

MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING

Dr. Richard Abernathy, Chair

Monday, October 5, 2009

12:30 p.m.

1400 West Third Street
Little Rock, AR 72201

Board Members Present

Dr. Richard Abernathy, Chair
Hazel Coleman, Vice Chair
David Cauldwell
Dr. Paul Fair
John Fortenberry
Steve Kelly, designee for Jim Wood
Dr. Tom Kimbrell
Beverly Leming
Bobby Lester
Susannah Marshall, designee for Candace Franks
Janelle Riddle
Martha Shoffner
Jeff Stubblefield

Board Members Absent

Robin Nichols

Guests Present

Bob Berry, Division of Legislative Audit
Lloyd W. Black, ARTA
Erika Gee, Attorney General's Office
Laura Gilson, Bureau of Legislative Research
Annette Hodge, ATRS Member
Richard Hutchins, AEA
Mike Mertens, AAEA
Matthew Miller, Bureau of Legislative Research
Brenda West, Division of Legislative Audit

Staff Present

George Hopkins, Executive Director
Gail Bolden, Deputy Director
Judy Brown, Ret. Section Manager
Christa Clark, Chief Legal Counsel
Kay Daniel, Director's Assistant
Rod Graves, Ret. Investment Consultant
Wayne Greathouse, Dir. Public Markets
Tamara Henderson, Paralegal
Clementine Infante, Legal Consultant
Mindy Looney, Ret. Section Manager
Manju, Dir. Data Processing
Jerry Meyer, Dir. Real Estate
Michael Ray, Dir. Member Services
George Snyder, Dir. Internal Audit/Risk Mgmt
Gaye Swaim, Dir. Human Resources
Leslie Ward, Dir. Fiscal Affairs
Amy Wells, Administrative Assistant
Earl Williams, Manager Internal Audit

Press Present

Andy Davis, Arkansas Democrat-Gazette
Rob Moritz, Stephens Media
Mike Wickline, Arkansas Democrat-Gazette

- I. **Call to Order/Roll Call.** Chair, Dr. Abernathy, called the Board of Trustees meeting to order at 12:30 p.m. Roll call was taken and the only member absent was Robin Nichols.
- II. **Adoption of Agenda.**

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Mr. Fortenberry moved for adoption of the Agenda. Ms. Leming seconded the motion and the Board unanimously approved the motion.

III. **Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

IV. **Approval of Minutes.**

Ms. Leming moved for adoption of the Minutes of the Board of Trustees meeting of September 15, 2009. Ms. Riddle seconded the motion, and the Board unanimously approved the motion.

V. **Notice of a December Board Meeting after Legislative Council Meets (ALC has not set date).** Mr. Hopkins explained to the Board that several updated rules and regulations need to be submitted to the Legislative Council for approval. The earliest time that the Legislative Council will meet is in December. As there is already a Board meeting scheduled for December, the issue arises of having multiple meetings to accommodate the Legislative Council's decisions. Staff would like to coordinate with the Legislative Council, the Department of Education, and Board members and change the current December Board meeting date to a more conducive time. Discussion about a Board meeting via teleconference followed.

VI. **A ██████ H ██████ Appeal.** Ms. H ██████ had requested the Board to review the Executive Director final decision. Ms. Clark gave a summary of the administrative appeal brought to the Board and presented exhibits A-B, containing documentation of correspondence between A ██████ H ██████ and ATRS.

Mr. Hopkins gave a brief summary of the situation. Ms. H ██████ is an ATRS member who retired in 2007 after the age of 65. She claimed that she received faulty information from ATRS and ATRS counselors and, consequently, retired at a later date than she potentially would have retired.

Ms. H ██████ presented her case before the Board and supplied exhibits C-D. She gave accounts of interactions with ATRS counselors, and claimed that she was told that she could not draw annuities while under contract with her employer at the time. Ms. H ██████ could have drawn checks for a year before her actual retirement and asked to be recompensed for the year of annuities that she felt due her.

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Dr. Fair *moved* to uphold ATRS Executive Director and staff's final decision in regards to the A██████ H██████ appeal. Mr. Stubblefield *seconded the motion*, and the Board *unanimously approved the motion*.

VII. Investment Committee Report

- A. **Possible Sale of Victory Building/Recommendation to Hire Broker.** Ms. Leming gave a brief summary of the potential sale of the Victory Building. Ennis Knupp recommended that ATRS hire a broker after receiving an unsolicited offer. A broker would act as the listing agent, to field any potential offers. They would evaluate all offers and give their opinion of the value of the offers. They would also develop counteroffers and work with ATRS through the close of the sale. The broker fees are not paid until the sale has closed. The Victory Building represents a little over 7% rate of return, at an 85% occupancy. At its current value, the building is a valuable asset to ATRS and there is little motivation to sell. Mr. Hopkins emphasized that staff would not act without Board approval.

Ms. Leming *moved* to authorize the ATRS Executive Director to hire a real estate broker to negotiate the sale of the Victory Building. Dr. Fair *seconded the motion*, and the Board *unanimously approved the motion*.

- B. **Possible Sale of Rahling Road Commercial Lots on Chenal Properties/Recommendation to Hire Broker.** Southwest Power Pool has shown interest in the Rahling Road lots on the Chenal Properties, as well as other lots in that area. Mr. Hopkins requested authorization to hire a broker to ensure that fiduciary duties are met and to expedite the negotiation of the sale of the properties. To avoid delays, Mr. Hopkins requested authorization to execute the sale pending Board approval, and to notify the Board before the decision is made.

Ms. Leming *moved* to authorize the ATRS Executive Director to hire a broker to negotiate the sale of various Chenal Properties lots, and to authorize staff to accept offers and/or make counteroffers subject to Board approval, and to authorize a Board only meeting to approve the staff proposal. Ms. Shoffner *seconded the motion*, and the Board *unanimously approved the motion*.

- C. **Update on Deltic Timber Restrictions on ATRS' Chenal Property.** Item was stricken from agenda.

- D. **Possible Lease With Option to Purchase of 720 West 3rd Building (Resolution 2009-29).** Ms. Leming informed the Board of a potential offer

on the 720 West 3rd building. The entity would like to lease the property with the option to purchase. There are issues with the building meeting ADA requirements, and the elevator is not ADA compatible. ATRS will need to repair the elevator before leasing.

Ms. Leming moved to adopt Resolution 2009-29, granting authorization to the ATRS Executive Director to negotiate the lease with option to purchase contract, subject to Board approval. Mr. Lester seconded the motion, and the Board unanimously adopted the resolution.

- E. Authority to Execute Amendments to Cypress Merchant Banking Partners II.** Ms. Leming discussed the confidential amendment request and recommendation from Franklin Park to the Board of Trustees, concerning an old partnership that dealt with moving old properties. Due to the confidential nature of the subject, general discussion followed. Mr. Hopkins recommended to the Committee to recommend to the Board that staff be given authority to sign the agreements from Franklin Park.

Ms. Leming moved to authorize Franklin Park and ATRS staff to sign amendments to Cypress Merchant Banking Partners II. Ms. Shoffner seconded the motion, and the Board unanimously approved the motion.

VIII. Operations Committee Report.

- A. Operations Committee Officers.** Bobby Lester was nominated and elected Chair. Janelle Riddle was nominated and elected Vice Chair.

B. Approval of Draft Revisions to Rules.

- 1. Board Composition and Elections (Policy 4-1).** Ms. Clark explained the changes that had been requested in the Operations Committee. The two-year minimum requirement to fill a vacant position through special election was removed. Also, the special election as the sole method of filling the vacant position was removed.

Mr. Lester moved to approve the rule changes to Policy 4-1, Board Composition and Elections. Ms. Shoffner seconded the motion, and the motion carried. Ms. Coleman abstained from voting.

- 2. Election Procedures for Elected Trustees (Policy 4-2).**

Mr. Lester *moved* to approve the changed Policy 4-2, Election Procedures for Elected Trustees, with the knowledge that staff will redraft policy wording for future approval. Dr. Kimbrell *seconded* the *motion*, and the Board *unanimously approved the motion*.

3. Schedule for Trustees Elections (Policy 4-3).

Mr. Lester *moved* to approve the rule changes to Policy 4-3, Schedule for Trustee Elections. Mr. Fortenberry *seconded* the *motion*, and the Board *unanimously approved the motion*.

4. Reporting Employee (Member) Contributions (Policy 7-3).

Mr. Lester *moved* to approve the rule changes to Policy 7-3, Reporting Employee (Member) Contributions. Dr. Kimbrell *seconded* the *motion*, and the Board *unanimously approved the motion*.

5. Employer Contributions (Policy 7-4).

Mr. Lester *moved* to approve the rule changes to Policy 7-4, Employer Contributions. Mr. Cauldwell *seconded* the *motion*, and the Board *unanimously approved the motion*.

6. Retirement/Benefits Definitions (Policy 9-1a). Mr. Hopkins explained that these policy changes address retirement definition concerns.

Mr. Lester *moved* to approve the rule addition Policy 9-1a, Retirement/Benefits Definitions. Dr. Fair *seconded* the *motion*, and the Board *unanimously approved the motion*.

7. Disability Retirement (Policy 9-3).

Mr. Lester *moved* to approve the rule changes to Policy 9-3, Disability Retirement. Mr. Fortenberry *seconded* the *motion*, and the Board *unanimously approved the motion*.

8. Error Corrections and Collection of Overpayments (Policy 9-7).

Mr. Lester *moved* to approve the rule changes to Policy 9-7, Error Corrections and Collection of Overpayments. Ms.

Coleman seconded the motion, and the Board unanimously approved the motion.

9. Survivor Benefits (Policy 11-1).

Mr. Lester moved to approve the rule changes to Policy 11-1, Survivor Benefits. Ms. Marshall seconded the motion, and the Board unanimously approved the motion.

10. Repeal of Rescission Policy (10-1). Item was added to agenda to inform the Board that the entire Policy 10-1 had been completely repealed.

Ms. Coleman moved to approve the rule changes to Policy 10-1, Repeal of Rescission Policy. Dr. Kimbrell seconded the motion, and the Board unanimously approved the motion.

IX. Board of Trustees Election Schedule. For the 2010 trustee election, two open positions will be announced: Position #2 (Linda Parsons-retired) and Position #9 (Dr. Paul Fair). Added as a special election will be Position #11 (John Fortenberry).

Ms. Coleman moved to accept John Fortenberry's letter of resignation, retirement effective June 15, 2010, and to declare a vacancy for the purpose of a special election. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

Ms. Bolden informed the Board that Mr. Fortenberry's position needed to be declared vacant by resolution.

Ms. Leming moved to adopt Resolution 2009-30, to declare a vacancy for Position #11 and authorizing staff to conduct a special election to fill the unexpired term. Ms. Coleman seconded the motion, and the Board unanimously adopted the resolution.

X. Final Approval of the Rules Under Emergency Rule Making (Resolution 2009-28).

Ms. Coleman moved to adopt Resolution 2009-28, approving the permanent revisions to the rules and regulations concerning retirement and death benefits. Mr. Lester seconded the motion, and the Board unanimously adopted the resolution.

A. Salary Determination for Retirement Purposes (Policy 7-1).

- B. **Proof of Years of Service (Policy 7-2).**
 - C. **Age and Service (Voluntary) Retirement (Policy 9-1).**
 - D. **Retirant’s Return to Covered Employment (Policy 10-2).**
 - E. **Lump-Sum Death Benefit (Policy 11-2).**
- XI. **Other Business.**
- XII. **Adjourn.**

Mr. Lester *moved to adjourn* the Board of Trustees Meeting. Ms. Coleman *seconded* the *motion*, and the Board *unanimously approved* the *motion*.

Meeting adjourned at 2:16 p.m.

George Hopkins,
Executive Director

Dr. Richard Abernathy, Chair
Board of Trustees

Amy Wells,
Recorder

Date Approved