

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
October 3, 2005**

The Board of Trustees of the Arkansas Teacher Retirement System held a regular meeting on Monday, October 3, 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, Chair
Robin Nichols, Vice Chair
Monty Betts
Winfred Clardy
Hazel Coleman
Lawrence Colston
Charles Dyer
Dr. Paul Fair
Beverly Leming (Arrived 1:13 p.m.)
Linda Parsons
Ellen Terry

Members of the Board Absent:

Robert H. "Bunny" Adcock, Jr.
Dr. T. Kenneth James
Jim Wood
Gus Wingfield

Staff Present:

David Malone, Director
Julie Cabe, Deputy Director
Jo Ann Stewart, MPA
Wayne Greathouse, Deputy
Deputy Director/Finance
Phillip McNeill, Assoc. Director/Fiscal
Affairs
Christa Clark, Attorney Specialist

Guests Present:

Stephen Cummings, *Ennis Knupp*
Nathan Zinn, *Ennis Knupp*
Mike Wickline, *Arkansas Democrat-Gazette*
Ryan P. Blute, *PIMCO*
Brent L. Holden, *PIMCO*
Elizabeth M. Philipp, *PIMCO*
John Massad, *Black Rock*
Curtis Johnson, *Black Rock*
Andre M. Cuerington, *Western Asset*
James Hopkins, *State Street Global Advisors*
Christopher McNeillie, *State Street Global Advisors*

I. Call to Order

John Fortenberry called the meeting to order at 1:08 p.m. with a quorum of the Board present.

II. Adoption of Agenda

Linda Parsons moved adoption of the agenda, Dr. Paul Fair seconded, and the Board unanimously concurred.

III. Public Comment on Agenda Items

No public comment was made.

IV. Consultant's Report

Stephen Cummings of Ennis Knupp & Associates announced that Laurel Nicholson of Ennis Knupp is on maternity leave until January 2006; P. J. Kelley of Ennis Knupp will work on ATRS matters until Ms. Nicholson returns. Mr. Cummings presented the consultant's report and a brief discussion of the second quarter 2005 performance report, which had previously been reported to the Investment Committee on September 19, 2005.

Mr. Cummings also presented the preliminary performance update for the period ending August 31, 2005, showing returns of 3.1% since June 30, 2005, which outperformed the performance benchmark of 2.9%.

A report on Trust Company of the West (TCW) was made to the Investment Committee on May 16, 2005, and the committee decided to reevaluate TCW in one year. At that time, Mr. Colston requested that the report be presented to the full Board. Mr. Cummings said that an analysis section had been added to the report presented in May, and he reviewed the information, noting that Ennis Knupp recommended retaining TCW. Both Mr. Malone and Mr. Cummings suggested that it might be time to review the entire equity portfolio.

V. Discussion of the Future of Non-Arkansas Related Real Estate Program

In his report, Nathan Zinn of Ennis Knupp, reviewed the October 2005 Real Estate Strategy Review prepared by Ennis Knupp. He stated that Ennis Knupp had been working with the ATRS Staff and Board of Trustees to analyze and reformulate the ATRS real estate investment program. He reminded the Board that earlier in 2005, the Board had approved investments in two open-end core strategy commingled funds, Prudential PRISA I and UBS RESA and the Board had approved, to date, a total allocation of \$80 million to each company. Mr. Zinn reviewed Steps 1 through 4 set forth in the Real Estate Strategy report to accomplish the reformulation of the ATRS real estate investment program. Following discussion, Ms. Parsons moved approval to authorize Step 1 of the long-term investment strategy to authorize ATRS staff to invest the 5.0% System allocation to real estate as follows: 3.5% core, 1.0% value-added, and 0.5% opportunistic (subject to staff discretion); this will require changing the ATRS real

estate portfolio guidelines from dollar-based to percentage of assets-based, Ms. Coleman seconded, and the Board unanimously approved the motion.

As a next step, Mr. Malone asked the Board to consider Step 3 of the Real Estate Strategy to add a value-added open-end commingled real estate funds manager. Following the discussion, Mr. Dyer moved approval to authorize ATRS staff to invite the following value-added managers, recommended by Ennis Knupp, to the December Board meeting for interviews: J. P. Morgan Fleming – Special Situations Property Fund, Principal Real Estate Investors – Enhanced Property Fund, and RREEF – America Fund III. Ms. Parsons seconded the motion and the Board concurred. Mr. Zinn will prepare a report on these three firms' qualifications to invest the System's money.

Mr. Fortenberry called a recess at 2:24 p.m. and the meeting reconvened at 2:33 p.m.

VI. Manager Reports

The following managers presented their annual reports to the Board:

1. PIMCO, *Ryan P. Blute, Brent L. Holden, and Elizabeth M. Philipp*
2. Black Rock, *John Massad and Curtis Johnson*
3. Western Asset, *Andre M. Cuerington*
4. State Street Global Advisors, *James Hopkins and Christopher McNeillie*

Ms. Parsons requested each of the managers to ensure that future reports contained net of fees figures.

VII. Adjournment

The meeting adjourned at 4:28 p.m.

JoAnn Stewart, Recorder

David Malone, Executive Director

John Fortenberry, Board Chair

Date Approved