

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

**Monday, June 7, 2021
11:30 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Lloyd Black, Vice Chair*
Anita Bell
Kathy Clayton*
Dr. Mike Hernandez*
Shawn Higginbotham*
Michael Johnson
Bobby Lester
Chip Martin
Robin Nichols
Susannah Marshall, Bank Commissioner*
Hon. Andrea Lea, State Auditor
Jason Brady, designee for Dennis Milligan,
State Treasurer
Johnny Key, Secretary, Dept. of Ed.*

Board Members Absent

Kelly Davis

Reporters Present

Mike Wickline, Arkansas Dem Gaz.

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Int. Audit/Risk Mgmt.
Vicky Fowler, Directory, Human Resources
Willie Kincade, Director of Operations
Manju, Director, Information Systems
Jerry Meyer, Manager, Real Assets
Leslie Ward, Manager, Private Equity
Brenda West, Int. Audit/Risk Mgmt.
Misty Yant, Manger, Reporting *

Guest Present

Duncan Baird, APERS*
Katie Comstock, Aon Hewitt (AHIC)*
PJ Kelly, Aon Hewitt (AHIC)*
Michael Bacine, Franklin Park*
Jack Down, Aon Hewitt (AHIC)*
Iftikhar Ahmed, Aon Hewitt (AHIC)*
Chae Hong, Aon Hewitt (AHIC)*
Kevin Hrad, Aon Hewitt (AHIC)*
ID# A. Woods*

****via ZOOM***

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 11 47 a.m. Roll call was taken. Ms. Kelly Davis was absent.
- II. **Motion for Excused Absences.**

Mr. Black *moved to excuse Ms. Kelly Davis from the June 6, 2021, Board of Trustees Meeting. Ms. Bell seconded the motion, and the Board unanimously approved the motion.*

III. Adoption of Agenda.

Ms. Nichols *moved for adoption of the Agenda. Mr. Lester 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, Corrected Minutes.

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

B. April 5, 2021, Minutes.

Ms. Nichols *moved for approval of the Minutes of the Board of Trustees meeting of April 5, 2021. Mr. Johnson seconded the motion, and the Board unanimously approved the motion.*

C. May 3, 2021, Minutes.

Mr. Martin *moved for approval of the Minutes of the Board of Trustees meeting of May 3 2021. Ms. Marshall seconded the motion, and the Board unanimously approved the motion.*

VI. Report of Member Interest Amount Waived Under A.C.A. Sec. 24-7-205. 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. Three (3) member interest amounts were waived for this reporting period in the amount of \$134.25. This is a standard report for information and no action was needed.

VII. Report of Employer Penalties and Interest Waived Under A.C.A. Sec. 24-7-411. 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 amounts were waived for this reporting period in the amount of \$1,366.20. This is a standard report for information and no action was needed.

VIII. Manifest Injustice Board Review.

A. In the Matter of MI Claim #2021-05. Director Rhoden presented the Board with MI Claim #2021-05. Executive Staff recommended the Board find a manifest injustice exists in this case and grant a three (3) month extension retroactively

A. Ms. Nichols moved to approve the Recommendation to find a manifest injustice exists and grant a three (3) month extension retroactively. Mr. Martin seconded the motion, and the Board unanimously approved the motion.

IX. 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

X. GASB Report after Legislative Audit Review. Mr. Curtis Carter presented the Board with the GASB Report.

Mr. Lester moved for approval of the GASB Report after Legislative Audit Review. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

XI. Legislative Audit Report. Director Rhoden gave a report to the Committee regarding the current legislative report. The Board deferred it until the final ruling was done by ALC.

XII. Discussion of ATRS Audit Findings for Fiscal Year 2020. Director Rhoden discussed the Audit Findings with the Board. Director Rhoden recommended that the Board revise ATRS Board Policy 4 – Statement of Investment Policy.

Mr. Brady moved to approve the recommendation of Staff to revise the Board Policy 4 to reflect that the System shall not approve any material changes in any direct investment without first receiving

- i. written advice/recommendation from a third-party Investment consultant;**
- ii. If needed, outside legal counsel; and,**

- iii. **without thereafter receiving written approval by the Investment Committee and Board of Trustees.**

Mr. Lester seconded the Motion and the Board unanimously approve the Motion.

Director Rhoden presented the Board with a recommendation regarding changes to the RFQ process to evaluate investment consultants for direct investments.

Mr. Brady *moved to approve* the recommendation of Staff to use the RFQ process to evaluate and identify investment consultants for direct investments. The scope of the RFQ should include recommendations for new direct investments and ongoing monitoring and management of existing and new direct investments. Auditor Lea *seconded the Motion* and the Board *unanimously approve the Motion*.

XIII. Discussion of Retirement Applications waived in 2020. No action was taken.

XIV. Audit Committee Report. Danny Knight, Vice Chair, gave a report on the Audit Committee meeting.

A. Internal Audit: Application of IRS 415 Limit Testing. Report presented by Ms. Dena Dixson.

B. Special Project: Cyber Security Training. Report presented by Ms. Dena Dixson.

C. 2021-2021 Audit Plan. The 2021-2022 Audit Plan was presented by Ms. Brenda West.

Mr. Knight *moved to approve* the Audit Plan for FY2022 as presented to the Committee, and the Board *unanimously approved the motion*.

XV. Investment Committee Report. *Robin Nichols, Chair*

A. Arkansas Related and Investment Update.

1. List of Fund Closings. Rod Graves, Deputy Director, gave an update on recent investment activity.

B. General Investment Consultant Report. *Aon Hewitt Investment Consulting.*

1. **Preliminary Performance Report for the Quarter Ended March 31, 2021.** P. J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Board with a preliminary portfolio update for the quarter ending March 31, 2021.
2. **Preliminary Performance Report for the Month Ended April 30, 2021.** P. J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting provided the Board with a preliminary portfolio update for the month ending April 30, 2021.
3. **Opportunistic/Alternative Portfolio Review.** P.J. Kelly and Kevin Hrad of Aon Hewitt Investment Consulting provided the Board with an update of the Opportunistic/Alternative portfolio.

C. Real Assets Consultant Report. *Aon Hewitt Investment Consulting*

1. **Performance Report for the Quarter Ended December 31, 2020.** Jack Dowd of Aon Hewitt Investment Consulting provided the Board with a performance report for the quarter ending December 31, 2020.
2. **ATRS Farmland Portfolio Discussion –** Chae Hong of Aon Hewitt Investment Consulting provided the Board with an update of the farmland portfolio.
3. **Recommendation to Commit up to \$50 Million Dollars to KKR Diversified Core Infrastructure Fund L.P., an Open End Infrastructure Fund Focused on Existing Projects with Imminent Need.** Mr. Iftikhar Ahmed presented the Committee with the recommendation to Commit up to \$50 Million Dollars to KKR Diversified Core Infrastructure Fund L.P., an Open End Infrastructure Fund Focused on Existing Projects with Imminent Need.

a. Resolution 2021-23.

Ms. Nichols *moved to adopt* Resolution 2021-23, to Commit up to \$50 Million Dollars to KKR Diversified Core Infrastructure Fund L.P., an Open End Infrastructure Fund Focused on Existing Projects

with Imminent Need, and the Board *unanimously approved the Resolution.*

4. **Recommendation to Commit up to \$50 Million Dollars to Carlyle Realty Partners IX, L.P., a Value Add Closed End Real Estate Fund that Seeks to Identify and Capitalize on Real Estate Trends with Imminent Need.** Mr. Chae Hong presented the Committee with the recommendation to Commit up to \$50 Million Dollars to Carlyle Realty Partners IX, L.P., a Value Add Closed End Real Estate Fund that Seeks to Identify and Capitalize on Real Estate Trends with Imminent Need

- a. **Resolution 2021-24.**

Ms. Nichols *moved to adopt Resolution 2021-24, to Commit up to \$50 Million Dollars to Carlyle Realty Partners IX, L.P., a Value Add Closed End Real Estate Fund that Seeks to Identify and Capitalize on Real Estate Trends with Imminent Need, and the Board *unanimously approved the Resolution.**

5. **Recommendation to Commit up to \$50 Million Dollars to GLP Capital Partners IV L.P., a Value Add Open End Real Estate Fund Specializing in Distribution and Logistic Companies with Imminent Need.** Mr. Chae Hong presented the Committee with the recommendation to Commit up to \$50 Million Dollars to GLP Capital Partners IV L.P., a Value Add Open End Real Estate Fund Specializing in Distribution and Logistic Companies with Imminent Need.

- a. **Resolution 2021-25.**

Ms. Nichols *moved to adopt Resolution 2021-25, to Commit up to \$50 Million Dollars to GLP Capital Partners IV L.P., a Value Add Open End Real Estate Fund Specializing in Distribution and Logistic Companies with Imminent Need and the Board *unanimously approved the Resolution.**

D. Real Assets Consultant Report. *Franklin Park*

- 1. Private Equity Portfolio Review for the Quarter Ended December 31, 2020.** Michael Bacine of Franklin Park provided the Board with a portfolio review for the quarter ending December 31, 2020.
- 2. Recommendation to Commit up to \$30 Million Dollars in Kerberos Capital Fund III, L.P., a Debt Fund that will Focus on the Litigation Finance Market with Imminent Need.** Mr. Michael Bacine presented the Committee with the recommendation to Commit up to \$30 Million Dollars in Kerberos Capital Fund III, L.P., a Debt Fund that will Focus on the Litigation Finance Market with Imminent Need.

a. Resolution 2021-26.

Mr. Knight moved to *withdraw* Resolution 2021-26 to Commit up to \$30 Million Dollars in Kerberos Capital Fund III, L.P., a Debt Fund that will Focus on the Litigation Finance Market with Imminent Need. Mr. Higginbotham seconded the motion and the Board *unanimously approved the Motion.*

XVI. 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. Discussion of Code Arkansas Rules (CAR). Director Rhoden gave an update on the new Code Arkansas Rules (CAR)

C. Potential Rule Changes. Director Rhoden discussed potential rules changes to Rule 10, Rule 9 and Rule 4.

XVII. Board of Trustees Disability Review. Under the Disability Review procedure described in A.C.A. §24-7-704(b)(3)(D) the Board shall make a final decision on the recommendations of the Medical Committee. Mr.

Rhoden presented the Board with the following proposed orders for Board approval regarding Disability Review recommendations.

- A. **Group Order - Approved.** The proposed order is for the acceptance of **five (5) approved** disability reviews from March 2021 to May 2021. Staff concurs with the recommendation.
- B. **Group Order - Denied.** The proposed order is for the acceptance of one (1) **denied** disability review from March 2021 to May 2021. Staff concurs with the recommendation.

Mr. Brady moved to approve the Group Order – Approved for the acceptance of five (5) approved disability reviews from March 2021 to May 2021, AND the Group Order - Denied for the acceptance of one (1) denied disability review from March 2021 to May 2021. Ms. Bell seconded the motion and the Board unanimously approved the Motion.

- C. **Member Order - ATRS ID #368231.** The proposed order is to return the matter to the medical committee with a request that it reconsider the matter to confirm that the standard of review is based upon the ATRS standard established in A.C.A.§24-7-704(a)(1)(D) for member ATRS ID #368231. Staff concurs with the recommendation.

Ms. Marshall moved to approve the Member Order – ATRS ID# #368231 – return the matter to the medical committee with a request that it reconsider the matter to confirm that the standard of review is based upon the ATRS standard established in A.C.A.§24-7-704(a)(1)(D). Ms. Davis seconded the motion and the Board unanimously approved the Motion.

XVIII Staff Reports.

- A. **Medical Committee Report.** Mr. Kincade reported that a total of Sixteen (16) Disability Retirement Applications were approved.

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

XIX. Other Business: None.

XX. Adjourn.

Mr. Bobby Lester *moved to adjourn* the Board of Trustees meeting. Mr. Higginbotham *seconded the motion*, and the Board *unanimously approved the motion*.

Meeting adjourned at 12:39 p.m.

Mr. Clint Rhoden,
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved