

**ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Minutes
April 4, 2006**

The Arkansas Teacher Retirement System Board of Trustees held a regular meeting on Monday, April 4, 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
Lawrence Colston
Charles Dyer (arrived at 10:43 a.m.)
Dr. Paul Fair
Beverly Leming
Linda Parsons
Ellen Terry
Gus Wingfield (arrived at 10:03 a.m.)

Others Present:

Richard Hutchinson, AEA
Bobby G. Lester, ARTA
Lloyd W. Black, ARTA
Mary Purselley, ARTA
Tom Gay, AG Office
Steve Kelly, Auditor's Office

Staff Present

Mindy Looney, B&C Supervisor
Nona Comer, Supervisor, Reporting
Willana Prince, Retirement Counselor
Otis Willis, Prerentirement Counselor

Members of the Board Absent:

Robert H. (Bunny) Adcock, Jr.
Monty Betts
Winfred Clardy
Hazel Coleman
Dr. T. Kenneth James
Jim Wood

Staff Present

David Malone, Executive Director
Julie Cabe, Deputy Director
Wayne Greathouse, Deputy Director/
Finance
Gail Bolden, Assoc. Director/Operations
Phil McNeill, Assoc. Director/Fiscal
Affairs
Christa Clark, Attorney Specialist
Mike Ray, Manager, Member Services
M. V. Manjunath, DP Manager
Donna Hobbs, Personnel Manager
Hugh Roberts, Real Estate Manager

I. Call to Order

John Fortenberry, Board Chair, called the meeting to order at 9:45 a.m. Due to attendance at the special legislative session, a quorum was not present. Pending the arrival of members, the Board heard staff reports, that do not require approval. Gus Wingfield arrived at 10:03 a.m.

P.Z

making a quorum. Mr. Fortenberry then convened the regular meeting at 10:15 a.m.

II. Agenda

Mr. Malone requested the addition of **Resolution No. 2006-18**, authorizing the sale of the Financial II Building, to the agenda. Linda Parsons moved adoption of the revised agenda, Ellen Terry seconded, and the motion passed unanimously.

III. Public Comment

There was no public comment on the agenda items.

IV. Medical Reports

Ms. Parsons moved approval of the ATRS Medical Board reports for February 2006 and March 2006, Ms. Nichols seconded, and the Board unanimously concurred.

V. Appeal of the Application of the 110% Rule

On February 22, 2006, K [REDACTED] N [REDACTED] requested an appeal of the calculation of her retirement annuity and the application of the 100% rule on final average salary. After reviewing her letter, employment history, and applicable law, ATRS staff affirmed the decision applying the 110% salary limitation to the final average salary calculation for her retirement. Ms. N [REDACTED] then requested that the Board of Trustees review the decision but decided not to be present at the meeting. After reviewing the documents in the case, Lawrence Colston moved to reaffirm the decision of the staff in the appeal, Robin Nichols seconded, and the Board unanimously approved the motion. Board members ask for consideration of ways to simplify the application of the 100% rule.

VI. Interest Rate for T-DROP Accounts

Ms. Parsons moved adoption of **Resolution No. 2006-14 (Attachment 1)** to set the interest rate to be credited for fiscal year 2006-2007 on each T-DROP participants' T-DROP account at 6%. Ms. Leming seconded, and the Board unanimously approved the resolution.

Charles Dyer arrived at the meeting at 10:43 a.m.

VII. Contributory Election Exclusion

Based on a ruling by the Internal Revenue Service, ATRS has determined that certain member contributions to the System may not be treated as employer contributions (“picked up”). Therefore, the noncontributory members of ATRS who are employed by the following employers are excluded from participation in the election to become contributory members included in A.C.A. § 24-7-406(f)(5): Arkansas Activities Association; Arkansas Association of Educational Administrators; Arkansas School Board Insurance Trust; Arkansas Easter Seals Society; Ashley County Adult Education; Florence Crittenden Home; Jefferson County Adult Education; Laidlaw Transit; and Literacy Council of Lonoke.

