

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

**Monday, February 4, 2019
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Jeff Stubblefield, Chair
Danny Knight, Vice Chair
Dr. Richard Abernathy
Anita Bell
Lloyd Black
Kathy Clayton
Kelly Davis
Susannah Marshall, designee for Candace Franks
Hon. Andrea Lea
Bobby Lester
Jason Brady, designee for Dennis Milligan
Robin Nichols
Deborah Thompson
Janet Watson

Board Members Absent

Johnny Key

ATRS Staff Present

Clint Rhoden, Executive Director
Curtis Carter, Chief Fiscal Officer
Dena Dixon, Internal Audit Risk Mgmt.
Mitzi Ferguson, Internal Audit/Risk Mgmt.
Vicky Fowler, HR Manager
Laura Gilson, General Counsel
Rod Graves, Deputy Director
Wayne Greathouse, Assoc. Dir. of Investments
Mike Lauro, Information Systems Manager
Jerry Meyer, Manager, Real Assets
Martha Miller, Staff Attorney
Kevin Odum, Attorney Specialist
Tammy Porter, Executive Assistant
Joseph Sithong, Software Support Analyst
Brenda West, Internal Audit/Risk Mgmt.

Guest Present

Donna Morey, ARTA
David Kizzia, AEA
PJ Kelly, AHIC
Katie Comstock, AHIC
Michael Bacine, Franklin Park
Lura Campbell, ARTA
Emilee Monk, ARTA

- I. **Call to Order/Roll Call.** Mr. Jeff Stubblefield, Chair, called the Board of Trustee meeting to order at 1:01 p.m. Roll call was taken. Mr. Johnny Key was absent.
- II. **Motion to Excuse Absences.**

Ms. Nichols moved to excuse Mr. Key from the February 4, 2019, Board of Trustees meeting. Ms. Clayton 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 Prior Meeting Minutes.

A. December 3, 2019 Minutes.

Mr. Brady *moved for approval of the Minutes of the Board of Trustees meeting of December 3, 2019, with amendment to remove Ms. Marshall as being in attendance and add Ms. Candace Franks. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.*

B. December 17, 2019 Minutes.

Mr. Black *moved for approval of the Minutes of the Board of Trustees meeting of December 17, 2019. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.*

VI. Staff Empowerment. Mr. Rhoden 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.

1. Resolution 2019-01.

Mr. Brady *moved to adopt Resolution 2019-01, Authority to Transact Business on behalf of the ATRS Board of Trustees. Mr. Knight seconded the motion, and the Board unanimously adopted the resolution.*

B. Specific Powers of Executive Director.

1. Resolution 2019-02.

Mr. Lester moved to adopt Resolution 2019-02, Authorizing Specific Powers of Executive Director on behalf of the ATRS Board of Trustees. Ms. Marshall seconded the motion and the Board unanimously adopted the resolution.

C. Appointment of ATRS as Manager of LLC's.

1. Resolution 2019-03.

Ms. Nichols moved to adopt Resolution 2019-03, Appointment of ATRS as Manager of LLC's. Mr. Brady seconded the motion, and the Board unanimously adopted the resolution.

VII. Authority to Reimburse Trustee Expenses for 2019. Mr. Rhoden 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.

A. Resolution 2019-04.

Mr. Black moved to adopt Resolution 2019-04, 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. Thompson seconded the motion, and the Board unanimously adopted the resolution.

VIII. Authorization for Board Travel and Expense Reimbursement for 2019. Mr. Rhoden 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.

A. Resolution 2019-05.

Dr. Abernathy moved to adopt Resolution 2019-05, authorizing ATRS to reimburse ATRS Trustees for expenses used in traveling for official Board duties. Mr. Knight seconded the motion, and the Board unanimously adopted the resolution.

IX. Adoption Employer Contribution Rate. Mr. Rhoden explained the 2019-2020 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.

A. Resolution 2019-06.

Ms. Watson moved to adopt Resolution 2019-06, Adoption Employer Contribution Rate at the current rate of 14.25% for the fiscal year starting July 1, 2020. Mr. Black seconded the motion, and the Board unanimously adopted the resolution.

X. Adoption of 2019-2020 Member Contribution Rate. Mr. Rhoden explained the member contribution rate has not changed in 43 years. By a resolution adopted by the Board in November, 2017, the member contribution rate is scheduled to begin increasing after the next fiscal year. In order to ensure continuity and continued focus on the member contribution rate amount as it is phased in, the member contribution rate has been added to the process like the employer rate adoption for the coming fiscal year. This resolution sets the member contribution rate at 6.25%.

A. Resolution 2019-07.

Ms. Nichols moved to adopt Resolution 2019-07, Adoption of 2019-2020 Member Contribution Rate at the current rate of 6.25% for the fiscal year starting July 1, 2019. Ms. Davis seconded the motion, and the Board unanimously adopted the resolution.

XI. Adoption of Contribution Rate applied to Outsourced Positions. From the 2017 Legislative session, a contribution rate now applies to outsourced salaries that are embedded positions as defined by that law. The law provides a "phased in" rate over several years. In order to process this rate like the employer and member contribution rate, it is also placed on the agenda for the Board to officially set the rate by Resolution. After the full phased in period, the Board has the authority to adjust the rate to a maximum rate 4%. The authorized rate by law for fiscal year 2020 is two percent (2%).

A. Resolution 2019-08.

Ms. Bell moved to adopt Resolution 2019-08, Adoption of 2019-2020 Contribution Rate of 2% applied to Outsourced Positions. Mr. Knight seconded the motion, and the Board unanimously adopted the resolution.

XII. Actuarial Valuations, June 30, 2018. Mr. Rhoden 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.

Ms. Thompson moved to accept the Actuarial Valuations for Active and Inactive Members as of June 30, 2018. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

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

Mr. Lester moved to accept the Actuarial Valuations for Retirees & Beneficiaries as of June 30, 2018. Mr. Knight seconded the motion, and the Board unanimously approved the motion.

XIII. Adoption of Interest Rate for T-DROP Accounts for 2019-2020 (June 30, 2019). The ATRS Board annually sets the interest rates on T-DROP accounts. In November 2017, the Board set the T-DROP rate at a fixed 3% unless investment returns in the prior calendar year exceeded the current assumed rate of return by more than 2% (200 bp). The November 2017 resolution allows the Board to award an incentive rate of up to 3% which when combined with the 3% fixed rate provides a maximum T-DROP rate of 6%. This rate would apply in the fiscal year that ends on June 30, 2020. The executive staff recommends the 3% for the fiscal year 2019-2020.

A. Resolution 2019-09.

Ms. Bell moved to adopt Resolution 2019-09, Adoption of Interest Rate for T-DROP Accounts for 2019-2020 (June 30, 2019) at 3%. Ms. Nichols seconded the motion, and the Board unanimously adopted the resolution.

XIV. Adoption of Interest Rate for Post 10 Yr. T-DROP Accounts for 2019-2019 (June 30, 2019). The ATRS Board annually sets the interest rates on Post 10 Year T-DROP accounts. In November 2017, the Board set the Post 10 Year T-DROP rate at a rate between 4% and 6% with an incentive rate available when the calendar year returns exceeded the current assumed rate

of return by more than 2% (200 bp). The November 2017 resolution allows the Board to award an incentive rate of up to 1.5% which when combined with the 6% maximum rate provides a maximum Post 10 Year T-DROP rate of 7.5%. This rate would apply in the fiscal year that ends on June 30, 2020. As a reminder, participants in Post 10 Year T-DROP only receive interest on the accumulated T-DROP balance with no deposits and no monthly benefit payments. Post 10 Year T-DROP accounts create a meaningful gain for ATRS and that gain has increased due to much greater participation once ATRS started paying interest on Post 10 Year T-DROP Accounts. The executive staff recommends a rate of 4% be awarded for fiscal year 2019-2020.

A. Resolution 2019-10.

Ms. Nichols moved to adopt Resolution 2019-10, Adoption of Interest Rate for Post 10 Yr. T-DROP Accounts for 2019-2019 (June 30, 2019) at 4%. Ms. Bell seconded the motion, and the Board unanimously adopted the resolution.

XV. 2019 Board of Trustee Election Update. ATRS Board of Trustees had four (4) positions that were up for election, Positions 1, 3, 4 and 10. In accordance with the ATRS Board election rules, after appropriate notification and following the election processes, one (1) person for each position submitted a petition for election and it was determined that all 4 candidates complied with the election rules and the election was uncontested.

A. Certification of Robin Nichols as Member Trustee for First Congressional District for a six year term commencing on July 1, 2019. In accordance with the ATRS Board election rules, Ms. Nichol's position was up for re-election in the Spring of 2019. Ms. Nichols was the only candidate who submitted a petition for election that was determined to comply with all requirements to certify Ms. Nichols as a candidate for the position. No other candidate filed in this position. According to the ATRS election rules, the first board meeting after a candidate for the election is unopposed, the Board should certify Ms. Nichols as an elected, member trustee. **This is an action item.**

1. Resolution 2019-11.

Mr. Brady moved to adopt Resolution 2019-11, certifying Robin Nichols as Member Trustee for First Congressional District for a six year term commencing on July 1, 2019.

Ms. Clayton seconded the motion, and the Board unanimously adopted the resolution.

- B. Certification of Arthur "Chip" Martin, III as Member Trustee for Third Congressional District for a six year term commencing on July 1, 2019.** In accordance with the ATRS Board election rules, Position 3 was up for election in the Spring of 2019. Mr. Martin was the only candidate who submitted a petition for election that was determined to comply with all requirements to certify Mr. Martin as a candidate for the position. No other candidate filed in this position. According to the ATRS election rules, the first board meeting after a candidate for the election is unopposed, the Board should certify Mr. Martin as an elected, member trustee. **This is an action item.**

1. Resolution 2019-12.

Auditor Lea moved to adopt Resolution 2019-12, certifying Arthur "Chip" Martin, III as Member Trustee for Third Congressional District for a six year term commencing on July 1, 2019. Ms. Nichols seconded the motion, and the Board unanimously adopted the resolution.

- C. Certification of Kathy Clayton as Member Trustee for Fourth Congressional District for a six year term commencing on July 1, 2019.** In accordance with the ATRS Board election rules, Ms. Clayton's position was up for re-election in the Spring of 2019. Ms. Clayton was the only candidate who submitted a petition for election that was determined to comply with all requirements to certify Ms. Clayton as a candidate for the position. No other candidate filed in this position. According to the ATRS election rules, the first board meeting after a candidate for the election is unopposed, the Board should certify Ms. Clayton as an elected, member trustee. **This is an action item.**

1. Resolution 2019-13.

Mr. Knight moved to adopt Resolution 2019-13, certifying Kathy Clayton as Member Trustee for Fourth Congressional District for a six year term commencing on July 1, 2019. Ms. Marshall seconded the motion, and the Board unanimously adopted the resolution.

- D. Certification of Bobby Lester as Retirant Member Trustee for a six year term commencing on July 1, 2019.** In accordance with the ATRS Board election rules, Mr. Lester's position was up for re-election

in the Spring of 2019. Mr. Lester was the only candidate who submitted a petition for election that was determined to comply with all requirements to certify Mr. Lester as a candidate for the position. No other candidate filed in this position. According to the ATRS election rules, the first board meeting after a candidate for the election is unopposed, the Board should certify Mr. Lester as an elected, retirant trustee. **This is an action item.**

1. Resolution 2019-14.

Auditor Lea *moved to adopt* Resolution 2019-14, certifying Bobby Lester as Retirant Member Trustee for a six year term commencing on July 1, 2019. Ms. Bell *seconded the motion*, and the Board *unanimously adopted the resolution.*

XVI. Report of Member Interest Waived Under A. C. A. Section 24-7-205. Mr. Rhoden presented the member interest amount waived report. ATRS waives interest for 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. Since ATRS has implemented the actuarial cost method for the purchase of service credit, interest waived is slowly disappearing, as well as the number of members who purchase service credit. No member interest was waived for this reporting period. This is a standard report for information and is not an action item.

XVII. Report of Employer Interest and Penalties Waived Under A. C. A. Sec. 24-7-411. Mr. Rhoden presented the employer interest and penalties waived report. ATRS may also waive employer interest and penalties when reports or payments are late or have issues due to a new bookkeeper, inclement weather, sickness and other situations that justify a waiver. Four (4) employer penalties and interest were waived for this reporting period in the amount of \$849.15. This is a standard report for information and is not an action item.

XVIII. Manifest Injustice for Board Approval

A. In Re: Wonderview School District: MI-2018-12

In mid-2017, Legislative Audit notified ATRS staff that they discovered some unreported member contributions through their APSCN review of school districts payroll data. ATRS does not have the capability of accessing or reviewing APSCN data. The information shared with ATRS by Legislative Audit showed an unusual underreporting of member contributions for Wonderview School District. ATRS billed Wonderview School District for the underpayments, including interest, in June 2017. At that time, the amount of underreported contributions

was \$68,695.17, and interest was \$7,169.90. In September of 2018, ATRS sent a staff determination letter that outlined the responsibility of Wonderview School District to make up the underpaid contributions, plus interest. After discussions with the school district, they filed a Manifest Injustice Claim, seeking relief from the accruing interest. The current underreported contributions remain at \$68,695.17, and the interest to date totals \$18,815.70. The Manifest Injustice Committee recommends that a manifest injustice has occurred, and that the interest to date be waived. A copy of the MI Claim from Wonderview School District is attached. The Wonderview School District agrees to enter into a Promissory Note with ATRS to pay in full the unreported contributions.

The Manifest Injustice Committee met and found that a manifest injustice occurred and that the interest to date should be waived. In addition, the Board will still have to decide, in addition to waiving interest to date, whether they will waive interest *going forward* on the back contributions *from the date of the Promissory Note*, or not.

This matter is before the Board since the waiver amount is more than \$10,000. The Board could agree that a manifest injustice does exist and award a modified remedy, or the Board could also find a manifest injustice does not exist and award no remedy at all.

The executive staff recommendation is that a manifest injustice be found.

Mr. Lester moved to approve the Recommendation of the Manifest Injustice Committee to waive the past interest in the amount of \$18,815.70, and to allow the school district to sign a promissory note for the remaining principal balance as of July 1, 2019, at 7.5% interest. Mr. Brady seconded the motion and the Board unanimously approved the motion.

B. In Re: Coy Hull (LaToya Hull- King, Beneficiary) MI2018-013-B.

Member Coy Hull died on May 27, 2005. Ms. Hull-King filed a request for LSDB in October, 2018. Arkansas law provided that if ATRS benefits are not claimed within five (5) years of the time the benefit becomes available, then such benefits are forfeited back to ATRS. The LSDB for Mr. Hull's beneficiary was available until May 27, 2010.

The beneficiary filed a Manifest Injustice stating she was unaware she was entitled since she never received paperwork in 2010 that she requested for the LSDB. The manifest injustice met and found that a manifest injustice does exist and recommends that the Board waive the five year deadline and pay the LSDB, in whole or in part, to the beneficiary.

The executive staff concurs with the Manifest Injustice Committee's recommendation.

Ms. Nichols moved to approve the Recommendation of the Manifest Injustice Committee as presented to the Board. Mr. Brady seconded the motion and the Board unanimously approved the motion.

XIX. Audit Committee Report. Kelly Davis, Chair, gave a report on the Audit Committee Meeting.

- A. Internal Audit Report: Reciprocal Service Benefits.** Mitzi Ferguson discussed the Internal Audit Report regarding Reciprocal Service Benefits. Reciprocal service allows employees to move from one employer that participates in an Arkansas public retirement system to another employer participating in a different public retirement system without losing the retirement benefits accrued in their previous public service.

The objectives of conducting the audit were:

1. To determine benefits for reciprocal members were calculated accurately and consistently in accordance with ATRS laws, rules and procedures;
2. To evaluate internal controls surrounding the calculation of reciprocal benefits, including review procedures; and
3. To evaluate the adequacy of staff training to calculate reciprocal benefits.

The audit included retirees with reciprocal service for the period of July 1, 2013 through April 1, 2018. The objectives of a system of internal controls are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with policies and guidelines, and are recorded properly. IA findings and recommendations are provided to assist management in implementing

internal controls that ensure proper procedures are implemented and followed, and should not be used for any other purpose. Ms. Ferguson presented the Findings, Recommendations, and Management Responses.

For the vast majority of ATRS retirees, their final average salary and retirement benefits are calculated through the ATRS Member Information System. However, because of complicated rules involving reciprocal member with less than 3 years of service in either ATRS or a reciprocal system, their benefits require manual calculation.

During the audit period, ATRS had member retirements totaling 14,655, with only 455 (3%) of those retirees having reciprocal service of less than 3 years. While this segment of ATRS retirees are a small part of the entire retiree population and their benefits are not of financial significance to ATRS, the laws and rules that affect their retirement benefits are very important to the individual members.

The absence of complete written procedures, a comprehensive training program, and effective review of procedures contributed to the errors and inconsistencies noted in the audit. The recommendations contained in the report are intended to assist ATRS in their efforts to ensure the benefits of all ATRS members are calculated accurately, timely and fairly.

- B. Interim changes to the FY2019 Audit Plan.** Brenda West, Internal Auditor, presented the committee with Interim Changes to the Audit Plan for FY2019. The only change was to add adjustment for new hire, Ms. Dena Dixson.

Ms. Davis *moved to approve* Interim changes to the FY2019 Audit Plan. The Board *unanimously approved the Motion.*

- XX. Investment Committee Report.** Robin Nichols, Chair, gave a report on the Investment Committee meeting.

- A. Arkansas Related and Investment Update.** Rod Graves, Deputy Director, gave the Committee a report on Fund Closings.

- 1. List of Fund Closings.**

- a. Expected Revenue Stream of \$100 Million Dollars of State of Arkansas Recycling Tax Credits Related to**

Big River Steel to be Paid by the State of Arkansas and Associated PIK Interest Loan, the Board Authorized Commitment of up to \$74.5 Million Dollars on December 17, 2018 was Accepted and Closed on January 22, 2019. The purchase price for the revenue stream was negotiated for approximately \$74.4 million dollars. The ATRS commitment of approximately \$74.4 million dollars was negotiated, accepted, and closed on January 22, 2019.

- b. LaSalle Income and Growth Fund VIII, LP, a Closed End Value ded Real Estate Fund Focused on Non-Core Real Estate with Strong Income, the Board Authorized Commitment of up to \$50 Million Dollars on October 1, 2018 was Accepted and Closed on December 27, 2018.** The ATRS full commitment of \$50 million dollars was negotiated, accepted, and closed on December 27, 2018.

B. General Investment Consultant Report.

- 1.. Preliminary Performance Report for the Quarter Ending December 31, 2018.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary portfolio update for the quarter ended December 31, 2018. The ATRS fund had a market value of approximately \$16.1 billion dollars. The total fund had a return of 8.3% since inception, performing at its benchmark of 8.3%. Total equity had a market value of approximately \$8.1 billion dollars. Total equity had a return of 4.3% since inception, underperforming its benchmark of 5.1%.
- 2. Asset Liability Study.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with the latest ATRS asset liability study. The results of the study show the ATRS portfolio to be well diversified with a reasonable risk profile and sufficient liquidity for most scenarios.

C. Real Asset Consultant Report.

- 1. Performance Report for the Quarter Ending September 30, 2018.** Chae Hong of Aon Hewitt Investment Consulting presented the performance report for the quarter ended September 30, 2018. NCREIF's NPI registered at 1.7% and

NFI-ODCE (net) returned 1.9%. In the third quarter of 2018, the NFI-ODCE (net) returned 1.9%, up 10 bps quarter-over-quarter. NFI-ODCE returns are holding up well despite the maturity of the real estate cycle. NCREIF Farmland Index returned 1.3% for the quarter, up 20 bps from the prior quarter. Permanent and row crops notches similar performance at approximately 1.3% each. NCREIF Timberland Index returned 1.0% for the quarter. The NTIs trailing one year return was 4.0% and driven primarily by an income return of 3.2% while appreciated returned 0.7%.

D. Private Equity Consultant Report.

- 1. Private Equity Portfolio Review for the Quarter Ending September 30, 2018.** Michael Bacine of Franklin Park provided the portfolio update for the quarter ending September 30, 2018. The ATRS Legacy Portfolio is in the liquidating stage and has a remaining value of less than 0.1% of the ATRS private equity portfolio with a total IRR of 9.2%. CSFB Portfolio is also liquidating and will continue to see distributions. CSFB has a remaining value of 8.4% of the ATRS private equity portfolio with a net IRR of 8.9%. The Post 2006 Portfolio represents 2/3 of the ATRS private equity portfolio and will continue to grow as more commitments to capital are made. The Post 2006 Portfolio has a net IRR of 15.7%. The total fund had a net IRR of 10.9% for the quarter ended September 30, 2018.
- 2. Recommendation to Commit up to \$30 Million Dollars in 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 with Imminent Need.** Based in New York, the general partner was founded in 1989 and is currently led by fifteen principals who have an average of thirteen years of private equity experience and an average tenure of eleven years with the general partner. The principals are highly experienced and were previously with Goldman Sachs, JP Morgan and large industrial corporations. They are supported by ten mid-level and junior investment professionals, five credit opportunities focused professionals, two business development partners as well as support staff.

The fund will seek to make investments in the industrial sector and sub-sectors such as industrial services or distribution and will always seek to invest at attractive valuations. Targeted companies will often have strong market positions, niche products and high barriers to entry but are underperforming due to factors the general partner believes it can address. The fund may invest in control buyout, turnaround, corporate carve-out, public-to-private, structured financings, bankruptcy acquisitions and debt-for-control transactions. In some cases, the general partner will invest in companies where there is a perceived cyclical tailwind. Up to 33% of the fund is expected to be invested in distressed debt, primarily in debt-for-control opportunities with a portion of that in a debt trading portfolio. Franklin Park has a few remaining items of due diligence to perform on the current fund; therefore, their recommendation is made subject to the completion of these items.

The current team has generated attractive returns with a gross IRR of approximately 30% for its previous three funds. The fund is highly sought after and will likely have only one closing by the end of March. Due to the timing of the closing for this investment and the fact that there are no scheduled meetings of the Arkansas Legislative Council before the end of the current legislative session, Imminent Need is requested. Both Franklin Park and ATRS staff recommend an investment of up to \$30 million in American Industrial Partners Capital Fund VII, L.P. with Imminent Need, subject to final due diligence.

ATRS staff and Franklin Park recommend an ATRS commitment to the Franklin Park International Fund of up to \$30 million dollars for 2019.

Ms. Nichols *moved to adopt* Resolution 2019-15, to Commit up to \$30 Million Dollars in 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 with Imminent Need. The Board *unanimously adopted the Resolution.*

- XXI. 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.

1. Open Forum. None.

B. Legislative Update. Executive Director Clint Rhoden gave an update on the Legislative Session and the ATRS Legislative Package.

1. **Dependent Child Annuity Eligibility (JNL081).** Has been filed and is HB1316. Sponsor is Representative Smith.
2. **Rehiring Disability Retirants (JNL082)** Has been filed and is HB1308. Sponsor is Representative Gray.
3. **Technical and Minor Corrections (JNL083)** Has been filed and is HB1320. Sponsor is Representative Maddox.
4. **Noncontributory Eligibility (JNL112)** Has been filed and is SB222. Sponsor is Senator Cheatham.
5. **T-DROP (JNL133)** Has been filed and is SB218. Sponsor is Senator Cheatham.
6. **Final Average Salary/Service Credit (JNL145)** Has been filed and is HB1355. Sponsor is Representative Maddox
7. **Shell Bill – ATRS General (JNL107)** Has been filed and is HB1313. Sponsor is Representative Warren
8. **Shell Bill – General Retirement (JNL108)** Has been filed and is HB1311. Sponsor is Representative Warren
9. **Shell Bill – Modify and Adjust Benefits (JNL109)** Has been filed and is HB1312. Sponsor is Representative Warren
10. **Shell Bill – Modify Operations (JNL110)** Has been filed and is HB1310. Sponsor is Representative Warren.

XXI. Staff Reports.

- A. Medical Committee Reports.** Willie Kincade presented the Medical Committee reports. A total of seventeen (17) disability applications were

received, sixteen (16) were approved, and one (1) was denied for disability benefits.

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

- B. Contract Review.** Rod Graves, Deputy Director, handles coordinating the ATRS' contracts with the Office of State Purchasing (OSP). The ATRS Board reviews the agency's contracts up for renewal annually as a part of the ATRS contract process. This process provides an opportunity for the Trustees to ask questions about any of the contracts on the list, approve or reject any contract being reviewed as a whole, approve or reject them individually, or ask for more information as needed. Once reviewed by the Board, staff prepares annual contracts and sends the contracts to the vendors for completion. Once the contracts are returned, the contracts are sent to the Arkansas Legislative Council for a legislative review. ATRS contracts are typically for a two year term.

1. Regular Contracts.

Mr. Brady moved to approve the Regular Contracts up for renewal as presented to the Board. Dr Abernathy seconded the motion, and the Board unanimously approved the motion.

2. Security Monitoring Contracts.

Dr. Abernathy moved to recommend ATRS staff renew current securities firms with active cases for up to two years and recommends ATRS staff use the RFQ process to evaluate securities firms and approve the appropriate number of firms. The Board understands that during the two year period we may have more than the six firms that the current policy allows. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

XXIII. Other Business: None

XXIV. Adjourn.

Ms. Thompson moved to *adjourn* the Board Meeting. Ms. Davis *seconded* the *motion*, and the Board *unanimously approved the motion*.

Meeting adjourned at 2:08 p.m.

Clint Rhoden,
Executive Director

Mr. Jeff Stubblefield, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved