

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
April 4, 2005**

The Board of Trustees of the Arkansas Teacher Retirement System held a regular meeting on Monday, April 4, 2005, in the Board Room of the Arkansas Teacher Retirement System Building at 1400 West Third Street in Little Rock, Arkansas.

Members of the Board Present

John Fortenberry, Vice Chair
Robert H. "Bunny" Adcock
Winfred Clardy
Lawrence Colston
Hazel Coleman
Charles Dyer
Dr. Paul Fair
Betty McGuire
Robin Nichols
Gus Wingfield

Members of the Board Absent:

Monty Betts
Dr. T. Kenneth James
Linda Parsons, Chair
Ellen Terry
Jim Wood

Staff Present:

David Malone, Executive Director
Julie Cabe, Deputy Director
JoAnn Carroll, MPA
Wayne Greathouse, Investments

Guests Present:

Stephen Cummings, *Ennis Knupp*
Laurel E. Nicholson, *Ennis Knupp*
Richard Sinise, *Kennedy Capital Management*
John F. Lowman, *TCW*
Nicholas J. Capuano, *TCW*
Kelly M. Galvin, *Nicholas Applegate*
Doug Forsyth, *Nicholas Applegate*
Mike Bean, *ING*
Richard DiChillo, *ING*
Tom Ferstl, *Affiliated Appraisers*
Robert G. Horton, *Sterne, Agee & Leach, Inc.*
Johnny Taylor, *Stephens, Inc.*
Beverly E. Leming, *Trustee-Elect*
Bob Leming, *Trustee-Elect Spouse*
Jim McGuire, *Trustee Spouse*

I. Call to Order

Vice Chair John Fortenberry called the meeting to order at 1:06 p.m. with a quorum of the Board present.

II. Approval of Agenda

Mr. Malone outlined proposed changes in the presentation schedule of the portfolio manager reports as requested by one of the managers due to travel conflicts. With this change noted, Hazel Coleman moved adoption of the agenda, as amended, Dr. Fair seconded, and the Board unanimously approved the motion.

Ms. McGuire requested a moment of personal privilege to introduce to the Board and others in attendance Beverly E. Leming, Trustee-Elect from Congressional District #4, who will assume her position on July 1, 2005, and Ms. Leming's husband, Bob Leming.

III. Public Comments on Agenda Items

There were no comments.

IV. Consultant's Report – Ennis Knupp & Associates

Stephen Cummings advised the First Quarter 2005 Performance Report had not been finalized. Laurel E. Nicholson reviewed the preliminary performance report for the period ended February 28, 2005. Ms. Nicholson stated the report showed the fiscal year to date return to be 6.4% and reported further that preliminary figures for March resulted in a negative portfolio return for the System of -1.38%. When added to the February 28, 2005, report figure of 6.4%, she estimated a fiscal year return to date through March 31 of approximately 5% (net of fees).

Mr. Malone led a lengthy discussion of the combined effect of the report of the investment consultant on the rate of return, the actuarial study projections, and pending legislation in the current legislative session. Mr. Malone said that legislation was still pending on setting the employer contribution rate. The bill has been amended to limit the rate to 14% for the fiscal year ending June 30, 2006, and to limit an increase to 1% for the fiscal year ending June 30, 2007. Mr. Malone advised that the actuarial projections indicated the employer contribution rate may need to be increased to 15% this year, to get the System under 30 years of unfunded liability, but noted ATRS would be limited to 14% if pending legislation is approved. Mr. Malone reported that investment returns and the employer/employee contributions are the sources of income for the System and, if one area underperforms, adjustments will need to be made. He proposed further discussion at the upcoming Board retreat.

V. Portfolio Manager Reports

The following managers presented their annual reports to the Board:

1. Kennedy Capital, *Richard Sinise*
2. Nicholas Applegate, *Kelly M. Galvin, Doug Forsyth*

Mr. Fortenberry called a recess at 2:50 p.m. and the meeting reconvened at 3:02 p.m. with a continuation of reports from the following managers:

3. TCW, *John F. Lowman, Nicholas J. Capuano*
4. ING, *Mike Bean, Richard DiChillo*

Following the conclusion of the managers' reports the Board requested Mr. Cummings to meet with TCW and report back to the Investment Committee at its May 16, 2005, meeting.

Mr. Malone told the Board that Noreen McKee of Daruma had requested rescheduling its presentation to the Trustees because Mariko O. Gordon had been involved in an accident.

VI. Executive Director's Comments

None.

VII. Adjournment

With no further business to be heard by the Board, the meeting was adjourned without objection at 4:12 p.m.

JoAnn Carroll, Recorder

David Malone, Executive Director

John Fortenberry, Board Vice Chair

Date Approved