

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

**Monday, December 5, 2022
10:30 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Kelly Davis
Susan Ford
Dr. Mike Hernandez
Shawn Higginbotham
Michael Johnson
Bobby Lester
Chip Martin
Jeff Stubblefield
Hon. Andrea Lea, State Auditor
Jason Brady, designee for Dennis Milligan
Johnny Key, Secretary, Dept of Ed.*

Board Members Absent

Anita Bell
Kathy Clayton
Susannah Marshall, Bank Commissioner

Reporters Present

Mike Wickline, AR Dem Gaz.

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Internal Audit/Risk Management*
Braeden Duke, Software Specialist Analyst
Vicky Fowler, Manager, Human Resources*
Willie Kincade, Director of Operations
Mike Lauro, Information Technology*
Jennifer Liwo, Staff Attorney*
Martha Miller, General Counsel*
Whitney Sommers, Administrative Analysis
Brenda West, Internal Audit/Risk Mgmt.
Misty Yant, Manager, Accounting/Reporting*

Guest Present

Katie Comstock, Aon Hewitt (AHIC)*
PJ Kelly, Aon Hewitt (AHIC)
Michael Bacine, Franklin Park*
Donna Morey, ARTA
Gar Chung, FIN-News*
Amy Fecher*
Joe Ebisa – WithIntellegence*
Lloyd Black*

**via ZOOM*

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 11:30 a.m. Roll call was taken. Ms. Bell, Ms. Clayton and Ms. Marshall were absent.

- II. **Adoption of Agenda.**

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

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

IV. Approval of September 26, 2022, Minutes

Mr. Johnson moved for approval of the Minutes of the Board of Trustees meeting of September 26, 2022, with corrections made as presented to the Board. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

V. Preliminary Active Actuarial Valuation. Judy Kermans, Brian Murphy, and Heidi Berry from Gabriel, Roeder, Smith and Company presented the Board with the Preliminary Actuarial Valuation.

VI. Statement of Financial Interest. Director Rhoden gave the Board a report on when Statement of Financial Interest are due.

VII. Proposed 2023 Board of Trustees Schedule.

Mr. Lester moved to approve the Proposed 2023 Board of Trustees Schedule. Mr. Martin seconded the motion, and the Board unanimously approved the Motion.

VIII. 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 for this reporting period.

IX. 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. Four (4) employer penalties and interest amounts were waived for this reporting period in the amount of \$1,090.70.

- X. **Manifest Injustice Report.** Director Rhoden provided the Board with the second report of 2022. This report was for information purposes only and was not an action item.
- XI. **Arkansas Retired Teacher Association (ARTA) blind mailing project presentation.** Donna Morey, ARTA Executive Director, gave a presentation to the Board seeking help from ATRS to reach retired educators through a blind mailing project.

Mr. Stubblefield *moved to approve* the request of ARTA granting ARTA permission to do a blind mailing at ARTA's expense to retired educators. Mr. Lester *seconded the motion*, and the Board *unanimously approved the Motion*.

- XII. **Review of ATRS permissible Employer.** Jennifer Liwo gave the Board a report on the Arkansas School Boards Association's continued approval as a covered employer under ATRD in order to enable its employees to become members of ATRS.

Executive staff recommends the Board adopt Resolution 2022-49, to continue approval of the Arkansas School Boards Association as a covered employer.

Mr. Lester *moved to approve* adoption of Resolution 2022-49, authorizing continued approval of the Arkansas School Boards Association as a covered employer of ATRS. Mr. Johnson *seconded the Motion* and the Board *unanimously approved the motion*.

- XIII. **Waiver of Interest and Penalties on Contributions.** Director Rhoden presented with Board with a request for waiver of Interest and Penalties on Contributions.

Executive staff recommends the Board adopt Resolution 2022-59, to waive the enforcement of the new deadline retroactively from July 1, 2022, through June 30, 2023. Enforcement of the deadline of the 10th will resume beginning July 1, 2023.

Mr. Stubblefield *moved to approve* adoption of Resolution 2022-59, waiving the enforcement of the new deadline retroactively from

July 1, 2022, through June 30, 2023, and enforcement of the deadline of the 10th will resume beginning July 1, 2023. Dr. Hernandez *seconded the Motion* and the Board *unanimously approved the motion*.

XIV. Investment Committee Report. *Mr. Chip Martin.*

A. Arkansas Related and Investment Update.

1. **List of Fund Closings.** Rod Graves, Deputy Director, gave an update on recent investment activity.
2. **Board Policies Report.** Rod Graves, Deputy Director, gave an update on the ATRS current asset allocations.

