

AGENDA
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES

June 3, 2019
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201

- I. ***Call to Order/Roll Call.** page 1.
- II. ***Motion for Excused Absences.**
- III. ***Adoption of Agenda.** page 2.
- IV. Executive Summary. *Clint Rhoden, Executive Director* (Attachment No. 1) page 6.
- V. ***Approval of Prior Meeting Minutes.**
 - A. ***June 6, 2016 - Corrected Minutes: Scrivener's Error.** (Attachment No. 2) page 15.
 - B. ***April 1, 2019 Minutes.** (Attachment No. 3) page 37.
 - C. ***April 29, 2019 Minutes - Called Meeting.** (Attachment No. 4) page 53.
- VI. Report of Member Interest Waived Under A.C.A. Sec. 24-7-205. No interest waived this reporting period.
- VII. Report of Employer Interest and Penalties Waived Under A.C.A. Sec. 24-7-411. No employer penalties and interest was waived this reporting period.
- VIII. ***Compensation for Unused Sick Leave.** *Clint Rhoden, Executive Director*
 - A. ***Resolution 2019-31.** (Attachment No. 5) page 56.
- IX. Audit Committee Report. *Kelly Davis, Audit Committee Chair*
 - A. ***Internal Audit Department Charter.** (Attachment No. 6) page 57.
 - B. ***Audit Committee Charter.** (Attachment No. 7) page 61.
 - C. ***Reappointment of Audit Committee At-Large Member.**

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- D. Internal Audit Report: Disability Benefits. (Attachment No. 8) page 64.
- E. ***2019-2020 Internal Audit Plan.**
 - 1. ***Audit Plan for FY 2020.** (Attachment No. 9) page 70.
 - 2. ***FY2019 Summary of Work Completed.** (Attachment No. 10) page 76.
 - 3. ***Conflict of Interest Statement.** (Attachment No. 11) page 80.
 - 4. ***Code of Ethics Statement.** (Attachment No. 12) page 82.

- X. Investment Committee Report. *Robin Nichols, Investment Committee Chair*
 - A. Arkansas Related Investment Update.
 - 1. ***Recommendation to Provide Staff Authority to Negotiate Refinancing of American Center in Nashville, TN.** (Attachment No. 3) page 84.
 - a. ***Resolution 2019-26.** page 85.
 - 2. List of Fund Closings.
 - a. American Industrial Partners Capital Fund VII, L.P., a Private Equity Buyout, Turnaround and Distressed Debt Fund that will Target Middle Market Underperforming Companies in the Industrial Sector, the Board Authorized Commitment of up to \$30 Million Dollars on February 4, 2019 was Accepted and Closed on March 29, 2019.
 - b. Arlington Capital Partners V, LP, a Private Equity Buyout Fund Specializing in Small to Lower Mid-Market Companies in the U.S. with Imminent Need, the Board Authorized Commitment of up to \$30 Million Dollars on April 1, 2019 was Accepted and Closed on May 3, 2019.
 - c. Blackstone Real Estate Partners Europe VI, SCSp , a Closed End Opportunistic Real Estate Fund that Acquires Distressed and Undermanaged European Properties at Below Market Prices and Executes Business Plans that Seek to Creating Core Real Estate Assets with Imminent Need, the Board Authorized Commitment of up to €44 Million Euros (Approximately the Equivalent of \$50 Million Dollars) on April 1, 2019 was Accepted and Closed on April 30, 2019.
 - 3. Total Equity Rebalancing Update and Recap.
 - a. The Board Authorized Redeployment of the Assets Formerly Managed by Daruma Capital Management to the Existing AllianzGI Structured Alpha Global Equity 350 L.L.C. Fund and the Existing BlackRock MSCI ACWI IMI Index Fund A on April 1, 2019 was Successfully Completed on May 13, 2019.

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- b. The Board Authorized Redeployment of Assets Managed by Pershing Square Capital Management, L.P., by Closing the Pershing Square International Ltd Fund and Redeploying the Assets to the Existing BlackRock MSCI ACWI IMI Index Fund A on April 1, 2019 was Initiated April 9, 2019.

B. General Investment Consultant Report.

1. Preliminary Performance Report for the Quarter Ended March 31, 2019. (Attachment No. 4) page 86.
2. Preliminary Performance Report for the Month Ended April 30, 2019. (Attachment No. 5) page 241.

C. Real Assets Investment Consultant Report.

1. Performance Report for Fourth Quarter ending December 31, 2018. (Attachment No. 6) page 265.

D. Private Equity Consultant Report.

1. Private Equity Portfolio Review for the Quarter Ended December 31, 2018. (Attachment No. 7) page 316.
2. ***Recommendation to Commit up to \$30 Million Dollars in JFL Equity Investors V, L.P., a Private Equity Buyout Fund that Invests in the Defense, Aerospace and Maritime Industries and Related Businesses.** (Attachment No. 8) page 368.
 - a. ***Resolution 2019-27.** page 372.
3. ***Recommendation to Transfer the Commitment of up to \$30 Million Dollars to the Franklin Park Venture Capital Access Fund, L.P. that was Authorized by the Board on December 3, 2018 to the Franklin Park Venture Fund Series 2019, L.P. a Fund of Funds Managed by Franklin Park Investing in Venture Capital Private Equity Funds.** (Attachment No. 9) page 373.
 - a. ***Resolution 2019-28.** page 376.
4. ***Recommendation to Transfer the Commitment of up to \$30 Million Dollars to the ATRS/FP Private Equity Fund that was Authorized by the Board on December 3, 2018 and Closed on March 1, 2019 to the Franklin Park Corporate Finance Access Fund, L.P., a Fund of Funds Managed by Franklin Park Investing in Smaller Buyout, Growth, and Turnaround Private Equity Funds.** (Attachment No. 10) page 378.
 - a. ***Resolution 2019-29.** page 381.

XI. Operations Committee Report. *Bobby Lester, Operations Committee Chair*

- A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members Present.
 1. Open Forum.

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- B. ***CASH Program: Extend for FY2020.**
 - 1. ***Resolution 2019-30.** (Attachment No. 13) page 383.
- C. Update on Rules: No Public Comments.
 - 1. Rule 4: Board of Trustees Composition and Elections.
 - 3. Rule 8: Purchase and Refunds.
 - 4. Rule 10: Teacher Deferred Retirement Option Plan (TDROP) and Return to Service.
 - 5. Rule 16: Cash and Savings Help Program.
- D. ***Potential Rule Changes from Rule to Board Policy.**
 - 1. ***Rule 1 - Governance.** (Attachment No. 3) page 387.
 - 2. ***Rule 2 - Board Objectives.** (Attachment No. 4) page 399.
 - 3. ***Rule 3 - Executive Director.** (Attachment No. 5) page 404.

XII. ***Staff Reports.** *Willie Kincade, Director of Operations*

- A. ***Medical Committee Report.** *Willie Kincade, Director of Operations*
(Attachment No. 14) page 414.
- B. Securities Monitoring RFQ Update. *Clint Rhoden, Executive Director and Rod Graves, Deputy Director*

XIII. Mr. Bernard Sullivan to Discuss Proposed Legislation for Board Consideration.

XIV. Other Business.

- A. Recognition of Retiring Trustees.

XV. ***Adjourn.**