hedge fund of fund managers and to report back to the Committee with the names of those firms following review of the RFP's that will be brought to the Committee for consideration and interview prior to completing final due diligence and recommendation to the Board.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-48 WAS MADE BY MS. LEMING, SECONDED BY MS. COLEMAN, AND UNANIMOUSLY APPROVED BY THE BOARD.

- e. **Ennis Knupp Contract: Consider Add "Alternatives" Role.** This is a proposal to rehire the consulting firm of Ennis Knupp for services and direct said consulting firm to incorporate as part of its contract for services the inclusion of alternatives asset class as an additional feature of its contract.

THE MOTION FOR APPROVAL OF RESOLUTION NO. 2008-49 WAS MADE BY MS. LEMING, SECONDED BY MS. RIDDLE, AND UNANIMOUSLY APPROVED BY THE BOARD.

- g. **Proposed New Direct Investment/(ESP).** This is a proposal to approve an investment with the Natural State Entertainment Funding Group in the Principal Protected investment option in its planned film production, "Bass Masters", and authorize staff to undertake all necessary steps to implement this approval.

The Investment Committee postponed this item to a future meeting and Board is not prepared to act on this proposal at this time.

- h. **Custodial Services-Authorize RFP (SSBK expires 6/09) (combined with or separate RFP for Transitional Management Services).** This is a proposal to seek a qualified firm to provide custodial services commencing July, 2009 and, as a part of this RFP or a separate RFP, the staff and consultant identify one or more qualified firms to provide transitional services, for further review by the Committee and to authorize all necessary due diligence, including site visits by staff and Committee in order to make a recommendation for Master Custodial and Transition Management Services.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-51 WAS MADE BY MS. LEMING, SECONDED BY MR. LESTER, AND UNANIMOUSLY APPROVED BY THE BOARD.

- i. **Authorize Asset Liability Study-Ennis Knupp.** This is a proposal to authorize its consulting firm Ennis Knupp to undertake an Asset Liability Study as part of its general consulting contractual role and to report its findings to the Board, later this year, to timely allow the Board to employ its findings when considering adjustments to its asset allocation mix, including the possible increase from 5% to 10% in the "alternatives" asset class.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-52 WAS MADE BY MS. LEMING, SECONDED BY MR. BETTS, AND UNANIMOUSLY APPROVED BY THE BOARD.

VII. **Report of the Joint Committees (Executive and Policies/Legislative).**

- a. **Compound COLA.** This is a proposal to "compound" the 3% cost of living adjustment under § A.C.A § 24-7-727 for the fiscal year July 1, 2009 through June 30, 2010, only for all retirees receiving a benefit for the prior 12 month period ending June 30, 2009, by adjusting the base amount and authorize ATRS staff to draft the proposed regulations to effect this increase under the Administrative Procedures

Act, said guidelines to be reviewed at the Board's next scheduled meeting.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-53 WAS MADE BY MS. PARSONS, SECONDED BY MS. COLEMAN, AND UNANIMOUSLY APPROVED BY THE BOARD.

- b. **Modifications to Return to Work Policy.** This is a proposal to authorize certain legislation be proposed for the 2009 legislative session that 1) eliminates the earnings limitation for all retirees; 2) requires 180 days to be considered termination from a covered employer for retirement eligibility; and 3) require current employer (14%) contributions from all employers hiring System retirees and otherwise clarifies the requirements of a retiree who returns to work for a covered employer. This would authorize ATRS staff to take all necessary steps to propose, draft, and otherwise file legislation to this effect.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-54 WAS MADE BY MS. PARSONS, SECONDED BY MS. RIDDLE AND WAS PASSED WITH A VOTE OF 6 YEA AND 2 NAY (BY MR. BETTS AND DR. ABERNATHY) BY THE BOARD.

The Board requested more details about the 30% of recent ATRS retirees who have returned to work (i.e. same job, certified, classified, etc.) for review at a future meeting of the Board.

- c. **Proposed Exemptions from Review/Approval Process.**
1. **Investment Contract Process - RFP/RFQ State Procurement Process.** This is a recommendation to authorize certain legislation be proposed for the 2009 legislative session that clarifies the state procurement process as it relates to the Board hiring and retaining its investment managers and to authorize staff to take all necessary steps to draft and propose such legislation that clarifies the duties of the System and Board when it enters into an investment vehicle or other contract for the performance of investment fund management.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-55 WAS MADE BY MS. PARSONS, SECONDED BY MR. BETTS, AND UNANIMOUSLY APPROVED BY THE BOARD.

2. **Exemption from FOIA: Private Equity Holdings.** This is a recommendation to authorize certain legislation be proposed for the 2009 legislative session that clarifies that the underlying holdings of a private equity or other closed end fund manger be confidential and therefore exempted from the Arkansas Freedom of Information act under A.C.A. § 25-19-101 *et. Seq.* and to authorize ATRS staff to take all necessary steps to propose, draft, and otherwise file legislation to this effect.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-56 WAS MADE BY MS. PARSONS, SECONDED BY MS. LEMING, AND UNANIMOUSLY APPROVED BY THE BOARD.

- d. **Proposal to Grandfather Policy on Death Benefits.** This is a proposal to authorize certain legislation be proposed for the 2009 legislative session that grandfathers those retirees who retired after July 1, 2007 with 5 or more years of service to receive the lump sum death benefit and to authorize ATRS staff to take all necessary steps to propose, draft, and otherwise file legislation to this effect.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-57 WAS MADE BY MS. PARSONS, SECONDED BY MR. ABERNATHY AND UNANIMOUSLY APPROVED BY THE BOARD.

- e. **Proposal to Adopt Paperless Board Meeting Policy.** This is a proposal to authorize ATRS staff to implement a "paperless meeting" policy that includes providing laptop computers for Board and staff, the purchase of appropriate software, such as "BOARDDOCS", along with the necessary service agreements to insure proper installation and ongoing operations, causing the ATRS building to become "wireless" with appropriate security safeguards that may exist, and to take any other steps necessary to install, train and implement this policy.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-58 WAS MADE BY MS. PARSONS, SECONDED BY DR. FAIR, AND UNANIMOUSLY APPROVED BY THE BOARD.

The Board requested that the implementation of "paperless" meetings be implemented slowly to allow time for training and other adjustments necessary and it was agreed to let the Board "set the pace". The anticipated transition time will be one (1) year. The CEO will work with other Systems currently utilizing the "BOARDDOCS" software to facilitate transition issues. There was discussion of which platform is best for running this new software and it was agreed the all laptops

purchased for the Board would be dedicated to Board business only and converted by ATRS data processing personnel from Vista to XP.

- f. **Proposed Disability Procedure Change.** This is a proposal to - authorize ATRS staff to take all necessary steps to promulgate Regulation 9-3, as amended, under the Administrative Procedures Act and otherwise revise all correspondence and forms to comply with this amended regulation.

THE MOTION FOR ADOPTION OF RESOLUTION NO. 2008-59 WAS MADE BY MS. PARSONS, SECONDED BY MS. COLEMAN, AND UNANIMOUSLY APPROVED BY THE BOARD.

VIII. **Other Business.** CEO, Paul Doane, provided a brief overview of a proposed investment in an independently produced comedy movie around a bass fishing theme to be filmed in Arkansas this fall. Staff is still completing its due diligence and will report (initially to the Investment Committee) prior to Board consideration. The Arkansas based film company does have an impressive group of highly successful film makers and actors lined up and certainly the uniqueness of the subject matter would have strong appeal to the viewing public. There are various investment options one of which would protect the principal through the use of zero coupon bonds. Staff will provide more details and further review by the Investment Committee.

IX. **Adjourn.** A motion for adjournment was made by Ms. Riddle, seconded by Ms. Coleman and the meeting was adjourned by Chair, Ms. Nichols, at 3:18 p.m.

Jane Toledo, Recorder

Paul Doane, Executive Director

Robin Nichols, Chair
Board of Trustees

Date Approved