

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
February 7, 2006**

The Arkansas Teacher Retirement System Board of Trustees held a regular meeting on Tuesday, February 7, 2006, in the Board Room of the ATRS Building at 1400 West Third Street in Little Rock, Arkansas.

Members of the Board Present:

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

Others Present:

Brian Murphy, Gabriel Roeder
Judith Kermans, Gabriel Roeder
Betty and Jim McGuire
Mike Wickline, *Democrat/Gazette*
Richard Hutchinson, AEA
Bobby Lester, ARTA
Lloyd W. Black, ARTA
Matthew Miller, Legislative Research
Mary Purselley, ARTA
Jody Carreiro, OCA
Estella Smith, Legislative Research
Steve Kelly, State Auditor's Office

Members of the Board Absent:

Dr. T. Kenneth James

Staff Present:

David Malone, Executive Director
Julie Cabe, Deputy Director
Wayne Greathouse, Deputy Director/
Finance
Phil McNeill, Assoc. Director/Fiscal
Affairs
Gail Bolden, Assoc. Director/Operations
Mike Ray, Manager, Member Services
Judy Brown, Supervisor, Member
Services
Carolyn Abbott, Preretirement Manager
Donna Hobbs, Personnel Manager
M. V. Manjunath, DP Manager
Hugh Roberts, Real Estate Manager
Christa Clark, Attorney Specialist
Mindy Looney, B&C Supervisor
Leslie Ward, Accountant

I. Call to Order

John Fortenberry, Board Chair, called the meeting to order at 9:33 a.m. with a quorum present.

II. Agenda

Mr. Malone announced the addition to the agenda of an item approving the appointment of Dr. Worthie Springer to the ATRS Medical Board.

III. Public Comment on the Agenda

No one commented on the agenda.

IV. Authority to Transact Business

Dr. Fair moved approval of **Resolution No. 2006-03** (*Attachment No. 1*) authorizing the Executive Director and the Deputy Director/Finance to conduct the Board's business as authorized in the resolution. Linda Parsons seconded, and the Board unanimously approved the motion.

V. Board 2006 Travel Reimbursement

The agenda item offered two choices concerning the number of out-of-state retirement-related conferences that Board members would be reimbursed for attending. One is the same as last year, no more than three such trips. The second choice limited the trips to two professional meetings a year, one of which would be the National Council on Teacher Retirement or the Southern Conference on Teacher Retirement, with the second selected by the trustee in consultation with the Executive Director. Ms. Nichols moved approval of **Resolution No. 2006-04** (*Attachment No. 2*) with the same trip limit as last year, three professional conferences to be reimbursable. Hazel Coleman seconded the motion.

Dr. Fair moved amending the motion to direct that the third conference be selected in consultation with the Executive Director. Ms. Nichols seconded. The motion on the amendment failed on the following vote:

Voting Yes: Mr. Clardy, Dr. Fair, Mr. Wingfield, and Mr. Wood

Voting No. Mr. Adcock, Mr. Betts, Ms. Coleman, Mr. Colston, Mr. Dyer, Mr. Fortenberry, Ms. Leming, Ms. Nichols, Ms. Parsons, and Ms. Terry

The motion to approve **Resolution No. 2006-04** with the three-trip allowance **passed** with Mr. Clardy and Dr. Fair voting no.

VI. Policies Committee Items

A. Draft Minutes

The draft minutes of the Policies Committee meeting on January 9, 2006, were available for the information of the Board.