Ms. Parsons moved approval of **Resolution No. 2006-15** (*Attachment No. 2*) to implement these changes, Ms. Terry seconded, and the Board unanimously adopted the resolution.

VIII. Payroll Reduction (Employer Pick-Up) Resolution

Dr. Fair moved adoption of **Resolution No. 2006-16** (*Attachment No. 3*) permitting ATRS to “pick-up” the employee portion of contributions to a retirement plan for ATRS staff members, Ms. Nichols seconded, and the Board unanimously concurred.

IX. Appreciation of Charles Dyer

The recognition of the long service of Charles Dyer was postponed until the June 2006 meeting since it will be his last. **Resolution No. 2006-17** will be considered at that time.

X. Sale of the Financial II Building

Mr. Dyer moved approval of **Resolution No. 2006-18** (*Attachment No. 4*) authorizing the sale of the Financial II Building to BGK Group of Santa Fe, New Mexico, for the sale price of \$11,100,000.00, Ms. Terry seconded, and the Board unanimously approved the motion.

XI. Executive Director’s Comments

- A. Mr. Malone told the Board that, as a result of the special legislative session now underway, he expects legislative hearings concerning ATRS benefits before the next regular legislative session in 2007. The Board discussed several ideas for solving problem or unfair areas regarding benefits. Mr. Malone stated that these and other ideas for limiting loss will be discussed at the June meeting.

- B. The T-DROP cost-neutrality study will begin immediately, based on the one proposal received from Milliman Company, and should be completed in four to six months.

XII. Adjournment

Mr. Fortenberry declared the meeting adjourned at 11:40 a.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. 2006-18**

WHEREAS, the Arkansas Teacher Retirement System (ATRS) and Cooper Realty Investment, Inc. (Cooper) are the two general partners of Cooper Financial LLC, which owns an office building located in Little Rock, Arkansas, and known as the Financial II.

WHEREAS, the Board of Trustees of ATRS has been informed with respect to the proposed sale by the Partnership of the Financial II Building to BGK Group of Santa Fe, New Mexico (Purchaser) or its assignee for the sale price of \$11,100,000.00 and has approved such transaction and determined that such transaction by the Partnership would be in the best interest of the Partnership and ATRS.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of ATRS approves the sale of the Financial II Building by the Partnership;

BE IT FURTHER RESOLVED, that the execution by Cooper, as managing member of the Partnership, of any and all deeds, bills of sale, assignments, and other instruments in the name of the Partnership with regard to the hereinabove described transactions, be and are hereby ratified, confirmed, and approved;

BE IT FURTHER RESOLVED, that Cooper, as managing member of the Partnership, is hereby authorized to take or cause to be taken all such actions which it shall deem necessary, advisable, or appropriate to carry out the purposes and intent of the preceding resolutions; and

BE IT FURTHER RESOLVED, that all acts, past, present, or future, on the part of Cooper, as managing member of the Partnership, effectuating the purposes of these resolutions are hereby ratified, confirmed, and approved.

Adopted this 4th day of April 2006

JOHN FORTENBERRY, Chair
Arkansas Teacher Retirement System

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

R E S O L U T I O N
No. 2006-14

WHEREAS, ATRS policy adopted June 17, 2003 requires the Board of Trustees to adopt the rate per annum, compounded annually, which will be credited annually on each T-DROP participants' T-DROP account; and

WHEREAS, the policy further provides that the interest rate shall be 2% less than the system's average rate of return with a maximum of 6% and minimum of 2%; and

WHEREAS, the policy was amended on February 15, 2005 to provide that plan interest paid on T-DROP accounts be set at the beginning, rather than the end, of each fiscal year to comply with IRS Code § 415, effective March 1, 2005; and

WHEREAS, the amended policy provides that effective for fiscal year 2005-2006 and after, the Board will determine the interest rate for the next fiscal year based upon the rate of return for the immediately preceding twelve-month period ending March 31 prior to the start of such fiscal year; and

WHEREAS, the Board is to determine the interest rate for fiscal year 2006-2007 based upon the rate of return for the twelve-month period ending March 31, 2006

WHEREAS, the Board has been advised by the Investment Consultant that the rate of return for the twelve-month period ending March 31, 2006 is 12.7%.

