

**ARKANSAS TEACHER RETIREMENT SYSTEM  
BOARD OF TRUSTEES**

**Minutes  
April 3, 2006**

The Arkansas Teacher Retirement System Board of Trustees held a regular meeting on Monday, April 3, 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  
Lawrence Colston  
Charles Dyer  
Dr. Paul Fair  
Beverly Leming  
Linda Parsons  
Ellen Terry  
Gus Wingfield

**Others Present:**

Steve Cummings, Ennis Knupp  
Nathan Zinn, Ennis Knupp  
Richard Abernathy, Board Member-elect  
Betty McGuire  
Bobby Lester, ARTA  
Tom Gay, AG Office  
Kelly Williams, Credit Suisse  
Matthew Kelly, Credit Suisse  
Bernard Yancovich, Credit Suisse

**Members of the Board Absent:**

Robert H. (Bunny) Adcock, Jr.  
Monty Betts  
Winfred Clardy  
Hazel Coleman  
Dr. T. Kenneth James  
Jim Wood

**Staff Present**

David Malone, Executive Director  
Julie Cabe, Deputy Director  
Wayne Greathouse, Deputy Director/  
Finance  
Gail Bolden, Assoc. Director/Operations  
Phil McNeill, Assoc. Director/Fiscal  
Affairs  
Christa Clark, Attorney Specialist  
Donna Bumgardner, Supervisor/  
Investments

**I. Call to Order**

John Fortenberry, Board Chair, called the meeting to order at 1:30 p.m. with a quorum present.

**II. Adoption of Agenda**

Mr. Malone announced that the representative of Plexus Group scheduled to discuss the commission recapture and directed trading report had not yet arrived and asked that his travel plans be accommodated whenever he did

arrive. Robin Nichols moved adoption of the agenda as revised, Dr. Paul Fair seconded, and the Board unanimously approved the motion.

### III. Public Comment on the Agenda

No comments were made.

### IV. Recognition of Board Member-elect

Chair Fortenberry introduced Richard Abernathy, Board member-elect in Position No. 5 (Superintendent), who ran unopposed for the position and will join the Board on July 1. Mr. Abernathy is superintendent of schools in Bryant and will replace Charles Dyer, who did not seek reelection.

### V. Approval of Minutes

Gus Wingfield moved approval of the minutes of February 6, 2006, Ellen Terry seconded, and the Board unanimously approved the motion. Linda Parsons moved approval of the minutes of February 7, 2006, Beverly Leming seconded, and the Board unanimously concurred.

### VI. Consultant's Report

Steve Cummings reported that the ATRS fund value on February 28 was \$9.6 billion, and in the meantime had grown to about \$9.9 billion. He told the Board that he hoped to present the historical study of private equity and real estate to the Investment Committee on May 15, the next scheduled meeting of the committee. He stated that after recalibration of the investments from the beginning, the Board would have a more accurate picture of these funds.

Mr. Cummings discussed the acquisition of Merrill Lynch Investment Managers by Black Rock, stated that the merger should not negatively affect clients, recommended retention at this time, and monitoring of the situation.

He also told the Board that the ownership change at Kennedy Capital Management will result in the employees owning 80% of the firm. Ennis Knupp views this change positively and recommends that ATRS consent to the ownership change.

### VII. Report of the Investment Committee

Ms. Nichols, chair of the Investment Committee, reported on the committee meeting held on March 20 and reviewed the draft minutes. Based upon the recommendation of the committee, Linda Parsons moved adoption of **Resolution No. 2006-09 (Attachment No. 1)** authorizing the hiring of Stephens Investment Management Group as a Small Cap Growth Investment

Manager. Dr. Fair seconded, and the Board unanimously supported the motion.

### **VIII. Third Core Real Estate Manager**

Nathan Zinn of Ennis Knupp presented the recommendations of candidates to be interviewed by the Investment Committee for a core real estate manager to join Prudential PRISA and UBS RESA, already employed in this capacity by ATRS. Five firms were identified in the Ennis Knupp report, and the Board was asked to select three for interviews. The firms were:

*Black Rock Realty Advisors – Tower Fund*  
*ING Clarion Partners – Lion Properties Fund*  
*J. P. Morgan Fleming Asset Management – Strategic Property Fund*  
*Principal Real Estate Investors – U. S. Property Account*  
*RREEF – America Fund II*

After discussion Ennis Knupp indicated that the following three firms would best meet the needs of ATRS: ING Clarion Partners – Lion Properties Fund, J. P. Morgan Fleming Asset Management – Strategic Property Fund, and RREEF – America Fund II. Mr. Wingfield moved the selection of the three firms recommended by Ennis Knupp, Ms. Leming seconded, and the motion passed unanimously.

### **IX. Guidelines for Jacobs Levy and T. Rowe Price**

At the February 6, 2006, Board meeting, the Board selected two large cap growth investment managers, Jacobs Levy Equity Management and T. Rowe Price. This agenda item presents the investment guidelines for these two firms. To approve the guidelines for Jacobs Levy, Charles Dyer moved adoption of **Resolution No. 2006-10** (*Attachment No. 3*), Ms. Nichols seconded, and the Board unanimously concurred.

Approval of the guidelines for T. Rowe Price was moved by Dr. Fair, (**Resolution No. 2006-11**, *Attachment No. 4*) with a second by Ms. Terry. The Board unanimously adopted the resolution.

### **X. Revised Guidelines for J. P. Morgan Special Situations Property Fund**

The Board originally approved the guidelines for the J. P. Morgan Special Situations Property Fund on February 6, 2006. The revisions presented in **Resolution No. 2006-12** (*Attachment No. 5*) have been recommended by the consultant and staff. Mr. Dyer moved approval of the guidelines, Ms. Parsons seconded, and the Board unanimously supported the motion.

**XI. Revised Guidelines for Western Asset Management**

Approval of the revised guidelines for Western Asset Management will add a permissible investment to the list of funds the manager may invest in for ATRS. Lawrence Colston moved adoption of **Resolution No. 2006-13** (*Attachment No. 6*) authorizing the revision, Ms. Terry seconded, and the Board unanimously approved the motion.

**XII. Credit Suisse ATRS Program Overview and Recommendations**

Representatives of Credit Suisse presented an overview of the ATRS private equity program and recommended speeding up the commitment of funds in order to maintain a level of 6% of total investments in private equity. After the presentation, Mr. Dyer moved authority to invest at least an additional \$200 million by the end of 2007 and another \$200 million by the end of 2008 with a review for future commitments annually. Ms. Parsons seconded, and the Board unanimously concurred.

**XIII. Plexus Group Directed Brokerage Report**

As the representative of the Plexus Group had not arrived, Mr. Malone discussed with the Board the results of the first year of directed trades and commission recapture working with the Plexus Group. He reported that the costs of trades were lower, but improvement was needed in the program, which requests that ATRS managers allocate 25% of trades in behalf of the System to be directed to Frank Russell, Inc., for comparison purposes. To be successful, the program must be constantly monitored with each manager.

**XIV. Executive Director's Comments**

Mr. Malone reported that ATRS has received an offer for the purchase of the Financial II Building, and he hoped to have a resolution authorizing the sale available at the April 4, 2006, meeting.

**XV. Adjournment**

Mr. Fortenberry declared the meeting adjourned at 4:20 p.m.

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Katherine Corcoran, Recorder

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David R. 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**

**R E S O L U T I O N  
No. 2006-09**

***WHEREAS***, the Board of Trustees of the Arkansas Teacher Retirement System desires to hire a Small Cap Growth Investment Manager;

***NOW, THEREFORE, BE IT RESOLVED*** that after interviews by staff and the Board, the Board approves the hiring of Stephens Investment Management Group;

***FURTHER RESOLVED*** that the Executive Director be, and hereby is, authorized by the Board of Trustees of the Arkansas Teacher Retirement System to allocate the funds available among the firms now employed by ATRS in this capacity.

***FURTHER RESOLVED*** that the Executive Director be, and hereby is, authorized by the Board of Trustees of the Arkansas Teacher Retirement System to enter into a contract with Stephens Investment Management Group to serve as a Small Cap Growth Investment Manager.

**Adopted this 3<sup>rd</sup> day of April 2006**

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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. 2006-10**

***WHEREAS***, the Arkansas Teacher Retirement System desires to establish investment guidelines for Jacobs Levy Asset Management, 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 Jacobs Levy Asset Management.

**Adopted this 3rd<sup>h</sup> day of April, 2006**

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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. 2006-11**

***WHEREAS***, the Arkansas Teacher Retirement System desires to establish investment guidelines for T. Rowe Price Associates, 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 T. Rowe Price Associates.

**Adopted this 3rd<sup>h</sup> day of April, 2006**

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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. 2006-12**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System desires to establish investment guidelines for J. P. Morgan Special Situations Property Fund; and

**WHEREAS**, guidelines were originally adopted on February 6, 2006; and

**WHEREAS**, the revised guidelines 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 for J. P. Morgan Special Situations Property Fund.

**Adopted this 3rd day of April 2006**

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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. 2006-13**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System desires to establish investment guidelines for Western Asset Management; and

**WHEREAS**, guidelines were originally adopted on August 5, 2003, and revised on February 3, 2004; and

**WHEREAS**, the revised guidelines 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 for Western Asset Management.

**Adopted this 3rd day of April 2006**

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