

**ARKANSAS TEACHER RETIREMENT SYSTEM  
BOARD OF TRUSTEES**

**Minutes  
April 5, 2005**

The Board of Trustees of the Arkansas Teacher Retirement System (ATRS) held a regular meeting on Tuesday, April 5, 2005, 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**

John Fortenberry, Vice Chair  
Robert H. "Bunny" Adcock  
Lawrence Colston  
Hazel Coleman  
Charles Dyer  
Dr. Paul Fair  
Betty McGuire  
Robin Nichols  
Gus Wingfield  
Jim Wood

**Members of the Board Absent:**

Monty Betts  
Winfred Clardy  
Dr. T. Kenneth James  
Linda Parsons, Chair  
Ellen Terry

**Staff Present:**

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

**Guests Present:**

Stephen Cummings, *Ennis Knupp*  
Tom Gay, *Arkansas Attorney General's Office*  
Bobby G. Lester, *ARTA*  
Lloyd W. Black, *ARTA*  
Leon Wigginton, *ARTA*  
Tom Ferstl, *Affiliated Appraisers*  
Beverly E. Leming, *Trustee-Elect*  
Jim McGuire, *Trustee Spouse*

I. Call to Order

Vice Chair John Fortenberry called the meeting to order at 9:05 a.m. with a quorum of the Board present.

Attachment No. 2

II. Adoption of Agenda

Mr. Malone requested that an additional item be added to the agenda under the Executive Director's report: National Council on Teacher Retirement Resolution of Support for Defined Benefit Plans. Hazel Coleman moved adoption of the agenda, as amended, Robin Nichols seconded, and the Board unanimously approved the motion.

III. Public Comment on the Agenda

No public comment was made.

IV. Approval of Minutes

Jim Wood moved approval of the minutes of the regular meeting on February 14, 2005, Gus Wingfield seconded, and the Board unanimously concurred.

Mr. Fortenberry requested an update on the proposed sale of the property on Woodlane Street. Mr. Malone reported that the System had received and accepted an offer from the Board of Registration for Professional Engineers and Land Surveyors to purchase only the office building, known as "The Camden Center," with on-site parking located at 623 Woodlane Street, Little Rock, Arkansas, for a purchase price of \$300,000.00 and that the 31-space parking lot located at Seventh and Victory Streets, Little Rock, Arkansas, will be listed for sale for a purchase price of \$150,000.

Ms. Nichols moved approval of the minutes of the regular meeting on February 15, 2005, Betty McGuire seconded, and the Board unanimously concurred.

Dr. Fair requested an update on the board retreat meeting dates and Mr. Malone advised the seminar will be held on July 17, 18, 19, 20 and specific plans will be announced soon.

V. T-Drop Account Interest Rate

**Resolution No. 2005-05 (Attachment No. 1)**, would set the T-DROP interest rate to be credited for fiscal year 2004-2005 and for fiscal year 2005-2006 on each T-DROP participants' T-DROP account at 3.52%. Following discussion, Dr. Paul Fair moved approval of the resolution, Charles Dyer seconded, and the Board unanimously concurred.

## VI. Setting of Employer Contribution Rate

Mr. Malone advised that legislation regarding the setting of the employer contribution rate was still pending and once the legislation is finalized, it will be necessary to call a special meeting before July 1 so that the Board can set the rate.

## VII. Authorization to File Emergency Rules and Regulations to Implement Legislation Effective July 1, 2005

Mr. Dyer moved approval of **Resolution No. 2005-10 (Attachment No. 2)**, authorizing the Executive Director and staff to implement emergency amendments to the Arkansas Teacher Retirement System Policies, Rules, and Regulations as a result of legislation passed during the session subject to later ratification by the Board, Ms. McGuire seconded, and the Board unanimously concurred.

## VIII. Report of Investment Committee

- A. Mr. Fortenberry reported that the draft of the minutes of the March 21, 2005, Investment Committee meeting was enclosed for the Board's review.
- B. The Board discussed **Amended Resolution No. 2004-19 (Attachment No. 3)**, ratifying the action of the Executive Director in entering into a contract with D. B. Hill Contractor, Inc., for the construction of a roadway in connection with the construction of a skilled care nursing home facility on property owned by the System on Chenal Valley Drive. Mr. Dyer moved approval of the resolution, Ms. McGuire seconded, and the Board unanimously concurred.
- C. Mr. Wingfield moved adoption of **Resolution No. 2005-11 (Attachment No. 4)**, proposing investment guidelines for CSFB-ATRS Private Equity Program, L.P., Ms. Nichols seconded, and the Board unanimously agreed.
- D. **Resolution No. 2005-08 (Attachment No. 5)**, dealing with the termination of the current investment management contract with Alliance Bernstein and closure of their portfolio, reallocation of \$171 million of assets from Oppenheimer Capital, and placement of these funds in a Large Cap Growth Index Fund, was discussed at length. Mr. Colston moved approval of the resolution, Ms. Coleman seconded, and, following a vote, the motion passed.
- E. Ms. Nichols moved adoption of **Resolution No. 2005-09 (Attachment No. 6)**, to change the Nicholas Applegate benchmark to the Merrill Lynch Convertible Bonds (All Quality) Index, as set forth in Ennis Knupp's memorandum of February 7, 2005, Hazel Coleman seconded, and the Board unanimously concurred.
- F. Ms. Coleman moved approval of **Resolution No. 2005-13 (Attachment No. 7)**, authorizing changes in the organizational structure of ATRS Recoveries LLC (Woodland Hills Healthcare and Rehab, Northridge Healthcare and Rehab, and Woodland Heights Retirement Community), Ms. McGuire seconded, and the Board unanimously concurred.

G. **Resolution No. 2005-14 (Attachment No. 8)**, approving a uniform tenant contract and approving application of existing tenants' unused deposits to future rent if released before vacating the premises. Following discussion, Mr. Dyer moved approval of the resolution, Ms. McGuire seconded, and the Board unanimously approved.

H. **Resolution No. 2005-15 (Attachment No. 9)**, authorizes requests for proposal for construction of an addition and renovation to the existing facility of Woodland Heights Retirement Center. Mr. Dyer moved approval of the Resolution, Mr. Wingfield seconded, and the Board approved the motion.

IX. Staff Reports

Ms. Coleman moved approval of the ATRS Medical Board reports for February and March 2005, Ms. McGuire seconded, and the Board unanimously approved the motion.

The other departments gave staff reports that did not require action.

X. Resolution of Appreciation for Betty McGuire

Mr. Dyer moved approval of **Resolution No. 2005-12 (Attachment No. 10)**, saluting Betty McGuire for her long service to ATRS, Ms. Nichols seconded, and the Board unanimously concurred.

XI. Executive Director's Comments:

A. Preliminary Contract List

Mr. Malone distributed a list of the Arkansas Teacher Retirement System 2005 – 2007/2008 Proposed Contract Amendments for Traditional Asset Management, Non-Traditional Asset Management, and Miscellaneous Contracts for the Board's review (**Attachment No. 11**).

B. Report on Securities Litigation

Mr. Malone reported on the Williams Companies Securities and MasTec Securities class action securities fraud lawsuits, which are being handled by the law firm of Bernstein, Litowitz, Berger & Grossmann, LLP, on a fully contingent basis. Mr. Malone advised that, in both instances, the respective court has appointed Arkansas Teacher Retirement System as co-lead plaintiff. He will make periodic reports to the Board on the status of the litigation.

C. Legislative Update

Julie Cabe distributed a copy of Summaries of 2005 Proposed Legislation Affecting the Arkansas Teacher Retirement System as of April 5, 2005. The ATRS appropriations bill and legislation setting the employer contribution rate are still pending.

## D. Pending IRS Action

Mr. Malone told the Board the System is still awaiting a response to a request to the IRS for a ruling in regard to § 24-7-406, legislation passed in the 2003 session (to become effective July 1, 2005), to allow noncontributory members of the System to become contributory. He stated that Tom Gay of the Attorney General's Office and Bryant Cranford of the Rose Law Firm have continued to work with the IRS to answer questions regarding different types of entities that participate in the System. According to Ms. Cabe, it may become necessary to request a conference with the IRS if they continue to ask for more information. Also, it may be necessary to extend the July 1, 2005, implementation date, if the System has not obtained a favorable ruling prior to that date.

Mr. Malone reported that the System is also awaiting a ruling from the IRS on whether the death benefit is taxable or non-taxable to the recipients.

## E. National Council on Teacher Retirement (NCTR) Resolution of Support for Defined Benefit Plans.

Mr. Malone reported the NCTR had asked all of the public systems to consider endorsing NCTR's resolution setting forth the benefits of defined benefit plans and distributed a copy of the proposed resolution (**Attachment No. 12**). Following discussion, Mr. Dyer moved approval to support the NCTR resolution, Ms. Nichols seconded, and the Board unanimously concurred.

## F. Status Report of Trustee Election

Mr. Malone advised that the election for Position #10 – Retirant Trustee between Winfred Clardy and Bill Burnett of Jonesboro, Arkansas, was proceeding, ballots had been mailed to retirees of the System, the deadline to return the ballots is April 15, and the election vendor will certify the results on April 20.

## G. Special Board Meeting

Mr. Malone reminded the Board that once the legislative session ends there will be need to be a special meeting to set the employer contribution rate, as well as the salary of the Executive Director.

Mr. Fortenberry recognized Leon Wigginton, President of the Arkansas Retired Teachers Association (ARTA), Lloyd Black, past President and Legislative Chairman of ARTA, and Bobby Lester, Executive Director of ARTA.

## XII. Executive Session for Discussion of Personnel Matters

Mr. Fortenberry called for executive session at 11:27 a.m. and reconvened the Board at 12:07 p.m. No action was taken.

XIII. Adjournment

At 12:06 p.m., Ms. Nichols moved adjournment, Mr. Colston seconded, and the Board unanimously concurred.

\_\_\_\_\_  
JoAnn Carroll, Recorder

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David Malone, Executive Director

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John Fortenberry, Board Vice Chair

\_\_\_\_\_  
Date Approved

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

***R E S O L U T I O N***  
**No. 2005-05**

***WHEREAS***, ATRS policy adopted June 17, 2003 requires the Board of Trustees to adopt the rate per annum, compounded annually, which will be credited annually on each T-DROP participants' T-DROP account; and

***WHEREAS***, the policy further provides that the interest rate shall be 2% less than the system's average rate of return with a maximum of 6% and minimum of 2%; and

***WHEREAS***, the policy was amended on February 15, 2005 to provide that plan interest paid on T-DROP accounts be set at the beginning, rather than the end, of each fiscal year to comply with IRS Code § 415, effective March 1, 2005; and

***WHEREAS***, the amended policy provides that effective for fiscal year 2005-2006 and after, the Board will determine the interest rate for the next fiscal year based upon the rate of return for the immediately preceding twelve-month period ending March 31 prior to the start of such fiscal year; and

***WHEREAS***, the Board is to determine the interest rate for fiscal years 2004-2005 and 2005-2006 based upon the rate of return for the twelve-month period ending March 31, 2005;

***WHEREAS***, the Board has been advised by the Investment Consultant that the rate of return for the twelve-month period ending March 31, 2005 is 5.52%.

***NOW, THEREFORE, BE IT RESOLVED***, that the Board sets the interest rate, which will be credited for fiscal year 2004-2005 on each T-DROP participants' T-DROP account at 3.52%.

***AND BE IT FURTHER RESOLVED***, that the Board sets the interest rate, which will be credited for fiscal year 2005-2006 on each T-DROP participants' T-DROP account at 3.52%.

**Adopted this 5<sup>th</sup> day of April, 2005**

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**LINDA PARSONS, Chair**  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

***R E S O L U T I O N***  
**No. 2005-10**

**WHEREAS**, legislation adopted by the 85<sup>th</sup> General Assembly to be effective July 1, 2005 will necessitate amendments to the Policies, Rules and Regulations of the Arkansas Teacher Retirement System; and

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System is not scheduled to meet until after July 1, 2005; and

**WHEREAS**, the State of Arkansas has a procedure whereby emergency amendments to rules may be adopted without prior notice or hearing; and

**WHEREAS**, such emergency amendments may be effective for no longer than one hundred twenty days;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board authorizes the Executive Director and the ATRS staff to implement such emergency amendments as may be necessary subject to the ratification of the Board at its July 2005 meeting.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, *Chair***  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

AMENDED

**RESOLUTION**

No. 2004-19

**WHEREAS**, on June 15, 2004, the Arkansas Teacher Retirement System Board of Trustees authorized the Executive Director to enter into a contract with CDI for the construction and development of a city street in connection with the construction and sale of a three-acre tract for a skilled care nursing home facility on property on Chenal Valley Drive.

**WHEREAS**, after the preparation of final bid specifications the engineering firm for the project, White-Daters & Associates, was able to secure a lower bid by a qualified bidder, D. B. Hill Contractor, Inc.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System ratifies the action of the Executive Director in entering into a contract with D. B. Hill Contractor, Inc. for construction of a roadway in connection with the construction of a skilled care nursing home facility on property owned by Arkansas Teacher Retirement System on Chenal Valley Drive.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_ 2005

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LINDA PARSONS, *Chair*  
Arkansas Teacher Retirement System

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

***RESOLUTION***

No. 2005-11

***WHEREAS***, the Arkansas Teacher Retirement System desires to establish investment guidelines for CFSB-ATRS Private Equity Program, L.P. The attached guidelines were developed by the system's consultant, Ennis Knupp and Associates, and reviewed and approved by the staff of ATRS.

***NOW, THEREFORE, BE IT RESOLVED*** that the above-mentioned guidelines shall be effective on the date of funding and remain in force until new guidelines are recommended by the system's consultant and approved by the Board of Trustees of the Arkansas Teacher Retirement System.

***FURTHER RESOLVED*** that the Board of Trustees of the Arkansas Teacher Retirement System approves the proposed guidelines for CSFB-ATRS Private Equity Program, L.P.

**Adopted this 5<sup>th</sup> day of April, 2005**

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**LINDA PARSONS, *Chair***  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION  
NO. 2005-08**

**WHEREAS**, following considerable discussion, the Investment Committee of the Board of Trustees of the Arkansas Teacher Retirement System (Investment Committee) recommended the termination of Alliance Bernstein Capital Management and a reduction of \$171 million in the holdings currently managed by Oppenheimer Capital Management, and

**WHEREAS**, the Investment Committee recommended the funding from these two sources, up to \$500 million, be placed in a Large Cap Growth Index Fund,

**THEREFORE, BE IT RESOLVED**, that the Executive Director be authorized to terminate the current investment management contract with Alliance Bernstein Capital Management and reallocate \$171 million from Oppenheimer Capital Management to fund a Large Cap Growth Index Fund.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, Chair**  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION  
NO. 2005-09**

**WHEREAS**, the Investment Committee of the Board of Trustees of the Arkansas Teacher Retirement System (Investment Committee) has recommended a change in the benchmark for the Nicholas Applegate portfolio, and

**WHEREAS**, after consultation with the investment consultant and the manager, the Investment Committee has recommended the use of the Merrill Lynch Convertible Bonds (All Quality) Index,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System establishes the Merrill Lynch Convertible Bonds (All Quality) Index as the appropriate benchmark for the Nicholas Applegate portfolio, and

**BE IT FURTHER RESOLVED**, that this benchmark be used as soon as practicable after the adoption of this Resolution.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, Chair**  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION**

*NO. 2005-13*

**WHEREAS**, the Investment Committee of the Arkansas Teacher Retirement System Board of Trustees (Investment Committee) has recommended changes in the organizational structure of ATRS Recoveries LLC, and

**WHEREAS**, the Investment Committee has recommended a separate limited liability corporation be established for Woodland Heights Retirement Center, and

**WHEREAS**, the Investment Committee has recommended an additional limited liability corporation be established for Woodland Hills Healthcare and Rehabilitation and Northridge Healthcare and Rehabilitation Center, and

**WHEREAS**, the Investment Committee has recommended that, if necessary, an additional limited liability corporation be established to separate Woodland Hills Healthcare and Rehabilitation from Northridge Healthcare and Rehabilitation Center,

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System accepts the recommendations of the Investment Committee and authorizes the Executive Director to form those limited liability corporations necessary to facilitate the operation, management, and possible sale of each or all of the three properties, and

**BE IT FURTHER RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System authorizes the Executive Director to serve as the manager in each limited liability corporation.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, Chair**  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION**

*NO. 2005-14*

**WHEREAS**, a wide variety of contract forms have been in use at Woodland Heights Retirement Center, with different terms regarding tenant deposits, and

**WHEREAS**, a uniform contract would facilitate the audit which must be filed with the Arkansas Insurance Department and internal bookkeeping for the Arkansas Teacher Retirement System, and

**WHEREAS**, the Investment Committee of the Board of Trustees of the Arkansas Teacher Retirement System (Investment Committee) believes releasing the provision in many of the contracts that requires the tenant to vacate the premises to receive a refund of their deposit before their death could act as an incentive for tenants to switch to the new contract, and

**WHEREAS**, the Investment Committee recommends the unused deposits should be applied to future rent if released before vacation of the premises,

**THEREFORE, BE IT RESOLVED**, that the Executive Director, working with the law firm of Gill Elrod Ragon Owen & Sherman, P.A., be authorized and directed to establish a uniform contract for tenants in the Woodland Heights Retirement Center, and

**BE IT FURTHER RESOLVED**, that the contract be so drafted to permit the application of unused deposits to be applied toward rent if the tenant or tenants will agree to enter into the new uniform contract.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, Chair  
Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION**

*NO. 2005-15*

**WHEREAS**, ATRS Recoveries, LLC is the owner of Woodland Heights Retirement Center as a result of a contract entered into in lieu of a foreclosure action contemplated by the Arkansas Teacher Retirement System, and

**WHEREAS**, the facility owned and operated by ATRS Recoveries, LLC was designed for additional units to be economically added, and

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System wishes to explore the possibility of an addition to the Woodland Heights Retirement Center as a method to enhance its ultimate financial return on the facility,

**THEREFORE, BE IT RESOLVED**, that the Executive Director is authorized and directed by the Board of Trustees of the Arkansas Teacher Retirement System to secure bids for the construction of an addition and renovation of the existing facility.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, Chair**  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

*R E S O L U T I O N*

**No. 2005-12**

**WHEREAS**, Ms. Betty McGuire served on the Board of Trustees of the Arkansas Teacher Retirement System as a Member Trustee from Congressional District #4 from November 1, 1993 until June 30, 2005;

**WHEREAS**, Ms. McGuire held leadership roles during her tenure of service having served as Vice Chair of the Board, Chair of the Legislative Committee, Vice Chair of the Investment Committee, as well as serving on the Policies Committee of the Board, greatly impacting critical issues of the education profession in the state of Arkansas.

**WHEREAS**, Ms. McGuire's involvement with the Arkansas Teacher Retirement System Board provided a valuable service to the System.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Trustees of the Arkansas Teacher Retirement System to adopt this Resolution and authorize the transmittal of this Resolution to Ms. McGuire as an expression of sincere appreciation.

**Adopted this 5th day of April, 2005**

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**LINDA PARSONS, *Chair***  
**Arkansas Teacher Retirement System**

Arkansas Teacher Retirement System  
2005 - 2007/2008 Proposed Contract Amendments

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TRADITIONAL ASSET MANAGEMENT	Year of Contract	2005/2006	2006/2007
ALLIANCE CAPITAL MANAGEMENT CORP.	4	\$ 800,000	\$ 800,000
BLACKROCK FINANCIAL MANAGEMENT	2	1,200,000	1,200,000
CAPITAL GUARDIAN TRUST COMPANY	1	2,000,000	2,200,000
CAPITAL GUARDIAN TRUST COMPANY-Domestic Large Cap	1	750,000	750,000
DARUMA ASSET MANAGEMENT, INC.	4	1,000,000	1,000,000
EUBEL BRADY & SUTTMAN ASSET MANAGEMENT	4	1,000,000	1,000,000
I.C.C. CAPITAL MANAGEMENT, INC.	4	1,000,000	1,000,000
ING AELTUS INVESTMENT MANAGEMENT, IN.C	4	1,500,000	1,500,000
KENNEDY CAPITAL MANAGEMENT	4	2,200,000	2,500,000
NICHOLAS/APPLEGATE CAPITAL MANAGEMENT	4	1,200,000	1,400,000
OPPENHEMER CAPITAL	4	1,500,000	1,500,000
PACIFIC INVESTMENT MANAGEMENT COMPANY (PIMCO)	2	1,700,000	1,700,000
STATE STREET GLOBAL ADVISORS	3	1,000,000	1,100,000
T.C.W. ASSET MANAGEMENT COMPANY	4	1,500,000	1,500,000
UBS GLOBAL ASSET MANAGEMENT	4	3,000,000	3,000,000
WELLINGTON MANAGEMENT COMPANY	1	2,500,000	2,500,000
WESTERN ASSET MANAGEMENT CO.	3	1,200,000	1,200,000

Arkansas Teacher Retirement System  
2005 - 2007/2008 Proposed Contract Amendments

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NON-TRADITIONAL ASSET MANAGEMENT	Year of Contract	2005/2006	2006/2007
21ST CENTURY GROUP EQUITY FUND, L.P.	4	1,000,000	1,000,000
BLACKSTONE MEZZANINE PARTNERS, L.P.	4	2,000,000	2,000,000
CINVEN	4	2,000,000	2,000,000
CYPRESS ADVISORS INC. INVESTMENT ADVISOR TO Cypress Merchant Banking Partners II L.P.	4	1,200,000	1,200,000
DIAMOND STATE VENTURES LIMITED PARTNERSHIP	4	75,000	75,000
DLJ INVESTMENT PARTNERS II, INC./DLJ INVESTMENT PARTNERS II, L.P.	4	2,250,000	2,250,000
DLJ MERCHANT BANKING PARTNERS III L.P.	4	5,000,000	5,000,000
DLJ REAL ESTATE CAPITAL PARTNERS INC./DLJ REAL ESTATE CAPITAL, PARTNERS II, L.P.	4	1,400,000	1,400,000
DOUGHTY HANSON & CO. REAL ESTATE LIMITED/DOUGHTY HANSON & COMPANY MANAGERS LTD	4	1,800,000	1,800,000
DOUGHTY HANSON & CO., LIMITED	4	3,000,000	3,000,000
DOUGHTY HANSON & CO., TECHNOLOGY FUND	4	2,000,000	2,000,000
HICKS, MUSE, TATE & FURST EQUITY FUND III L.P.	4	250,000	250,000
HICKS, MUSE, TATE & FURST EQUITY FUND IV L.P.	4	800,000	800,000
HICKS, MUSE, TATE & FURST EQUITY FUND V, LP	4	3,000,000	3,000,000
OAK HILL CAPITAL PARTNERS, L.P.	4	1,300,000	1,300,000
OLYMPUS REAL ESTATE FUND III, L.P.	4	1,300,000	1,300,000
WACHOVIA BANK, N.A.	4	2,000,000	2,000,000
WESTBROOK REAL ESTATE FUND II, L.P.	4	500,000	500,000
WESTBROOK REAL ESTATE FUND III, L.P.	4	1,000,000	1,000,000
WESTBROOK REAL ESTATE FUND IV, LP	4	1,500,000	1,500,000

Arkansas Teacher Retirement System  
2005 - 2007/2008 Proposed Contract Amendments

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OTHER	Year of Contract	2005/2006	2006/2007
BERNSTEIN LITOWITZ BERGER & GROSSMAN	1	1	
BLOOMBERG, L.P.	4	30,000	30,000
DOVER & DIXON, P.A.	4	85,000	40,000
GABRIEL, ROEDER, SMITH & CO - REGULAR	4	145,000	150,000
GABRIEL, ROEDER, SMITH & CO - SPECIAL	4	50,000	75,000
MITCHELL, WILLIAMS, SELIG, GATES & WOODYARD	2	75,000	75,000
Expenses		6,000	7,000
ROSE LAW FIRM	2	175,000	185,000
Expenses		6,000	7,000
SIMPSON THACHER & BARTLETT	3	1,125,000	875,000
STATE STREET BANK & TRUST COMPANY	4	7,500,000	8,000,000
THOMAS & THOMAS LLP	4	100,000	100,000
TOM FERSTL	3	40,000	35,000
INFORMATION VAULTING SERVICES	-	3,600	3,600
COMPUTER MAINTENANCE - <i>To Be Determined</i>	-	-	-
WOLLMUTH MAHER & DEUTSCH	3	625,000	750,000

**1. Support for Defined Benefit Plans**

**WHEREAS**, most state and local governments (SLGs) provide a defined benefit plan as the principal retirement program for their employees; and

**WHEREAS**, defined benefit plans provide a pension benefit based on a formula that usually consists of an employee's length of service and final average salary multiplied by a percentage; and

**WHEREAS**, many SLGs offer, as a supplement to the defined benefit plan, a voluntary, tax-advantaged retirement savings vehicle such as a 403(b) tax sheltered annuity, a 457 deferred compensation plan, and a 401(k) plan; and

**WHEREAS**, efforts have been undertaken that would convert defined benefit plans into defined contribution plans; and

**WHEREAS**, defined benefit plans provide strength and stability for SLGs, their employees, the taxpaying public, and the economy as a whole in such ways as --

-Fueling the economy: The investment of defined benefit pension assets and the flow of benefit payments to retirees create a continuous, predictable, and growing source of economic stimulus;

-Boosting economic growth: Defined benefit plans are large pools of assets, the investment of which adds billions of dollars each year to the nation's economy through higher returns than what would be earned if the assets were in defined contribution plans;

-Creating needed capital: Defined benefit plans offer a major source of entrepreneurial capital that would not be otherwise widely available;

-Keeping administrative costs low: Defined benefit plans, because they amass large pools of assets, can negotiate lower fees and distribute expenses over a large number of participants. A defined contribution plan as an account held by a single person cannot benefit from such economies of scale and is, accordingly, more costly to administer;

-Using reserve funding to reduce costs: Defined benefit plans use the advantage of advance funding that accumulates sufficient funds to pay future promised benefits. The funding derives from three sources: 1) employees – unlike private sector employees who are rarely required to contribute; 2) employers – the taxpaying public; and 3) investment earnings – which generally provide more than half of the funds needed to pay benefits. Thus, employees and the public pay only a portion of the total funding;

-Creating a high performance workforce: Defined benefit plans help SLGs attract and retain employees, thereby assisting in creating a high performance workforce;

-Offering secure retirement benefits for workers: Defined benefit plans offer a predictable benefit over the life of the retiree that can never be reduced. Accordingly, such plans help assure retirees' financial self-sufficiency;

-Permitting flexible design: Defined benefit plans are sufficiently flexible to address the needs of employees with short careers through portability. They can also incorporate other features such as disability retirement, death benefits, and cost of living adjustments; now therefore be it

**RESOLVED**, that the National Council on Teacher Retirement unequivocally supports the continuation of defined benefit plans; and be it further

**RESOLVED**, that the National Council on Teacher Retirement vigorously opposes the conversion of defined benefit plans into defined contribution plans.

Submitted by: The NCTR Legislative Committee

Resolutions Committee recommends adoption.