

**MINUTES  
ARKANSAS TEACHER RETIREMENT SYSTEM  
BOARD OF TRUSTEES**

**Monday February 2, 2015  
11:00 a.m.  
1400 West Third Street  
Little Rock, AR 72201**

**ATTENDEES**

**Board Members Present**

Dr. Richard Abernathy, Chair  
Jeff Stubblefield, Vice Chair  
Lloyd Black  
Hazel Coleman  
Kelly Davis  
Danny Knight  
Hon. Andrea Lea  
Bobby G. Lester  
Susannah Marshall, designee for Candace Franks  
Robin Nichols  
Hon. Dennis Milligan  
Deborah Thompson  
Janet Watson

**Members Absents**

Kathy Clayton  
Tony Wood

**Guests Present**

Donna Morey, ARTA  
Paul House, ARTA  
Jim Harris, State Treasurer's Office  
Dr. George Franks, State Auditor's Office.

**ATRS Staff Present**

George Hopkins, Executive Director  
Gail Bolden, Deputy Director  
Shane Benbrook, Internal Audit/Risk Mgmt.  
Dena Dixson, Internal Audit/Risk Mgmt.  
Mitzi Ferguson, Chief Fiscal Officer  
Laura Gilson, General Counsel  
Rod Graves, Manager, Investment Dept.  
Wayne Greathouse, Assoc. Dir. Investments  
Clementine Infante, Staff Attorney  
Mike Lauro, Information Systems Manager  
Manju, Dir. Data Processing  
Linden Maurer, Legal Assistant  
Jerry Meyer, Manager, Real Assets  
Tammy Porter, Administrative Assistant  
Mike Ray, Dir. Member Services  
Clint Rhoden, Assoc. Director of Operations  
Joe Sithong, Software Support Analysis  
Leslie Ward, Manger, Private Equity  
Brenda West, Internal Audit/Risk Mgmt.

- I. **Call to Order/Roll Call.** Dr. Richard Abernathy, Chair, called the Board of Trustee meeting to order at 11:09 a.m. Roll call was taken. Mr. Wood and Ms. Clayton were absent.
  
- II. **Welcome of New Board Members and Designees.** Dr. Abernathy introduced Hon. Andrea Lea, State Auditor and Hon. Dennis Milligan.

**III. Motion to Excuse Absences.**

**Ms. Marshall *moved* to excuse Mr. Wood and Ms. Clayton from the February 2, 2015 Board of Trustees meeting. Mr. Lester *seconded* the *motion*, and the Board *unanimously approved the motion*.**

**IV. Adoption of Agenda.**

**Mr. Knight *moved* for *adoption* of the Agenda. Ms. Watson *seconded* the *motion*, and the Board *unanimously approved the motion*.**

**V. Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

**VI. Approval of Board of Trustee Minutes.**

**A. Minutes of December 1, 2014.**

**Mr. Lester *moved* for *approval* of the Minutes of the Board of Trustees meeting of December 1, 2014. Mr. Knight *seconded* the *motion*, and the Board *unanimously approved the motion*.**

**B. Minutes of January 6, 2015**

**Ms. Lea *moved* for *approval* of the Minutes of the Board of Trustees meeting of January 6, 2015. Mr. Stubblefield *seconded* the *motion*, and the Board *unanimously approved the motion***

**VII. Staff Empowerment.** Mr. Hopkins explained the staff empowerment resolutions. Each year the ATRS Board authorizes ATRS staff to transact certain business to set the specific powers of the executive director and to appoint the executive director to manage and delegate operational duties to the limited liability companies that ATRS uses to manage its investments and Arkansas related property.

