

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

**Monday, September 28, 2020
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Dr. Richard Abernathy, Vice Chair*
Anita Bell*
Lloyd Black*
Jason Brady, designee for Hon. Dennis Milligan*
Skot Covert, designee for Auditor Andrea Lea Kelly Davis*
Shawn Higginbotham *
Johnny Key, Cabinet Secretary of Department of Education*
Bobby Lester*
Chip Martin*
John Alhen, designee for Candace Franks
Robin Nichols*

Board Members Absent

Kathy Clayton

Guest Present

Donna Morey, ARTA*
David Kizzia, AEA*
ID# Capitol 2*
ID# 442071391664*
Felicia Smithy*
ID# singhpreeti*
Hannah Shackelford*
ID# 13023835849*

* via ZOOM

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director*
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer
Willie Kincade, Assoc. Dir. Of Operations*
Manju, Director of Information Technology*
Jerry Meyer, Manager, Real Assets*
Martha Miller, General Counsel*
Kevin Odum, Attorney Specialist*
Leslie Ward, Manager, Private Equity*
Brenda West, Int. Audit/Risk Management*

Consultants Present

PJ Kelly, AHIC (Aon Hewitt) *
Katie Comstock, AHIC (Aon Hewitt) *
Chae Hong, AHIC (Aon Hewitt) *
Michael Bacine, Franklin Park*

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 11:29 a.m. Roll call was taken. Ms. Clayton was absent.

II. Motion for Excused Absences.

Ms. Nichols *moved to excuse Ms. Clayton from the September 28, 2020, Board of Trustees meeting. Mr. Lester seconded the motion, and the Board unanimously approved the motion.*

III. Adoption of Agenda.

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

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

V. Approval of Prior Meeting Minutes.

A. June 1, 2020 Minutes.

Mr. Lester *moved for approval of the Minutes of the Board of Trustees meeting of June 1, 2020. Ms. Bell seconded the motion, and the Board unanimously approved the motion.*

B. June 30, 2020 Minutes.

Ms. Nichols *moved for approval of the Minutes of the Board of Trustees meeting of June 30, 2020. Ms. Davis seconded the motion, and the Board unanimously approved the motion.*

C. April 6, 2020 Minutes. (Scrivener's error)

Mr. Higginbotham *moved for approval of the Amended Minutes of the Board of Trustees meeting of April 6, 2020. Mr. Martin seconded the motion, and the Board unanimously approved the motion.*

VI. Scrivener's Error – Resolution 2020-07. A scrivener's error has been found on Resolution 2020-07, adopted February 3, 2020. The audio recording reflects the correct dates; however, the Resolution had the dates from the previous year

Mr. Lester *moved to adopt Amended Resolution No. 2020-07. Mr. Martin seconded the motion and the Board unanimously adopted the Resolution.*

- VII. Report of Member Interest Waived Under A. C. A. Section 24-7-205.** Mr. Rhoden presented the member interest amount waived report. ATRS waives interest for 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. No member interest was waived this reporting period.
- VIII. Report of Employer Interest and Penalties Waived Under A. C. A. Sec. 24-7-411.** Mr. Rhoden presented the employer interest and penalties waived report. ATRS may also waive employer interest and penalties when reports or payments are late or have issues due to a new bookkeeper, inclement weather, sickness and other situations that justify a waiver. Seven (7) employer penalties and interest amounts were waived for this reporting period in the amount of \$2,693.20.
- IX. Manifest Injustice For Board approval.**

In the Matter of MI Claim #2020-04. Mr. Rhoden and Ms. Miller presented the Board with the Manifest Injustice recommendation regarding this matter. The member was given a cost to re-purchase refunded service in early 2011. On March 28, 2011, the member signed a Purchase Account Commitment Statement to pay ATRS \$43,855.98, and the final payment was made in 2017 at about the same time the member filed an application to retire. According to the findings of Internal Audit, the member underpaid \$1,518.73 in contributions and \$34,841.21 in interest for a total underpayment of \$36,359.94.

In this case, the member paid the amount they were told by ATRS, which was over \$43,000. Notes indicate that staff assured the member in 2017 (while her retirement application was being processed) that everything was in order and that they had paid the correct amount to re-purchase the refunded service. The member has been retired and receiving monthly payments for a little over three years. It would be grossly unfair to now notify the member that ATRS had made a mistake in 2017 that would require them to pay another substantial sum---almost as much as the member paid before---or agree to a reduction in the member's monthly benefit

The Manifest Injustice Committee believes that a manifest injustice exists and recommends that the Board approve the remedy to waive repayment of contributions and interest in the total amount of \$36,841.21 as contemplated by A.C.A. §24-7-205(b)(4) and Rule 17.

The executive staff concurs with the Manifest Injustice Committee's recommendation.

Mr. Black moved to approve the Recommendation of the MI Committee to waive repayment of contributions and interest in the total amount of \$36,841.21. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

- X. Forfeiture Recommendations Pursuant A.C.A 24-7-734(6).** A.C.A. §24-7-734(b) provides that benefits that are not paid within five (5) years of the date they are due may be forfeited if (1) ATRS is unable to contact the person entitled to the benefit by mail addressed to the last known address on record; or (2) if the person entitled to the benefit fails to submit the required paperwork to ATRS to claim the benefit.

ATRS Staff does not currently have any new recommendations for the Board.

- XI. Calculation of Lump Sum Death Benefit.** Mr. Rhoden presented the Board with a recommendation on the Lump Sum Death Benefit. With recent changes to Rule 11, the language for setting the lump sum death benefit was removed so that it could be set by resolution by the Board annually if desired. Analysis of the existing lump sum death benefit calculations for members with mixed contributory and noncontributory service revealed an issue that should be discussed before the Board sets the current lump sum death benefit.

a, Resolution 2020-27

Ms. Bell moved to adopt Resolution 2020-27, Calculation of Lump Sum Death Benefit. Ms. Davis seconded the motion and the Board unanimously adopted the Resolution.

- XII. ATRS CASH Program for Fiscal Year 2021.** The CASH Program expired on June 30, 2020. ATRS staff recommends that the CASH program for fiscal year 2021 be the same as the expiring program except that the age for calculation of the accrued liability be set to the age attained as of June 30, 2020.

a. Resolution No. 2020-28

Ms. Nichols moved to adopt Resolution 2020-28, ATRS CASH Program for Fiscal Year 2021. Mr. Lester seconded the motion and the Board unanimously adopted the Resolution.

XIII. Adoption of Interest Rate for Regular T-DROP Accounts for Fiscal Year 2021. The ATRS Board annually sets the interest rates on T-DROP accounts. In November 2017, the Board set the T-DROP rate at a fixed 3% unless investment returns in the prior calendar year exceeded the current assumed rate of return by more than 2%. The November 2017 resolution allows the Board to award an incentive rate of up to 3% which when combined with the 3% fixed rate provides a maximum T-DROP rate of 6%. The executive staff recommends the combined rate to be set at 3% for the fiscal year 2020-2021.

a. Resolution No. 2020-29

Mr. Higginbotham *moved to adopt* Resolution 2020-29, Adoption of Interest Rate for Regular T-DROP Accounts for Fiscal Year 2021. Ms. Davis *seconded the motion* and the Board *unanimously adopted the Resolution.*

XIV. Adoption of Interest Rate for Post 10 Year T-DROP Accounts for Fiscal Year 2021. The ATRS Board annually sets the interest rates on Post 10 Year T-DROP accounts. In November 2017, the Board set the Post 10 Year T-DROP rate at a rate between 4% and 6% with an incentive rate available when the returns exceed the assumed rate of return by more than 2%. The November 2017 resolution allows the Board to award an incentive rate of up to 1.5% which when combined with the 6% maximum rate provides a maximum Post 10 Year T-DROP rate of 7.5%. The executive staff recommends the combined rate to be set at 4% for fiscal year 2020-2021.

a. Resolution No. 2020-30

Mr. Lester *moved to adopt* Resolution 2020-30, Adoption of Interest Rate for Post 10 Year T-DROP Accounts for Fiscal Year 2021. Mr. Black *seconded the motion* and the Board *unanimously adopted the Resolution.*

XV. CBA Incentive Interest Determination. The ATRS Board provides the CBA program for members who have retired out of T-DROP and wish to leave a cash balance at ATRS for ultimate distribution to the member after retirement based upon the members withdrawal request. The Board can award an incentive rate with an incentive rate when the returns exceed the assumed rate of return by more than 2%. The executive staff recommends the CBA incentive rate to be set at 0% for fiscal year 2020-2021.

a. Resolution No. 2020-31

Mr. Black moved to adopt Resolution 2020-31, CBA Incentive Interest Determination. Ms. Bell seconded the motion and the Board unanimously adopted the Resolution.

XVI. Audit Committee Report. *Kelly Davis, Audit Committee Chair.*

A. Internal Audit: History Adjustment. Ms. Dena Dixon provided the internal audit report of the History Adjustments.

XVII. Investment Committee Report. *Robin Nichols, Investment Committee Chair.*

A. Arkansas Related and Investment Update. Rod Graves, Deputy Director, gave an update on recent Investment activity.

B. General Investment Consultant Report. *Aon Hewitt Investment Consulting.*

- 1. Preliminary Performance Report for the Quarter Ending June 30, 2020.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary performance report for the quarter ending June 30, 2020.
- 2. Preliminary Performance Report for the Month Ending August, 31, 2020.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary performance report for the month ending August 31, 2020.
- 3. Emerging Manager Report for Fiscal Year Ended June 30, 2020.** P.J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting (AHIC) provided the Committee with a report of AHIC's manager research process, including coverage of emerging managers, and provide an update on due diligence activities on emerging managers conducted on behalf of ATRS for the fiscal year ended June 30, 2020.

C. Real Assets Consultant Report. *Aon Hewitt Investment Consulting.*

- 1. Performance Report for the Quarter Ended March 31, 2020.** Chae Hong of Aon Hewitt Investment Consulting provided the

Committee with a performance report for the quarter ending March 31, 2020.

2. **Recommendation to Commit up to \$50 Million Dollars in Kayne Anderson Real Estate Partners VI, L.P. (“KAREP VI”), a Closed-End Opportunistic Real Estate Fund Focused on Senior Housing and Medical Offices.** Chae Hong of Aon Hewitt Investment Consulting provided the Committee with the recommendation to Commit up to \$50 Million Dollars in Kayne Anderson Real Estate Partners VI, L.P. (“KAREP VI”), a Closed-End Opportunistic Real Estate Fund Focused on Senior Housing and Medical Offices.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt* Resolution 2020-24, to Commit up to \$50 Million Dollars in Kayne Anderson Real Estate Partners VI, L.P. (“KAREP VI”), a Closed-End Opportunistic Real Estate Fund Focused on Senior Housing and Medical Offices. The Board *unanimously adopted the Resolution.*

3. **Recommendation to Commit up to \$40 Million Dollars in PGIM Real Estate Capital VII SCSp, (“PRECap VII”), a Closed-End Real Estate Fund Specializing in Junior and Senior Debt in the European Real Estate Market.** Chae Hong of Aon Hewitt Investment Consulting provided the Committee with the recommendation to Commit up to \$40 Million Dollars in PGIM Real Estate Capital VII SCSp, (“PRECap VII”), a Closed-End Real Estate Fund Specializing in Junior and Senior Debt in the European Real Estate Market.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt* Resolution 2020-25, to Commit up to \$40 Million Dollars in PGIM Real Estate Capital VII SCSp, (“PRECap VII”), a Closed-End Real Estate Fund Specializing in Junior and Senior Debt in the European Real Estate Market. The Board *unanimously adopted the Resolution.*

- D. **Private Equity Consultant Report. *Franklin Park***

1. **Preliminary Private Equity Portfolio Review for the Quarter Ended June 30, 2020.** Michael Bacine of Franklin Park provided the Committee with a portfolio review for the quarter ending June 30, 2020.
2. **Emerging Manager Report for Fiscal Year Ended June 30, 2020.** Michael Bacine of Franklin Park provided the Committee with a report of Franklin Park's manager research process, including coverage of emerging managers, and provide an update on due diligence activities on emerging managers conducted on behalf of ATRS for the fiscal year ended June 30, 2020.
3. **Recommendation to Make an Additional Commitment of up to \$30 Million Dollars in Franklin Park Corporate Finance Access Fund, L.P., a Fund of Funds Managed by Franklin Park Investing in Smaller Buyout, Growth, and Turnaround Private Equity Funds.** Michael Bacine of Franklin Park provided the Committee with the recommendation to make an additional Commitment of up to \$30 Million Dollars in Franklin Park Corporate Finance Access Fund, L.P., a Fund of Funds Managed by Franklin Park Investing in Smaller Buyout, Growth, and Turnaround Private Equity Funds.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt* Resolution 2020-26, to Make an Additional Commitment of up to \$30 Million Dollars in Franklin Park Corporate Finance Access Fund, L.P., a Fund of Funds Managed by Franklin Park Investing in Smaller Buyout, Growth, and Turnaround Private Equity Funds. The Board *unanimously adopted the Resolution.*

- E. **Other Business.** Rod Graves provided the Committee with a report on the potential sale of the property owned by ATRS in West Memphis, Arkansas, and Texarkana, Arkansas. ATRS has owned the property since 2000. The property was listed in 2016 for sale. ATRS has a potential buyer for the property. However, the potential buyer has noted a number of needed repairs to the property. ATRS staff is requesting authorization to sell the property for appraised value minus the cost of repairs.

Ms. Nichols *moved to approve* Authority to sale the ATRS property in West Memphis and Texarkana, Arkansas, for

the appraised value minus the cost of repairs. The Board unanimously *approved the motion.*

XVII. Operations Committee Report. Bobby Lester, Chair, gave a report on the Operations Committee meeting.

A. Open Forum for Potential Rule and Law Changes by Committee Members and Board Members Presents.

1. Open Forum. None.

B. ATRS 2021 Legislative Package. Director Rhoden gave the Committee a status report on potential 2021 Legislative Package. Drafts of potential legislation was presented to the Committee.

XIX. Staff Reports.

A. Medical Committee Report. Mr. Kincade reported that a total of 55 disability applications were received. 27 were approved, 13, were denied, and 14 needed more approved.

Ms. Nichols *moved to approve* the Medical Committee Report. Mr. Lester *seconded the motion* and the Board *unanimously approved the Motion.*

XX. Recognition of Trustees. Director Rhoden recognized Mr. Janet Watson and Dr. Richard Abernathy on their service to the ATRS Board of Trustees.

A. Resolution 2020-32.

Mr. Lester *moved to adopt* Resolution 2020-32, Recognition of Janet Watson’s service to the ATRS Board of Trustees. Mr. Black *seconded the motion*, and the Board *unanimously adopted the Resolution.*

B. Resolution 2020-33.

Mr. Lester *moved to adopt* Resolution 2020-32, Recognition of Dr. Richard Abernathy’s service to the ATRS Board of Trustees. Mr. Black *seconded the motion*, and the Board *unanimously adopted the Resolution.*

XXI. Recognize Vacancies.

A. Resolution 2020-34

Mr. Lester *moved to adopt* Resolution 2020-34, to Recognize that a Vacancy exists for Position #2 – 2nd Congressional District on the ATRS Board of Trustees. Ms. Bell *seconded the motion*, and the Board *unanimously adopted the Resolution*.

B. Resolution 2020-35

Ms. Nichols *moved to adopt* Resolution 2020-35, to Recognize that a Vacancy exists for Position #5 – Administrator Trustee on the ATRS Board of Trustees. Mr. Martin *seconded the motion*, and the Board *unanimously adopted the Resolution*.

XXII. Fulfillment of Vacancies Pursuant to A.C.A. 24-7-302(b)(2).

Mr. Lester *moved to accept* Applications for the 2 vacant positions on the Board of Trustees. Once applications are received, a special meeting will be called sometime in November to consider the applications before the December meeting. Mr. Black *seconded the motion*, and the Board *unanimously approved the Motion*.

XXIII. Other Business. None.

XXIV. Adjourn.

Mr. Lester *moved to adjourn* the Board Meeting. Mr. Black *seconded the motion*, and the Board *unanimously approved the motion*.

Meeting adjourned at 12:10 p.m.

Clint Rhoden,

Mr. Danny Knight, Chair

Executive Director

Board of Trustees

Tammy Porter,
Recorder

Date Approved