

# ARKANSAS TEACHER RETIREMENT SYSTEM BOARD OF TRUSTEES

**Minutes**  
**July 18, 2005**

The Board of Trustees of the Arkansas Teacher Retirement System (ATRS) held a regular meeting on Monday, July 18, 2005, in the University of Arkansas Continuing Education Center, adjacent to the Radisson Hotel, at 70 North East Avenue, Fayetteville, Arkansas.

## **Members of the Board Present:**

Linda Parsons, Chair  
John Fortenberry, Vice Chair  
Monty Betts  
Winfred Clardy  
Hazel Coleman  
Lawrence Colston  
Charles Dyer  
Dr. Paul Fair  
Beverly Leming  
Robin Nichols  
Robert H. "Bunny" Adcock  
Gus Wingfield  
Steve Kelly (for Jim Wood)

## **Members of the Board Absent:**

Dr. T. Kenneth James  
Ellen Terry

## **Staff Present:**

David Malone, Director  
Julie Cabe, Deputy Director  
Wayne Greathouse, Investments  
Gail Bolden, Data Processing  
Michael Ray, Benefits & Counseling  
George Snyder, Internal Auditor  
Suzanne Davenport, Accounting  
Nona Comer, Accounting  
Judy Brown, Payroll  
JoAnn Carroll, Management Project Analyst

## **Guests Present:**

Stephen Cummings, *Ennis Knupp*  
Laurel E. Nicholson, *Ennis Knupp*  
Doug Thompson, *Morning News*  
Laura Kellams, *Arkansas Democrat-Gazette*  
Maureen Billingsley

## **I. Call to Order**

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

David Malone welcomed to the Board newly elected Trustee Beverly Leming. Mr. Malone also welcomed Steve Kelly, who was attending for Board member Jim Wood and Laura Kellams, reporter for the *Arkansas Democrat-Gazette*.

II. Approval of Agenda

Hazel Coleman moved adoption of the agenda, Robin Nichols seconded, and the Board unanimously concurred.

III. Public Comment on the Agenda

No public comment was made on the Agenda.

IV. Approval of Minutes

Ms. Coleman moved approval of the minutes of the regular meeting on April 4, 2005, John Fortenberry seconded, and the Board unanimously concurred.

Ms. Nichols moved approval of the minutes of the regular meeting on April 5, 2005, Gus Wingfield seconded, and the Board unanimously approved the motion.

Ms. Coleman moved approval of the minutes of the special meeting on May 5, 2005, Dr. Paul Fair seconded, and the Board unanimously concurred.

V. 2005 Board of Trustees Election Results

Charles Dyer moved approval of **Resolution No. 2005-19** (copy attached) declaring Beverly Leming elected to fill Position #4 – Member Trustee, Congressional District #4 and Winfred Clardy the winner of the election for Position #10 – Retirant Trustee. Monty Betts seconded the motion, and the Board unanimously approved the motion.

VI. Election of Officers

Ms. Parsons thanked the other Board members and ATRS staff members for their assistance and cooperation during her tenure as Board Chair. Ms. Parsons asked for nominations for the positions of Chair and Vice Chair of the Board. Mr. Clardy nominated Mr. Fortenberry for Chair and Ms. Nichols for Vice Chair. Lawrence Colston moved approval of the nominations, Mr. Clardy seconded, and the Board unanimously approved.

Mr. Fortenberry thanked Ms. Parsons for her efforts, service, and leadership during the past five years as Board Chair and assured all those in attendance he would act to the best of his ability to assume the responsibility of Board Chair.

VII. Investment Committee Report

Mr. Malone reported that the draft of the minutes of the May 16, 2005, Investment Committee meeting was enclosed with the agenda for the Board's review.

Ms. Parsons moved adoption of **Resolution No. 2005-20** (copy attached), proposing investment guidelines for Prudential PRISA I, Ms. Coleman seconded, and the Board unanimously agreed.

Robert Adcock moved adoption of **Resolution No. 2005-21** (copy attached), proposing investment guidelines for UBS Real Estate Separate Account (RESA), Ms. Parsons seconded, and the Board unanimously approved the motion.

Next, Mr. Malone pointed out that the next two items, Resolution No. 2005-22 and Resolution No. 2005-23, did not come to the Board as recommendations from the Investment Committee meeting of May 16, 2005, but were items that came up after the meeting.

The Board discussed **Resolution No. 2005-22** (copy attached), a revision to the guidelines of Wellington Management Company, LLP to specify that the portfolio may not include direct holdings in India, but may access this market through commingled vehicles, American Depository Receipts and Government Depository Receipts, and participation notes. Following an explanation by Stephen Cummings of Ennis Knupp and discussion, Mr. Dyer moved approval of the resolution, Dr. Fair seconded, and the Board unanimously concurred.

Concerning **Resolution No. 2005-23** (copy attached), approving the sale of the Forum I Building in Memphis, Tennessee, Mr. Malone distributed a new proposed resolution and explained that a development in the sale negotiations arose after the agenda book was mailed, requiring a revision in the resolution in the agenda book. Following a lengthy discussion of this matter, Mr. Wingfield moved approval of the resolution, Ms. Parsons seconded, and the Board unanimously agreed.

VIII. Legislative and Policies Committees – Joint Meeting Report

Julie Cabe reported that the draft of the minutes of the June 20, 2005, Joint Meeting of the Legislative and Policies Committees was enclosed for the Board's review.

Ms. Cabe presented the recommendation of the Legislative and Policies Committees for approval of revisions to existing policies and new policies to implement legislation approved in 2005. She explained that the proposed policy revisions to Policy No. 10-2 (Conditions Under Which a Retirant May Return to Covered Service Without Rescinding Retirement) were not considered at the Joint Committee meeting

because she received a copy of the Department of Education's proposed rules during the Joint Committee meeting. She requested time to review these rules with ATRS staff, and the committees agreed to present the item to the Board at the July 18 meeting without a recommendation. A new copy of Policy No. 10-2 was distributed, and Ms. Cabe asked that Resolution No. 2005-24 be considered following Resolution No. 2005-25.

Regarding the contributory/noncontributory Policy 6-1A, Ms. Cabe told the Board that a final favorable ruling was received from the Internal Revenue Service on June 24, 2005, which did not allow time for implementation on July 1, 2005. Ms. Nichols moved adoption of **Resolution No. 2005-25** (copy attached) approving a delay until July 1, 2006, of implementation of the provisions in Policy No. 6-1A (Contributory/Noncontributory), which allow active members of ATRS who have previously elected to eliminate member contributions to make an irrevocable election to become contributory. Ms. Parsons seconded, and the Board unanimously concurred.

Ms. Cabe presented the other proposed permanent new and amended rules and regulations to implement 2005 legislative changes recommended by the Legislative and Policies Committees. She led a discussion of the changes in Policy No. 10-2 (Conditions Under Which a Retirant May Return to Covered Service Without Rescinding Retirement), including the waiver of earnings limitation provisions in the policy. Following the discussion, Dr. Fair moved adoption of **Resolution No. 2005-24** (copy attached), which includes all the recommendations from the joint meeting of the Legislative and Policies Committees and the changes proposed for Policy 10-2. Mr. Colston seconded, and the Board unanimously approved the motion.

- IX. Mr. Dyer moved adoption of **Resolution No. 2005-26** (copy attached), authorizing the write-off of the account receivable created by the former method of collecting on prior year's salaries, and approving the collection of only the amount determined to be due in fiscal year 2004-05, by basing the amount collected on the current year's covered salaries. Dr. Fair seconded the motion, and the Board unanimously approved the motion.

Mr. Fortenberry declared a recess at 10:28 a.m. The Board meeting resumed at 10:44 a.m.

- X. Discussion of Board of Trustees Self-Evaluation Report

Mr. Malone stated that a report had been compiled on the results of the Board of Trustees Self-Evaluation form and a brief discussion followed of the areas of strengths and weaknesses. A copy of the complete report will be sent to each Board member.

XI. Staff Reports

Mr. Dyer moved approval of the ATRS Medical Board reports for April, May, and June 2005 (copies attached), Ms. Coleman seconded, and the Board unanimously approved the motion. Mr. Clardy requested that Michael Ray provide a report to the Trustees on the total number of requests to come before the ATRS Medical Board for the past year.

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

XII. Executive Director's Comments

Mr. Malone advised that he may need to call a special meeting of the Board in the next two or three weeks to take action on several real estate matters.

Mr. Colston made a request to place Trust Company of the West on the agenda of a future meeting for a discussion by the Board.

XIII. Executive Session for Discussion of Personnel Matters

The Board entered into executive session to discuss personnel matters at 11:27 a.m. The session ended at 11:54 a.m., and Mr. Fortenberry reported that no action was taken and the meeting immediately recessed for a lunch break.

The meeting resumed at 1:03 p.m. with the same quorum present.

Laurel Nicholson and Stephen Cummings of Ennis Knupp presented the preliminary performance update for the period ending May 31, 2005. The report showed a 2.2% return for the one-month period ending May 31, 2005, which matched the performance benchmark for that period.

Ms. Nicholson distributed a memo dated July 8 (copy attached) regarding a study on the ATRS Commission Recapture Program and Ms. Nicholson stated that ATRS had hired Frank Russell last year as a commission recapture agent. At that time, the Board decided that approximately one-year after implementing the program an outside firm would be hired to conduct a study of the program to determine its effectiveness. The memo listed three firms recommended by EnnisKnupp for this type of project: Able Noser, Elkins/McSherry, LLC, and Plexus Group, Inc. Following a discussion of the companies, Mr. Dyer moved approval of a motion to employ Plexus Group, Inc., Ms. Leming seconded, and the Board unanimously approved the motion.

The seminar continued with a discussion of Arkansas Related investments and a report on Arkansas economy by Dr. Jeff Collins of the University of Arkansas in Fayetteville, Arkansas, and adjourned at 4:25 p.m.

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JoAnn Stewart, Recorder

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David Malone, Executive Director

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John Fortenberry, Board Chair

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Date Approved

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

**RESOLUTION**  
**NO. 2005-19**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System (ATRS) entered into a contract with Voice Retrieval and Information Services (VR Election Services) of Carrollton, Texas, to conduct an election in March 2005, to fill two positions on the ATRS Board: Position #4 - Member Trustee, Congressional District #4 and Position #10 – Retirant Trustee.

**WHEREAS**, Beverly Leming ran unopposed for Position #4 – Member Trustee, Congressional District #4. The ATRS Board policy provides that should only one qualified candidate file a timely and verified petition, that person shall be declared by the Board of Trustees as elected to fill the vacant trustee position.

**WHEREAS**, Winfred Clardy ran for Position #10 – Retirant Trustee, and Karl Koelker, Election Director, VR Election Services, has given official notice that Winfred Clardy is the winner of the 2005 Board of Trustees election for Position #10. A copy of the notice is attached hereto.

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby declares Beverly Leming as elected to fill Position # 4 – Member Trustee, Congressional District #4 in accordance with ATRS Board policy.

**BE IT FURTHER RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby declares Winfred Clardy to be the winner for Position #10 – Retirant Trustee, as certified by Karl Koelker, Election Director, VR Election Services.

**Adopted this 18th day of July, 2005**

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**John Fortenberry, *Chair***  
*Arkansas Teacher Retirement System*

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

**RESOLUTION**

*No. 2005-20*

**WHEREAS**, the Arkansas Teacher Retirement System desires to establish investment guidelines for Prudential PRISA I. 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 Prudential PRISA I.

**Adopted this 18th day of July, 2005**

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**John Fortenberry, *Chair***  
**Arkansas Teacher Retirement System**

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

**RESOLUTION**  
***No. 2005-21***

***WHEREAS***, the Arkansas Teacher Retirement System desires to establish investment guidelines for UBS Real Estate Separate Account (RESA). 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 UBS Real Estate Separate Account (RESA).

**Adopted this 18th day of July, 2005**

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**John Fortenberry, *Chair***  
**Arkansas Teacher Retirement System**

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

**RESOLUTION  
No. 2005-22**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System desires to establish Investment Guidelines for:

**Wellington Management Company, LLP**

**WHEREAS**, guidelines were originally adopted on February 3, 2004, and revised on April 5, 2004; and

**WHEREAS**, the revised guidelines which are attached to this Resolution have been recommended by the System's consultant and staff and shall be effective on the date of funding;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby approves the revised guidelines as attached.

**Adopted this 18th day of July, 2005**

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**John Fortenberry, Chair**  
*Arkansas Teacher Retirement System*

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

**RESOLUTION**  
**No. 2005-23**

**WHEREAS**, The Arkansas Teacher Retirement System (“ATRS”) and Cooper Realty Investments, Inc. (“Cooper”) are the two general partners of Crescent Forum Partnership, an Arkansas general partnership, (the “Partnership”) which owns two office buildings located in Memphis, Tennessee, and known as The Forum I Building (the “Forum Property”) and The Crescent Center (the “Crescent Property”);

**WHEREAS**, The Board Of Trustees of ATRS has been informed with respect to the negotiations concerning (i) the proposed sale by the Partnership of the Forum Property for the sale price of \$19,250,000, (ii) the proposed modification and assumption by purchaser of the loan from American General Life Insurance Company (“Lender”) secured by the Forum Property (the “Forum Loan”), and (iii) the proposed modification of the existing loan from Lender secured by the Crescent Property (the “Crescent Loan”), and has approved such transactions in concept and determined that such transactions by the Partnership would be in the best interest of the Partnership and ATRS.

**NOW, THEREFORE** be it resolved, that the Board of Trustees of ATRS approves (i) the sale of the Forum Property by the Partnership, (ii) the modification and assumption by purchaser of the Forum Loan, and (iii) the modification of the Crescent Loan.

**BE IT FURTHER RESOLVED** that the execution by Cooper, as managing member of the Partnership of any and all deeds, bills of sale, loan modification and assumption agreements and other instruments in the name of the Partnership with regard to the hereinabove described transactions, be and are hereby ratified, confirmed and approved;

**BE IT FURTHER RESOLVED**, that Cooper, as managing member of the Partnership, is hereby authorized in consultation with the Executive Director of ATRS to take or cause to be taken all such actions which it shall deem necessary, advisable or appropriate to carry out the purposes and intent of the preceding resolutions; and

**BE IT FURTHER RESOLVED**, that Cooper and the Executive Director be authorized to continue negotiations for the sale of The Crescent Center office building.

Adopted this 18th day of July, 2005

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**John Fortenberry, *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. 2005-25**

**WHEREAS**, Acts 23 and 47 of the 2<sup>nd</sup> Extraordinary Session of 2003 as amended by Act 385 of 2005 allow active members of ATRS who have previously elected to eliminate member contributions to make an irrevocable election to make future contributions each July 1; and

**WHEREAS**, these Acts were to become effective July 1, 2005, subject to a determination by the Board of ATRS that the member's contributions may be treated as employer contributions under the Internal Revenue Code and receive the favorable tax treatment attendant thereto; and

**WHEREAS**, a final favorable ruling was not received from the Internal Revenue Service in sufficient time for implementation of these provisions on July 1, 2005;

**THEREFORE, BE IT RESOLVED**, that the implementation of the provisions of Acts 23 and 47 of the 2<sup>nd</sup> Extraordinary Session of 2003 as amended by Act 385 of 2005 which allow active members of ATRS who have previously elected to eliminate member contributions to make an irrevocable election to make future contributions each July 1 will be delayed until July 1, 2006.

**Adopted this 18<sup>th</sup> day of July, 2005**

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**John Fortenberry, Chair  
Arkansas Teacher Retirement System**

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

**RESOLUTION**  
**No. 2005-24**

**WHEREAS**, legislation adopted by the 85<sup>th</sup> General Assembly to be effective July 1, 2005 necessitated the Executive Director and the ATRS staff to file and implement emergency amendments to rules and regulations as authorized by Board Resolution 2005-10; and

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

**WHEREAS**, permanent rules and regulations must be adopted;

**THEREFORE, BE IT RESOLVED** that the Board of Trustees of the Arkansas Teacher Retirement System adopts permanent new and amended rules and regulations to implement 2005 legislative changes and make technical, clarifying and conforming amendments changes to the following:

- 9-6-1 Error Corrections and Collection of Overpayment
- 7-4-1 Setting, Reporting, and Payment of Employer Contributions
- 7-1-1 Salary Determination for Retirement System Purposes
- 7-2-1 Proof of Years of Service
- 7-3-1 Reporting Employee Contributions
- 6-10-1 Privatized Employers and Nonprofit Corporations Requesting Entry into ATRS
- 2-2-1 Ends: Customer Perspective
- 8-2-1 Refunds
- 8-10-1 Purchase of Additional Contributions
- 8-14-1 Purchase of Out-of-state Service
- 8-14-2 Purchase of Private School Service
- 9-3-1 Disability Retirement
- 9-5-1 Early Retirement
- 11-5-1 Lost Payees
- 12-1-1 Protection of "Qualified Trust" Status of ATRS
- 10-3-1 Teacher Deferred Retirement Option Plan (T-DROP)

10-2-1            Conditions Under Which a Retirant May Return to Covered  
Service Other than by Rescinding Retirement

Attachment 11

6-2-1            Reciprocity  
6-1-1-A        Contributory/Noncontributory Service

as presented on pages 36-166 of the agenda binder, to be effective August 1, 2005;

FURTHER RESOLVED that the Executive Director of ATRS or his designee is authorized to promulgate and implement these amendments;

FURTHER RESOLVED that in promulgating these amendments, the Executive Director of ATRS or his designee is authorized to make technical corrections when necessary.

**Adopted this 18th day of July, 2005**

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**John Fortenberry, *Chair***  
**Arkansas Teacher Retirement System**

**ARKANSAS TEACHER RETIREMENT SYSTEM**

1400 West Third Street  
Little Rock, AR 72201

**RESOLUTION**  
**NO. 2005-26**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System (ATRS) has established policies, rules and regulation for the reporting and payment of employer contributions,

**WHEREAS**, the effective date for the most recent changes of these rules was July 1, 2004,

**WHEREAS**, guidelines for remitting employer contributions for Cooperative Education Services Areas, Vocational Centers, Arkansas Easter Seals, and the school operated by the Department of Correction (paid by the Department of Education from the Public School Fund), provided the amount will now be based on the current year's covered salaries as opposed to the prior guidelines for remitting on the basis of prior year's covered salaries, and

**WHEREAS**, this change was adopted to ease the calculation of the amounts due by both the Department of Education and the Arkansas Teacher Retirement System, and

**WHEREAS**, this change will be beneficial to the Arkansas Teacher Retirement System over the long-term, and

**WHEREAS**, this change in the method of collection could result in two year's payments being collected from the Public School Fund in FY 2004-05.

**THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby authorizes writing off the account receivable created by the former method of collecting on prior year's salaries, and hereby approves the collection of only the amount determined to

be due in FY 2004-05 by basing the amount collected on the current year's covered salaries.

**Adopted this 18th day of July, 2005**

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**John Fortenberry, *Chair***  
*Arkansas Teacher Retirement System*