

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

**Monday, December 2, 2019
12:30 p.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Dr. Richard Abernathy, Vice Chair
Anita Bell
Lloyd Black
Kathy Clayton
Kelly Davis
Shawn Higginbotham
Bobby G. Lester
Chip Martin
Robin Nichols
Janet Watson
Hon. Andrea Lea, State Auditor

Board Members Absent

Candace Franks, Bank Commissioner
Johnny Key, Education Commissioner
Dennis Milligan, State Treasurer

Guest Present

Emily Tucker, Div. of Legislative Audit
Wayne Greathouse
Duncan Baird, APERS
Bill Stovall
Austin Grinder
Bill Paschal

* *via teleconference*

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Fiscal Officer
Dena Dixson, Internal Audit/Risk Mgmt.
Vicky Fowler, Director, Human Resources
Willie Kincade, Dir. Of Operations
Manju, Director, Information Systems
Jerry Meyer, Manager, Real Assets
Martha Miller, General Counsel
Kevin Odum, Attorney Specialist
Joseph Sithong, Software Support Analyst
Leslie Ward, Manager, Private Equity
Brenda West, Internal Audit/Risk Mgmt.

Consultants Present

PJ Kelly, Aon Investment Consulting
Tim Pflugrad, Aon Investment Consulting
Chae Hong, Aon Investment Consulting
Judy Kermans, GRS Consulting
Brian Murphy, GRS Consulting
Heidi Barry, GRS Consulting
Michael Bacine, Franklin Park
Karl Hartmann, Franklin Park

Reporters Present

Mike Wickline, AR DemGaz

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustee meeting to order at 12:30 p.m. Voice roll call was taken. Ms. Franks, Mr. Key and Hon. Milligan were absent. Auditor Andrea Lea arrived at 12:32 p.m.

II. Motion for Excused Absences.

Ms. Nichols moved to excuse Ms. Franks, Mr. Key and Hon. Dennis Milligan from the December 2, 2019, Board of Trustees meeting. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

III. Adoption of Agenda

Dr. Abernathy moved for adoption of the Agenda. Ms. Davis 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 Prior Minutes.

A. October 7, 2019 Minutes.

Mr. Higginbotham moved for approval of the Minutes of the Board of Trustees meeting of October 7, 2019. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

B. June 3, 2019 Minutes – Scrivener’s error.

Ms. Bell moved for approval of the Minutes of the Board of Trustees meeting of June 3, 2019. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

C. September 11, 2019 Minutes – Scrivener’s error.

Ms. Bell moved for approval of the Minutes of the Board of Trustees meetings of September 11, 2019. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

VI. Authority to Transact Business

A. Resolution 2019-45

Dr. Abernathy moved for adoption of Resolution 2019-45, Authority to Transact Business. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

- VII. Preliminary Active Actuarial Valuation.** Judy Kermans and Brian Murphy of Grabriel, Roeder, Smith & Co., gave a presentation of the preliminary active actuarial valuation for the 2018-2019 fiscal year.
- VIII. Statement of Financial Interest.** Mr. Rhoden, Executive Director, reminded the Board members that their Statement of Financial Interest filings are to be filed with the Secretary of State's office by Friday, January 31, 2019, for financial information for calendar year 2019.
- IX. Proposed 2020 Board of Trustees Schedule.** The Board reviewed the proposed schedule.

Mr. Lester moved to approve the 2020 Board of Trustee Schedule. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

- X. 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.
- XI. 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. Three (3) employer penalties and interest were waived for this reporting period in the amount of \$168.96. This is a standard report for information and is not an action item.
- XII. Manifest Injustice Report.** The Manifest Injustice Committee reviewed no claims during this reporting period. A copy of the report is included in the Board packet. The rule on Manifest Injustice requires reports to the Board at least two times per year. This is the second report of 2019. This Manifest Injustice report is for information and is not an action item.

XIII. Manifest Injustice Report For Board Approval.

Dr. Abernathy moved to take off the table the Manifest Injustice Claim MI-2018-006. Mr. Higginbotham seconded the motion, and the Board unanimously approved the motion.

Ms. Miller presented the questions to be decided by the Board.

Dr. Abernathy moved that the Board find that a manifest injustice existed and to hold the member harmless. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

Mr. Lester moved to waive the look-back period. Ms. Watson seconded the motion, and the Board unanimously approved the motion.

Dr. Abernathy moved to direct the ATRS staff to bill the Little Rock School District (LRSD) for \$19,437.47 in employer contributions. Ms. Watson seconded the motion, and the Board unanimously approved the motion.

Dr. Abernathy moved to follow the staff recommendation to waive interest from FY 2015 to FY 2020 in the amount of \$25,989.67. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

Ms. Watson moved to follow the staff recommendation to waive all but \$16,938.83 in interest for the period from FY 1997 to FY 2014. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

Mr. Lester moved to forgo the assessment of future interest if LRSD paid the employer contributions of \$19,437.47 and interest of \$16,938.83 on or before June 30, 2020. Ms. Davis seconded the motion, and the Board unanimously approved the motion.

XIV. Member Appeal. Ms. Miller and Mr. Odum presented the appeal of Benny Tunstall (MA-2019-001), along with the Administrative Hearing Officer's Proposed Order denying the appeal.

Ms. Nichols moved to accept the Hearing Officer’s Order. Mr. Lester seconded the motion, and the Board unanimously approved the motion.

XV. Audit Committee. Kelly Davis, Chair, gave a report on the Audit Committee meeting.

- A. Internal Audit Follow-up Report: Implementation of Legislation Enacted by the 91st General Assembly for the Period December 24, 2017 – April 30, 2019.** Report presented by Dena Dixson.
- B. Internal Audit Report: Board Resolutions Effective July 1, 2018/July 1, 2019.** Report presented by Dena Dixson.
- C. Internal Audit Department Updates.** Report presented by Brenda West.

XVI. Investment Committee. 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 Arkansas Related and Investment Update including Listing of Fund Closings and Investment Manager Guidelines update.
- B. General Investment Consultant Report.**
 - 1. Preliminary Performance Report for the Month Ending October 31, 2019.** PJ Kelly and Tim Pflugrad of Aon Hewitt Investment Consulting provided the Committee with a preliminary portfolio update for the month ending October 31, 2019.
- C. Real Asset Consultant Report. Aon Hewitt Investment Consulting.**
 - 1. Performance Report for the Quarter Ending June 30, 2019.** Chae Hong of Aon Hewitt Investment Consulting provided the portfolio update for the quarter ending June 30, 2019.
 - 2. 2020 Real Assets Commitment Pacing (Total Pacing \$330 Million Dollars).** Chae Hong provided the recommendation for the 2020 Real Assets Commitment Pacing totally \$330 Million Dollars.

Ms. Nichols moved to approve the 2020 Real Assets Commitment Pacing (Total Pacing \$330 Million Dollars). The Board unanimously approved the Motion.

3. **Recommendation to Commit up to \$50 Million Dollars In Long Wharf Real Estate Partners Fund VI, L.P., a Value Added Real Estate Fund Focused on Acquiring a Diversified Portfolio of Assets at Significant Discounts to Values.** Chae Hong provided the recommendation to Commit up to \$50 Million Dollars in Long Wharf Real Estate Partners Fund VI, L.P., a Value Added Real Estate Fund Focused on Acquiring a Diversified Portfolio of Assets at Significant Discounts to Values. Both ATRS staff and Aon Hewitt Investment Consulting recommend committing up to \$50 Million Dollars in Long Wharf Real Estate Partners Fund VI, L.P.

Ms. Nichols moved to adopt Resolution 2019-42, Recommendation to Commit up to \$50 Million Dollars In Long Wharf Real Estate Partners Fund VI, L.P., a Value Added Real Estate Fund Focused on Acquiring a Diversified Portfolio of Assets at Significant Discounts to Values. The Board unanimously adopted the Resolution.

D. Private Equity Consultant Report. *Franklin Park*

- A. **2020 Private Equity Pacing Schedule (Total Pacing \$300 Million Dollars).** Michael Bacine and Karl Hartmann of Franklin Park provided the 2020 pacing schedule for private equity. Both Franklin Park and ATRS staff recommend the 2020 Private Equity Pacing Schedule (Total Pacing \$300 Million Dollars).

Ms. Nichols moved to approve the 2020 Private Equity Pacing Schedule (Total Pacing \$300 Million Dollars). The Board unanimously approved the Motion.

- B. **Recommendation to Commit up to \$30 Million Dollars in Franklin Park Venture Fund XIII, L.P., (formerly Franklin Park Venture Fund Series 2019) a Fund of Funds Managed by Franklin Park Investing in Venture Capital Private Equity**

Funds. Michael Bacine provided the recommendation to Commit up to \$30 Million Dollars in Franklin Park Venture Fund XIII, L.P., (formerly Franklin Park Venture Fund Series 2019) a Fund of Funds Managed by Franklin Park Investing in Venture Capital Private Equity Funds. Both ATRS staff and Franklin Park recommend committing \$30 Million Dollars in Franklin Park Venture Fund XIII, L.P., (formerly Franklin Park Venture Fund Series 2019).

Ms. Nichols *moved to adopt* Resolution 2019-43, to Commit up to \$50 Million Dollars In Long Wharf Real Estate Partners Fund VI, L.P., a Value Added Real Estate Fund Focused on Acquiring a Diversified Portfolio of Assets at Significant Discounts to Values. The Board *unanimously adopted the Resolution.*

- C. Recommendation to Commit up to \$30 Million Dollars in Franklin Park International Fund X, L.P. (formerly Franklin Park International Fund 2019), a Fund of Funds Managed by Franklin Park Investing in International Private Equity Funds.** Michael Bacine provided the recommendation to Commit up to \$30 Million Dollars in Franklin Park International Fund X, L.P. (formerly Franklin Park International Fund 2019). Both ATRS staff and Franklin Park recommend committing \$30 Million Dollars in Franklin Park Venture Fund XIII, L.P., (formerly Franklin Park Venture Fund Series 2019).

Ms. Nichols *moved to adopt* Resolution 2019-44, to Commit up to \$30 Million Dollars in Franklin Park International Fund X, L.P. (formerly Franklin Park International Fund 2019), a Fund of Funds Managed by Franklin Park Investing in International Private Equity Funds. The Board *unanimously adopted the Resolution.*

- D. ATRS/FP Private Equity Fund, L. P., a Multi-Strategy Fund Focused on Co-Investments and Other Strategies That Will Use Accumulated Recallable Distributions to Fund New Investments in the Near Term.** Michael Bacine provided the recommendation ATRS/FP Private Equity Fund, L. P., a Multi-Strategy Fund Focused on Co-Investments and Other Strategies That Will Use Accumulated Recallable Distributions to Fund New Investments in the Near Term.

ATRS staff requested authority to provide ATRS consent to Franklin Park to recall up to \$30 million dollars for future investments in this fund. ATRS staff also requests authority to modify the fund agreements to allow Franklin Park to allocate smaller co-investments to each of their clients on a rotating basis.

Ms. Nichols *moved to approve* Authorization of ATRS staff to give consent to Franklin Park to recall up to \$30 million dollars for future investments in this fund. And to give authority to modify the fund agreements to allow Franklin Park to allocate smaller co-investments to each of their clients on a rotating basis. The Board *unanimously approved the Motion.*

- E. Recommendation to Commit up to \$20 Million Dollars in Thoma Bravo Explorer Fund, L.P., a Private Equity Buyout Fund Focused on U.S. Investments in Small and Lower Middle Market Software Companies, with Imminent Need.** Michael Bacine provided the recommendation to Commit up to \$20 Million Dollars in Thoma Bravo Explorer Fund, L.P.

Both ATRS staff and Franklin Park recommend committing up to \$20 Million Dollars in Thoma Bravo Explorer Fund, L.P., a Private Equity Buyout Fund Focused on U.S. Investments in Small and Lower Middle Market Software Companies, with Imminent Need.

Ms. Nichols *moved to adopt* Resolution 2019-47, to Commit up to \$20 Million Dollars in Thoma Bravo Explorer Fund, L.P., a Private Equity Buyout Fund Focused on U.S. Investments in Small and Lower Middle Market Software Companies, with Imminent Need. The Board *unanimously adopted the Resolution.*

- F. Other Business.** Rod Graves, Deputy Director gave a report on property in Jonesboro formerly owned by ATRS.

Ms. Nichols *moved to approve* the recommendation from ATRS staff to sell the land. The Board *unanimously approved the Motion.*

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

A. Open Forum for Potential Rule and Law Changes by Committee Members and Board Members Presents.

1. **Open Forum.** Director Rhoden gave an update on the Statewide meetings and the process ATRS would be taking for the 2021 Legislative Session.

B. 2. **Update on Current Rule Promulgation.** Director Rhoden gave a status update on the rules. They are currently at the Governor's office and we are waiting approval to proceed.

XVIII. Staff Reports.

A. **Medical Committee Reports. A Total of 13 Disability Retirement Applications Approved.** The Medical Committee Report is a standard report made by staff on behalf of the Medical Committee approving disability cases. A total of 19 disability applications were received, 13 were approved for disability benefits, 3 were denied, and 3 needed more information.

Ms. Nichols moved to approve the Medical Committee Report. Dr. Abernathy seconded the motion and the Board unanimously approved the motion.

B. Financial Reports.

1. **Financial Statement Report.** Curtis Carter, Chief Fiscal Officer, presented the Board summary information for the financial reports for the year ending June 30, 2019. Plan net assets were \$17.7 billion dollars in fiscal year 2019. No action was needed.

2. **Travel Report.** Curtis Carter presented the standard travel report showing the expenses for staff and Trustees for fiscal year ending June 30, 2019. Board travel expenses increased in 2019 as compared to fiscal year 2018. Staff travel decreased in fiscal year 2019 as compared to fiscal year 2018. No action was needed.

- C. Contract Review.** Rod Graves, Deputy Director, reported that six firms were selected through the OPM Request for Qualifications process to recommend to the Board to provide securities monitoring services.

Mr. Lester moved to approve the selection of the six firms listed in the Board material. Dr. Abernathy seconded the motion, and the Board approved the motion, with Auditor Lea abstaining.

- D. Personnel Report.** Vicky Fowler, HR Manager, presented the personnel report for information. For the Fiscal Year 2020, ATRS has 87 appropriated positions with a cap of 81. Currently, 12 are vacant, and 12 are advertised. No action was needed.

XVI. Other Business. G. Wayne Greathouse, former ATRS Associate Director of Investments, Senior Investment Officer, and Interim Executive Director (now retired), was present and the Board recognized him for his 32 years of dedicated service.

Ms. Nichols moved to adopt Resolution No. 2019-46 commending Mr. Greathouse for his service to ATRS. Ms. Clayton seconded the motion, and the Board unanimously approved the motion.

XVII. Adjourn.

Dr. Abernathy moved to adjourn the Board Meeting. Ms. Nichols seconded the motion and the Board unanimously approved the motion.

Meeting adjourned at 2:24 p.m.

Clint Rhoden
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter
Recorder

Date Approved