**A. Authority to Transact Business (Resolution 2015-02).**

**Ms. Nichols *moved* to *adopt* Resolution 2015-02, granting George Hopkins, Executive Director; Gail Bolden, Deputy Director; and G. Wayne Greathouse, Associate Director of Investments authority to transact investment business on behalf of the ATRS Board of Trustees. Ms. Davis *seconded* the *motion*, and the Board *unanimously adopted the resolution*.**

**B. Specific Powers of Executive Director (Resolution 2015-03).**

**Mr. Black *moved to adopt* Resolution 2015-03, authorizing and empowering the Executive Director's actions on behalf of the ATRS Board of Trustees. Ms. Coleman *seconded the motion*, and the Board *unanimously adopted the resolution*.**

**C. Appointment of ATRS as Manager of LLC's (Resolution 2015-04).**

**Ms. Coleman *moved to adopt* Resolution 2015-04, authorizing the ATRS Executive Director or his delegates to transact business and perform all duties relating to the management of ATRS LLC's. Ms. Davis *seconded the motion*, and the Board *unanimously adopted the resolution*.**

**VIII. Authority to Reimburse Trustee Expenses for 2015 (Resolution 2015-05).**

Mr. Hopkins explained the trustee reimbursement resolution. Every year, a resolution is adopted by the Board to reimburse Trustees for expenses such as long distance telephone calls, postage, and out of pocket expense associated with employing substitute personnel while performing official Board duties.

**Ms. Coleman *moved to adopt* Resolution 2015-05, authorizing ATRS to reimburse ATRS Trustees for miscellaneous expenses and losses in salary resulting from Board of Trustees meeting attendance or other official Board duties. Ms. Davis *seconded the motion*, and the Board *unanimously adopted the resolution*.**

**IX. Discussions of Potential Board Retreat for 2015.** The Board discussed potential board retreat and about conferences that were available to the Trustees. The Board decided to have "educational seminars" after Board meetings in April and June 2015. Mr. Hopkins was asked to get with P.J. Kelly of AHIC to develop an educational program for the April 6, 2015, meeting.

**X. Authorization for 2015 Board Travel and Expense Reimbursement (Resolution 2015-06).** Mr. Hopkins explained the Board travel and expense reimbursement resolution. Every year, a resolution is adopted by the Board to reimburse Trustees for travel expenses incurred for performing official Board duties during the calendar year.

**Mr. Knight *moved to adopt* Resolution 2015-06, authorizing ATRS to reimburse ATRS Trustees for expenses used in traveling for**

**official Board duties. Ms. Nichols seconded the motion. Motion carried.**

- XI. 2015-2016 Employer Contribution Rate (Resolution 2015-07).** Mr. Hopkins explained the 2015-2016 employer contribution rate resolution. Every year, a resolution is adopted by the Board to set the employer contribution rate prospectively for each fiscal year. The rate is based upon actuarial valuation and legislative restrictions.

**Mr. Lester moved to adopt Resolution 2015-07, establishing the employer contribution rate at the current rate of 14% for the fiscal year starting July 1, 2015. Ms. Davis seconded the motion, and the Board unanimously adopted the resolution.**

- XII. Actuarial Valuations, June 30, 2014.** Mr. Hopkins presented the Annual reports prepared by the Actuaries concerning the valuation of liabilities to active and inactive members long with the valuation of liabilities for annuities being paid to current retirees and current beneficiaries.

**A. Active & Inactive Members.** This report reflects the liabilities owed by ATRS to active member and inactive members.

**B. Retirees & Beneficiaries.** This report reflects the liabilities to ATRS retirees, beneficiaries, survivors, and incapacitated children.

**Mr. Lester moved to accept the Actuarial Valuations as of June 30, 2014. Ms. Coleman seconded the motion, and the Board unanimously approved the motion.**

- XIII. Report of Member Interest Waived Under A. C. A. Section 24-7-205.** Mr. Hopkins presented the member interest amount waived report. ATRS waives interest on members when there is a dispute between ATRS and the member as to whether ATRS made a mistake or otherwise did not do all that was required on the member's account. There were no interest amounts waived for this reporting period.

- XIV. Report of Employer Interest and Penalties Waived Under A. C. A. Sec. 24-7-411.** Mr. Hopkins presented the employer interest and penalties waived report. ATRS may waive employer interest and penalties when reports/payments are late or have issues due to new bookkeeper, sickness, and other situations that justify a waiver. ATRS waived five (5) employer penalty amounts for this reporting period in the amount of \$1,350.00. ATRS waived one (1) interest amount for this reporting period in the amount of \$45.35.

**XV. Member Appeals.** Mr. Hopkins gave an update on the Palestine Wheatley School District and Bobbie Fingers. After an administrative appeal at ATRS which resulted in the Board upholding the hearing officer's Order and the executive director's decision that the school district must pay the employer contributions, Palestine-Wheatley School District appealed the decision to St. Francis County Circuit Court. The judge ruled in ATRS' favor, upholding the decision of the ATRS Board and dismissing the circuit court appeal. The Order found that the Board had substantial evidence to support the findings of the ATRS staff and the executive director.

**XVI. 2015 Board of Trustees Election Update.**

**A. Vendor Selected by Board Action.**

The ATRS Board has four elections scheduled for four trustee positions, which will begin service on July 1, 2015. Qualified candidates have filed for election to each of the four (4) positions. The positions up for election are:

Position 2: Member Trustee  
Position 6: Administrator Trustee  
Position 7: Non Certified Trustee  
Position 8: Minority Trustee

In Position 6 (active administrator member position) and Position 7 (active non certified member position) the incumbent ATRS Trustees filed for re-election and both were unopposed.

Position 2 (active certified member in Arkansas congressional district 2) has two qualified candidates and Position 8 (minority member position) has three qualified candidates. These will be the two contested elections.

On January 6, 2015, the ATRS Board of Trustees had a special, telephonic Board meeting to approve the election vendor to conduct the two contested elections. The vendor selected approved by Resolution 2015-01 was VR Election Services located in Carrollton, Texas. The Board has used this vendor for previous elections and was pleased with the services provided. The Office of State Procurement handled the RFP on behalf of ATRS.

**B. Candidates: Two (2) Contested Positions and Two (2) Uncontested Positions.**

Position 2 (Active Certified Member Trustee- 2<sup>nd</sup> Congressional District):

1. Janet Watson
2. Boyce Pearson

Position 6 (Active Administrator Member Trustee):

1. Jeff Stubblefield

Position 7 (Active Non Certified Member Trustee):

1. Kelly Davis

Position 8 (Minority Member Trustee):

1. Anita Bell
2. Pam Hoover
3. Andrew Tolbert

In accordance with ATRS rules, an impartial drawing was held on January 21, 2015, to select the order of the ballot position for Position 2 and Position 8. The listing above reflects the ballot positions. A resolution will be presented for approval by the Board when the final results have been filed by the election vendor, including the two uncontested positions.

**XVII. Audit Committee Report.** Ms. Nichols, Chair, gave a report on the Audit Committee meeting.

**A. Fiscal Year 2015 Internal Audit Report – IRS Limits and Distribution Rules.** Ms. Dena Dixson presented the 2015 Internal Audit Report: IRS Limits and Distributions. She presented a handout to the Committee members which had a copy of all IRS forms used by ATRS.

The objective of the audit was to assess the agency's compliance with IRC and IRS regulations. Compliance was assessed for the accuracy in reporting distributions, for application of 401(a)(17) and 415(b) limits and to ensure correct amount of federal income tax from distributions was withheld and submitted. In order to achieve this objective, IA reviewed the following documents.

- Form 945 Annual Return of Withheld Federal Income Tax;

- Form 1099-R Distribution from Pensions, Annuities, Retirement, and Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
- Form 1042 Annual Withholding Tax Return for U. S. Source Income of Foreign Persons
- Form 1042-S Foreign Person's U. S. Source of Income Subject to Withholding
- Application of IRC §415(b) limit of the amount of employer-provided benefits and
- Application of IRC §401(a)(17) limit of maximum annual compensation for each member that can be taken into account under a plan

In our review of the agency's distribution and reporting of benefits in accordance to IRC and IRS regulations, IA noted the following in review of the 33 lump sum payments:

IRS requires certain codes on form 1099-R to identify the distribution. Our test revealed improper coding of IRS form 1099-R issued for calendar year 2013.

- One member who was born in 1949 was coded as eligible for 10-year tax option which is only for participants born before January 2, 1936.
- One member was miscoded as early distribution which could cause the member to be assessed a 10% penalty.
- One member was miscoded as excess contributions made to a 401(k).
- Two recipients drawing benefits from their ex-spouses under a qualified domestic relations order (QDRO) were miscoded as early distribution.
- T-Drop lump sum distributions were miscoded as early distribution which could cause the member to be assessed a 10% penalty.

The Payroll Section has worked with Internal Audit and the ATRS IT Department to ensure correct coding of refunds.

- Member's taxable amount and member's investment in contract were incorrectly reported on IRS Form 1099-R.

- Eleven members who received a refund had part of their contributions reported as after tax contributions on their 1099-R forms which caused the taxable amount to be understated. The System failed to withhold and remit the required 20% federal withholding on the contributions incorrectly classified as after tax. The Payroll section corrected and reissued the 2013 1099-Rs for those members affected by this error. The IT Department is working to find a solution to this issue.
- The total lump sum payments made to a member during a calendar year must be considered when applying the required 20% federal withholding. One instance was noted as having the incorrect amount of taxes withheld and submitted to the IRS. We expanded our testing and reviewed all refunds made in 2013 and determined that 92 members did not have the proper 20% federal withholding which totaled \$2,586.29. The Payroll Section has worked with Internal Audit and the ATRS IT Department to ensure proper withholding on all future refunds.

IA noted the following in review of the 13 CBA distributions:

- IRS requires certain codes on form 1099-R to identify the distribution. Our test revealed improper coding of IRS form 1099-R issued for calendar year 2013.
  - Three CBA distributions were miscoded as early distribution which could cause the member to be assessed a 10% penalty. Payroll discovered the incorrect coding and issued corrected 1099-R forms to the members in a timely manner.

IA noted the following in review of the 25 beneficiary benefits:

- Member's taxable amount and member's investment in contract were incorrectly reported on IRS Form 1099-R.
  - One deceased member's remaining unrecovered cost of investment was not applied to his last tax IRS form 1099-R. A corrected 1099-R has been issued.
  - Six beneficiaries had their investment in contract incorrectly reported. First benefit check issued to the beneficiary sometimes covers more than one month of benefits. The investment in contract also needs to be prorated to cover the same number of

months the benefit payment covers. The System applied only one month of member's investment in contract.

The Payroll Section is working with the IT Department to ensure proper application of investment in contract when beneficiary checks cover more than one (1) month.

IA noted the following in review of the benefits paid to members living outside the United States:

- All three of the distributions made to nonresident aliens were incorrectly reported on IRS form 1099-R. They should have received an IRS form 1042-S. ATRS did not file the required IRS form 1042. The Payroll Section will file corrected tax reports and forms for 2012-2013.
- One of the nonresident aliens did not have the required 30% federal tax withheld from his benefit. ATRS is liable to the IRS for the withholding and could be subject to penalties and interest. The Payroll Section will submit the required withholding with the correct tax reports.

A copy of the response from Management to the Audit Findings was also presented to the Board. The Payroll Section has worked with the Internal Audit Department and the ATRS IT Department as well as sought the advice of outside tax counsel to correct the issues noted above. They have also ran queries to determine if prior years should be corrected.

**B. Internal Audit Follow-up on Prior Audit: 2013 Internal Audit Report – Accounts.** Shane Benbrook presented the IA follow up on prior audit for Accounts Payable. He reported that policy and procedures have been completed as of June 17, 2014 and all new payables were properly recorded as of June 30, 2014.

**C. Internal Audit Follow-up on Prior Audit: 2014 Internal Audit Report – Refunds.** Shane Benbrook presented the IA follow up on prior audit for 2014 Internal Audit Report on Refunds. He reported that ATRS has an extra help staff member who is currently in the process of writing department policy and procedures. He also reported that state withholding tax payable account was created to record taxes owed and the payable was property recorded as of June 30, 2014.

**XVIII. Investment Committee Report.** Ms. Nichols, Chair, gave a report on the Investment Committee meeting.

**A. Investment Update and Arkansas Related Update.** Mr. Hopkins gave an update on Arkansas real estate and investments.

**1. List of Recent Fund Maturities and Closings.**

**a. One (1) Recent Property Sale and Two (2) Fund Maturities.**

1. Chenal Property, Real Assets, Located in Little Rock, Arkansas, 38.23 Acres Sold for Appraised Value of \$1.85 Million Dollars. The Board authorized sale of 38.23 acres closed on December 10, 2014, for the appraised value of \$1.85 million dollars
2. Westbrook Real Estate Fund IV, L.P. (Real Assets, Real Estate Fund, Matured January 2015). Westbrook Fund IV fully matured and made the final distribution to ATRS in January 2015. The fund began in 2000 with a commitment of approximately \$109 million dollars. Since inception the fund produced an IRR of approximately 21%.
3. Second Cinven Fund, L.P. (Private Equity, Buyout Fund, Matured December 2014). The Second Cinven Fund fully matured and made the final distribution to ATRS in December 2014. The fund began in 1998 with an approximate commitment of \$70 million dollars (actual funding was in Euros). Since inception the fund produced an IRR of approximately 9%.

**b. Recent Closings.**

1. Siris Partners III, L.P. (Private Equity, Buyout Fund Specializing in Middle Market Technology and Telecom Companies), was accepted for the full commitment of \$25 Million Dollars and closed on December 11, 2014.
2. Franklin Park International 2015, L.P. (Private Equity, Fund of Funds Focusing on International

Investment Opportunities), was accepted for the full commitment of \$25 Million Dollars and closed on January 23, 2015.

3. Franklin Park Venture Fund 2015, L.P. (Private Equity Fund of Funds Focusing on Venture Capital Investment Opportunities), was accepted for the full commitment of \$25 Million Dollars and closed on January 23, 2015.
4. Almanac Realty Securities VII, L.P. (Real Assets, Real Estate Fund that Seeks to Pair Capital with Strong Operators that use Development, Redevelopment, or Active Leasing and Management Strategies), was accepted for the full commitment of \$30 Million Dollars and closed on January 23, 2015.

#### **B. Private Equity Consultant Report**

1. **Portfolio Review for the Quarter Ended September 30, 2014.** Mr. Michael Bacine of Franklin Park presented the portfolio review for the quarter ended September 30, 2014. The legacy portfolio continues to liquidate and currently represents 4.1% of ATRS' private equity portfolio. The net IRR since inception is 9.2%. For the nine months ended September 30, 2014, ATRS made capital contributions of approximately \$256.7 million dollars and received distributions of \$206.2 million dollars, for net contributions of \$50.5 million.

#### **C. General Investment Consultant Update – Hewitt EnnisKnupp.**

1. **Preliminary Performance Report for the Quarter Ended December 31, 2014.** Katie Comstock, of Hewitt EnnisKnupp (HEK) presented the preliminary performance report for the quarter ended December 31, 2014. First, Ms. Comstock announced HEK has recently changed its name to Aon Hewitt Investment Consulting (AHIC). AHIC will be reflected on all correspondences and reports going forward. Ms. Comstock reported the total market value of the ATRS fund was \$14.69 Million Dollars. The total fund had a return of 8.6% since inception, underperforming its benchmark of 8.7%.

Opportunistic/Alternatives had a very strong return for the year at 7.2%, outperforming its benchmark of 4.2%.

2. **First Recommendation from the Fund of Opportunities Search: Circumference Group.** Mr. Kevin Hrad presented the recommendation from the Fund of Opportunities search. ATRS asked AHIC to assist in identifying an Arkansas-based investment firm to manage an Opportunity Fund. Mr. Hrad gave the background and the objective of the Opportunity Fund. After the initial due diligence, it was determined that the following firms met the minimum criteria: Circumference Group, Delta Trust (Simmons Bank) and Stephens, Inc. He stated that each firm has potential to manage a part of the Opportunity Fund.

Mr. Hrad gave statistical information on the Circumference Group, including background information, AHIC's due diligence, the investment process and risk management. He discussed the strengths as well as things that needed to be taken into consideration regarding Circumference Group.

The recommendation from Mr. Hrad and AHIC is a \$20 Million Dollar investment with the Circumference Group, split evenly between its Core Value Fund and Concentrated Positions Fund and housed in the Opportunistic/Alternatives asset class.

The Committee had some concerns regarding the Circumference Group. The Committee voiced strong concern regarding cash reserved for options is less than 10%. The Committee also voiced concerns that AHIC had not completed an on-site meeting. While the team does have operating experience, it has more limited investment management experience. In addition, the nature of the investment strategy poses limitations on the effectiveness of certain risk management techniques as used in small cap securities. The Committee also voiced concern about Circumference Group not being registered with the U.S. Securities Exchange Commission (SEC). The Committee would like to see them register with the SEC. Additional concerns included current control procedures utilized by the Circumference Group and the terms of any contracts or agreements with the firm. The Committee asked AHIC if an agreement has been drawn up with Circumference Group in the event the Board approves the recommendation.

Mr. Hrad explained an agreement would be prepared for ATRS review once the recommendation was approved.

After the concerns of the Committee, the Committee asked AHIC to further their due diligence with Circumference Group, including an on-site visit, before the Committee acts on the recommendation.

The recommendation was tabled at this time and AHIC will bring the requested information back to the Committee for review and possible recommendation to the Board.

**D. Real Assets Investment Consultant Update – Hewitt EnnisKnupp.**

- 1. Performance Report for the Quarter Ended September 30, 2014.** Chae Hong of Hewitt EnnisKnupp presented the portfolio update for the quarter ended September 30, 2014. Mr. Hong reported that NCREIF's NPI registered at 2.6% and NFI-ODCE (net) returned 3.0%, a decrease of 20 bps and an increase of 30 bps over the second quarter results. The Timberland Index returned 1.5% for the quarter and was up 10.4% for the trailing one year, an increase of 30 bps and an increase of 50 bps over the second quarter results. The Farmland index gained 1.5% for the third quarter of 2014 and 15.5% for the trailing one year, a decrease of 20 bps and 170 bps respectively over the second quarter results. As of the third quarter, the real assets portfolio stands at 11.8% of ATRS' total assets, an increase of 40 bps from the second quarter of 2014. For the quarter, ATRS Real Assets Portfolio was 1.8%, underperforming its benchmark by 80 bps.

**XIX. Operations Committee Report.** Mr. Lester, gave a report on the Operations Committee meeting.

**A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members in Attendance.**

1. General Open Forum. None.

**B. ATRS Legislative Package for the 2015 Legislative Session (Includes ATRS Appropriation Bill.** Mr. Hopkins gave the Board a recap of each bill in ATRS' legislative package.

- 1. Senate Bill 38: Compliance with Law Allowing Direct Rollover. Senator B. Johnson.** This bill makes ATRS law

comply with IRS tax code provisions that allow a beneficiary that is not the spouse of a member to be eligible for certain rollovers like those made by ATRS. This law change needs to be made to ensure ATRS remains compliant with newer IRS regulations that expand the group of family members eligible for a rollover of an ATRS residual balance.

2. **Senate Bill 48: Disability Retirement Benefit. Senator B. Sample.** This bill is to allow members to retire on ATRS disability as they currently do, but would add requirements for continued eligibility after three years of disability retirement for those still under age 60. Essentially, ATRS disability retirees under age 60 will be required to obtain Social Security Disability status within three (3) years of being approved for ATRS disability unless an extension granted for good cause. This change is designed to allow a quick disability decision and at the same time provide more meaningful oversight after disability retirement is approved.
3. **Senate Bill 50: Technical Corrections. Senator E. Cheatham.** This bill makes minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS.
4. **Senate Bill 75: How Private School Service is Recorded. Senator U. Lindsey.** This bill allows ATRS to make the determination of eligibility to purchase certified teaching service credit, instead of the Department of Education due to responsibility changes at the Department of Education. The Department of Education no longer has staff responsibility to certify private school teachers, so a request was made to shift certification responsibility to ATRS. ATRS already certifies all other types of service and this will bring uniformity to the process.
5. **Senate Bill 113: ATRS Appropriation Bill for 2015-2016 Fiscal Year.** The ATRS appropriation bill has already been reviewed by the General Assembly in the fall budget hearings. It was introduced based upon all the recommendations from the fall budget hearings. It includes 101 staff positions, down three (3) positions from 2014 as requested by ATRS. The appropriation bill authorizes the payment of retirement benefits, and the administrative costs of operating ATRS.
6. **Senate Bill 137: Member Annuities Paid as Lifetime Benefit. Senator J. Rapert.** This bill repeals the law that allows a reserve payout of benefits of less than \$20 per month. Most members and

ATRS now prefer to pay the member a lifetime benefit, even on smaller annuity amounts since usually the smaller annuity amounts usually are associated with the member also receiving a lifetime benefit from another retirement system, such as APERS at the same time.

