

**MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Monday, February 1, 2016
11:30 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Jeff Stubblefield, Chair
Danny Knight, Vice Chair
Dr. Richard Abernathy
Lloyd Black
Kathy Clayton
Kelly Davis
Johnny Key*
Bobby Lester
Susannah Marshall, designee for Candace Franks
Robin Nichols
Wesley Smith, designee for Hon. Andrea Lea
Deborah Thompson
Janet Watson

Board Members Absent

Anita Bell
Hon. Dennis Milligan

Guest Present

Donna Morey, ARTA
Katie Comstock, AHIC (Aon Hewitt)
Chae Hong, AHIC (Aon Hewitt)
Dan Kim, AHIC (Aon Hewitt)

ATRS Staff Present

George Hopkins, Executive Director
Gail Bolden, Deputy Director
Shane Benbrook, Internal Audit/Risk Mgmt.
Curtis Carter, Chief Fiscal Officer
Vicky Fowler, Dir. Human Recourses
Laura Gilson, General Counsel
Rod Graves, Assoc. Dir. of Operations
Wayne Greathouse, Assoc. Dir. of Investments
Mike Lauro, Information Systems Manager
Jerry Meyer, Manager, Real Assets
Martha Miller, Staff Attorney
Manju, Manager, Data Processing
Linden Maurer, Legal Assistant
Tammy Porter, Administrative Assistant
Michael Ray, Director, Member Services
Clint Rhoden, Director of Operations
Joe Sithong, Software Support Analyst
Leslie Ward, Manager Private Equity
Brenda West, Internal Audit/Risk Mgmt.

Reporters Present

Mike Wickline, Arkansas Democrat Gazette

**via teleconference*

- I. **Call to Order/Roll Call.** Mr. Jeff Stubblefield, Chair, called the Board of Trustee meeting to order at 11:32 a.m. Roll call was taken. Ms. Anita Bell and Hon. Dennis Milligan were absent.

- II. **Motion to Excuse Absences.**

Ms. Nichols moved to excuse Ms. Bell and Mr. Milligan from the February 1, 2016 Board of Trustees meeting. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

III. Adoption of Agenda

Mr. Lester moved for adoption of the Agenda. Ms. Clayton seconded the motion, and the Board unanimously approved the motion.

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

V. Approval of Minutes.

A. Approval of December 7, 2015 Minutes.

Dr. Abernathy moved for approval of the Minutes of the Board of Trustees meeting of December 7, 2015. Ms. Davis seconded the motion, and the Board unanimously approved the motion.

VI. Staff Empowerment. Mr. Hopkins explained the staff empowerment resolutions. Each year the ATRS Board authorizes ATRS staff to transact certain business to set the specific powers of the executive director and to appoint the executive director to manage and delegate operational duties to the limited liability companies that ATRS uses to manage its investments and Arkansas related property.

A. Authority to Transact Business. (Resolution 2016-01)

Ms. Nichols moved to adopt Resolution 2016-01, granting George Hopkins, Executive Director; Gail Bolden, Deputy Director; and G. Wayne Greathouse, Associate Director of Investments authority to transact investment business on behalf of the ATRS Board of Trustees. Ms. Davis seconded the motion, and the Board unanimously adopted the resolution.

B. Specific Powers of Executive Director. (Resolution 2016-02)

Dr. Abernathy moved to adopt Resolution 2016-02, authorizing and empowering the Executive Director's actions on behalf of the ATRS Board of Trustees. Mr. Lester seconded the motion, and the Board unanimously adopted the resolution.

C. Appointment of ATRS as Manager of LLC's. (Resolution 2016-03)

Mr. Knight *moved to adopt* Resolution 2016-03, authorizing the ATRS Executive Director or his delegates to transact business and perform all duties relating to the management of ATRS LLC's. Ms. Nichols *seconded the motion*, and the Board *unanimously adopted the resolution*.

VII. Authority to Reimburse Trustee Expenses for 2016. (Resolution 2016-04)

Mr. Hopkins explained the trustee reimbursement resolution. Every year, a resolution is adopted by the Board to reimburse Trustees for expenses such as long distance telephone calls, postage, and out of pocket expense associated with employing substitute personnel while performing official Board duties.

Mr. Lester *moved to adopt* Resolution 2016-04, authorizing ATRS to reimburse ATRS Trustees for miscellaneous expenses and losses in salary resulting from Board of Trustees meeting attendance or other official Board duties. Ms. Watson *seconded the motion*, and the Board *unanimously adopted the resolution*.

VIII. Authorization for Board Travel and Expense Reimbursement for 2016. (Resolution 2016-05). Mr. Hopkins explained the Board travel and expense reimbursement resolution. Every year, a resolution is adopted by the Board to reimburse Trustees for travel expenses incurred for performing official Board duties during the calendar year.

Mr. Lester *moved to adopt* Resolution 2016-05, authorizing ATRS to reimburse ATRS Trustees for expenses used in traveling for official Board duties. Ms. Watson *seconded the motion*, and the Board *unanimously adopted the resolution*.

IX. 2016-2017 Employer Contribution Rate. (Resolution 2016-06) Mr. Hopkins explained the 2016-2017 employer contribution rate resolution. Every year, a resolution is adopted by the Board to set the employer contribution rate prospectively for each fiscal year. The rate is based upon actuarial valuation and legislative restrictions.

Dr. Abernathy *moved to adopt* Resolution 2016-06, establishing the employer contribution rate at the current rate of 14% for the fiscal year starting July 1, 2016. Ms.

Watson seconded the motion, and the Board unanimously adopted the resolution.

X. Actuarial Valuations, June 30, 2015. Mr. Hopkins presented the Annual reports prepared by the Actuaries concerning the valuation of liability to active and inactive members along with the valuation of liabilities for annuities being paid to current retirees and current beneficiaries.

A. Active & Inactive Members. This report reflects the liabilities owed by ATRS to active and inactive members.

B. Retirees & Beneficiaries. This report reflects the liabilities to ATRS retirees, beneficiaries, survivors, and incapacitated children.

Mr. Knight moved to accept the Actuarial Valuations as of June 30, 2015. Ms. Davis seconded the motion, and the Board unanimously approved the motion.

IX. Report of Member Interest Waived Under A. C. A. Section 24-7-205. Mr. Hopkins presented the member interest amount waived report. ATRS waives interest on members when there is a dispute between ATRS and the member as to whether ATRS made a mistake or otherwise did not do all that was required on the member's account. No member Interest was waived this reporting period.

X. Report of Employer Interest and Penalties Waived Under A. C. A. Sec. 24-7-411. Mr. Hopkins presented the employer interest and penalties waived report. ATRS may waive employer interest and penalties when reports/payments are late or have issues due to new bookkeeper, sickness, and other situations that justify a waiver. ATRS waived Two (2) employer penalties for this reporting period in the amount of \$900.00.

XIII. 2016 Board of Trustee Election Update.

A. Vendor Selection by Board Action.

The ATRS Board has two elections scheduled for two member trustee positions, which will begin service on July 1, 2016. Qualified candidates have filed for election to each of the two (2) positions. The positions up for election are:

Position 2: Member Trustee
Position 9: Retirant Trustee

Position 2 (active certified member in Arkansas congressional district 2) has two qualified candidates and Position 9 (retirant trustee) has two qualified candidates. These will be the two contested elections.

Mr. Hopkins stated that the Office of State Procurement (OSP) provided the procurement services to obtain bids for an election vendor. Only one (1) vendor, SourceOne Output Technologies of Little Rock, AR, provided a response to the RFP submitted on behalf of ATRS by OSP. Staff recommendation is that the Board award the election contract to SourceOne Output Technologies of Little Rock, AR though Resolution 2016-07.

Ms. Nichols *moved to adopt* Resolution 2016-07, 2016 Election Vendor. Mr. Lester *seconded the motion*, and the Board *unanimously approved the motion*.

B. Candidates: Two (2) Contested Positions.

Position 2 (Active Certified Member Trustee- 2nd Congressional District):

1. Janet Watson
2. Boyce Pearson

Position 9 (Retiree Member Trustee):

1. Lloyd Black
2. Beverly Leming

In accordance with ATRS rules, an impartial drawing will be held to select the order of the ballot position for Position 2 and Position 9. A resolution will be presented for approval by the Board when the final results have been filed by the election vendor.

XIV. Audit Committee Report. Ms. Davis, Chair, gave a report on the Audit Committee meeting.

- A. FY 2016 Internal Audit Report: Call Center.** Mr. Shane Benbrook presented the Internal Audit Report on the Call Center. Internal Audit (IA) reviewed processes and procedures associated with the ATRS Call Center. IA listened to actual calls and attended training provided for the IA staff members. A sample was taken of thirty (30) telephone calls made to the Call Center over a ten (10) month period. Seventeen (17) of the thirty (30) calls tested did not properly verify the caller's

identity. IA recommendation was that all calls should be properly verified with member's Social Security number and one other piece of information such as date of birth, address, etc. Also, Employee/Customer surveys were sent to ATRS employees and ATRS members. Only positive feedbacks from customers were received, with a few employees giving advice on making the Call Center more efficient. The Call Center has now incorporated the process of proper verification of all calls into their written standard operating procedures. It is the opinion of IA that the Call Center is operating efficiently and effectively.

- B. Internal Audit Follow Up Report: Human Resources.** A follow-up report was presented on the Audit Report of the Human Resources Department. An audit of the Human Resources Department in 2015 found an exception regarding extra help positions' holiday pay. IA presented the report and findings to the Committee on April 6, 2015. In July, 2015, the Human Resources Department implemented a new extra help holiday pay policy. IA conducted a follow up to ensure the Department was in compliance with the new policy. The follow up revealed no exceptions to the policy.
- XV. Investment Committee Report.** Ms. Nichols, Chair, gave a report on the Investment Committee meeting.

A. Investment Update and Arkansas Related Update.

- 1. List of Fund Closings.**
 - a. Metropolitan Real Estate Partners (MREP) Secondary & Co-Investments Fund, a Real Assets Co-Investment Fund that Uses the Fund's Primary Fund of Funds to Source Co-Investment Opportunities, the Board Authorized Commitment of up to \$20 Million Dollars on December 7, 2015, was Accepted and Closed on December 21, 2015.** The ATRS full commitment of \$20 million dollars was negotiated, accepted, and closed on December 21, 2015.
 - b. Aeolus Property Catastrophe Keystone PF Fund, LP, an Alternative/Opportunistic Reinsurance Fund Specializing in Property Catastrophe Insurance Coverage, the Board Authorized Initial Commitment of up to \$75 Million Dollars with a Called Contribution Limit of \$110 Million Dollars to Account for Withheld Reserves Each Calendar Year on October 5, 2015,**

was Accepted and Closed on December 10, 2015. The ATRS full commitment of \$75 million dollars was negotiated, accepted, and closed on December 10, 2015. The full initial commitment amount of \$75 million dollars was funded on December 16, 2015. The remaining commitment amount of \$35 million dollars may be needed in the future to ensure ATRS maintains the full \$75 million dollar investment during withheld reserve periods.

- c. **DW Healthcare Partners IV, L.P., a Private Equity Buyout Fund that Invests in Expansion Stage Companies in the Healthcare Sector, the Board Authorized Commitment of up to \$30 Million Dollars on December 7, 2015, was Accepted and Closed on December 21, 2015.** ATRS has closed on this investment. The final agreement was negotiated, accepted, and closed on December 21, 2015, for the full requested allocation of \$30 million dollars.
- d. **PineBridge Structured Capital Fund III, L.P., a Small and Middle Market Mezzanine Debt and Equity Securities Fund, the Board Authorized Commitment of up to \$30 Million Dollars on December 7, 2015, was Accepted and Closed on December 31, 2015.** ATRS has closed on this investment. The final agreement was negotiated, accepted, and closed on December 31, 2015, for the full requested allocation of \$30 million dollars.
- e. **Franklin Park Venture Fund Series 2016, L. P., a Fund of Funds Managed by Franklin Park Investing in Venture Capital Private Equity Funds, the Board Authorized Commitment of up to \$25 Million Dollars on December 7, 2015, was Accepted and Closed on January 21, 2016.** ATRS has closed on this investment. The final agreement was negotiated, accepted, and closed on January 21, 2016, for the full requested allocation of \$25 million dollars.
- f. **Franklin Park International Fund 2016, L.P., a Fund of Funds Managed by Franklin Park Investing in International Private Equity Funds, the Board Authorized Commitment of up to \$25 Million Dollars on December 7, 2015, was Accepted and Closed on January 21, 2016.** ATRS has closed on this investment. The final agreement was negotiated, accepted, and

closed on January 21, 2016, for the full requested allocation of \$25 million dollars.

2. Arkansas Related Update:

- a. **Texarkana & West Memphis DHS Offices.** ATRS in an effort to comply with Governor Hutchinson's energy initiative for state buildings has re-lamped both offices with LED lighting for approximately \$134,000. Incentives offered through Entergy at the Texarkana office reduced that cost by \$19,000. The net cost of \$115,000 is estimated to be recovered in 4 years through a 70% reduction in energy usage. The IRR for these improvements is approximately 25%. ATRS does not pay the energy costs for these buildings however lease renewals are coming up and ATRS is expected to benefit through higher lease rates.
- b. **Miller & Duvall Farm Production.** Yield information by county is not available yet, but Arkansas state averages were 49 bushels per acre on soybeans and 163 bushels per acre on rice. ATRS's Duvall farm production for the 2015 crop year was slightly above state averages @ 52 bushels per acre of soybean and 172 bushels per acre of rice. The Miller farm produced less than the state averages at 37 bushels per acre of soybeans and 140 bushels per acre of rice. Halderman utilized a different tenant farmer this year as the previous tenant had capacity issues and other operations were closer to his home base. Next year's returns are anticipated to be better as the farmer becomes acclimated to the farms particular drainage characteristics.
- c. **Potential Halderman Joint Venture.** In 2010, ATRS hired Halderman Real Assets Management (HRAM) to manage a farmland investment for ATRS. ATRS has a commitment totaling \$100 million dollars to farmland investments through HRAM. HRAM recently informed ATRS of a potential joint venture with US Agriculture, led by Steve Hageman. Mr. Hageman and his team have over 100 years of farming experience and history and HRAM believes this successful team will be additive to the current management team. The other firm is located about 2 miles from the HRAM headquarters in Indianapolis. US Agriculture would become a subadvisor

to HRAM and bring complimentary experience, deal flow, and expertise to HRAM. The joint venture would not change any terms for ATRS and ATRS would continue to use HRAM as the farmland manager.

ATRS staff and Aon Hewitt have had numerous conversations with HRAM. At this point, ATRS staff believes the joint venture would be a win for the farmland portfolio managed by HRAM. The joint venture would appear to increase HRAM's access to deal flow, expand the management team's skill set, and increase research capabilities without changing any terms or increasing fees for ATRS. ATRS staff will continue to monitor the potential joint venture including conducting an onsite visit that would include representatives from Aon Hewitt Investment Consulting, HRAM, US Agriculture, and ATRS staff. ATRS staff is ready to answer questions from the Investment Committee and will continue to update the Board as needed on the potential joint venture.

B. General Investment Consultant Update – Aon Hewitt Investment Consulting.

- 1. Performance Report for the Quarter Ended December 31, 2015.** Katie Comstock of Aon Hewitt Investment Consulting presented the performance report for the quarter ended December 31, 2015. The ATRS fund had a market value of approximately \$14.4 billion dollars. The total fund had a return of 8.3% since inception, underperforming its benchmark of 8.4%. Capital market had a positive return of 7%.

C. Real Assets Investment Consultant Report.

- 1. Performance Report for Quarter Ended September 30, 2015.** Chae Hong, of Aon Hewitt Investment Consulting presented the performance report for the quarter ended September 30, 2015. As of the third quarter of 2015, the real assets portfolio comprises 13.0% of ATRS' total assets, an increase of 90 bps from the second calendar quarter of 2015. NCREIF's NPI registered at 3.1% and NFI-ODCE (net) returned 3.4% through the second calendar quarter. The NPI represents no change in this quarter and NFI-ODCE showed a 20 bps decrease. NCREIF Timberland

Index returned 0.8% for the quarter and 9.3% for trailing one year, an increase of 20 bps for quarter and decrease of 70 bps over the trailing one year. NCREIF Farm Index gained 2.5% for the second quarter while posting a 12.7% return for the trailing one year, increases of 130 bps and 110 bps respectively over the first quarter.

The portfolio is in compliance with its Standards of Investment Policy with respect to style, leverage, geographic region, and property type diversification.

- 2.. **Recommendation to Commit up to \$50 Million Dollars in Global Infrastructure Partners III, LLC, a Real Assets Infrastructure Fund Specializing in Core Plus Energy, Transport, and Water/Waste Sectors.** Dan Kim presented the recommendation of Global Infrastructure Partners III (GIP). This is a core plus infrastructure assets in the energy, transport, and water/waste sectors. The "core plus" description in infrastructure refers to an increase in risk and return over a straight core investment. Core plus in infrastructure would be similar to a value added or opportunistic designation in real estate. GIP was established in July 2006 by investment and operating professionals from both General Electric and Credit Suisse. Six of the Firm's thirteen partners have been with GIP since inception, with five of the remaining seven having been with the Firm for seven years or more. The partners have over 120 years of cumulative experience successfully advising on, structuring, financing, investing, and managing infrastructure assets in both developed and emerging market countries. GIP retains 79 investment and operating professionals, which represents one of the largest infrastructure investment teams in the world. The performance objective is in the 10-15% net IRR range.

Ms. Nichols moved to adopt Resolution 2016-08, to Commit up to \$50 Million Dollars in Global Infrastructure Partners III, LLC, a Real Assets Infrastructure Fund Specializing in Core Plus Energy, Transport, and Water/Waste Sectors. The Board unanimously adopted the Resolution.

D. Private Equity Consultant Report – Franklin Park

1. **Private Equity Portfolio Review for the Quarter Ended September 30, 2015.** Michael Bacine of Franklin Park presented the private equity report for the quarter ended September 30, 2015. ATRS Legacy Portfolio is in liquidating stage and has a remaining value of 2.4% with a total IRR of 9.2%. CSFB Portfolio is also liquidating and will continue to see distributions. CSFB has a remaining value of 24.5% with a net IRR of 9.0%. The Post 2006 Portfolio represents 2/3 of ATRS portfolio and will continue to grow as more commitment to capital. The Post 2006 Portfolio has a net IRR of 15.2%. The total fund had a net IRR of 9.9% for the quarter ended September 30, 2015.

2. **Recommendation to Commit up to \$30 Million Dollars in Vista Foundation Fund III, L.P., a Private Equity Buyout Fund that Invests in Small to Middle Market Software Companies, subject to final due diligence on a couple of items that should be completed just after the ATRS Board meeting.** Michael Bacine of Franklin Park presented the recommendation to commit up to \$30 million dollars in Vista Foundation Fund III, L. P. ATRS invested in Vista Equity Partners III in 2008 and Vista Foundation II in early 2014. These are currently some of the best performing funds in the private equity portfolio. Both funds employ a similar strategy of making controlled investments in software companies, except that Vista Foundation purchases small to middle market enterprises whereas Vista Equity is focused on larger entities. Vista Foundation benefits from the affiliation with Vista Equity due to the leverage of experience, networks, and resources of the Vista organization to source deals as well as in the post-investment management process. Vista implements its own proprietary software company specific operational practices that have been shown to create value in their portfolio companies.

Franklin Park is recommending a commitment of up to \$30 million dollars in Vista Foundation Fund, III, L. P, subject to final due diligence. The remaining diligence items are routine and should present no issues related to the investment. Since this fund is expected to close very quickly due to demand, the need to commit, subject to final due diligence, is requested.

Ms. Nichols *moved to adopt* Resolution 2016-09, to Commit up to \$30 Million Dollars in Vista Foundation Fund III, L.P., a Private Equity Buyout Fund that

Invests in Small to Middle Market Software Companies, subject to final due diligence on a couple of items that should be completed just after the ATRS Board meeting. The Board *unanimously adopted the Resolution.*

XIV. Operations Committee Report. Bobby Lester, Chair gave a report on the Operations Committee meeting.

A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members in Attendance.

B. Potential 2017 Legislation.

- 1. Disability Retirement to Include Reciprocal Service for Vesting.** A draft copy of legislation was presented. Mr. Hopkins reported to the Committee that changes were in item "(a)", which added a description word "covered" to employer, and added "and reciprocal" service back to the service requirements for qualification for disability retirement.

Mr. Lester *moved to approve* draft Legislation on Disability Retirement to Include Reciprocal Service for Vesting. The Board *unanimously approved the motion.*

- 2. Survivor Benefits to Include Reciprocal Service Credit for Vesting, with a Prorated Surviving Child Benefit.** A draft copy of legislation was presented for consideration. Mr. Hopkins reported that a change was made to item "(a)" which added back "and reciprocal service". Also, a change was made to item "(c)" which allowed a surviving child benefit to be "1% of the member's highest salary year for each quarter of a year credited as actual service, up to a maximum of twenty (20) quarters of a year that are credited as actual service".

Mr. Lester *moved to approve* draft Legislation on Survivor Benefits to Include Reciprocal Service Credit for Vesting, with a Prorated Surviving Child Benefit. The Board *unanimously approved the motion.*

- 3. Disability Retirement to Include Incentive to Return to Work.** A draft copy of legislation was presented. This change

will be reflected in a new section of the law, 24-7-737. This section is meant to encourage a member on disability retirement to reenter covered employment with the hopes of returning to work full time. However, if the member is unable to keep working for a covered employer, then the member will return to disability retirement with a benefit of the higher of the amount of the member's disability benefit prior to returning to work, or a recomputed benefit using a potentially higher salary or additional service credit. This will allow the disability retiree to reenter the workforce without the penalty of losing cost of living adjustments.

After discussion by the Committee, the Committee agreed to table this item and asked Mr. Hopkins to provide additional information at the next Committee Meeting in April.

4. **Prohibition of Public Pension Advances.** A draft copy of legislation was presented to the Committee. Mr. Hopkins reported that a growing concern in other states with a large senior citizen population are companies that provide retirees an advance based upon future monthly retirement payments. An example of a real ATRS retiree was presented to this Committee at the last meeting. Upon learning of the disturbing circumstances of that transaction, if legislation is passed in support of a bill such as this, then ATRS will work closely with the Arkansas Attorney General to enforce the legislation

Mr. Lester *moved* to approve draft of Legislation on Prohibition of Public Pension Advances. The Board *unanimously* approved the *motion*.

- C. **Recent ATRS Rules will become Effective February 10, 2016 after Final Approval by the Board.** Upon final approval and adoption of Resolution No. 2016-10, the following Rules will become effective February 10, 2016. All approvals by the Legislature and Committees are complete and the final rules will be in the 10 day wait process.
 1. **Rule 4-1: Board of Trustees Composition and Elections.**
 2. **Rule 5-4: Investment Goals.**
 3. **Rule 5-5: Investment Strategy.**
 4. **Rule 5-6: Investment Consultants.**

5. **Rule 8-1: Purchase of Service Credit/Repayment of Refunds.**
6. **Rule 8-7: Free Military Service.**
7. **Rule 9-2: Age and Service (Voluntary) Retirement.**
8. **Rule 9-4: Disability Retirement.**
9. **Rule 10-3: Teacher Deferred Retirement Option Plan (T-DROP).**

Mr. Lester *moved to adopt* Resolution 2016-10, approval of Rule 4-1, Rule 5-4, Rule 5-5, Rule 5-6, Rule 8-1, Rule 8-7, Rule 9-2, Rule 9-4, and Rule 10-3. The Board *unanimously adopted the Resolution.*

- D. Report of Visit to Ohio SERS to Research Potential Outsourcing Solution.** Mr. Hopkins and Ms. Gail Bolden visit with the Ohio School Employees Retirement System (SERS) executive staff and review of their operations regarding contracted employees' relationship to covered employers was most productive. Ohio SERS had a great deal of experience, since their law has included contracted employees in their membership since the mid-1960s.

The Ohio report generated discussion among the Committee members, with suggestions for potential legislation.

1. The Committee felt that existing contracts would most likely have to be grandfathered so that legislative changes would affect only new or renewed contracts.
2. The committee felt that implementation would most likely need to be delayed by approximately two years in order to help set up the necessary changes by the ATRS employers

Mr. Hopkins outlined a few options for the Committee to consider regarding outsourcing.

1. Do nothing;
2. Implement a surcharge on the outsourced contracts from a suggested 5.5% to 7%, and write into legislation that participation is mandatory;
3. Prohibit outsourcing; or

4. Find a blend of the items outlined above that will make ATRS whole for the amount of employer contributions it is losing due to outsourcing.

The Committee asked ATRS staff to report back on the following items:

1. What is the amount of 14% contributions ATRS would receive as a result of making outsourced employees become members of ATRS.
2. What would be the amount of surcharge necessary if the contracted employees were not made members of ATRS.
3. If ATRS does nothing to address outsourcing, what cuts in benefits might be necessary to make up the shortage of employer contributions; or, how much would employee/employer contributions for ATRS members have to increase in order to make up for the employer contributions lost due to outsourcing.

Laura Gilson is going to continue gathering information from her colleagues in other states to update the research she had conducted in 2014. Ms. Nichols is going to contact her colleagues at NCTR to see if this is an issue in other states. Additionally, Mr. Hopkins will continue to work with staff and actuaries to more clearly define the potential losses to ATRS if outsourcing continues to increase. This item will be on the next Operations agenda for further discussion.

XVII. Staff Reports.

- A. **Medical Committee Reports.** Michael Ray presented the Medical Committee reports. A total of twenty three (23) disability applications were received, nineteen (19) were approved for disability benefits, and four (4) needed more information.

Ms. Nichols moved to approve the Medical Committee Reports. Mr. Knight seconded the motion, and the Board unanimously approved the motion.

XV. Other Business: None

XVII. Adjourn.

Mr. Lester *moved to adjourn* the Board Meeting. Mr. Knight *seconded* the *motion*, and the board *unanimously approved the motion*.

Meeting adjourned at 12:08 p.m.

George Hopkins,
Executive Director

Mr. Jeff Stubblefield, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved