

**MINUTES
REGULAR MEETING
ARKANSAS TEACHER RETIRMENT SYSTEM
BOARD OF TRUSTEES
1400 West Third Street
Little Rock, AR 72201**

**Monday, February 11, 2008
1:00 p.m.**

ATTENDEES	
Board Members Present	Guests
Dr. Richard Abernathy	Lloyd W. Black, ARTA
Monty Betts	Helen Holloway, ARTA
Hazel Coleman	Steve Singleton, ARTA
Mike Creekmore <i>designee for Martha Shoffner</i>	Erika Gee, Attorney General's Office
Dr. Paul Fair	Dean Elliott, Dillard's
Beverly Leming	Bill Conrad, AG Edwards
Bobby G. Lester	
Susannah Marshall <i>designee for Candace Franks</i>	
	ATRS Staff
Robin Nichols	Paul Doane, Chief Investment Officer
Linda Parsons	Gail Bolden, Chief Operations Officer
	Judy Brown, Supervisor Payroll
Board Members Absent	Christa Clark, Chief Legal Officer
John Fortenberry	Suzanne Davenport, Chief Fiscal Officer
Dr. Ken James	Wayne Greathouse, Dir. Public Securities
Janelle Riddle	Mullahalli Manjunath, Mgr. DP
Ellen Terry	Michael Ray, Director of Member Services
Jim Wood	Hugh Roberts, Director of Real Estate
Consultant – Ennis Knupp	George Snyder, Chief Risk Mgmt & Audit
Mary Bates	Jane Toledo, Secretary
PJ Kelly	Leslie Ward, Director of Private Equity
Joe Marzano	
Christian Reel	Consultants – Franklin Park
	Michael Bacine
	Neil Mowery

- I. **Call to Order/Roll Call.** Chair, Ms. Nichols called to Board of Trustees meeting to order at 1:05 p.m.

- II. **Motion to Excuse Absence(s).** Chair, Ms. Nichols noted the absences of John Fortenberry, Ellen Terry, Janelle Riddle and Jim Wood. A motion to excuse the

absences was made by Ms. Leming, seconded by Ms. Coleman and unanimously approved by the Board.

- III. **Adoption of Agenda.** It was noted that there were four additions to the Agenda, Resolutions 2008-13 through 2008-16. A motion for approval of the revised Agenda was made by Ms. Coleman seconded by Ms. Parsons, and unanimously approved by the Board.
- IV. **Approval of Minutes of December 3-4, 2007 Board of Trustees Meeting.** A motion for approval of the Minutes of the December 3-4, 2008 Board of Trustees meeting was made by Ms. Leming, seconded by Ms. Marshall, and unanimously approved by the Board.
- V. **Adoption of Board of Trustees 2008 Travel and Expense Reimbursements.** (Resolution No. 2008-01). This is an annual vote approving the travel procedures and expenses related to member attendance at pension conferences and events. A motion for adoption of Resolution No. 2008-01 was made by Mr. Betts, seconded by Dr. Abernathy.

Chair, Ms. Nichols made a motion to revise Resolution 2008-01 by striking the words “no more than three (3) out-of-state” and adding the language “all NCTR conferences and one (1) out-of-state” so that the resolution reads “each Board member shall be reimbursed for all NCTR sponsored conferences and one (1) out-of-state retirement related conference annually.” The motion was seconded by Ms. Parsons, and adopted by a quorum of the Board, as amended. (Dr. Fair No)

- VI. **Adoption of 2007-2008 Employer Contribution Rate.** (Resolution No. 2008-02) This is an annual vote formally setting of the Employer Contribution Rate (fixed by Statute) at 14% for the upcoming fiscal year.

A motion for adoption of Resolution 2008-02 was made by Dr. Abernathy, seconded by Mr. Lester, and unanimously adopted by the Board.

- VII. **Medical Board Reports.** Michael Ray, Director of Member Services presented the Medical Board reports for December 2007 and January 2008 to the Board. A motion for approval of the Medical Board reports was made by Ms. Coleman, seconded by Ms. Leming, and unanimously approved by the Board.

VIII. **Staff Reports.**

- A. **Personnel Report.** Gail Bolden, Chief Operating Officer, presented the Personnel Report to the Board noting that 10 years ago there were only 55 staff members and in 1979 there were 27 staff members.

- B. **Operations Update.** Gail Bolden, Chief Operating Officer, presented the Operations Update noting that Membership is now fully staffed; It is now testing the disaster recovery plan consisting of 6 servers and the ability to restore data from backup tapes; first floor renovations are completed and personnel (Member Services and Pre-Retirement) are in their permanent locations on the 1st floor; the third floor personnel have moved to available offices on the first and second floors while renovations continue on the third floor; it is anticipated that the Board Room on the third floor will be completed in time for the April Board of Trustees meeting.
- C. **ATRS Financial Reports.** Suzanne Davenport, Chief Financial Officer reviewed the Financial Comparison reports of September through December 2007 and was available for any questions from the Board.
- D. **Payroll Report.** Judy Brown, Supervisor Retiree Payroll, reported that 1099's had been mailed by the January 31st deadline creating an increase in call volume; Melinda Looney of Accounting-Reporting is working the Department of Education and approximately 70 Charter schools to educate them on the reporting process. Payroll/Reporting is working with IT on a web portal to allow schools to provide electronic transmission of their reports. Steps have been taken to secure social security numbers (only show the last four digits) on correspondence from ATRS to members.
- E. **Investment Reporting Update.** Wayne Greathouse, Director Public Sectors, updated the Board on the status of changes to our manager portfolio alignment and benchmarks, and was available for any questions.
- F. **Real Estate.** Hugh Roberts, Director of Real Estate, reviewed the status of ATRS' real estate portfolio; Woodland Heights units will be available for move in by April 1, 2008; monthly meetings are scheduled with the Woodland Heights committee members, the management company and ATRS staff; a ribbon cutting ceremony is scheduled for April 15, 2008; there are 4 lease proposals out at this time for the Victory Building with 10 other prospects; 1st floor renovations are completed and ready for staff move in on Tuesday, February 19th;
- G. **Audit Update.** George Snyder, Chief of Risk Management and Internal Audit, reported that per 2004 Legislative mandate the ATRS Disaster Recovery plan must be web based; upon review it was determined that the most critical area for recovery would be Payroll with a 4-day recovery (down time) expected; staff is in the process of developing a Business Continuity plan to document each department's procedures which is anticipated to take 8 months to 1 year to complete and require the assistance of part-time technical writers and utilizing an individual with no familiarity with the system to review and help with this process; there are

currently 3 individuals interested in serving on the Audit Committee (George Foster, Bill Cox and Debbie Robinson); Mr. Snyder is to provide the Board with biographies and schedule meetings with each individual to meet with the Board and selection of 2 individuals for the Audit Committee.

IX. **Report of Investment Committee.** Chair, Beverly Leming, reported the results of the January 15, 2008 Investment Committee meeting.

A. **“Draft” Minutes of the Investment Committee Meeting of January 15, 2008.** The “Draft” minutes were provided for informational purposes only.

B. **Recommendation Re: Two Fixed Income Managers** (Resolution No. 2008-03) This is a recommendation to hire Loomis Sayles and Putnam Management to implement a “best ideas” largely unconstrained fixed income portfolio of approximately \$200 million each.

A motion for adoption of Resolution 2008-03 was made by Ms. Leming, seconded by Ms. Nichols and unanimously adopted by the Board.

C. **Recommendation Re: Real Estate Investment - CB Richard Ellis, Strategic Partners U.S. Opportunity Fund V** (Resolution No. 2008-04) This is a recommendation to invest \$50 million in CB Richard Ellis Strategic Partners US Opportunity Fund V (opportunistic mixed use, domestic real estate fund).

A motion for adoption of Resolution 2008-04 was made by Ms. Leming, seconded by Ms. Coleman, and unanimously adopted by the Board.

D. **Recommendation Re: Real Estate Investment – O’Connor Group, North American Fund II** (Resolution No. 2008-05) This is a recommendation to invest \$50 million in the O’Connor Group North American II Fund (a largely US with some Mexico properties, mixed use, opportunistic fund).

A motion for adoption of Resolution No. 2008-05 was made by Ms. Leming, seconded by Dr. Abernathy, and unanimously adopted by the Board.

E. **Recommendation Re: Private Equity Investment - Advent Fund VI** (Resolution No. 2008-06) This is a recommendation to invest \$50 million in Private Equity Advent Fund VI (\$8 billion, global).

A motion for adoption of Resolution No. 2008-06 was made by Ms. Leming, seconded by Ms. Coleman, and unanimously adopted by the Board.

- F. **Recommendation Re: Private Equity Investment - NGP Fund IX** (Resolution No. 2008-07) This is a recommendation to invest \$50 million in Private Equity Natural Gas Partners (NGP) Fund XI (\$3 billion, US and Canadian gas and oil).

A motion for adoption of Resolution No. 2008-07 was made by Ms. Leming, seconded by Mr. Betts, and unanimously adopted by the Board.

- G. **Recommendation Re: Manager of the Year** (Resolution No. 2008-08) This is a recommendation to award Kennedy Capital an award as "Manager of the Year" with a presentation of the award at the April Board meeting.

A motion for adoption of Resolution No. 2008-08 was made by Ms. Leming, seconded by Dr. Fair, and unanimously adopted by the Board.

- H. **Recommendation to Extend Cinven Fund II for Two Years** (Resolution No. 2008-09) This is a recommendation to extend the Funds' term to maximize the value of its remaining portfolio investments and allow sufficient time for an orderly liquidation of the Fund.

A motion for adoption of Resolution No. 2008-09 was made by Ms. Leming, seconded by Ms. Coleman, and unanimously adopted by the Board.

- X. **Report of Policies/Legislative Committee.** Chair, Linda Parsons

- A. **"Draft" Minutes of November 14, 2007 Policies Committee Meeting.** The "Draft" minutes were provided for informational purposes only.

- B. **Adoption of Policies 4-1, 4-2, 4-3, 5-3, 7-3, 7-4, 8-2, 8-18, 8-19 and 10-2** (Resolution No. 2008-10) Legal counsel provided a brief overview of the policies changes which were implemented by 2007 Legislation; Policy 5-3 removed the asset allocation table; Policies 7-3 and 7-4 were technical corrections to change the date to be consistent with the statute (?) changing the due date to the 15th; they were all been previously reviewed and approved by the Policies Committee and in December and have completed statutory public notice and comment period. This is merely a procedural action by the Board prior to being submitted to the Rules and Regulations Committee on March 6, 2008.

Policy 4-1, Board Composition and Elections

Policy 4-2, Election Procedures for Members and Retirant Trustees

Policy 4-3, Schedule for Active and Retirant Trustee Elections

Policy 5-3, Asset Allocation

Policy 7-3, Reporting Employee (Member) Contributions

Policy 7-4, Employer Contributions

Policy 8-2, Refunds of Member Contributions

Policy 8-18, Purchase of Domestic Federal Service

Policy 8-19, Purchase of Federal Retirement Service

Policy 10-2, Retirants Return to Covered Employment

The motion for adoption of Resolution No. 2008-10 was made by Ms. Parsons, seconded by Dr. Abernathy, and unanimously adopted by the Board.

XI. **General Consultant's Report.** PJ Kelly and Joe Marzano of Ennis Knupp

A. **Portfolio Performance Update.** Our consultants reviewed the performance through the fourth quarter 2007 (i.e. first half fiscal year 2008). While the full calendar year 2007 produced a 10% return, the first six months of the 2008 fiscal year returns have been about 2%, with a good first quarter (July-September) offset by a tough second quarter (October-December). Additionally, much of January experienced further continuation of the fiscal second quarter decline. As a result, the portfolio is currently in negative territory for the fiscal year to date.

B. **Historical Market Perspective/Environment.** Consultant reviewed the current market environment with the Board.

XII. **Chief Executive Officer's Report.** The next SCTR Conference is April 19-23 in Oklahoma City, OK; Senior Staff participated in an off-site planning meeting to discuss personnel, budget and various internal issues; ATRS is 1 of 4 Large Public Plans Sponsors nominated for an award in March; staff and actuaries are working on options to implement COLA increases to members; Board Committee Schedule was reviewed, meetings will be held on the 4th Thursday of every other

month. In the a.m. the Executive Committee and in the p.m. the Administrative or Policies/Legislative Committees will alternate; staff is in the process of reviewing properties for the June Offsite planning and Board of Trustees meeting; due to a calendar conflict the June Board meeting has been rescheduled from June 8-10 to June 22-24.

XIII. **Recommendation Re: 1st Floor Lease.** ATRS Staff, Christa Clark, Chief Legal Officer (Resolution No. 2008-11) This Resolution seeks Board approval of the lease for the ATRS to occupy the first floor of our building as we take over the space previously occupied by our former tenant, the Office of the State Auditor. A motion for adoption of Resolution No. 2008-11 was made by Ms. Parsons, seconded by Mr. Lester and unanimously adopted by the Board.

XIV. **Authorization to Request Bids for Fiduciary Insurance.** ATRS Staff, Christa Clark, Chief Legal Officer (Resolution No. 2008-12) In researching this previously discussed matter of Fiduciary Insurance and in light of recent State court action, our Counsel has determined it desirable to have the System secure proper fiduciary insurance. This resolution will authorize the seeking of bids for such insurance.

A motion for adoption of Resolution No. 2008-12 was made by Ms. Coleman, seconded by Ms. Parsons and unanimously adopted by the Board.

XV. **Other Business.**

A. **XI Corporation Mortgage Renewal.** (Resolution No. 2008-13). This is a recommendation to renew the XI Corporation's \$1 million mortgage on property in Fayetteville, AR at a rate of 7.57% for a term of 10 years payable in full January 1, 2018.

A motion for adoption of Resolution No. 2008-13 was made by Ms. Leming, seconded by Ms. Coleman, and unanimously adopted by the Board.

B. **RFP For Expiring Service Contracts.** (Resolution 2008-14) This is a recommendation to authorize RFP's for four service areas with contracts due to expire (General Consultant Services, System Actuary/General Accountant Services, Investment Fund Custodial/Securities Lending Services, Securities Class Action Monitoring/Litigation Services).

A motion for adoption of Resolution No. 2008-14 was made by Ms. Leming, seconded by Ms. Parsons and unanimously adopted by the Board.

- C. **Gail Bolden – Authority to Transact Business.** (Resolution 2008-15)
This is a request to authorize Gail Bolden, Chief Operating Officer, to transact business on behalf of ATRS.

A motion for adoption of Resolution No. 2008-15 was made by Ms. Leming, seconded by Mr. Betts and unanimously adopted by the Board.

- D. **Cooper Real Estate Loan.** (Resolution 2008-16) This is a recommendation loan Cooper Real Estate up to \$8 million collateralized by a first mortgage on the company assets with funding from an expected distribution from the American Center property, Nashville, TN at an annual rate of 7.57% callable no later than April 1, 2011 or convertible, by ATRS, within that same period to a pro-rata equity position in real estate owned by Cooper Real Estate. An update is to be provided to the Investment Committee/Board at the next scheduled meetings.

A motion for adoption of Resolution No. 2008-16 was made by Ms. Leming, seconded by Ms. Coleman, and unanimously adopted by the Board.

- XVI. **Adjournment.** A motion for adjournment was made by Mr. Lester, seconded by Ms. Leming and unanimously approved by the Board. Ms. Nichols adjourned the Board of Trustees meeting at 3:40 p.m.

Jane Toledo, Recorder

Paul Doane, Executive Director

Robin Nichols, Chair
Board of Trustees

Date Approved