NOW, THEREFORE, BE IT RESOLVED, that the Board sets the interest rate to be credited for fiscal year 2006-2007 on each T-DROP participants' T-DROP account at 6%.

Adopted this 4th day of April, 2006

JOHN FORTENBERRY, Chair
Arkansas Teacher Retirement System

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

**R E S O L U T I O N
No. 2006-15**

CONTRIBUTORY ELECTION EXCLUSION

BE IT RESOLVED that, following a June 17, 2005, Private Letter Ruling received by ATRS from the Internal Revenue Service, the Board of Trustees has determined that certain member contributions to the Arkansas Teacher Retirement System may not be treated as employer contributions (“picked up”) under the Internal Revenue Code or the Income Tax Act of 1929.

FURTHER RESOLVED that, pursuant to the power granted to the Board of Trustees under Ark. Code Ann. § 24-7-406(f)(5)(C), the noncontributory members of ATRS who are employed by the following employers are excluded from participation in the election to become contributory members included in Ark. Code Ann. § 24-7-406(f)(5): Arkansas Activities Association; Arkansas Association of Educational Administrators; Arkansas School Board Insurance Trust; Arkansas Easter Seals Society; Ashley County Adult Education; Florence Crittenden Home; Jefferson County Adult Education; Laidlaw Transit; and Literacy Council of Lonoke;

FURTHER RESOLVED that the Executive Director of ATRS or his designee is authorized to promulgate and implement these changes;

FURTHER RESOLVED that in promulgating these changes, the Executive Director of ATRS or his designee is authorized to make technical corrections when necessary.

Adopted this 4th day of April 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System

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

**R E S O L U T I O N
No. 2006-16**

Payroll Reduction (Employer Pick-Up) Resolution

WHEREAS, Internal Revenue Code (IRC) Section 414(h)(2) permits employer “pick-up” of the employee portion of contributions to a retirement plan, thereby resulting in tax deferral of employee contributions; and

WHEREAS, under the Arkansas Teacher Retirement System (ATRS) plan conditions, members may be allowed to make additional contributions, back contributions, conversion contributions, repayment contributions, or purchased service contributions through payroll reductions.

NOW, THEREFORE, BE IT RESOLVED, that as an Employer (as defined in A.C.A. § 24-7-202) under the ATRS Act, the undersigned shall make all member contributions required by A.C.A. § 24-7-406, and that the employees of such Employer may not elect to receive such contributions directly. This resolution shall apply to all teacher and nonteacher employees as defined in A.C.A. § 24-7-406.

FURTHER RESOLVED, that the undersigned shall pick up the member contributions required by A.C.A. § 24-7-406 from the salary earned by a member after June 30, 2006, and those contributions shall then be treated as employer contributions in determining tax treatment under the provisions of the Internal Revenue Code and the Income Tax Act of 1929, §§ 26-51-101 et seq. If a member elects to make additional contributions, back contributions, conversion contributions, repayment contributions, or purchased service contributions through payroll reductions, the undersigned shall pick up the amount required to make such contributions from the employee’s salary earned after the employee signs an irrevocable payroll authorization prescribed by ATRS, and those contributions shall then be treated as employer contributions in determining tax treatment under the provisions of the Internal Revenue Code and the Income Tax Act of 1929, §§ 26-51-101 et seq.

EFFECTIVE DATE: The above resolution shall be effective on the later of July 1, 2006, or the date of approval by the ATRS Board of Trustees.

Adopted this 4th day of April 2006

JOHN FORTENBERRY, *Chair*
Arkansas Teacher Retirement System