B. Revisions to Rules on Death-Related Benefits

The proposed amendments to the following rules and regulations revise ATRS rules on death-related benefits to implement the provisions of Act 494 of 2005 and to clarify and to complete the existing rules:

- No. 9-1 Age and Service (Voluntary) Retirement
- No. 9-6 Annuity Options
- No. 11-1 Survivor Benefits
- No. 11-2 Lump-Sum Death Benefits

Generally, Act 494 of 2005 provides that, effective for members and retirants dying after June 30, 2006, with no surviving designated beneficiary, the benefits, residues, or refunds of accumulated contributions will be payable to the estate of the member or retirant. Previously, if no designated beneficiary survived, such payments were made "in the following statutory succession: spouse, then children, then parents, then estate." The rules are also being revised to more completely and clearly incorporate statutory requirements rather than being purely supplemental to such statutes. Ms. Parsons moved, Ms. Nichols seconded, and the Board unanimously adopted **Resolution No. 2006-05** (*Attachment No. 3*)

VII. Employer Contribution Rate for FY 2006-2007

Brian Murphy and Judith Kermans of Gabriel Roeder Smith & Company, the ATRS actuarial firm, presented a report on the final June 2005 valuation results and the projected results for 2006, 2007, and 2008. The goal is to realize an amortization period of 30 years or less. According to the report, this will require investment returns in the area of 10% for several years, or a contribution rate increase to 15% of payroll, or more benefit changes, or employee contribution rate increases, or a combination of these. Ms. Parsons moved approval of **Resolution No. 2006-06** (*Attachment No. 4*), which would raise the employer contribution rate to 15% of payroll for fiscal year 2006-2007, Jim Wood seconded, and the motion **passed** on the following vote:

Voting Yes: Mr. Adcock, Mr. Clardy, Ms. Coleman, Mr. Colston, Dr. Fair, Mr. Fortenberry, Ms. Leming, Ms. Nichols, Ms. Parsons, Mr. Wingfield, and Mr. Wood

Voting No: Mr. Betts, Mr. Dyer, and Ms. Terry

The Board discussed options to lower the amortization rate, especially provisions that would not require a future raise in employer contributions, and requested a number of studies from Gabriel Roeder on the effect of these. Mr. Murphy suggested that later in the year, when FY 2005-2006 investment returns are available, the Board look at options for other adjustments to improve actuarial projections. Mr. Malone reminded the Board that many of the changes suggested would require legislative approval.

VIII. Recess

Mr. Fortenberry declared a recess at 11:05 a.m.; the meeting resumed at 11:20 a.m. Mr. Adcock and Mr. Betts could not return after the recess.

IX. Actuarial Reports

Ms. Coleman moved approval of **Resolution No. 2006-07** (*Attachment No. 5*), accepting the "Arkansas Teacher Retirement System Annual Actuarial Valuation of Active and Inactive Members June 30, 2005" and "Arkansas Annual Actuarial Valuation of Annuities Being Paid to Retirees and Beneficiaries June 30, 2005" prepared by Gabriel Roeder Smith & Company. Ms. Leming seconded the motion, which the Board unanimously approved.

X. Staff Reports

A. To fill a vacancy on the ATRS Medical Board, Mr. Clardy moved, Dr. Fair seconded, approval of **Resolution No. 2006-08** (*Attachment No. 6*) appointing Dr. Worthie Springer to serve on the board. Dr. Springer previously served on the board and was recommended by the two remaining members. The Board unanimously approved the motion.

B. Ms. Coleman moved approval of the ATRS Medical Board reports for December 2005 and January 2006, Dr. Fair seconded, and the Board unanimously concurred.

C. No other staff reports required action.

XI. Director's Comments

- A. Mr. Malone reported that outside actuaries would be studying several issues concerning the T-DROP program, such as making sure the plan is cost-neutral to the System and to others within the System, what the maximum benefit ought to be for retirees and T-DROP members, comparing the ATRS T-DROP plan to others in the country, and considering alternatives.
- B. Mr. Malone announced the meetings of the legislative Retirement Committee on February 15, and the Senate and House Education Committees on February 22.
- C. Board members were urged to register for the meeting of the Southern Conference on Teacher Retirement to be held in Little Rock April 22-26, 2006.

XII. Adjournment

Dr. Fair moved adjournment at 12:27 p.m., Ms. Terry seconded, and the Board unanimously approved.

Katherine Corcoran, Recorder

David R. Malone, Executive Director

John Fortenberry, Board Chair

Date Approved

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

**RESOLUTION
No. 2006-03**

BE IT RESOLVED, that effective the 7th day of February, 2006, **DAVID R. MALONE**, Executive Director, or **G. WAYNE GREATHOUSE**, Deputy Director-Finance, and they each are, authorized to execute, acknowledge and deliver such agreements, documents, and instruments as might be necessary or appropriate in connection with the purchase, sale, pledge, transfer, or other transaction of any kind whatsoever involving any investment approved by the Arkansas Teacher Retirement System Board of Trustees or approved by the Investment Committee of said Board; and

FURTHER RESOLVED, that the authorizations contained in the preceding paragraph shall apply to transactions involving ATRS Recoveries, LLC, ATRS Properties, LLC, and ATRS Retirement Properties, LLC (all of which are single member limited liability companies of which the Arkansas Teacher Retirement System is the single member) as well as to transactions in the direct name of the Arkansas Teacher Retirement System; and

FURTHER RESOLVED, that the execution, acknowledgement (if appropriate) and delivery of such agreement, document, or instrument by any one of these two named persons shall constitute the valid, binding and enforceable act of the Arkansas Teacher Retirement System and that no third party dealing with the Arkansas Teacher Retirement System need inquire further as to the authority of such person to act for and in behalf of the Arkansas Teacher Retirement System.

Adopted this 7th day of February 2006

JOHN FORTENBERRY, Chair
Arkansas Teacher Retirement System

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

RESOLUTION
No. 2006-04

WHEREAS, Act 1211 of 1995 (A.C.A. § 25-16-901 *et seq.*) provides that every state board may, by a majority vote of the total membership of the board cast during its first regularly scheduled meeting of each calendar year, authorize expense reimbursement for each board member for performing official board duties. Such reimbursement cannot exceed the rate established for state employees by state travel regulations.

WHEREAS, because Act 1211 of 1995 is the sole authority for expense reimbursement for members of the Board of Trustees of the Arkansas Teacher Retirement System, it is necessary for the Board to adopt a resolution authorizing expense reimbursements.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System, by a majority vote of its total membership, authorizes expense reimbursement for each board member for performing official board duties during the calendar year 2006.

FURTHER RESOLVED, that the expense reimbursement shall not exceed the rate established for state employees by state travel regulations and shall be in compliance with the attached Addendum A to this Resolution, adopted by this Board on February 15, 2005, and amended February 7, 2006, to reflect changes in state travel regulations.

FURTHER RESOLVED, that Board members who live in the Little Rock area (excluding ex officio trustees) may be reimbursed for mileage and meal expenses incurred while performing official board duties in Little Rock at a rate not exceeding the rate established for state employees.

FURTHER RESOLVED, that the adoption of this resolution authorizes reimbursement for any such expenses including those incurred in 2006 prior to the adoption of this resolution.

FURTHER RESOLVED, that each Board member shall be reimbursed for no more than three (3) out-of-state retirement-related conferences for calendar year 2006.

Adopted this 7th day of February 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System

Addendum A
Resolution 2006-00

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, whether for in-state or out-of-state travel, 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 \$60 per day for lodging and \$36 per day for meals. Current rates can be found on the Federal General Services Administration Website:

http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentId=1794&contentType=GSA_BASIC
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, Internet access, 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, if incurred during 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 400 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.
 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.

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

**RESOLUTION
No. 2006-05**

DEATH-RELATED BENEFITS RULES AND REGULATIONS

BE IT RESOLVED, that, as recommended by the Policies Committee on January 9, 2006, the Board of Trustees of the Arkansas Teacher Retirement System adopts revisions to the following rules and regulations (attached to this resolution) concerning death-related benefits.

No. 9-1 Age and Service (Voluntary) Retirement

No. 9-6 Annuity Options

No. 11-1 Survivor Benefits

No. 11-2 Lump-Sum Death Benefit

FURTHER RESOLVED, that the Executive Director of ATRS or his designee is authorized to promulgate and implement these changes.

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

Adopted this 7th day of February 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System

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

**RESOLUTION
No. 2006-06**

WHEREAS, A.C.A. §§24-2-701(c) and 24-7-401(c) authorize the Board of Trustees of the Teacher Retirement System to establish the employer contribution rate paid into the System prospectively for each year; and

WHEREAS, A.C.A. §24-2-701(c) and 24-7-401(c) dictate that the rate shall be set by the Board following consultation with its actuary based on the annual actuarial valuation and that the rate shall be based on the actuary's determination of the rate required to fund the plan in accordance with the financial objectives set forth in A.C.A. §24-2-701(a) and §24-7-401(a); and

WHEREAS, Act 1968 of 2005 limits the Board's authority to set employer contribution rates to the fiscal years ending June 30, 2006, and June 30, 2007; and

WHEREAS, A.C.A. §24-2-701(c) and 24-7-401(c), as amended by Act 1968 of 2005, provide that, for the fiscal year ending June 30, 2007, the employer contribution rate shall not be increased by more than one percent (1%) above the rate in effect on June 30, 2006; and

WHEREAS, the rate in effect on June 30, 2006, as set by the Board on May 5, 2005, is fourteen percent (14%); and

WHEREAS, the Board desires to set the employer contribution rate for the fiscal year July 1, 2006 - June 30, 2007, based on the actuary's determination of the rate required to fund the plan in accordance with these financial objectives and in accordance with the legislative restrictions.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees accepts the actuary's valuation report as of June 30, 2005, and hereby sets the employer contribution rate for the fiscal year beginning July 1, 2006, at fifteen percent (15%).

Adopted this 7th day of February 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System Board

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

RESOLUTION
No. 2006-07

BE IT RESOLVED, that A.C.A §§ 24-1-102, 24-2-701, and 24-7-401 require that an actuarial valuation of the entire Arkansas Teacher Retirement System be made at least annually by the Board of Trustees to determine how well the plan is meeting the its financial objectives.

FURTHER RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System has received and reviewed the “Arkansas Teacher Retirement System Annual Actuarial Valuation of Active and Inactive Members June 30, 2005” and the “Arkansas Annual Actuarial Valuation of Annuities Being Paid to Retirees and Beneficiaries June 30, 2005” prepared by the staff of the System’s actuaries Gabriel, Roeder, Smith & Company.

FURTHER RESOLVED, that the Board of Trustees accepts these two reports without objection.

Adopted this 7th day of February 2006.

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System

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

RESOLUTION
No. 2006-08

WHEREAS, A.C.A. §24-7-303(f) provides that the Board of Trustees of the Arkansas Teacher Retirement System shall appoint a medical committee consisting of three (3) physicians to report to the board whether applicants for disability retirement are physically or mentally totally incapacitated for the further performance of duty; and

WHEREAS, a vacancy on the ATRS Medical Board currently exists; and

WHEREAS, Dr. Worthie Springer, who was formerly a member of the Medical Board and who resigned in 2004 due to scheduling conflicts, is now available and interested in returning to serve on the Board; and

WHEREAS, Dr. Springer has been recommended by Dr. John Stotts and Dr. Ewing C. Reed, the remaining two members of the Board; and

WHEREAS, the Board of Trustees recognizes the outstanding contributions of Dr. Springer during his previous service on the Medical Board.

NOW THEREFORE BE IT RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System appoints Dr. Worthie Springer to serve as a member of the ATRS Medical Board.

FURTHER RESOLVED, that the Board appreciates Dr. Springer's willingness to serve in this capacity and welcomes his return to the Medical Board.

FURTHER RESOLVED, that the Board requests the ATRS Executive Director to communicate this appreciation to Dr. Springer.

Adopted this 7th day of February 2006

JOHN FORTENBERRY, Chair
Arkansas Teacher Retirement System