

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

**Monday, December 7, 2020
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Anita Bell*
Lloyd Black*
Kathy Clayton*
Kelly Davis*
Dr. Mike Hernandez*
Shawn Higginbotham*
Michael Johnson*
Bobby Lester*
Chip Martin*
Robin Nichols*
Johnny Key, Secretary, Dept. of Ed*
Hon. Andrea Lea, State Auditor*
Susannah Marshall, State Bank Commissioner*

Board Member's Absent

Hon. Dennis Milligan, State Treasurer

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director*
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Int. Audit/Risk Mgmt.*
Vicky Fowler, Director, Human Resources*
Willie Kincade, Director of Operations*
Jerry Meyer, Manager, Real Assets*
Martha Miller, General Counsel*
Joe Sithong, Information Systems Coordinator*
Brenda West, Int. Audit/Risk Mgmt.*
Misty Yant, Manager, Reporting

Guest Present

Chris Caldwell, Div. of Legislative Audit*
Jorge Perez, Div. of Legislative Audit*
Emily Tucker, Div. of Legislative Audit*
Johnna Staudinger, Div. of Legislative Audit*
Duncan Baird, APERS*
David Kizzia, AEA*
Donna Morey, ARTA*
Candace Franks*
ID# Capitol 2*
Will Muoio, Pageant Media*
Gar Chung*
Brian Murphy, GRS*
Judy Kermans, GRS*
Heidi Berry, GRS*
Lura Campbell, ARTA*
Emilie Monk*

* *via ZOOM*

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 11:10 a.m. Roll call was taken. Hon. Dennis Milligan, State Treasurer was absent.

II. Adoption of Agenda.

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

III. Election of Board Vice Chair. Mr. Knight, Chair, opened the floor for nominations for the position of Vice Chair. Mr. Lester nominated Mr. Lloyd Black as Vice Chair of the ATRS Board of Trustees. No other nominations were made.

Mr. Higginbotham *moved to approve Mr. Lloyd Black as Vice Chair of the ATRS Board of Trustees. Ms. Bell 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. September 28, 2020, Minutes.

Mr. Lester *moved for approval of the Minutes of the Board of Trustees meeting of September 28, 2020. Mr. Higginbotham seconded the motion, and the Board unanimously approved the motion.*

B. November 9, 2020, Minutes.

Ms. Lester *moved for approval of the Minutes of the Board of Trustees meeting of November 9, 2020. Mr. Higginbotham seconded the motion, and the Board unanimously approved the motion.*

VI. Preliminary Active Actuarial Valuation. Judy Kermans and Brian Murphy of Gabriel, Roeder, Smith & Co., gave a presentation of the preliminary active actuarial valuation for the 2019-2020 fiscal year.

VII. Statement of Financial Interest. Mr. Rhoden, Executive Director, reminded the Board members that their Statement of Financial Interest filings are to be filed with the Secretary of State's office by Monday, February 1, 2021, for financial information for calendar year 2020.

VIII. Proposed 2021 Board of Trustees Schedule. The Board reviewed the proposed schedule.

Mr. Lester moved to approve the 2021 Board of Trustee Schedule. Mr. Black seconded the motion, and the Board unanimously approved the motion.

- IX. 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. One (1) member interest and penalties was waived for this reporting period in the amount of \$164.68.
- X. 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. No employer interest and penalties was waived for this reporting period.
- XI. Manifest Injustice Report.** Mr. Rhoden presented the Board with the Manifest Injustice Report. Two (2) Manifest Injustice resolutions have occurred since the previous Manifest Injustice Report. The rule on Manifest Injustice requires reports on Manifest Injustice resolutions to the Board at least two times per year. This was the second report of the year.
- XII. 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 reviewed thirty-four (34) member accounts and identified benefits in thirty (30) accounts totaling in the aggregate \$89,193.35 that fall within the provisions of this Code section.

Staff recommends that the Board find these benefits should be forfeited according to A.C.A. §24-7-734(b) and direct the staff to transfer these benefits to the trust assets of ATRS.

Mr. Lester moved to approved the Forfeiture Recommendations of 30 member accounts and direct staff to transfer these benefits to the

trust assets of ATRS. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

XIII. Investment Committee Report. Robin Nichols, Investment Committee Chair.

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

1. List of Fund Closings.
2. **Recommendation to Change the Legal Structure of Existing Highland Investments.**

Ms. Nichols moved to adopt Resolution 2020-36, to Change the Legal Structure of Existing Highland Investments. The Board unanimously adopted the Resolution.

3. American Center Management Update.

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

1. **Performance Report for the Quarter Ending September 30, 2020.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary performance report for the quarter ending September 30, 2020.
2. **AB TALF Opportunity 2020 (Delaware) Fund Update.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Board with an update of the AB TALF Opportunity 2020 (Delaware) Fund

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

1. **Performance Report for the Quarter Ended June 30, 2020.** Chae Hong of Aon Hewitt Investment Consulting provided the Committee with a performance report for the quarter ending June 30, 2020.
2. **2021 Real Assets Commitment Pacing (Total Pacing \$330 Million Dollars).** Chae Hong of Aon Hewitt Investment Consulting presented the 2021 Real Assets Commitment

Pacing. For calendar year 2021, Aon Hewitt Investment Consulting and ATRS staff are recommending approximately **\$330 million dollars for 2021 real assets pacing.**

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to approve* the 2021 Real Assets Commitment Pacing for a Total of \$330 Million Dollars. The Board *unanimously adopted the Motion.*

3. **Recommendation to Commit up to \$40 Million Dollars in Mesa West Real Estate Income Fund V, LP, a Closed-End Value Added Real Estate Fund Focused on Originating Senior Debt on Value Add/Transitional Commercial Real Estate Properties.** Chae Hong of Aon Hewitt Investment Consulting provided the Committee with the recommendation to Commit up to \$40 Million Dollars Mesa West Real Estate Income Fund V, LP, a Closed-End Value Added Real Estate Fund Focused on Originating Senior Debt on Value Add/Transitional Commercial Real Estate Properties.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt* Resolution 2020-37, to Commit up to \$40 Million Dollars in Mesa West Real Estate Income Fund V, LP, a Closed-End Value Added Real Estate Fund Focused on Originating Senior Debt on Value Add/Transitional Commercial Real Estate Properties. The Board *unanimously adopted the Resolution.*

4. **Recommendation to Revise Board Policy 6 (Real Assets Investment Policies) and Board Policy 4 (Investment Policy) Related to Performance Benchmarks for Timber and Agriculture and to Change Portfolio Diversification Related to Agriculture, Real Estate and Timber.** Chae Hong of AON Hewitt Investment Consulting will present proposed changes to Board Policy 6 related to performance benchmarks and real asset portfolio diversification.

Ms. Nichols *moved to approve* the Recommendation to Revise Board Policy 6 (Real Assets Investment Policies) and Board Policy 4 (Investment Policy) Related to Performance Benchmarks for Timber and

Agriculture and to Change Portfolio Diversification Related to Agriculture, Real Estate and Timber. pThe Board *unanimously adopted the Motion.*

D. Private Equity Consultant Report. *Franklin Park*

- 1. 2021 Private Equity Pacing Schedule (Total Pacing \$300 Million Dollars).** Michael Bacine of Franklin Park provided the 2021 pacing schedule for private equity.

Ms. Nichols *moved to approve* the 2021 Private Equity Pacing Schedule for a Total Pacing of \$330 Million Dollars. The Board *unanimously adopted the Motion.*

- 2. ATRS/FP Private Equity Fund, L. P., a Multi-Strategy Fund Focused on Co-Investments and Other Strategies That Seeks to Use Accumulated Recallable Distributions to Fund an Investment in Franklin Park Co-Investment Fund V, L.P. and Discussion of Change in Fee Structure.** Michael Bacine of Franklin Park provided the Committee with the recommendation to use accumulate recallable distributions to find an Investment in Franklin Park Co=Investment Fund V, LP, and discussion of Change in Fee Structure.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to approve* the ATRS/FP Private Equity Fund, L. P., a Multi-Strategy Fund Focused on Co-Investments and Other Strategies That Seeks to Use Accumulated Recallable Distributions to Fund an Investment in Franklin Park Co-Investment Fund V, L.P. and Change in Fee Structure. The Board *unanimously adopted the Motion.*

XIV. 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 report of the potential 2021 Legislative Package. Draft copies for approval were presented to the Committee.

Mr. Lester *moved to approve the 2021 Legislative Package. The Board *unanimously adopted the Motion.**

XV. Staff Reports.

- A. Medical Committee Report.** Mr. Kincade reported that a total of 28 disability applications were received. 13 were approved, 14 were denied, and 1 needed more information.

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

B. Financial Report.

- 1. Financial Statement Report.** Curtis Carter, ATRS Chief Financial Officer gave the Board summary information for the financial reports for the year ending June 30, 2020. Plan net assets were \$16.9 billion dollars in fiscal year 2020.
- 2. Travel Report.** Curtis Carter, ATRS Chief Financial Officer gave the Board a standard travel report showing the expenses for staff and Trustees for fiscal year ending June 30, 2020. Board travel expenses decreased in 2020 as compared to fiscal year 2019. Other staff travel also decreased in fiscal year 2020 as compared to fiscal year 2019

- C. Contracts.** Rod Graves, Deputy Director, gave an update on the ATRS Contracts.

- D. Personnel Report.** The Personnel report was presented to the Board. ATRS currently has 87 appropriated positions with a cap set at 81. Currently, there are 74 positions filled and 13 are vacant

XVI. Recognition of Retirement of Candace Franks, Ex Officio Trustee. Director Rhoden recognized Ms. Candace Franks on her service to the ATRS Board of Trustees.

- A. Resolution 2020-38.**

Ms. Nichols *moved to adopt* Resolution 2020-38, Recognition of Ms. Candace Franks’ service to the ATRS Board of Trustees. Ms. Davis seconded the motion, and the Board *unanimously adopted the Resolution.*

XVII. Other Business. None.

XVIII. Adjourn.

Mr. Knight, Chair asked for any further business. With none being heard, Mr. Knight called the Board of Trustee meeting adjourned.

Meeting adjourned at 12:40 p.m.

Clint Rhoden,
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved