

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

**Monday April 6, 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
Kathy Clayton
Hazel Coleman
Kelly Davis
Dr. George Franks, designee for Andrea Lea
Jim Harris, designee for Dennis Milligan
Danny Knight
Johnny Key
Susannah Marshall, designee for Candace Franks
Robin Nichols
Deborah Thompson
Janet Watson

Members Absents

Bobby Lester

Guest Present

Donna Morey, ARTA
Paul House, ARTA
Michael Bacine, Franklin Park
P.J. Kelly, AHIC
Katie Comstock, AHIC
Chae Hong, AHIC

ATRS Staff Present

George Hopkins, Executive Director
Gail Bolden, Deputy Director
Shane Benbrook, Internal Audit/Risk Mgmt.
Mitzi Ferguson, Chief Fiscal Officer
Vicky Fowler, Director, Human Resources
Mitzi Ferguson, Chief Fiscal Officer
Laura Gilson, General Counsel
Rod Graves, Manager, Investment Dept.
Wayne Greathouse, Assoc. Dir. of 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.

Reporters Present

Mike Wickline, Arkansas Democrat Gazette

- 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. Bobby Lester was absent

II. Welcome New Board Member. Dr. Abernathy introduced Mr. Johnny Key to the Board. Mr. Key is the new Commissioner of the Department of Education. We welcome him to the ATRS Board.

III. Motion to Excuse Absences.

Ms. Coleman *moved to excuse Mr. Lester from the April 6, 2014 Board of Trustees meeting. Mr. Stubblefield seconded the motion, and the Board unanimously approved the motion.*

IV. Adoption of Agenda.

Ms. Nichols *moved for adoption of the Agenda. Ms. Marshall 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 February 2, 2015 Minutes.

Mr. Stubblefield *moved for approval of the Minutes of the Board of Trustees meeting of February 2, 2015. Mr. Knight seconded the motion, and the Board unanimously approved the motion.*

VII. Adoption of Interest Rate for T-DROP Accounts for 2015-2016. The ATRS policy is that the Board sets interest rates for July 1, 2016, for active T-DROP participants, using the March 31, 2015, investment returns as a gauge. The ATRS Board sets the T-DROP interest rate between 2% and 6% depending upon investment returns. If ATRS has an investment return of 8% or above, the Board has traditionally set the T-DROP interest rate for the following fiscal year (2016 in this case) at 6%. The complete audited investment returns through March 31, 2015 were not available at the time of the board meeting. After the markets closed on March 31, 2015, ATRS had an estimated investment return of 7.5%. The reason for the decision on the 2016 T-DROP in April is to allow members to know the future T-DROP rate before retirement season starts. Several members will stay in T-DROP an extra year if rates are strong.

A. Resolution 2015-10

Mr. Knight *moved to adopt Resolution 2015-10, Adoption of the Interest Rate for T-DROP Accounts for 2015-2016 at 5.5%. Ms. Coleman seconded the motion, and the Board unanimously adopted the resolution.*

VIII. Adoption of Interest Rate of Post 10-Year T-DROP Accounts for 2015-2016.

The ATRS policy is that the Board sets interest rates for July 1, 2016, for post 10-year T-DROP participants, using the March 31, 2015, investment returns as a gauge. The ATRS Board sets the Post 10-Year T-DROP interest rate between 4% and 6% depending upon investment returns. If ATRS has an investment return of 8% or above, the Board has traditionally set the Post 10-Year T-DROP interest rate for the following fiscal year (2016 in this case) at 6%. The complete audited investment returns through March 31, 2015 were not available at the time of the board meeting. After the markets closed on March 31, 2015, ATRS had an estimated investment return of 7.5%. The reason for the decision on the 2016 T-DROP in April is to allow members to know the future T-DROP rate before retirement season starts. Several members will stay in T-DROP an extra year if rates are strong. The reason for the decision on the 2016 Post-10 year T-DROP in April is to allow members to know the future Post 10 year T-DROP rate before retirement season starts. Several members will delay an extra year if rates are strong.

A. Resolution 2015-11

Ms. Nichols moved to adopt Resolution 2015-11, Adoption of Interest Rate of Post 10-Year T-DROP Accounts for 2015-2016 at 5.5%. Ms. Davis seconded the motion, and the Board unanimously adopted the resolution.

- IX. 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. ATRS waived two (2) member interest amounts for this reporting period in the amount of \$8.51.
- X. 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 four (4) employer penalty amounts for this reporting period in the amount of \$900.00.
- XI. Legislative Audit Report, June 30, 2014 – Official Review.** The Division of Legislative Audit has provided ATRS staff with the 2014 fiscal year audit report for the fiscal year that ended on June 30, 2014. The audit report has been shared with the Board via email and in the Board packet for this board meeting. The law requires that the ATRS Board have the Legislative Audit report on the ATRS Board agenda and that the ATRS Board pass a

motion reflecting that the audit report was reviewed by the Board in the event issues arise in the future related to the audit.

Ms. Coleman moved to approve the Legislative Audit Report of June 30, 2014 as presented. Ms. Marshall seconded the motion, and the Board unanimously approved the motion.

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

A. Fiscal Year 2015 Internal Audit Report – Human Resources. Mr. Shane Benbrook presented the Human Resources Internal Audit Report. He stated that the objective of the audit of Human Resources Department (HR) was to determine if HR was in compliance with Office of Personnel Management (OPM) policies. OPM has the overall responsibility of administering the state's personnel system and establishing necessary policies, procedures and regulations to ensure system uniformity in accordance with state and federal law.

The audit revealed inconsistencies in agency's calculation of holiday pay for extra help positions. The net amount of inconsistencies total approximately nine hours of overpayments. The agency policy was to pay extra help positions holiday pay equal to the average hours worked on the scheduled day before and scheduled day after the holiday. Internal Audit reviewed the policies for a couple of other agencies and got a different policy from each. OPM Policy Number 50.08 **Eligibility for Holiday Pay** states all "regular salaried" and "extra help" employees are eligible to receive holiday pay if they are in pay status on at least fifteen (15) minutes on their last scheduled work day before the holiday and a least fifteen (15) minutes on the first scheduled work day after the holiday. An employee on leave of absence without pay is not in pay status and is not eligible to receive holiday pay.

It is not clear what constitutes a scheduled day and has led to confusion in interpreting the policy.

Two instances were noted where the extra help position worked on the holiday and the agency paid based on hours worked for that day not what was earned for the holiday. Also, an extra help position knew they would be paid for the holiday but did not think the agency should pay them and they did not record any time.

Internal Audit recommends the Agency be consistent with their calculation of holiday pay for extra help positions, ensure employees know what a schedule day is and put in writing the procedures to ensure extra help positions understand and can accurately calculate their holiday time.

Internal Audit recommends the Agency ask OPM to review their policy to see if OPM has any recommendations.

1. Management's Response to Audit Findings on Human Resources. ATRS Human Recourses Manager provided the Committee with a response to the findings of the Audit. The Committee had no questions at this time

XIII. 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 Closing.

a. **Closing on Two (2) Lots Adjacent to ATRS Parking Lot.** On February 22, 2015, ATRS staff completed the purchase of lots 1 & 2, Block 6, Deaf Mute Addition to the City of Little Rock pursuant to ATRS Board Resolution 2014-26 dated April 14, 2014. ATRS purchased these lots to accommodate future member and employee parking as well as potential additional parking for ATRS owned properties at 1500 and 1512 West Third Street. The lots appraised for \$110,000 on May 16, 2014, and ATRS paid \$108,205. The property will provide ATRS options for operational needs in the future.

2. Arkansas Investment Update.

a. Texarkana and West Memphis Department of Human Services Buildings. Arkansas related properties include what ATRS staff calls the "DHS" offices in Texarkana and West Memphis. These assets were purchased as a package deal in February of 2002 for a total of \$4 million dollars. These two offices total a combined 51,268 square feet and are budgeted to net \$346,000 this year for an 8.67% return on original investment, which is in line with the historical performance of this investment. Currently ATRS has 16 months remaining on the lease. ATRS staff anticipates working with the Arkansas Building Authority to renew the leases for a maximum 5 year term this summer. ATRS staff views these properties as a core type investment due to the historical

lack of volatility in returns. The use by DHS is important in the historic returns of these two assets.

B. General Investment Consultant Update.

1. **Preliminary Performance Report for the Month Ended February 28, 2015, with Preliminary Return Report through March 31, 2015, used by the Board to Set T-Drop Interest for June 30, 2016.** P.J. Kelly of Aon Hewitt Investment Consulting (AHIC) presented the preliminary performance report for the month ended February 28, 2014. The total market value of the ATRS fund was \$15.07 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 6.4%, outperforming its benchmark of 3.0%. P.J. Kelly presented the Preliminary Return Report through March 31, 2015, to be used by the Board to set the T-Drop Interest for June 30, 2016. Based on the preliminary February 2015 return information, including private market asset classes through December 2014, AHIC estimated an 8-month ATRS' investment return of 4.3%, representing the fiscal year-to-date through February 28, 2015. The inclusion of the very preliminary and estimated March return for the ATRS portfolio would increase ATRS' preliminary fiscal year-to-date return through March 24, 2015 to 4.4%. The ATRS total portfolio return for the 12 month period is 7.5%.
2. **Recommendation to Commit up to \$20 Million Dollars in Circumference Group (CG) Core Value Fund, L.P., an Opportunistic/Alternatives Fund that Seeks to Utilize the Firm's Operational Experience in the Fields of Information Technology, Telecommunications, and Business Services Industries to Generate Quality Returns.** The CG Core Value Fund, L.P. utilizes the extensive operational experience of the management team to identify possible investments using the firm's Core Value Assessment methodology. This methodology is a value approach focused on fundamental values and cash flows of companies. The process is expected to generate a highly concentrated portfolio of approximately 10 to 15 stocks in the small to mid-cap range of companies involved in information technology, telecommunications, and business services industries. The management team may take an activist approach as opportunities are identified that could benefit from the team's extensive experience and expertise. The Core Value

Fund seeks attractive opportunities that could lead to larger investments.

ATRS staff and Aon Hewitt Investment Consulting recommend the eventual investment of up to \$10 million dollars in the Core Value Fund. However, the next recommendation of a \$10 million dollar commitment to the Concentrated Positions Portfolio, if approved by the Investment Committee and Board, may require time to fill subject to timing and opportunity identified by the Concentrated Positions Fund. Therefore ATRS staff and AON Hewitt Investment Consulting recommend an initial investment of up to \$20 million dollars to the Core Value Fund with the expectation that \$10 million dollars will be transferred over time to the Concentrated Positions Fund.

a. Resolution 2015-12.

Ms. Nichols *moved to adopt* Resolution 2015-12, Commit up to \$20 Million Dollars in Circumference Group (CG) Core Value Fund, L.P., an Opportunistic/Alternatives Fund that Seeks to Utilize the Firm's Operational Experience in the Fields of Information Technology, Telecommunications, and Business Services Industries to Generate Quality Returns. Ms. Davis *seconded* the *motion*, and the Board *unanimously adopted the resolution*.

b. Resolution 2015-13.

Ms. Nichols *moved to adopt* Resolution 2015-13, Commit up to \$10 Million Dollars in Circumference Group (CG) Concentrated Positions Fund, LP, an Opportunistic/Alternatives Fund that Seeks to Utilize the Firm's Operational Experience in the Fields of Information Technology, Telecommunications, and Business Services Industries to General Quality Returns. Mr. Knight *seconded* the *motion*, and the Board *unanimously adopted the resolution*.

C. Real Assets Investment Consultant Report.

- 1. Recommendation to Commit up to \$30 Million Dollars in Lone Star Real Estate Fund IV, L.P., a Global Real Estate Fund Specializing in Distressed and Opportunistic Commercial**

Real Estate Debt and Equity Investments, with Imminent Need. Lone Star Real Estate Fund IV, L.P. will be a closed-end, global, opportunistic fund. The fund will invest in distressed and opportunistic commercial real estate debt and equity assets with a target gross IRR to investors of 25%. The global allocation levels are expected to be; Europe 70-80%, Americas 10-20%, Japan 10-20%. Lone Star has organized fourteen private equity funds with aggregate capital commitments since inception totaling over \$54 billion dollars. The aggregate projected gross IRR across the prior funds for commercial real estate-related investments is 29.9% as of September 30, 2014.

The general partner is targeting a final close on April 14, 2015. Since the next meeting of the Arkansas Legislative Council (ALC) will likely not take place before Lone Star's final closing due to the legislative session, Imminent Need is requested. Both ATRS staff and Aon Hewitt Investment Consulting recommend that ATRS invest up to \$30 million dollars with Lone Star Real Estate Fund IV, L.P. under Imminent Need

a. Resolution 2015-14.

Ms. Nichols *moved to adopt* Resolution 2015-14, Commit up to \$30 Million Dollars in Lone Star Real Estate Fund IC., L.P., a Global Real Estate Fund Specializing in Distressed and Opportunistic commercial Real Estate Debt and Equity Investments, with Imminent Need. Mr. Knight *seconded the motion*, and the Board *unanimously adopted the resolution*.

D. Private Equity Consultant Report.

- 1. Recommendation to Commit up to \$30 Million Dollars in EnCap Energy Capital Fund X, L.P., a Private Equity Fund that Seeks to Make Control Investments in Oil and Natural Gas Exploration and Production Companies, with Imminent Need.** ATRS invested in EnCap's eighth and ninth funds and the performance of each has been outstanding. Since EnCap Fund IX is effectively fully committed to 19 portfolio companies, the general partner has commenced raising Fund X. The firm based in Dallas and Houston was established in 1988 and is led by 14 senior professionals with an average of 17 years of experience each with EnCap.

EnCap is a firm in the energy acquisition field. Often these market segments are more volatile in that the investment is directly related to the underlying commodity price. However, EnCap has proven over several decades that its style works regardless of the underlying price of natural gas and petroleum. Essentially, EnCap has a team of experts and companies that will go into a proven reserve area, such as natural gas shale and begin acquiring leases where production is known to exist and additional information might prove valuable in maximizing returns. The team then develops the leased area with additional wells and ultimately is able to sell the acquired leases upstream to larger energy companies. The market has shown that the larger players do not like to develop the leasing, but rather use players like EnCap to acquire the leases and, thereafter, focus their attention on ultimate production. Since EnCap is usually involved in the early production, most of the value is created, not from the underlying commodity, but from the lease development. EnCap's track record is impressive with four of its previous five funds generating net returns over 20%. Again, EnCap has shown that it is successful regardless of the underlying price of petroleum or natural gas and has been a winner in both market downturns and upswings in the petroleum industry.

The general partner is targeting a final close on April 6, 2015. Since the next meeting of the Arkansas Legislative Council (ALC) will likely not take place before Encap's final closing due to legislative session, Imminent Need is requested. Both ATRS staff and Franklin Park recommend that ATRS invest up to \$30 million dollars with EnCap Energy Capital Fund X, L.P. under Imminent Need.

a. Resolution 2015-15.

Ms. Nichols *moved to adopt* Resolution 2015-15, Commit up to \$30 Million Dollars in EnCap Energy Fund X, L.P., a Private Equity Fund that Seeks to Make Control Investments in Oil and Natural Gas Exploration and Production Companies, with Imminent Need. Ms. Davis *seconded the motion*, and the Board *unanimously adopted the resolution*.

2. **Recommendation to Expand the Strategy of the Franklin Park Co-Investment Fund to Include Select Commitments to Next Generation Manager Funds and to Make an Additional Commitment of up to \$25 Million Dollars to the Franklin Park Co-Investment Fund (as Included in the 2015 Private Equity Investment Plan Approved at the December 1, 2014, ATRS Board Meeting).** ATRS began investing in private equity co-investments in 2012. As of this time, the ATRS Board has authorized total commitments of \$70 million dollars to the Franklin Park Co-Investment Fund and approximately \$48 million dollars of that amount has been invested in ten co-investments. A co-investment occurs when ATRS invests directly in a private company alongside a private equity manager. Co-investments usually are somewhat limited to just private equity. Co-investments are typically not available in a public equity setting since ATRS has managers to directly purchase stocks and other securities in a liquid market. The benefit of private equity co-investment for ATRS is that Franklin Park as the fund manager does not charge management fees or any incentive fees that are also called "carried interest" or "carry". Therefore, the potential for return on co-investments is much greater since no fees are netted from the investment. As with the venture and international funds, Franklin Park does not charge a fee on the co-investment fund and only recovers its legal costs and accounting costs for ensuring the fund is set up properly and has appropriate accounting and auditing performed.

A large number of private equity co-investment opportunities arise from smaller funds run by managers who are raising their first institutional fund. Often, these funds are formed by skilled and experienced teams that have spun out of large, prosperous firms and have the attributes to be successful on their own and were successful in the original firm. Sometimes they are teams that have successfully invested their own money or that of high net worth individuals and are now capable of investing on a larger scale. The returns produced by some of these managers in their first or their early funds are exceptional. ATRS would like to take advantage of these kinds of returns by investing in some of these "next generation manager" funds as well as the co-investment opportunities the new funds will generate. Importantly smaller funds often provide many more co-investment opportunities than more established funds that just take in more initial commitments than a smaller fund is able to

raise. Investing small amounts with these talented managers in their early years can help ensure the opportunity to invest with them in later years when they may become highly sought after by investors seeking large commitments. Franklin Park is proposing that we add these earlier funds to our existing co-investment vehicle due to the fact that these investments will be smaller (typically \$10 million dollars or less) than our usual allocation to primary funds. The returns for these funds can be tracked separately from the co-investments within the vehicle since the term is longer for the funds than for the individual portfolio companies. Franklin Park also is totally aligned with ATRS on these new smaller funds since ATRS and Franklin Park have side by side investments in the ATRS Co-Investment Fund. Franklin Park invests 1% of the funding needs of this fund and ATRS invests 99%. This means that Franklin Park takes the same risk profile as ATRS in this fund.

Franklin Park is also recommending that ATRS make an additional commitment of up to \$25 million dollars to the co-investment vehicle to accommodate the new opportunities with "next generation manager" funds as well as potential new co-investments. This commitment does not increase the overall private equity pacing for the year. ATRS staff agrees with both of the Franklin Park recommendations.

a. Resolution 2015-16.

Ms. Nichols *moved to adopt* Resolution 2015-16, Expand the Strategy of the Franklin Park Co-Investment Fund to Include Select Commitments to Next Generation Manager Funds and to Make an Additional Commitment of up to \$25 Million Dollars to the Franklin Park Co-Investment Fund (as Included in the 2015 Private Equity Investment Plan Approved at the December 1, 2014, ATRS Board Meeting). Mr. Stubblefield *seconded the motion*, and the Board *unanimously adopted the resolution*.

XIV. Operations Committee Report. Mr. Stubblefield, 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. Update on ATRS Legislative Package for the 2015 Legislation Session.

1. **Senate Bill 38: Compliance with Law Allowing Direct Rollover. Senator B. Johnson.** Makes ATRS law comply with IRS tax code provisions to allow a beneficiary that is not the spouse of a member to be eligible for certain rollovers like those made by ATRS. **SB38 was signed into law and is now ACT 87.**
2. **Senate Bill 48: Disability Retirement Benefit. Senator B. Sample.** Allows 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. **SB48 was signed into law and is now ACT 219.**
3. **Senate Bill 50: Technical Corrections. Senator E. Cheatham.** Makes minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS. **SB50 was signed into law and is now ACT 301.**
4. **Senate Bill 75: How Private School Service is Recorded. Senator U. Lindsey.** 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. **SB75 was signed into law and is now ACT 90.**
5. **Senate Bill 113: ATRS Appropriation Bill for 2015-2016 Fiscal Year.** The ATRS appropriation bill 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. **SB113 was signed into law and is now ACT 93.**

6. **Senate Bill 137: Member Annuities Paid as Lifetime Benefit. Senator J. Rapert.** 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. **SB137 was signed into law and is now ACT 225.**
7. **House Bill 1078: Option C Clarification. Representative G. Deffenbaugh.** Allows 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. **HB1078 was signed into law and is now ACT 375.**
8. **Senate Bill 171: Clarify free and purchased Military Service. Senator B. Sample.** This bill clarifies ATRS military service credit, both free service credit granted during periods of a draft, and purchased military service credit. This bill does not change any procedures or policies as to how military service is currently credited. **SB171 was signed into law and is now ACT 558.**
9. **House Bill 1132: Recycling Tax Credit Allocations. Representative M. Hodges.** This bill was to extend the transferability of Arkansas recycling tax credits to another equity owner if an Arkansas public retirement system was an equity owner of a project eligible for the tax credit. This bill would have allowed ATRS to share in the tax credit like other investors. HB1132 passed the House, but was held in the Senate Revenue and Tax Committee as negotiations in the

way recycling tax credits were blended into the state revenue stream. This bill remained in the State Revenue and Tax Committee when the legislative session adjourned on April 22, 2015.

C. Other Legislation Affecting ATRS (Not in ATRS Legislative Package).

1. **SB844: Amend Income Tax Credit for Waste Reduction, Reuse or Recycling. Senator D. Burnett.** This bill will allow ATRS to sell \$20 million dollars of tax credits a year to the state for 80 cents on the dollar for a net of \$16 million dollars per year. ATRS will be provided 20% of that amount or \$3.2 million dollars a year for about 14 years for its share of the initial credits for Phase 1 of Big River Steel. Additional tax credits for Big River Steel will flow the same way over time as expansions occur. **SB844 was signed into law and is now ACT 862.**
2. **HB1215: Reporting Requirements. Representative D. House.** The bill would have amended the law concerning Public Employee Retirement Plans and specific Reporting Requirements for all Taxpayer Funded Retirement Systems. This bill was a former shell bill which became an active bill that would have affected ATRS and other retirement systems. Representative House officially withdrew this bill from consideration.

D. Potential Rule Changes due to the ATRS Legislative Package

1. **Rule 8-1-1. Act 90 (SB75) Private School Certification.**
2. **Rule 9-4. Act 219 (SB48) Disability Retirement.**
3. **Rule 4-1. Act 301 (SB50) Technical Corrections.**
4. **Rule 5-4. Act 301 (SB50) Technical Corrections.**
5. **Rule 5-5. Act 301 (SB50) Technical Corrections.**
6. **Rule 5-6. Act 301 (SB50) Technical Corrections.**
7. **Rule 8-7-1. Act 558 (SB171) Military Service.**

Mr. Stubblefield moved to approve Rule Changes to Rule 8-1-1, rule 9-4, Rule 4-1, Rule 5-4, Rule 5-5, Rule 5-6, and Rule 8-7 due to ATRS Legislative Package. Mr. Black seconded the motion, and the Board unanimously approved the motion.

E. Additional Proposed Rule Change not associated with Legislative Package.

1. **Rule 9-2 Age and Service Retirement.** ATRS calculates a member's retirement benefits based on reported salary. If a new salary adjustment is reported to ATRS by the employer, then the benefit is not adjusted if the change in benefit is de minimis.

Mr. Stubblefield moved to approve Rule Change to Rule 9-2 Age and Service Retirement setting the de minimis amount at \$25.00. Ms. Coleman seconded the motion, and the Committee unanimously approved the motion.

F. Update on Pending Rule Changes.

1. **Rule 10-3: T-DROP:** Clarity is needed regarding the table for distributions of interest that is currently in the T-DROP Rule to make sure it is understood that although a member may not have accrued a full year in T-DROP, they still will be receiving a 2% interest credit. After the initial filing of the Rule, ATRS staff submitted a public comment to further refine the language. ATRS staff's concerns have been fully addressed.
2. **Rule 11-1: Survivor Benefits.** This non substantive change removes the subdivision references to the Arkansas Code provision that governs this Rule, while retaining the Arkansas Code citation. That way, if any changes are made to the law and the subdivision reference becomes incorrect due to an amendment, it does not affect the rule, and no future rule change will be necessary. For example A.C.A. § 24-7-710 (g), would now be A.C.A. § 24-7-710. There will be no effect on the rule interpretation.

XV. Staff Reports.

- A. **Medical Committee Reports.** Michael Ray presented the Medical Committee reports for February 2015 and March, 2015. A total of thirty-

three (33) disability applications were received, twenty-eight (28) were approved for disability benefits, and five (5) needed more information.

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

XVI. Adjourn.

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

Meeting adjourned at 11:42 p.m.

George Hopkins,
Executive Director

Dr. Richard Abernathy, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved