

# ARKANSAS TEACHER RETIREMENT SYSTEM BOARD OF TRUSTEES

## MINUTES

### Board of Trustees Meeting Thursday, April 26, 2007

The Arkansas Teacher Retirement System Board of Trustees held a regular meeting on Thursday, April 26, 2007 at 1:00 p.m, 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, Jr.  
Monty Betts  
Hazel Coleman  
Dr. Paul Fair  
Beverly Leming  
Linda Parsons  
Martha Shoffner  
Jim Wood

#### **Others Present**

Board Member Elect, Bobby Lester  
Board Member Elect, Janelle Riddle  
Democrat Gazette, Mike Wickline  
  
Ennis Knupp, Patrick J. Kelly  
Ennis Knupp, Jack Liu  
Gabriel Roeder, Judy Kermans  
Gabriel Roeder, Brian Murphy  
Legislative Research, Estella Smith  
Treasurer's Office, Tom Creekmore  
RMK Timberland Group, Joyce Neggley

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

Dr. Richard Abernathy  
Lawrence Colston  
Dr. T. Kenneth James  
Ellen Terry

#### **Staff Present**

Paul Doane, Executive Director  
Julie Cabe, Deputy Director  
Carolyn Abbott, Preretirement Manager  
Gail Bolden, Associate Director of Operations  
Donna Bumgardner, Supervisor/Investments  
Judy Brown, Retiree Payroll Supervisor  
Christa Clark, Staff Attorney  
Suzanne Davenport, Interim Assoc.  
Director/Fiscal Affairs  
Wayne Greathouse, Deputy Director of Finance  
Mindy Looney, B&C Supervisor  
Mullahalli Manjunath, Manager/DP  
Willana Prince, Retirement Manager  
Michael Ray, Manager Member Services  
Hugh Roberts, ATRS Real Estate  
George Snyder, Internal Auditor  
Daryl Wilkerson, Retirement Counselor

#### **I. Call to Order/Roll Call**

Chair, John Fortenberry, called the meeting to order at 1:03 p.m. The absences of Dr. T. Kenneth James, Dr. Richard Abernathy, Lawrence Colston and Ellen Terry were noted and excused.

John Fortenberry introduced Janelle Riddle who will assume Position #3 as Member Trustee of the Board of Trustees on July 1, 2007. John Fortenberry also introduced Bobby Lester who will assume Position #10, as Retirant

Trustee of the Board of Trustees on July 1, 2007. Bobby Lester is also the Executive Director of Arkansas Retired Teachers Association.

## **II. Adoption of Agenda**

John Fortenberry approval of Resolution No. 2007-13, Recognition of Julie Cabe, to the agenda.

Hazel Coleman moved for the adoption of the agenda, as amended. Robin Nichols seconded. The Board unanimously approved.

## **III. Approval of Minutes**

John Fortenberry clarified with PJ Kelley of Ennis Knupp that the dollar amount of \$10,671,436 on Page 6, Section V. Consultants Report was actually \$10,671,436,000.

- A. Robin Nichols moved for the approval of the minutes of the regular meeting of the Board of Trustees on February 12, 2007, Hazel Coleman seconded. The Board unanimously approved.
- B. Martha Shoffner moved for the approval of the minutes of the regular meeting of the Board of Trustees on February 13, 2007. Linda Parsons seconded. The Board unanimously approved.

## **IV. Consultant's Report - Ennis Knupp**

PJ Kelley and Jack Liu were present to provide the Board with a preliminary update of the portfolio/manager performance for the Third Quarter, ended March 31. Although a very turbulent three month period, the portfolio, benefiting from its non-US exposure in both equities and fixed income assets, managed to post an overall gain of 1.9% and "in line" with the Fund's customized benchmark which recorded 2.0% for the quarter. They highlighted several manager results including: Eubel Brady, (mid cap) which has continued to trail its benchmark; Daruma Asset Management, (small cap) which is continuing to rebound nicely from a poor performance stretch that had caused the Board some concern; and ING (small cap) due to recent organizational changes that warranted closer scrutiny. Ennis Knupp also reported that fixed income manager, PIMCO, had requested authority to invest in non-dollar traded bonds (see Resolution 2007-02). Staff reported that it agreed with the Ennis Knupp assessments and recommended further discussion of Eubel Brady and ING status be assigned to the Investment Committee meeting of May 14, at which consideration of establishing a "watch list status" for managers will be examined.

**V. Report of the Legislative Session – Julie Cabe, Deputy Director**

Ms. Cabe outlined for the Board the results of all legislation that the Board had interest from the recently concluded Biennium session. Generally, the ATRS legislative package had been successful, with approval of nine new positions (less than initially requested); securing the Board's general rule making authority for T-DROP, an omnibus technical corrections bill related to Board policies and rules, several "belt tightening" changes that were designed to help meet more quickly the 30 year funding schedule, among others. The Legislature statutorily retained the employer contribution rate at 14% (the Board had sought the actuarial determined rate at 14.5%).

**VI. Approval of Resolution No. 2007-02 (Revised Investment Guidelines for the Fixed Income Portfolio of Pacific Investment Management Company i.e. PIMCO)**

This action would permit PIMCO to invest, within its 10% fixed allocation to non-US debt, in non-dollar denominated (local currencies) fixed income securities. (PIMCO has indicated it would likely not exceed 5% of the non-US allocation, in actual practice).

Hazel Coleman moved for the adoption of Resolution No. 2007-02. Dr. Fair seconded. The Board unanimously approved.

**VII. Approval of Resolution No. 2007-03 (Authority to Transact Business)**

This resolution would authorize various named Investment Staff to enter into contracts and/or establish various accounts with various parties in order to transact stated business and investment concerns of the Board.

Linda Parson moved for the adoption of Resolution No. 2007-03. Beverly Leming seconded. The Board unanimously approved.

**VIII. Approval of Resolution No. 2007-04 (Election of Paul V. Doane as Manager of ATRS Recoveries, LLC and Woodland Heights, LLC)**

This resolution appointed the Executive Director to act for the Board in matters related to ATRS Recoveries and Woodland Heights, investment properties of the Board.

Monty Betts moved for the adoption of Resolution No. 2007-04. Hazel Coleman seconded. The Board unanimously approved the motion.

**IX. Approval of Resolution No. 2007-05** (Election of Paul V. Doane as a Voting Member of the Chenal Heights Property Owners Association)

Dr. Fair moved for the adoption of Resolution No. 2007-04. Robin Nichols seconded. The Board unanimously approved.

**X. Approval of Resolution No. 2007-06** (Election of Paul V. Doane as Manager of ATRS Properties, LLC, and ATRS Retirement Properties, LLC)

Beverly Leming moved for the adoption of Resolution No. 2007-05. Jim Wood seconded. The Board unanimously approved.

**XI. Joint Legislative/Policies Committee Report**

This was the report of the combined committee that had considered the various legislative initiatives that had been enacted during the current session and which required some modification to existing rules and policies of the Board. The necessary changes had been drafted by staff and were placed before the committee for discussion and action.

- A. Review of Minutes of the Joint Legislative/Policies Committee Meeting on March 21, 2007. This represented the actions taken on those policy modifications.

**Approval of Resolution No. 2007-107** (Adoption of permanent new and amended rules and regulations to implement 2007 legislative changes)

Linda Parsons, Chair of the Legislative Committee, moved for the adoption of Resolution 2007-07. Beverly Leming seconded. Following brief discussion, the Board unanimously approved.

- B. Report of the Legislative/Policies Committee meeting on April 27, 2007. There were several items that had been enacted by the Legislature, since the March meeting of the Committee and which required revision of certain rules of the Board. The Committee had met prior to the Board meeting on the 27<sup>th</sup>, in order to be able make a recommendation for full Board approval at its June meeting. Ms. Cabe reported on the two more recent enactments and the wording changes in the rules that the Committee had discussed.

**XII. Recess**

At this point in the meeting, the Chair, John Fortenberry, declared, in accordance with the approved agenda, that the meeting will be in recess until the next morning at which point the report of the actuaries and other

items remaining on the agenda would be considered. The Board stood in recess at 2:42 p.m. to reconvene at 9:30 a.m. the next day, April 27, 2007.

### **XIII. Reconvene**

At 9:34, Friday, April 27, 2007, the Meeting was called back to order by the Chairman. Changes in Board member attendance, following the recess, were the addition of Banking Commissioner Adcock, and the departure of Committee members, Monty Betts and Treasurer Shoffner.

### **XIV. Actuary's Report – Gabriel Roeder**

Brian Murphy and Judith Kermans, of the Board's actuarial firm, Gabriel Roeder and Smith, presented a power point presentation of its Annual Gain/Loss Analysis for fiscal year 2006, which detailed the actual experience among active and retired members as of the end of the prior fiscal year compared to its prior report (12/06) which was based on projections of investment return and member experience (retirements, deaths, disabilities, etc.). Overall, the report indicated a slightly unfavorable comparative (projected v. actual) result but without meaningful surprises.

### **XV. Approval of Resolution No. 2007-08 (Employer Contribution Rate for FY 08-09)**

This resolution fixes the employer contribution for the ensuing two-year period, commencing July 1, 2007 at 14%.

Beverly Leming moved for the adoption of Resolution 2007-08. Hazel Coleman seconded. The Board unanimously approved.

### **XVI. Approval of Resolution No. 2007-09 (Interest Rate for T-DROP Accounts for FY 08-09)**

This resolution established prospectively the rate on interest that will be credited on all T-DROP accounts for the 12-month period, commencing July 1, 2007, at 6%. The rate is based on the Fund performance for the prior 12 months ending March 31 less 2.00 % but not greater than 6% or less than 2%. The Fund's performance, for the 12-month period ending March 31, was estimated by Ennis Knupp at 10.4%.

Hazel Coleman moved for the adoption of Resolution 2007-09. Linda Parsons seconded. The Board unanimously approved.

### **XVII. Approval of Resolution No. 2007-10 (2007 Board of Trustee Election Results)**

There were three Board positions up for election in 2007, two of which were uncontested Position #1-Member Trustee, Ms. Robin Nichols, candidate for re-election, and Position #3-Member Trustee, Ms. Janelle Riddle, candidate to replace the retiring Lawrence Colston. In the one contested election, Position #10-Retirant Trustee, Mr. Bobby Lester was selected to complete the unexpired term of Winfred Clardy. Mr. Lester prevailed over former Board member, Ms. Betty McGuire, according to results of the election conducted by Karl Koeler, Election Director, VR Election Services of Carrollton, TX., an independent firm retained by ATRS to operate its Board elections.

Dr. Fair moved for the adoption of Resolution No 2007-10. Auditor Wood seconded. The Board unanimously approved.

**XVIII. Approval of Resolution No. 2007-11** (Appreciation of Service of Lawrence Colston)

Robin Nichols moved for the adoption of Resolution No. 2007-11. Commissioner Adcock seconded. The Board unanimously approved.

**XIX. Approval of Resolution No. 2007-13**

Robin Nichols moved for the adoption of Resolution No. 2007-13. Linda Parsons seconded. The Board unanimously approved.

**XX. Staff Reports**

**A. Medical Committee Report** (*Daryl Wilkinson*)

**B. Personnel Report** (*Julie Cabe*)

**1. Approval of Resolution No. 2007-12**

Dr. Fair moved for the adoption of Resolution No. 2007-12. Commissioner Adcock seconded. The Board unanimously approved.

**C. Payroll Report** (*Judy Brown*)

**D. Financial Report** (*Suzanne Davenport*)

**E. Reporting Update** (*Mindy Looney*)

**F. Member Services Report** (*Michael Ray*)

**G. Legal Update** (*Christa Clark*)

**H. Investment Portfolio Report** (*Wayne Greathouse*)

**I. Arkansas Related Report** (*Hugh Roberts*)

**XX. Executive Director Comments**

Executive Director Comments- Among the items reported on were: visit with the tenants and a viewing of Woodland Heights construction progress; new tenant (United Health) at Victory Building property; meeting at consultant Ennis Knupp, Chicago; meeting with master custodian, State Street, Boston; plans to occupy the first floor, ATRS Building, once State Auditor moves to Victory Building tenancy this summer; letter to Chairman from former employer of the Executive Director, Oppenheimer Capital, regarding a payment due in July and which had been reviewed earlier by State Ethics Commission for conformity with State ethics rules; outline of planned meetings with Retired Teachers Association members around the state in May and a power point presentation outlining the makeup of the ATRS membership, investment portfolio, and summary contrasting defined benefit plans with defined contribution plan features.

**XXI. Other Business - None**

**XXII. Executive Session for Discussion of Personnel Matters - None**

**XXIII. Adjournment**

With no other business to bring before the Board, including no issues for consideration in an Executive Session, the Motion to Adjourn was made, seconded and approved. The meeting adjourned at 12:35 p.m.

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Jane Toledo, *Recorder*

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Paul Doane, *Executive Director*

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John Fortenberry, *Board Chair*

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Date Approved