

Minutes

Arkansas Teacher Retirement System
Board of Trustees

February 11, 2003

The Board of Trustees of the Arkansas Teacher Retirement System met in regular session on Tuesday, February 11, 2003 at 9:00 a.m. The meeting was held in the ATRS Board Room, Arkansas Teacher Retirement Building, 1400 West Third Street, Little Rock, Arkansas.

Members of the Board Present:

Linda Parsons, Chair
Charles Vondran, Vice Chair
Winfred Clardy
Hazel Coleman
Charles Dyer
Dr. Paul Fair
John Fortenberry
Ann Harbison
Betty McGuire
Frank White
Gus Wingfield

Others Present:

Lloyd W. Black, ARTA
Darrell Dover, Attorney
Tom Ferstl, Ferstl Enterprises
Bobby Lester, ARTA
Jim McGuire, Trustee Spouse
Evelyn Nelson, Craighead Cty. RTA
Linda Riley, ARTA

Members of the Board Absent:

Mary Harris
Raymond Simon
Jim Wood

Members of the Staff Present:

David R. Malone, Executive Director
Debbie White
Gail Blair
Dena Dixon
Wayne Greathouse
Donna Hobbs
Michael Ray
George Snyder
Barbara Waldrop

XI. Roll Call

Debbie White of the Teacher Retirement System recorded the minutes of the meeting.

XII. Adoption of Agenda

Chair Linda Parsons announced that an Executive Session would follow the regular agenda items at the request of the Executive Director. Gus Wingfield made the motion to adopt the agenda, Dr. Paul Fair seconded the motion which was approved.

XIII. Public Comments on Agenda Items

No comments were stated. Director Malone took the opportunity before the next agenda item to review the Board of Trustees meeting schedule for 2003. The board seminar date was scheduled for June 15-17, 2003. Some type of orientation for new board members was suggested and discussed.

XIV. Real Estate Reports – Tom Ferstl

Mr. Ferstle updated the board on the return of investments on real estate property. Mr. Ferstle also briefed the board on the status of properties. Mr. Vondran made a motion that the Director be granted the authority to work with Mr. Ferstle on a Letter of Intent to work with McDonalds on the Harvest Foods property. Mr. Dyer seconded the motion which carried.

Also discussed was the mortgage lending program. Ann Harbison made a motion that ATRS stay in the mortgage lending program at the present level. Betty McGuire seconded the motion which was approved.

Mr. Ferstl stated the need for a management contract to use as he was negotiating on properties. Mr. Vondran made the motion to give Director Malone the authority to work with Mr. Ferstl on signing management contracts. Ann Harbison seconded the motion which was approved.

XV. Policies Committee Report – Dr. Paul Fair, Committee Chair

Dr. Fair stated that after the Investment Policy was reviewed he hoped that the policy would be passed through the Policies Committee and action taken in the very near future. Mr. White pointed out that since guidelines on the investment policy had been voted on all ready, any additional concerns should be sent to the Director. Mr. Vondran stated that the Investment Committee would be meeting and would take into consideration any concerns that were brought to their attention. Mrs. McGuire stated that many concerns had all ready been discussed with the Investment Committee.

XVI. Legislative Committee Report – Winfred Clardy, Committee Chair

Mr. Clardy asked the Executive Director to give an overview of proposed legislative bills. After a discussion of HB1221 (*attachment 1*) which would establish who sets the employer contribution rate for the system, Frank White made a motion that the Executive Director ask Rep. Roger Smith to pull the bill from consideration. Motion was seconded by Mr. Vondran. After additional discussion, Hazel Coleman called for a close on the debate. The vote was taken and the motion failed.

A motion was made by Winfred Clardy to give the Director authority to work through the issues with Rep. Smith on HB1221. Ann Harbison seconded the motion, which was approved.

Director Malone reported that SB120 got out of Committee, and HB 106 was a “clean-up” bill on items that were brought up by auditors.

Bills that affect T-Drop (SB 122, *attachment 2* and SB 123, *attachment 3*) were discussed. Charles Dyer made a motion that the system include a grandfather provision in bills with a cut-off date of September 1st. The motion was seconded by Ann Harbison. After discussion, Mr. Vondran called for the question and the vote indicated the motion passed.

Mr. Vondran pointed out that unused sick leave has been brought up for discussion in the session. Dr. Fair made a motion that a bill be prepared to treat everyone the same. After considerable discussion Mr. Vondran voiced a second. The question was called and Director Malone stated the motion for clarification as follows: A bill should be prepared with provisions that unused sick leave should not be counted for purposes of determining final salary. The vote indicated approval of the motion.

XVII. Teacher Retirement System Reports

A. Medical Board Summary Reports-Michael Ray

Mr. Vondran made a motion to approve the report, second by Ann Harbison, motion carried. (*attachment 4*)

B. Personnel Report-Donna Hobbs

Hazel Coleman made the motion to approve the report, Mr. Vondran seconded the motion, which was approved. (*attachment 5*)

C. Membership & Payroll

D. Arkansas Related Investments

E. Investment Summaries

F. Financial Statements

XVIII. New Business

A. ATRS Budget for 2003-2004

Although the ATRS budget will be introduced for legislative review at a later date, the item of Director's salary was discussed because of the affect it could have on agency budget legislation. A motion was made by Winfred Clardy that the two officers and two constitutional officers of the Board work with Mr. Malone to make the changes necessary for the Director's salary increase. The motion was seconded by Dr. Fair and was approved.

B. Board Members Expense Resolution

Mr. Fortenberry made a motion to approve the Travel Board Resolution (*attachment 6*). The motion was seconded by Dr. Fair. Ann Harbison moved to add an amendment allowing three conferences for all trustees. Hazel Coleman seconded the amended motion. The vote indicated the amended motion failed. A vote was then taken on the original motion containing two conferences for trustees. The vote indicated the motion failed. After additional discussion, Mr. Vondran made the motion to approve the addendum portion only of the proposed board travel resolution. (*attachment 7*). Mr. Dyer seconded the motion and the motion carried.

C. Board Committee Appointments

Linda Parsons, Chair, re-appointed Dr. Fair to the Investment Committee. Ms. Parsons stated the Oversight Committee was no longer necessary and would be considered dissolved. Mr. Vondran stated he believed it would be more appropriate if future presentations of the Investment Committee were made by the Executive Director.

XIX. Executive Director's Comments

Director Malone advised that in addition to working on legislative issues he would be working closely with the staff in the area of real estate matters. He also stated a new computer program for membership records needed attention. Another project to be focused on will be investment matters. Future staff needs were briefly discussed.

XX. General Comments

No general comments were stated. Therefore, staff and guest recessed and the Board went into Executive Session. Upon reconvening the meeting, a motion was made to approve the Executive Director's recommendation to hire Julie Cabe as the Deputy Director at the budgeted salary. Frank White seconded the motion which passed.

XXI. Adjournment

Frank White moved the meeting be adjourned, with no opposition.



Debbie White, Project Analyst



David R. Malone, Executive Director



Linda Parsons, Chair

Date of Approval: 3-18-03

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003

A Bill

HOUSE BILL 1221

4
5 By: Representative R. Smith
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For An Act To Be Entitled

8
9 AN ACT TO AUTHORIZE THE BOARD OF TRUSTEES OF THE
10 ARKANSAS TEACHER RETIREMENT SYSTEM TO SET THE
11 EMPLOYER CONTRIBUTION RATE FOR THE SYSTEM; AND
12 FOR OTHER PURPOSES.
13

Subtitle

14
15 TO ALLOW THE BOARD OF TRUSTEES OF THE
16 TEACHER RETIREMENT SYSTEM TO SET THE
17 EMPLOYER CONTRIBUTION RATE FOR THE
18 SYSTEM.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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23 SECTION 1. Arkansas Code § 24-2-701(c), concerning the employer
24 contribution rates to the state funded retirement systems in Arkansas, is
25 amended to read as follows:

26 (c) The employer contribution rates to the retirement systems shall be
27 as follows:

28 (1) For the Arkansas Teacher Retirement System, twelve percent
29 (12%), until June 30, 2003 when the Board of Trustees of the Arkansas Teacher
30 Retirement System establishes employer rates prospectively for each year, and
31 the rates shall be based on the actuary's determination of the rate required
32 to fund the plan in accordance with the objectives under subsection (a) of
33 this section;

34 (2) For the State Police Retirement System, twenty-two percent
35 (22%); and

36 (3) For the Arkansas Public Employees' Retirement System, the



1 Board of Trustees of the Arkansas Public Employees' Retirement System shall
2 establish employer rates prospectively each year, and the rates shall be
3 based on the actuary's determination of the rate required to fund the plan in
4 accordance with the objectives set forth in subsection (a) of this section.
5 The contribution rates shall be the rates determined by the annual actuarial
6 valuation.

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Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003

A Bill

SENATE BILL 122

4
5 By: Senators Faris, J. Bookout
6 By: Representatives Mahony, R. Smith

For An Act To Be Entitled

10 AN ACT TO ALTER THE AMOUNT OF THE MEMBER'S PLAN
11 CONTRIBUTION TO THE PLAN ACCOUNT UNDER THE
12 TEACHER DEFERRED RETIREMENT OPTION PLAN WITH THE
13 ARKANSAS TEACHER RETIREMENT SYSTEM; AND FOR OTHER
14 PURPOSES.

Subtitle

17 TO ALTER THE AMOUNT OF THE MEMBER'S PLAN
18 CONTRIBUTIONS TO THE PLAN ACCOUNT UNDER
19 THE TEACHER DEFERRED RETIREMENT OPTION
20 PLAN.

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

25 SECTION 1. Arkansas Code § 24-7-1306 is amended to read as follows:
26 24-7-1306. Amount of contributions.

27 (a)(1) Teacher Deferred Retirement Option Plan contributions shall be
28 a percentage of the plan benefit.

29 (2)(A) The percentage is one hundred percent (100%) reduced by
30 the product of one percent (1%) multiplied by the number of years of
31 contributory service credit and fractions thereof, and further reduced by the
32 product of six-tenths percent (0.6%) multiplied by the number of years of
33 noncontributory service credit and fractions thereof.

34 ~~(B) When a participant in the Teacher Deferred Retirement~~
35 ~~Option Plan reaches normal retirement age, the plan contributions shall be~~
36 ~~one hundred percent (100%) with no reduction.~~



1 ~~(3)~~ In the event a member has more than thirty (30) years of
2 service, the years of service above thirty (30) years shall be reduced by
3 one-half percent (0.5%) for contributory years and three-tenths percent
4 ~~(0.3%)~~ for noncontributory years.

5 ~~(4)~~(3) Those members already in the plan will have a one-time
6 adjustment made in their contributions.

7 ~~(5)~~(4) The amount of the one-time adjustment will be determined
8 by the Board of Trustees of the Arkansas Teacher Retirement System.

9 ~~(6)~~(5) Furthermore, the board is authorized to make further
10 adjustments on the plan to make it cost-neutral to the Arkansas Teacher
11 Retirement System.

12 (b) For the purpose of § 24-7-709 related to disposition of residue,
13 plan contributions shall be considered to be annuity payments.

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Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003

A Bill

SENATE BILL 123

4
5 By: Senators Faris, J. Bookout
6 By: Representatives Mahony, R. Smith

For An Act To Be Entitled

10 AN ACT TO CHANGE THE TEACHER DEFERRED RETIREMENT
11 OPTION PLAN TO REQUIRE EMPLOYER CONTRIBUTIONS TO
12 THE TEACHER RETIREMENT SYSTEM TO CONTINUE IF A
13 MEMBER PARTICIPATES IN THE PLAN; AND FOR OTHER
14 PURPOSES.

Subtitle

17 TO CHANGE THE TEACHER DEFERRED
18 RETIREMENT OPTION PLAN TO REQUIRE
19 EMPLOYER CONTRIBUTIONS TO THE RETIRMENT
20 SYSTEM TO CONTINUE.

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

25 SECTION 1. Arkansas Code § 24-7-1303 is amended to read as follows:
26 24-7-1303. Contributions to Arkansas Teacher Retirement System.

27 ~~(a)~~ When a member begins participation in the Teacher Deferred
28 Retirement Option Plan, ~~both member and employer~~ contributions to the
29 Arkansas Teacher Retirement System on behalf of the member shall cease.

30 ~~(b)(1) It is the intent of the General Assembly that the employer~~
31 ~~contribution to the system that has ceased for a participant in the Teacher~~
32 ~~Deferred Retirement Option Plan will become a part of the general operating~~
33 ~~fund of the school district to be used for any purpose including employee~~
34 ~~salaries.~~

35 ~~(2) The school district shall not make contributions to any tax-~~
36 ~~qualified retirement plan on behalf of any employee participating in the~~



1 ~~Teacher Deferred Retirement Option Plan. However, this prohibition shall not~~
2 ~~be applicable to the extent necessary to comply with contractual obligations~~
3 ~~incurred by a school district prior to February 1, 1999.~~

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1400 West Third, Little Rock, AR 72201
Phone (501) 682-1517 or (800) 666-2877
Website - <http://www.atrs.state.ar.us>
Email - info@atrs.state.ar.us



SUMMARY OF DISABILITY APPLICATIONS SUBMITTED

FOR CONSIDERATION BY THE MEDICAL BOARD

The Medical Board met in executive session in Room 221 at 12:30 p.m. on December 18, 2002. Members present were Dr. Ewing C. Reed, Dr. John Stotts and Dr. Worthie Springer. Daryl Wilkerson of the Teacher Retirement System was also in attendance.

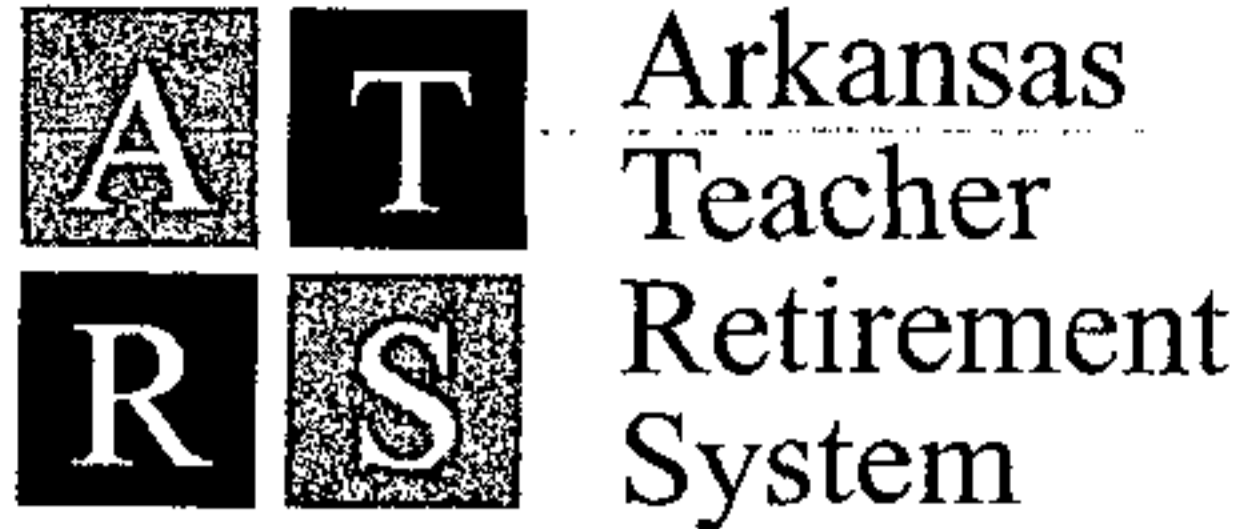
A total of 9 disability applicants were considered. 7 cases were approved on a permanent basis, 2 cases needed more information.

Respectfully Submitted,

John Stotts, M.D.
Medical Board Chairman

Respectfully Submitted,

Daryl Wilkerson,
Retirement Benefits Counselor



1400 West Third, Little Rock, AR 72201
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SUMMARY OF DISABILITY APPLICATIONS SUBMITTED
FOR CONSIDERATION BY THE MEDICAL BOARD

The Medical Board met in executive session in Room 221 at 12:30 p.m. on January 22, 2003. Members present were Dr. Ewing C. Reed, Dr. John Stotts and Dr. Worthie Springer. Daryl Wilkerson of the Teacher Retirement System was also in attendance.

A total of 14 disability applicants were considered. 7 cases were approved on a permanent basis, and 7 cases needed more information.

Respectfully Submitted,

John Stotts, M.D.
Medical Board Chairman

Respectfully Submitted,

Daryl Wilkerson,
Retirement Benefits Counselor

PERSONNEL REPORT
February, 2003

Through June 30, 2003, the Arkansas Teacher Retirement System has been approved 61 positions to be filled. As of February 10, 2002, 58 positions were filled.

Resignations

Data Processing

Robert Nichols, Lead Programmer Analyst (Grade 22) resigned effective January 3, 2003.

Investments

Dale Walker, Investment Specialist (Grade 19) resigned effective January 3, 2003.

New Hires

Accounting

Janice Gunter, Administrative Assistant I (Grade 15) began employment on February 3, 2003.

Sharonda Pugh, Accounting Technician II (Grade 15) began employment on February 3, 2003.

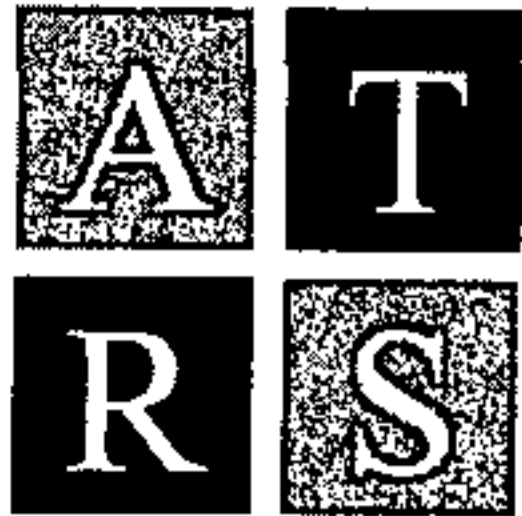
Administration

David Malone, Executive Director (Grade 99) began employment on January 2, 2003.

Debbie White, Management Project Analyst II (Grade 20) began employment on January 14, 2003.

Positions not filled

- * Administration – Deputy Director, Grade 99
- * Investments – Investment Specialist, Grade 19
- * Data Processing – Lead Programmer Analyst, Grade 22



Arkansas
Teacher
Retirement
System

Attachment 6

1400 West Third, Little Rock, AR 72201
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RESOLUTION

Board Expense Reimbursement For 2003

BE IT RESOLVED, *the members of the Board of Trustees of the Arkansas Teacher Retirement System are authorized reimbursement of expenses for attending trustee meetings in accordance with Act 1211 of 1995;*

NOW, THEREFORE, BE IT RESOLVED, *members of the ATRS Board of Trustees may attend and be reimbursed for any two (2) retirement-related conferences for the calendar year of 2003;*

BE IT FURTHER RESOLVED, *trustees who live in the Little Rock area (excluding ex officio trustees) may be reimbursed actual mileage and meal expenses, as required in the performance of official board duties. In addition, trustees who live outside the Little Rock area may be reimbursed actual mileage and meal expenses, as required in the performance of official board duties. Reimbursable meal expenses will not exceed the State rate.*

BE IT FURTHER RESOLVED, *trustees and employees will submit travel reimbursement requests in accordance with Addendum A to this Resolution.*

ADOPTED *this 11th Day of February, 2003*

Linda Parsons, Chairman
Arkansas Teacher Retirement System

Addendum A
Resolution 10.22.02
Page 1/2

The following regulations have been adopted to provide guidance to board members and employees of the Arkansas Teacher Retirement System (ATRS).

For purposes of these rules, the following definitions shall apply:

1. "Official Station" shall be:
 - a) For board members, the city or town in which a board member has a permanent address.
 - b) For employees, the city or town of the employee's actual location of work
2. Travel expenses will be reimbursed when board members or employees are required to travel away from their official station on ATRS business. Minimization of expenses while traveling should be the same, as a prudent person would exercise if traveling on personal business.
3. A Travel Reimbursement Form (TR-1) must be verified and signed by the traveler, accompanied by the proper receipts, and duly signed by the Executive Director, or designee, before reimbursement may be processed.
4. All travel reimbursement requests, including that within the borders of Arkansas, shall adhere to the reimbursement rates listed in the Federal Travel Directory. Cities not identified or located in listed counties have a Standard Rate of \$55 per day for lodging and \$30 per day for meals. Current rates can be found on the Federal General Services Administration website:
<http://policyworks.gov/org/main/mt/homepage/mtt/perdiem/perd02d.html>, and the Arkansas Department of Finance and Administration website: <http://www.state.ar.us/dfa/accounting/perdiem.html>.
5. Reimbursement may be claimed for actual expenses only, and must not exceed the Federal Directory maximums. In-state meals will not be reimbursed without overnight lodging. There are no exceptions to the maximum meal rates.
6. Exceptions to lodging maximums may be allowed only with good justification, i.e., when conference hotel rates exceed area maximums, and staying elsewhere would incur transportation charges. The Executive Director, or designee, must approve all requests for exceptions prior to incurring the expense.
7. Private vehicle mileage is reimbursable at the current rate per mile authorized by the Arkansas Department of Finance and Administration. If a traveler's personal vehicle is used for transportation to and from the airport, a mileage reimbursement may be requested.
8. Reimbursable travel expenses are limited to those expenses authorized and essential to conducting official ATRS business. Telephone and telegraph expenses shall be allowed only when necessary for the completion of official business. Incidental amounts not directly related to travel (such as postage, small emergency supplies, etc.) may be allowed, when necessary, to the performance of official business while traveling. These necessary incidental expenses shall be itemized on the TR-1 form with receipts attached.
9. If one-way travel exceeds 500 miles from the traveler's official station, reimbursement may be requested for no more than one day prior to, and/or after, the official start/end of an approved conference/convention.
10. Travelers shall not be reimbursed for the purchase of alcoholic beverages, entertainment, tips, flowers, valet service, laundry, cleaning, printing items, or other discretionary purchases.

Addendum A

Resolution 10.22.02

Page 2/2

11. Travel expenses shall not be billed to ATRS by a third party except for lodging, meals, and air transportation, duly approved in advance by the Executive Director.
12. Travel may be achieved by plane, train, bus, private- or system-owned vehicle, rented vehicle, or taxi, whichever method serves the requirements of ATRS most economically and advantageously. The maximum allowable mileage will be computed by the shortest major highway route. Flights resulting in the lowest available airfare for ATRS should be used for all business trips, unless there are extenuating circumstances, such as unreasonable arrival/departure times or unusually long layovers.
13. When common carriers (airplane, train, or bus) are needed to transport persons on ATRS business, ATRS will make the travel arrangements, if possible, in order for the system to be billed direct. If this is not possible, the traveler may make and pay for arrangements and request reimbursement. Items that are properly purchased by, and invoiced directly to ATRS, are not reimbursable to the traveler.
14. For out-of-state travel, reimbursement shall be the lesser of coach class air, or the current rate per mile authorized by the Arkansas Department of Finance and Administration.
15. If more than one traveler is transported in the same vehicle, only the owner can claim a mileage reimbursement.
16. When attending out-of-state conferences, travelers should choose the most economical mode of transportation between airports and hotels, i.e., rental car, shuttle, or taxi. Consideration must be given to mileage, fuel and parking fees when selecting a rental. If a rental car is obtained, and two (2) or more board members or employees travel to the same location, rentals should be shared, if possible.
17. Board members and employees of ATRS shall be reimbursed for their own travel expenses only. Board members and employees shall not be reimbursed for expenses incurred by their spouse or guest.