7. **House Bill 1078: Option C Clarification. Representative G. Deffenbaugh.** This bill is to allow members who retire with an Option C benefit election (guaranteed 120 monthly benefit payments even if the member dies) to change beneficiaries after retirement if the option beneficiary is a spouse and the marriage ends in divorce or other marriage dissolution before the 120 months have passed. This brings Option C in line with the other lifetime options available to ATRS members. Under current law, a divorce does not allow a member to remove a new former spouse as the Option C beneficiary.
8. **House Bill 1132: Recycling Tax Credit Allocations. Representative M. Hodges.** This bill is to extend the transferability of Arkansas recycling tax credits to another equity owner if an Arkansas public retirement system is an equity owner of a project eligible for the tax credit. This allows ATRS to share in the tax credit like other investors.

C. **Other Legislation Affecting ATRS.** Mr. Hopkins gave the board information regarding HB1107.

1. **HB1107: Shell Bill. Representative B. Gossage.** This is a bill that references ATRS that has no substantive language, but can be amended at any time to add substantive language. A shell bill can go from no impact to major impact in a few minutes. ATRS often has a shell bill filed as a place holder in case any issue arises and action is needed due to a new concern. Any member of the General Assembly can introduce a retirement shell bill, so ATRS will monitor all retirement shell bills through the session. ATRS requested that Representative Gossage sponsor this shell bill for ATRS.

D. **Potential Rule Changes.**

1. **Rule 10-3 (T-DROP).** After further review of the rule change on T-DROP to apply monthly interest rather than waiting a full fiscal year to receive interest, ATRS adjusted the language for clarity regarding the table for distributing interest. Staff decided to change

the wording to make sure it is understood that although a member may not have accrued a full fiscal year in T-DROP, he or she will be receiving 2% interest credit on a monthly basis. Staff used the same language change for the rest of the table as well. The staff comment was made during the 30-day comment period for rule changes, and this non-substantive change is being presented to the Operations Committee to show it was made for clarity purposes.

**Mr. Lester *moved to approve* rule changes on Rule 10-3 T-DROP. Ms. Coleman *seconded the motion*, and the Board *unanimously approved the motion*.**

2. **Rule 13 Modification: Remove from Consideration.** After comments from the attorney from the Bureau of Legislative Research, ATRS staff feels it is adequately protected under the current Rule 13, and recommends withdrawing the proposed rule from consideration by the Operations Committee and the Board. Staff recommends that the Operations Committee approve the withdrawal from consideration of this proposed rule. ATRS staff recommended withdrawal of this rule making.

**Mr. Lester *moved to approve* Withdrawal of rule changes on Rule 13 Modification. Ms. Coleman *seconded the motion*, and the Board *unanimously approved the motion*.**

XX. **Staff Reports.**

- A. **Medical Committee Reports.** Michael Ray presented the Medical Committee reports for December 2014 and January 2015. In December 2014, there were 12 applicants and all 12 applicants were approved. In January, 2015, there were 8 applicants and all 8 applicants were approved.

**Ms. Nichols *moved to approve* the Medical Committee Reports. Ms. Marshall *seconded the motion*, and the Board *unanimously approved the motion*.**

- XXI **NCTR Resolutions in Recognition of Former ATRS Trustees.** The National Council on Teacher Retirement (NCTR) asks participating retirement systems to send the names of long serving Trustees who leave their respective Trustee positions each year, so that NCTR can honor the Trustees with Resolutions. ATRS received the resolutions and copies were shared with the Board.

XXII. **Adjourn.**

**Mr. Stubblefield *moved to adjourn* the Board Meeting. Ms. Nichols *seconded the motion*, and the board *unanimously approved the motion*.**

**Meeting adjourned at 11:50 p.m.**

---

George Hopkins,  
Executive Director

---

Dr. Richard Abernathy, Chair  
Board of Trustees

---

Tammy Porter,  
Recorder

---

Date Approved