

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

**Monday, June 1, 2020
11:00 a.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*
Jason Brady, designee for Hon. Dennis Milligan*
Kathy Clayton*
Kelly Davis*
Shawn Higginbotham *
Johnny Key, Cabinet Secretary of Department of Education*
Hon Andrea Lea, State Auditor
Bobby Lester*
Chip Martin *
Susannah Marshall, designee for Candace Franks, Bank Commissioner*
Robin Nichols*
Janet Watson*

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director*
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Internal Audit/Risk Mgmt.*
Willie Kincade, Assoc. Director of Operations*
Manju, Director of Information Technology*
Martha Miller, General Counsel*
Brenda West, Internal Audit/Risk Mgmt.*

Guest Present

PJ Kelly, AHIC (Aon Hewitt)*
Katie Comstock, AHIC (Aon Hewitt)*
Chae Hong, AHIC (Aon Hewitt)*
Jack Dowd, AHIC (Aon Hewitt)*
Michael Bacine, Franklin Park*
Donna Morey, ARTA*
Duncan Baird, APERS*
Gar Chung*

* *via teleconference*

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 11:29 a.m. Roll call was taken. All members were present.
- II. **Motion for Excused Absences.** None.
- III. **Adoption of Agenda.**

Dr. Abernathy moved for adoption of the Agenda. Ms. Nichols 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. April 6, 2020 Minutes.

Mr. Lester moved for approval of the Minutes of the Board of Trustees meeting of April 6, 2020. Ms. Bell seconded the motion, and the Board unanimously approved the motion.

B. May 20, 2020 Minutes.

Mr. Lester moved for approval of the Minutes of the Board of Trustees meeting of May 20, 2020. Dr. Abernathy seconded the motion, and the Board unanimously approved the motion.

VI. 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. No member interest was waived this reporting period.

VII. 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. Seven (7) employer penalties and interest amounts were waived for this reporting period in the amount of \$2,250.00.

VIII. Manifest Injustice Report. The rule on Manifest Injustice requires reports on Manifest Injustice resolutions to the Board at least two times per year. This Manifest Injustice report is for information and is not an action item

IX. Forfeiture Recommendations Pursuant A.C.AA 24-7-734(6). A.C.A. §24-7-734(b) provides that benefits that are not paid within five (5) years of the date they are due may be forfeited if (1) ATRS is unable to contact the person entitled to the benefit by mail addressed to the last known address on record;

or (2) if the person entitled to the benefit fails to submit the required paperwork to ATRS to claim the benefit.

ATRS Staff reviewed forty-one (41) member accounts and identified benefits in thirty-two (32) accounts totaling in the aggregate \$167,975.13 that fall within the provisions of this Code section. Staff recommended that the Board find these benefits should be forfeited according to A.C.A. §24-7-734(b) and direct the staff to transfer these benefits to the trust assets of ATRS.

Dr. Abernathy moved to approved the Forfeiture Recommendations of 32 member accounts and direct staff to transfer these benefits to the trust assets of ATRS. Ms. Davis seconded the motion, and the Board unanimously approved the motion.

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

A. 2020 Risk Assessment. Report presented by Dena Dixon.

B. 2020-2021 Audit Plan. Dena Dixon presented the Audit Plan for FY 2021. Discussions from the Committee about the Outsourcing Audit and what it included. Ms. West responded that the Audit Committee has procedures in place by Legislative Audit. Auditor Lea requested to add an additional item to the Audit Plan for FY 2021. The item would be to check IT to ensure they are doing training on phishing scams.

Ms. Davis moved to approve the Audit Plan for FY 2021. The Board unanimously approved the Motion.

C. Evaluation of Internal Auditor, Brenda West. The Audit Committee went into executive session to discuss the evaluation of Ms. Brenda West. The committee moved to submit the evaluation of Ms. West to the Executive Director to be sent to the appropriate agency for approval.

X. 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 Arkansas Related and Investment Update

B. General Investment Consultant Report.

1. **Preliminary Performance Report for the Quarter Ending March 31, 2020.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary performance report for the quarter ending March 31, 2020.
2. **Preliminary Performance Report for the Month Ending April 30, 2020.** PJ Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary performance report for the month ending April 30, 2020.

C. Real Assets Consultant Report.

1. **Performance Report for the Quarter Ended December 31, 2019.** Chae Hong of Aon Hewitt Investment Consulting provided the Committee with a performance report for the quarter ending December 31, 2019.
2. **Recommendation to Commit up to \$50 Million Dollars in Torchlight Debt Fund VII, L.P., an Opportunistic Real Estate Fund Focused on High Yield Debt Investments in Both the Public and Private Markets.** Jack Dowd of Aon Hewitt Investment Consulting provided the Committee with the recommendation to Commit up to \$50 Million Dollars in Torchlight Debt Fund VII, L.P., an Opportunistic Real Estate Fund Focused on High Yield Debt Investments in Both the Public and Private Markets.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt* Resolution 2020-19, to Commit up to \$50 Million Dollars in Torchlight Debt Fund VII, L.P., an Opportunistic Real Estate Fund Focused on High Yield Debt Investments in Both the Public and Private Markets. The Board *unanimously adopted the Resolution.*

3. **Recommendation to Commit up to \$50 Million Dollars in CBRE Strategic Partners U.S. Value 9, L.P, a Value Added Real Estate Fund Focused on Institutional Quality Multifamily, Office, and Retail Properties in the U.S.** Jack Dowd of Aon Hewitt Investment Consulting provided the Committee with the recommendation to Commit up to \$50

Million Dollars in CBRE Strategic Partners U.S. Value 9, L.P, a Value Added Real Estate Fund Focused on Institutional Quality Multifamily, Office, and Retail Properties in the U.S..

ATRS staff concurs with the recommendation

Ms. Nichols *moved to adopt* Resolution 2020-20, to Commit up to \$50 Million Dollars in CBRE Strategic Partners U.S. Value 9, L.P, a Value Added Real Estate Fund Focused on Institutional Quality Multifamily, Office, and Retail Properties in the U.S. The Board *unanimously adopted the Resolution.*

4. **Recommendation to Commit up to \$50 Million Dollars in Macquarie Infrastructure Partners V, L.P. a Core Infrastructure Fund Focused Primarily on North American Infrastructure Assets.** Iftikhar Ahmed of Aon Hewitt Investment Consulting provided the Committee with the recommendation to Commit up to \$50 Million Dollars in Macquarie Infrastructure Partners V, L.P. a Core Infrastructure Fund Focused Primarily on North American Infrastructure Assets.

ATRS staff concurs with the recommendation

Ms. Nichols *moved to adopt* Resolution 2020-21, to Commit up to \$50 Million Dollars in Macquarie Infrastructure Partners V, L.P. a Core Infrastructure Fund Focused Primarily on North American Infrastructure Assets. The Board *unanimously adopted the Resolution.*

D. Private Equity Consultant Report.

1. **Private Equity Portfolio Review for the Quarter Ended December 31, 2019.** Michael Bacine of Franklin Park provided the Committee with a portfolio review for the quarter ending December 31, 2019.
2. **Recommendation to Commit up to \$30 Million Dollars in LLR Equity Partners VI, L.P., a Growth Equity Fund that will Focus on Small and Middle Market Companies in the Technology and Healthcare Sectors.** Michael Bacine of Franklin Park provided the Committee with the recommendation

to Commit up to \$30 Million Dollars in LLR Equity Partners VI, L.P., a Growth Equity Fund that will Focus on Small and Middle Market Companies in the Technology and Healthcare Sectors.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt Resolution 2020-22, to Commit up to \$30 Million Dollars in LLR Equity Partners VI, L.P., a Growth Equity Fund that will Focus on Small and Middle Market Companies in the Technology and Healthcare Sectors. The Board unanimously adopted the Resolution.*

3. **Recommendation to Make an Additional Commitment of up to \$30 Million Dollars in Franklin Park Venture Capital 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 of Franklin Park provided the Committee with the recommendation to Make an Additional Commitment of up to \$30 Million Dollars in Franklin Park Venture Capital 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.

ATRS staff concurs with the recommendation.

Ms. Nichols *moved to adopt Resolution 2020-23, to Make an Additional Commitment of up to \$30 Million Dollars in Franklin Park Venture Capital 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. The Board unanimously adopted the Resolution.*

XII. Operations Committee Report. 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.** None.

- B. Update on Rules.** Director Rhoden gave the Committee a report on the 2nd batch of Rules promulgated. Rule 6, Rule 7, Rule 8, Rule 9, Rule 10 and Rule 11 were effective May 28, 2020. Staff will proceed to promulgate the 3rd batch of Rules. The Committee had no objections.
- C. ATRS 2021 Legislative Package.** Director Rhoden gave the Committee a status report on potential 2021 Legislative Package. Drafts of potential legislation was presented to the Committee.

XIII. Staff Reports.

- A. Year End Litigation Report.** Martha Miller, General Counsel, provided the Board with the Year End Litigation Report.

Dr. Abernathy moved to authorize ATRS Staff to update the Policy to reflect that ATRS staff will provide a recommendation for potential claims, including the recommended securities monitoring firm or firms to be retained for each potential claim, to the Board for consideration and approval prior to initiating any claim. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

- B. Medical Committee Report.** Mr. Kincade reported that a total of 24 disability applications were reviewed. 14 applications were approved, 6 were denied, and 4 needed more information.

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

- XIV Executive Session to Discuss Executive Director's Performance Evaluation.** Mr. Knight, Chair, called the Executive Session of the Board of Trustees to order at 12:04 p.m. Mr. Knight, Chair, reconvened the Board of Trustees meeting at 12:30 p.m.

The Board expressed their satisfaction and appreciation to Mr. Rhoden for his hard work and service to ATRS. The Board will pass the evaluation to HR for processing.

- XV. Other Business: Director Rhoden notified the Board of damage to the Victory building during the protest at the Capitol. Subway and Capitol Bistro had windows damages.**

XVI. Adjourn.

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

Meeting adjourned at 12:30 p.m.

Clint Rhoden,
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved