

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
December 7, 2004**

The Board of Trustees of the Arkansas Teacher Retirement System (ATRS) held a regular meeting on Tuesday, December 7, 2004, in the Board Room of the Arkansas Teacher Retirement System Building at 1400 West Third Street in Little Rock, Arkansas.

Members of the Board Present

Linda Parsons, Chair
John Fortenberry, Vice Chair
Monty Betts
Winfred Clardy
Lawrence Colston
Charles Dyer
Dr. Paul Fair
Betty McGuire
Robin Nichols
Ellen Terry
Gus Wingfield
Jim Wood

Guests Present:

Dr. Morris Holmes, Retirant
Beverly Williams, Little Rock School District
Brian B. Murphy, Gabriel, Roeder, Smith & Co.
Stephen Cummings, Ennis Knupp
Laurel E. Nicholson, Ennis Knupp
Lan Qian, Ennis Knupp
Nathan Vinn, Ennis Knupp
Bobby Lester, ARTA
Lloyd W. Black, ARTA
Leon Wigginton, ARTA
Louise Cammack, ARTA - NLRRTA
Tom Gay, Attorney General's Office
Estella Smith, Bureau of Legislative Research
Matthew Miller, Bureau of Legislative Research
Mike Wickline, *Arkansas Democrat-Gazette*
Jim McGuire, Trustee Spouse

Members of the Board Absent:

Hazel Coleman
Bunny Adcock
Dr. T. Kenneth James

Staff Present:

David Malone, Director
Julie Cabe, Deputy Director
Wayne Greathouse, Investments
Hugh Roberts, Investments
Leslie Ward, Investments
Michael Ray, Benefits/Counseling
Donna Hobbs, Personnel
Judy Brown, Payroll
George Snyder, Internal Auditor
Suzanne Davenport, Accounting
Gail Bolden, Data Processing
Nona Comer, Accounting
Carolyn Abbott, Preretirement
Jo Ann Carroll, MPA

I. Call to Order

Linda Parsons called the meeting to order at 9:03 a.m. with a quorum of the Board present.

II. Adoption of Agenda

Robin Nichols moved adoption of the agenda, Betty McGuire seconded, and the Board unanimously approved the motion.

III. Approval of Minutes

John Fortenberry moved approval of the minutes of the regular meeting on October 4, 2004, Ms. McGuire seconded, and the Board unanimously concurred.

David Malone noted a correction to the October 5, 2004, minutes advising the date had been incorrectly listed as "Monday" instead of "Tuesday," October 5, 2004. Mr. Fortenberry requested a correction to **Resolution No. 2004-29 (Attachment No. 1)** to add the words "in Fayetteville, Arkansas," in the body of the Resolution. With these corrections noted, Mr. Fortenberry moved approval of the minutes of the regular meeting on October 5, 2004, as amended, Ms. Nichols seconded, and the Board unanimously concurred.

IV. Public Comment on the Agenda

No public comment was made on the Agenda.

V. Appeal of Denial of Waiver of Earnings Limitation – Dr. M. L. H.

Mr. Malone advised that Dr. M. L. H. had requested to come before the Board to appeal the System's decision to deny the Little Rock School District's request for a retroactive Waiver of Earnings Limitation filed on his behalf. Ms. Cabe provided a review of the law, a review of the Waiver process, and a summary of the events that led to the decision to deny the Little Rock School District's request for the Waiver. Dr. H. presented a letter, dated December 7, 2004, addressed to the Board and Mr. Malone, outlining his request for approval of the Waiver and provided information in support of his request. After hearing from Ms. Cabe and Dr. H., the Board conducted a lengthy discussion of Dr. H.'s appeal. Ms. Parsons called for a motion on the matter and, hearing none, advised that the appeal would stand denied.

VI. Gabriel, Roeder, Smith – Annual Actuarial Report

Brian B. Murphy presented the preliminary valuation results as of June 30, 2004. Mr. Murphy reported that the System had made significant progress in recovering from one of the worst investment markets ever, and he commended the Board for its decision to increase the percentage of school employee payroll charged to school districts by the system from 13% to 14%. He stated that the increase, plus the System's investment earnings of nearly 17% in fiscal year ended June 30,

2004, contributed significantly to reducing the System's unfunded liability, which declined from 36 years as of June 30, 2003, to 31 years as of June 30, 2004.

At the conclusion of Mr. Murphy's report Charles Dyer moved acceptance of the report, Ms. Nichols seconded, and the Board unanimously concurred.

VII. Report of the Investment Committee

- A. Mr. Fortenberry asked Mr. Malone to report on the November 15 meeting of the Investment Committee and review the draft minutes of the meeting.
- B. Mr. Fortenberry moved adoption of **Resolution No. 2004-27, (Attachment No. 2)** ratifying the sale of the Jonesboro Retirement Village property to Nix Development Corporation. Ms. Nichols seconded the motion, and the Board unanimously approved.
- C. Mr. Malone reported that Stephen Cummings and Laurel E. Nicholson of Ennis Knupp reviewed the performance report for the third quarter of 2004, which showed the System's total fund trailed its performance benchmark by 1.7 percentage points during the third quarter and the value dropped by 1.1% in the quarter. Mr. Malone advised that the current figure is \$8.426 billion, an all-time high for the System.

Mr. Malone reported that Lan Qian of Ennis Knupp gave a report to the committee concerning private equity fund-of-funds manager search.

VIII. Report of Policies Committee

Dr. Fair asked Ms. Cabe to give the Board an update of the committee meeting.

- A. Ms. Cabe reported on the November 15 meeting of the Policies Committee and reviewed the draft minutes of the meeting.
- B. Dr. Fair moved adoption of **Resolution No. 2004-34 (Attachment No. 3)** granting preliminary approval of the criteria/procedures for the Arkansas Related Investment Program – Sales as presented in the December 2004 Agenda and that final approval and promulgation under the Administrative Procedures Act will be postponed until criteria/procedures have been developed for the purchase of real property under the Arkansas Related Investment Program. Ms. McGuire seconded the motion, and the Board unanimously concurred.
- C. Dr. Fair moved adoption of **Resolution No. 2004-35 (Attachment No. 4)** authorizing acceptance of the new manual as a correct reflection of current policies, rules, and regulations previously adopted by the Board and filed

according to the Administrative Procedures Act. Mr. Fortenberry seconded, and the Board unanimously approved.

- D. Mr. Dyer moved adoption of **Resolution No. 2004-36 (Attachment No. 5)** to accept the recommendation of the Policies Committee to adopt the Board Self-Evaluation form. Ms. Nichols seconded the motion, which the Board unanimously approved.

Ms. Cabe advised Katherine Corcoran is working on preparing an evaluation form for the Executive Director and that she is working with the ATRS tax lawyer on revising the wording in the Teacher-Deferred Retirement Option Plan (T-DROP) to eliminate any conflict with IRS Code §415.

- IX. Ms. McGuire reported on the October 28 meeting of the Legislative Committee and reviewed the draft minutes of the meeting.

Ms. Cabe stated she had forwarded to the committee and other Board members recommendations on proposed changes to several laws, as follows:

Revisions to A.C.A. §§24-7-401 and 24-2-701 are recommended to renew and clarify ATRS' existing legislative authority to set employer contribution rates in the future and to conform the language and update obsolete language in §24-7-401 regarding the payment of certain employer contributions not specified under the old law. The committee moved recommendation to the Board for support of the proposed changes in A.C.A. §24-7-401. The committee also moved approval of proposed changes in A.C.A. §24-2-701 to correlate with the changes recommended for A.C.A. §24-7-401. Ms. McGuire moved approval of the Committee's recommendation to support the proposed changes in A.C.A. §24-7-401 and A.C.A. §24-2-701, Mr. Clardy seconded, and the Board unanimously approved.

Two additional pieces of legislation were approved by the Legislative Committee and recommended to the Board for approval: (1) A proposal to *repeal* A.C.A. §24-7-708(f), known as the "Work and Retire" statute, which gives procedures for receiving a waiver of earnings limitation from the System in order to hire a retirant teacher under certain circumstances and (2) a proposal for *revisions* to A.C.A §24-7-708(f) in order to tighten up the conditions for approving earnings limitation waivers, to limit statutorily the number of years a waiver may be granted, and to provide that the System receive employer contributions for the retirant teacher, with repeal of the legislation as preferable. Mr. Wingfield moved that the Board move forward with the Committee's recommendations, Dr. Fair seconded, and the Board unanimously approved.

In other legislative matters, Ms. Cabe reported she is drafting an omnibus bill to address many of the incorrect references in various statutes dealing with System issues that would not change the law but would make the laws more readable.

Legislation is being drafted that would allow the System to distribute benefits of System members who die without named beneficiaries to the estates of the members, so that the System does not have to determine who among a member's survivors should receive the payment.

Ms. Cabe also reported she is working on legislation to clarify that any unclaimed property will be forfeited back to the System and not to the state. In addition, she stated she would be drafting a bill with an offset provision to provide that members, etc., who received benefits to which they were not entitled and who have not repaid the System would have the money deducted from their benefit checks.

Ms. McGuire announced the next meeting of the Legislative Committee would be on January 10, 2005, at 9:30 a.m.

Ms. Parsons declared a recess at 11:30 a.m. The meeting resumed at 1:02 p.m.

X. Approval of 2005 Board Meeting Schedule

Mr. Malone requested a modification to the proposed Board Meeting Schedule (**Attachment No. 6**) to change the February meeting dates to February 14 and 15, 2004. After a discussion, Ms. Nichols moved approval of the Board Meeting Schedule, as amended, Ms. Terry seconded, and the Board unanimously concurred.

XI. Monty Betts moved adoption of **Resolution No. 2004-37 (Attachment No. 7)** to ratify the action of the Executive Director in executing a contract with Voice Retrieval and Information Services of Carrollton, Texas, to conduct an election in March 2005 to fill Position #4 and Position #10 on the ATRS Board of Trustees. Ms. McGuire seconded the motion, and the Board unanimously approved.

XII. Staff Reports

Ms. Nichols moved approval of the ATRS Medical Board reports for October and November 2004. Mr. Fortenberry seconded, and the Board unanimously approved the motion.

A discussion followed concerning the omission of the August Medical Board meeting. Michael Ray stated that petitions for medical disability were at an all-time high, and it might be necessary to resume holding a meeting in August. Mr.

Malone asked Mr. Ray to hold Medical Board meetings in every month, with the exception of July.

Mr. Dyer moved approval of the new format of the payroll form, Lawrence Colston seconded, and the Board unanimously approved.

No other staff reports required action.

XIII. Executive Director's Comments

The Executive Director had no additional comments.

XIV. Adjournment

The Board entered into executive session to discuss personnel matters at 1:50 p.m. No action was taken. The session ended at 2:17 p.m., and the regular meeting immediately adjourned.

JoAnn Carroll, Recorder

David Malone, Executive Director

Linda Parsons, Board Chair

Date Approved

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 WEST THIRD STREET
LITTLE ROCK, ARKANSAS 72201**

RESOLUTION
No. 2004-29

Sale of Fayetteville Retirement Village Property

BE IT RESOLVED that the Board of Trustees of the Arkansas Teacher Retirement System approves the sale of approximately sixty-three (63) acres of property near Gregg Ave/Fulbright Expressway intersection, (Section 34 of Township 17 of Range 30) in Fayetteville, Arkansas, to Stonehill-PRM Realty and or assigns, at a price of \$5,250,000.00.

FURTHER RESOLVED that the Board of Trustees authorizes the Executive Director to execute the sale.

Adopted this ____ day of October, 2004

Linda Parsons, Chair
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM

1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION

NO. 2004-27

Sale of Jonesboro Retirement Village Property

WHEREAS, on October 5, 2004, the Board of Trustees of the Arkansas Teacher Retirement System approved Resolution No. 2004-28, approving the sale of the Jonesboro Retirement Village property to Mark Fowler of Jonesboro.

WHEREAS, at the loan closing the purchasers requested that the loan documents reflect that the purchaser's name be changed to Nix Development Corporation.

BE IT RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System ratifies the change in purchaser, from Mark Fowler to Nix Development Corporation.

FURTHER RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System ratifies the sale of the Jonesboro Retirement Village property to Nix Development Corporation.

Adopted this 7th day of December, 2004

Linda Parsons, Chair
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM

1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION

NO. 2004-034

Criteria/Procedures for Arkansas Related Investments - Sales

WHEREAS, on October 7, 2003, the Board of Trustees of the Arkansas Teacher Retirement System preliminarily approved the Criteria/Procedures for the Arkansas Related Investment Program – Loans; and

WHEREAS, on September 14, 2004, the Investment Committee approved the Criteria/Procedures for the Arkansas Related Investment Program – Sales, as amended; and

WHEREAS, on October 5, 2004, the Board referred the Criteria/Procedures for the Arkansas Related Investment Program – Sales, as amended, to the Policies Committee; and

WHEREAS, on November 15, 2004, the Policies Committee further amended and approved the Criteria/Procedures for Arkansas Related Investment Program – Sales, as amended; and

WHEREAS, on November 15, 2004, the Investment Committee approved the amended version of Criteria/Procedures for the Arkansas Related Investment Program – Sales and recommended its preliminary approval to the Board;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System preliminarily approved the Criteria/Procedures for the Arkansas Related Investment Program – Sales as presented in the December 2004 Agenda;

FURTHER RESOLVED, that final approval and promulgation under the Administrative Procedures Act will be postponed until criteria/procedures have been developed for the purchase of real property under the Arkansas Related Investment Program;

FURTHER RESOLVED, that the Executive Director of ATRS or his designee is authorized to make technical corrections to the criteria/procedures when necessary.

Adopted this 7th day of December, 2004

LINDA PARSONS, *Chair*
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM

1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION

NO. 2004-035

Acceptance of New Policies, Rules, and Regulations Manual

WHEREAS, on September 27, 2004, the ATRS staff provided to the Board of Trustees a new ATRS Policies, Rules, and Regulations Manual; and

WHEREAS, with very minor technical corrections, the manual contains all the current policies, rules, and regulations that have been previously adopted by the Board and filed according to the Administrative Procedures Act; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System accepts the new manual as a correct reflection of current policies, rules, and regulations previously adopted by the Board and filed according to the Administrative Procedures Act.

Adopted this 7th day of December, 2004

LINDA PARSONS, *Chair*

Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM

1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION

NO. 2004-036

Adoption of Board Self-Evaluation Form

BE IT RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System accepts the recommendation of the Policies Committee made on November 15, 2004, and adopts the Board Self-Evaluation Form, attached to this Resolution.

Adopted this 7th day of December, 2004

LINDA PARSONS, *Chair*
Arkansas Teacher Retirement System

ARKANSAS TEACHER RETIREMENT SYSTEM

1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION

NO. 2004-37

2005 Election Vendor

WHEREAS, the Board of Trustees of the Arkansas Teacher Retirement System shall conduct an election in March 2005, to fill Position #4 and Position #10.

BE IT RESOLVED, that the action of the Executive Director in executing a contract with Voice Retrieval and Information Services of Carrollton, Texas, to conduct the election be, and hereby is, ratified by the Board of Trustees of the Arkansas Teacher Retirement System.

Adopted this 7th day of December, 2004

LINDA PARSONS, Chair
Arkansas Teacher Retirement System

