

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
February 6, 2006**

The Arkansas Teacher Retirement System Board of Trustees held a regular meeting on Monday, February 6, 2006, in the Board Room of the ATRS Building at 1400 West Third Street in Little Rock, Arkansas.

Members of the Board Present:

John Fortenberry, Chair
Robin Nichols, Vice Chair
Monty Betts
Winfred Clardy
Hazel Coleman
Lawrence Colston
Charles Dyer
Dr. Paul Fair
Beverly Leming
Linda Parsons
Ellen Terry
Gus Wingfield

Others Present:

Steve Cummings, Ennis Knupp
P. J. Kelly, Ennis Knupp
Betty and Jim McGuire
Mike Wickline, *Democrat/Gazette*
Richard Hutchinson, AEA

Members of the Board Absent:

Robert H. (Bunny) Adcock, Jr.
Dr. T. Kenneth James
Jim Wood

Staff Present:

David Malone, Executive Director
Julie Cabe, Deputy Director
Wayne Greathouse, Deputy Director/
Finance
Phil McNeill, Assoc. Director/Fiscal
Affairs
Christa Clark, Attorney Specialist

I. Call to Order

John Fortenberry, Board Chair, called the meeting to order at 1:30 p.m. with a quorum present.

II. Adoption of Agenda

Robin Nichols moved adoption of the agenda for the February 6, 2006, meeting of the Board of Trustees, Ellen Terry seconded, and the Board unanimously approved the motion.

III. Public Comment on Agenda Items

No one commented on the agenda.

IV. Approval of Minutes

Dr. Paul Fair moved approval of the minutes of the Board meeting on December 5, 2005, Hazel Coleman seconded, and the Board unanimously concurred. Ms. Coleman moved approval of the minutes of the Board meeting on December 6, 2005, Ms. Terry seconded, and the Board unanimously approved the motion.

V. Consultant's Report

Steve Cummings announced that P. J. Kelly is now a full partner in the firm, as of January 1, and had resumed his association with ATRS since Laurel Nicholson was now a part-time employee and had cut back on her responsibilities, including ATRS.

The performance report showed that the fourth quarter value of the ATRS fund was \$9.296 billion on December 31, 2005. Mr. Malone noted that the value had increased to \$9.56 billion on January 31, 2006. Mr. Cummings reported that a report on rankings and an historical study of real estate and private equity would be available soon.

VI. Investment Committee Items

A. Draft Minutes

The draft minutes of the Investment Committee meeting on January 9, 2006, were available for the information of the Board.

B. Selection of Large Cap Growth Manager

At the meeting on January 9, the Investment Committee interviewed four large cap growth firms and voted to recommend to the Board that T. Rowe Price be chosen. Ms. Parsons moved the support of the Investment Committee recommendation, and Winfred Clardy seconded the motion [**Resolution No. 1** (*Attachment No. 1*)]. The Board approved the motion, with Ms. Coleman abstaining.

The Board discussed the allocation of funds between T. Rowe Price and Capital Guardian, a large cap firm already investing for ATRS. Mr. Cummings proposed choosing a third manager and allocating the funds among the three firms. Lawrence Colston moved the selection of Wellington Management Company, which was one of the firms

interviewed by the Investment Committee, as the third manager, but there was no second.

Charles Dyer moved approval of choosing Jacobs Levy Equity Management, also interviewed by the Investment Committee on January 9, as the third large cap growth manager, with the allocation amounts to be determined by the staff with the assistance of Ennis Knupp [**Resolution No. 1a** (*Attachment No. 2*)]. Ms. Coleman seconded. The motion carried with Ms. Nichols and Dr. Fair voting no.

VII. Investment Guidelines for J. P. Morgan Special Situations Property Fund

Ms. Coleman moved approval of **Resolution No. 2006-02** (*Attachment No. 3*) establishing investment guidelines for J. P. Morgan Special Situations Property Fund for ATRS. Monty Betts seconded the motion, which the Board unanimously approved.

VIII. Ad Hoc Committee on Lump-Sum Death Benefits

Mr. Fortenberry announced the appointment of an Ad Hoc Committee on Lump-Sum Death Benefits to assist the staff in exploring options regarding the taxability of the ATRS lump-sum death benefit. The members are Dr. Fair, Ms. Parsons, Mr. Fortenberry, and Bobby Lester, director of the Arkansas Retired Teachers Association. In February 2004, ATRS requested a ruling from the IRS on the taxability of certain death benefits in the hope that the ruling would be that such benefits could be treated as life insurance proceeds, in which case ATRS would no longer have to withhold federal income tax. The IRS has responded that the subject is under study, and no ruling will be forthcoming until the study is completed.

IX. Adjournment

On the motion of Ms. Coleman, the meeting adjourned at 3:20 p.m.

Katherine Corcoran, Recorder

David Malone, Executive Director

John Fortenberry, Chair

Date Approved

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201**

**R E S O L U T I O N
No. 2006-01**

WHEREAS, the Board of Trustees of the Arkansas Teacher Retirement System desires to hire one or more Large Cap Growth Equity Managers;

NOW, THEREFORE, BE IT RESOLVED that after interviews by staff and the Board, the Board approves the hiring of T. Rowe Price Associates;

FURTHER RESOLVED that the Executive Director be, and hereby is, authorized by the Board of Trustees of the Arkansas Teacher Retirement System to allocate the funds available among the firms now employed by ATRS in this capacity.

FURTHER RESOLVED that the Executive Director be, and hereby is, authorized by the Board of Trustees of the Arkansas Teacher Retirement System to enter into a contract with T. Rowe Price Associates to serve as a Large Cap Growth Equity Manager.

Adopted this 6th day of February 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201**

**RESOLUTION
No. 2006-01a**

WHEREAS, the Board of Trustees of the Arkansas Teacher Retirement System desires to hire one or more Large Cap Growth Equity Managers;

NOW, THEREFORE, BE IT RESOLVED that after interviews by staff and the Board, the Board approves the hiring of Jacobs Levy Equity Management;

FURTHER RESOLVED that the Executive Director be, and hereby is, authorized by the Board of Trustees of the Arkansas Teacher Retirement System to allocate the funds available among the firms now employed by ATRS in this capacity;

FURTHER RESOLVED that the Executive Director be, and hereby is, authorized by the Board of Trustees of the Arkansas Teacher Retirement System to enter into a contract with Jacobs Levy Equity Management to serve as a Large Cap Growth Equity Manager.

Adopted this 6th day of February 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201**

**RESOLUTION
No. 2006-02**

BE IT RESOLVED, that the Arkansas Teacher Retirement System desires to establish investment guidelines for J. P. Morgan Special Situations Property Fund. The attached guidelines were developed by the system's consultant, Ennis Knupp and Associates, and reviewed and approved by the staff of ATRS.

FURTHER RESOLVED, that the above-mentioned guidelines shall be effective on the date of funding and remain in force until new guidelines are recommended by the system's consultant and approved by the Board of Trustees of the Arkansas Teacher Retirement System.

FURTHER RESOLVED, that the Board of Trustees of the Arkansas Teacher Retirement System approves the proposed guidelines for J. P. Morgan Special Situations Property Fund..

Adopted this 6th day of February 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System