B. General Investment Consultant Report

1. **Performance Report for the quarter ending September 30, 2022.** Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a Performance Report for the quarter ending September 30, 2022.
2. **Preliminary Performance Report for the Month Ending October 31, 2022.** Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary performance report for the month ending October 31, 2022.
3. **Public Equity and Fixed Income Structure review.** PJ Kelly of Aon Hewitt Investment Consulting provided the Committee with a review of the Public Equity and Fixed Income Structure.
 - a. **Recommendation to approve for Board adoption Resolution 2022-50 authorizing the full redemption of the ATRS interest in Grantham, Mayo, Van Otterloo & Co. L.L.C. (GMO) Global All Country Equity Allocation.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to adopt* Resolution 2022-50 authorizing the full redemption of the ATRS interest in Grantham, Mayo, Van Otterloo & Co.

L.L.C. (GMO) Global All Country Equity Allocation, and the Board *unanimously approved the motion.*

- b. Recommendation to approve for Board adoption of Resolution 2022-51, authorizing the full redemption of the ATRS interest in D.E. Shaw World Alpha Extension Fund, L.L.C.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to adopt* Resolution 2022-51, authorizing the full redemption of the ATRS interest in D.E. Shaw World Alpha Extension Fund, L.L.C. and the Board *unanimously approved the motion.*

- c. Recommendation to approve for Board adoption of Resolution 2022-52 authorizing an investment of up to \$800 million dollars in Arrowstreet Global Equity ACWI Alpha Extension 130/30/20 LP.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to adopt* Resolution 2022-52, authorizing an investment of up to \$800 million dollars in Arrowstreet Global Equity ACWI Alpha Extension 130/30/20 LP. and the Board *unanimously approved the motion.*

- d. Recommendation to approve for Board adoption of Resolution 2022-53 authorizing the full redemption of the ATRS interest in Putnam Absolute Return Fixed Income Fund.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to adopt* Resolution 2022-53 authorizing the full redemption of the ATRS interest in Putnam Absolute Return Fixed

Income Fund, and the Board *unanimously approved the motion.*

C. Real Assets Consultant Report

- 1. Performance Report for the Quarter Ending June 30, 2022.**
Chae Hong of Aon Hewitt Investment Consulting provided the Committee with a performance report for the quarter ending June 30, 2022.
- 2. Recommendation to approve for Board adoption Resolution 2022-54, authorizing an investment of up to €50 million euros (approximately the equivalent of \$50 million dollars based on recent exchange rates) in DIF Infrastructure VII Cooperatief U.A. and DIF Infrastructure VII SCSp (collectively DIF VII).**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to adopt* Resolution 2022-54, authorizing an investment of up to €50 million euros (approximately the equivalent of \$50 million dollars based on recent exchange rates) in DIF Infrastructure VII Cooperatief U.A. and DIF Infrastructure VII SCSp (collectively DIF VII), and the Board *unanimously approved the motion.*

- 3. 2023 Real Assets Commitment Pacing (Total Pacing \$475 Million Dollars).**
 - a. Core real estate \$200 million dollars.
 - b. Value added and opportunistic real estate \$200 million dollars.
 - c. Infrastructure \$75 million dollars.

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to approve* the 2023 Real Asset Commitment Pacing (Total Pacing \$475 Million

Dollars), and the Board *unanimously approved the motion.*

D. Private Equity Consultant Report.

- 1. Preliminary Private Equity Portfolio Review for the Quarter Ended June 30, 2022.** Michael Bacine of Franklin Park provided the Committee with the private equity portfolio review for the quarter ended June 30, 2022.
- 2. Recommendation to approve for Board adoption a motion to authorize the use of \$30 million dollars of recallable distributions for the ATRS/FP Private Equity Fund, L. P.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to approve* the motion to authorize the use of \$30 million dollars of recallable distributions for the ATRS/FP Private Equity Fund, L. P., and the Board *unanimously approved the motion.*

- 3. Recommendation to approve for Board adoption Resolution 2022-55, authorizing an investment of up to \$30 million dollars in Alpine Investors IX, L.P.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin, *moved to adopt Resolution 2022-55, authorizing an investment of up to \$30 million dollars in Alpine Investors IX, L.P., and the Board *unanimously approved the motion**

- 4. 2023 Private Equity Pacing Schedule (Total Pacing \$350 Million Dollars).**
 - 1. Six small or mid buyout/growth/turnaround \$25-30 million dollars each in the U.S. (total \$170 million dollars).**

2. **One debt/distressed assets \$25 million dollars.**
3. **Franklin Park Venture Fund XIV no new commitment.**
4. **Franklin Park Venture Capital Opportunity Fund \$30 million dollars.**
5. **Franklin Park International Fund XI \$30 million dollars.**
6. **Franklin Park Corporate Finance Access Fund II \$30 million dollars.**
7. **ATRS/FP Private Equity Fund (Co-Investment Fund VI) \$65 million dollars.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to approve the 2023 Private Equity Pacing Schedule (Total Pacing \$350 Million Dollars), and the Board *unanimously approved the motion.**

5. **Recommendation to approve for Board adoption of Resolution 2022-56, authorizing an additional investment of up to \$30 million dollars in Franklin Park Venture Capital Opportunity Fund, L.P.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin, *moved to adopt Resolution 2022-56, authorizing an additional investment of up to \$30 million dollars in Franklin Park Venture Capital Opportunity Fund, L.P., and the Board *unanimously approved the motion.**

6. **Recommendation to approve for Board adoption of Resolution 2022-57, authorizing an additional investment of up to \$30 million dollars in Franklin Park International Fund IX., L.P.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin, *moved to adopt* Resolution 2022-57, authorizing an additional investment of up to \$30 million dollars in Franklin Park International Fund IX., L.P. and the Board *unanimously approved the motion.*

7. **Recommendation to approve for Board adoption Resolution 2022-58, authorizing an additional investment of up to \$30 million dollars in Franklin Park Corporate Finance Access Fund II, L. P., with Imminent Need.**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Martin *moved to adopt* Resolution 2022-58, authorizing an additional investment of up to \$30 million dollars in Franklin Park Corporate Finance Access Fund II, L. P., with imminent Need, and the Board *unanimously approved the motion.*

XV. Operations Committee Report. *Mr. Bobby Lester*

- A. Open Forum for Potential Rule or Law Changes y Committee Members and Board Members in attendance.

1. Open Forum. None

- B. **Revision to Current Board Policy No. 3 – Executive Director**

Director Rhoden stated that staff concurs with the recommendation.

Mr. Lester *moved to approve* changes as presented to Board Policy No. 3, and the Board *unanimously approved the motion*

- C. **Discussion concerning Ark. Code Ann. 24-7-506 (Outsourcing Surcharge).** Curtis Carter presented the Committee with a report on - outsourcing surcharge and repealing of Ark. Code Ann. §24-7-508. No action was taken on this matter.

- D. ATRS 2023 Legislative Package.** Director Rhoden presented the Committee with the ATRS 2023 Legislative Package.

Mr. Lester *moved to approve* the ATRS 2023 Legislative Package as presented to the Board, with corrections as discussed. The Board voted 10 to 1 in favor of the Motion. Auditor Lea voted “NO” on the Motion.

XVI. Staff Reports

- A. Medical Committee Report.** Mr. Kincade reported that a total of Twenty-Two (22) Disability Retirement Applications were approved.

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

- B. Financial Reports.** Mr. Curtis Carter, CFO, provided the Board with the Financial Statement Report and Travel Reports. No action was taken.

- C. Contracts.** Rod Graves presented the Board with the Contracts for renewal.

Dr. Hernandez *moved to approve* the Contracts as presented by Mr. Graves. Ms. Davis *seconded the motion* and the Board *unanimously approved the Motion*.

- D. Personnel Report.** Ms. Vicky Fowler, Human resources manager presented the Board with the Personnel Report. No action was taken on this matter.

XVII. Other Business:

Martha Miller, General Counsel, told the Board that ATRS has been contacted by several of our security monitoring firms about a Class action lawsuit in California against a hair care product. ATRS has an interest in the company. ATRS asks that the Board authorize staff to pursue as lead plaintiff in this class action case as recommended by securities monitoring firms.

Director Rhoden stated that staff concurs with this recommendation.

Mr. Higginbotham *moved to approve* ATRS to join as lead counsel in the California Class Action lawsuit. Dr. Hernandez *seconded the motion* and the Board *unanimously approved the motion*.

XVIII. Adjourn. With no other business, Mr. Danny Knight, Chair adjourned the meeting.

Meeting adjourned at 1:04 p.m.

Clint Rhoden,
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved