

MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING

Dr. Richard Abernathy, Chair

Monday, December 7, 2009

1:00 p.m.

1400 West Third Street
Little Rock, AR 72201

Board Members Present

Dr. Richard Abernathy, Chair
Hazel Coleman, Vice Chair
David Cauldwell
Mike Creekmore, designee for Hon. Martha Shoffner
Dr. Paul Fair
John Fortenberry
Candace Franks
Steve Kelley, designee for Hon. Jim Wood
Tom Kimbrell, Ed.D.
Beverly Leming
Robin Nichols
Janelle Riddle
Jeff Stubblefield

Board Members Absent

Bobby Lester

Guests Present

Lloyd Black, ARTA
Erika Gee, Attorney General's Office
Richard Hutchinson, AEA
Mike Mertens, AAEA
Steve Singleton, ARTA
Brenda West, Division of Leg. Audit

Reporters Present

Rob Moritz, Stephens Media
Mike Wickline, Arkansas-Democrat Gazette

Staff Present

George Hopkins, Executive Director
Gail Bolden, Deputy Director
Aruna Ankem, Systems Specialist
Chris Ausbrooks, Senior Software Support
Bob Berry, Chief Fiscal Officer
Judy Brown, Ret. Section Manager
Kay Daniel, Director's Assistant
Laura Gilson, Chief Legal Counsel
Rod Graves, Ret. Investment Consultant
Wayne Greathouse, Dir. Public Markets
Jim Hastings, Systems Specialist
Clementine Infante, Legal Consultant
Mindy Looney, Ret. Section Manager
Manju, Dir. Data Processing
Jerry Meyer, Dir. Real Estate
Chris Onnen, Information Systems Analyst
Michael Ray, Dir. Member Services
Clint Rhoden, IT Consultant
Gaye Swaim, Dir. Human Resources
Bart Walker, Investment Analyst
Leslie Ward, Dir. Private Equity
Amy Wells, Administrative Assistant
Brooke Whitaker, Software Support Analyst
Earl Williams, Manager Internal Audit

Consultants Present

Heather Christopher, Ennis Knupp
P. J. Kelly, Ennis Knupp
Judith Kermans, Gabriel Roeder Smith
Brian Murphy, Gabriel Roeder Smith
Michael Bacine, Franklin Park

- I. **Paperless Board Meeting Tutorial.** An educational tutorial for the paperless Board meeting software preceded the Board of Trustees call to order.

II. **Call to Order/Roll Call.** Chair, Dr. Abernathy, called the Board of Trustees meeting to order at 1:10 p.m. Roll call was taken and the only member absent was Bobby Lester.

III. **Adoption of Agenda.** There was a proposal to add **A. Authorization to participate as plaintiff in class action securities litigation in SunPower Corporation to Item XIV. Other Business.**

Ms. Nichols moved for adoption of the amended Agenda. Ms. Riddle 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 Board of Trustees Minutes of October 5, 2009.**

Ms. Riddle moved for adoption of the Minutes of the Board of Trustees meeting of October 5, 2009. Ms. Leming seconded the motion, and the Board unanimously approved the motion.

VI. **Approval of Board of Trustees Minutes of November 4, 2009.**

Mr. Fortenberry moved for adoption of the Minutes of the Board of Trustees meeting of November 4, 2009. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

VII. **Preliminary Active Actuarial Valuation.** Ms. Kermans gave a presentation of the valuation results as of June 30, 2009. Overall, it is unlikely that the present 14% employer rate can return ATRS to a 30-year amortization period in the near term. ATRS is currently 76% funded, with 45 amortization years. Unless there is substantial investment gain in fiscal year 2010, the amortization period is likely to increase significantly again next year.

VIII. **Statement of Financial Interest.** Mr. Hopkins explained the statement of financial interest and gave instructions to the Board on how to complete the statement forms.

IX. **Proposed 2010 Board of Trustees Schedules.** Mr. Hopkins presented the tentative 2010 Board of Trustees schedule. There was a change to the April 4, 2010 date, which was for a Sunday. With the change to April 5, 2010, the schedule met with Board approval.

X. **Investment Committee Report.**

A. **Arkansas Real Estate Update.** Ms. Leming referred to the executive summary for information about real estate items.

1. **Southwest Power Pool Update.**
2. **Victory Building Update.**
3. **Lindsey Loans Update.**
4. **McDonalds Sale Update.**
5. **Graham Smith Purchase Offer Update.**

B. **General Investment Consultant Update.**

1. **Portfolio Performance Update for Quarter Ended September 30, 2009.** Ms. Leming gave a brief update on the portfolio performance. The total fund performed at 11.2%, and some of the managers outperformed their benchmark.
2. **Portfolio Manager Fee Overview.** Ms. Leming referred to the manager fee overview for the Board's information.
3. **Extension of TKY Properties/Timberland in American Timberland (Resolution 2009-35).** Ms. Leming gave a brief overview of the TKY Properties/Timberland contract extension.

Ms. Leming *moved to adopt* Resolution 2009-35, to extend the TKY Properties/Timberland contract for an extra two years. Ms. Nichols *seconded the motion*, and the Board *unanimously adopted the resolution*.

C. **Real Estate Consultant Update.**

1. **Recommendation of Landmark Real Estate Fund VI (Resolution 2009-36).**

Ms. Leming *moved to adopt* Resolution 2009-36, an investment of up to \$40 million in the Landmark Real Estate Fund VI. Ms. Coleman *seconded the motion*, and the Board *unanimously adopted the resolution*.

2. **Real Estate Portfolio Performance Update for the Quarter Ended June 30, 2009.** Ms. Leming referred to the real estate portfolio performance in the schedule.
3. **Recommendation for 2010 Real Estate Pacing Schedule (Resolution 2009-37).**

Ms. Leming *moved to adopt* Resolution 2009-37, to approve the Ennis Knupp Real Estate 2010 Pacing Schedule. Ms. Coleman *seconded the motion*, and the Board *unanimously adopted the resolution*.

D. Private Equity Investment Consultant Update.

1. **Private Equity Market Update and Portfolio Performance Update for the Quarter ended June 30, 2009.** The performance update for private equity was included in the Board materials.
2. **2010 Private Equity Plan Including Recommendation for 2010 Private Equity Commitment Pacing (Resolution 2009-38).**

Ms. Leming *moved to adopt* Resolution 2009-38, to approve the Franklin Park 2010 Private Equity Commitment Pacing plan with an investment of up to \$225 million. Ms. Riddle *seconded the motion*, and the Board *unanimously adopted the resolution*.

3. **Recommendation for Commitment to Franklin Park Venture Fund Series 2010 (Resolution 2009-39).**

Ms. Leming *moved to adopt* Resolution 2009-39, to approve the recommended commitment of up to \$25 million to the Venture Fund series. Ms. Nichols *seconded the motion*, and the Board *unanimously adopted the resolution*.

XI. Staff Reports.

- A. **Medical Committee Report.** Mr. Ray gave the Medical Committee reports for July 2009, August 2009, September 2009, October 2009, and November 2009.

Ms. Nichols *moved to approve* the Medical Committee reports for July 2009, August 2009, September 2009, October 2009, and November 2009 Medical Committee reports. Ms. Coleman *seconded the motion*, and the Board *unanimously approved the motion*.

- B. **Personnel Report.** Ms. Swaim gave the personnel report for December 2009. Overtime has been reduced drastically, down to 18 hours for the months July 2009 through November 2009.
 - C. **Financial Statement Reports.** Mr. Berry gave the financial statement as of June 30, 2009. The total net income was a loss of \$2.1 billion.
 - D. **Retiree Payroll Reports.** Ms. Brown gave retiree payroll reports for the months July 2009 through November 2009. Gross payroll has steadily increased from July 2009 through November 2009. The T-DROP count has dropped from July 2009 through November 2009, with T-DROP deposits subsequently decreasing.
 - E. **Accounting Reporting Update.** Ms. Looney gave preliminary numbers for the first quarter audit. For the first quarter, preliminaries show 3,277 retirees were rehired, 4,817 members are enrolled in T-DROP, and 74,417 members are active.
- XII. **Executive Session to Discuss Executive Director's Performance Evaluation.** Chair, Dr. Abernathy, called the Executive Session of the Board of Trustees to order at 2:35 p.m. At 2:53 p.m., Dr. Abernathy reconvened the meeting and reported there was no action taken during the session.
- XIII. **Executive Session to Discuss Executive Director's Performance Evaluation.** Chair, Dr. Abernathy called the Executive Session of the Board of Trustees to order at 2:54 p.m., and requested that George Hopkins, Executive Director, attend. At 3:39 p.m., Dr. Abernathy reconvened the meeting and reported no action.
- XIV. **Other Business.** After the Board reconvened, Dr. Abernathy expressed satisfaction with Mr. Hopkins' performance as Executive Director.
- A. **Authorization to participate as plaintiff in class action securities litigation in SunPower Corporation.** Mr. Hopkins explained ATRS policy in regards to acting as plaintiff in litigation. Policy states that ATRS will not act as a plaintiff unless there is a loss in excess of \$3 million. Currently there is an investment loss of greater than \$2 million on the SunPower investment. There is a strong chance of recovery in which a large portion of ATRS' loss could be recovered from SunPower Corporation. The law firms involved with the securities litigation have a record of obtaining 60-70% of the loss for the plaintiffs, as well as reimbursement for any hours staff worked on litigation.

Ms. Leming *moved to authorize* ATRS Executive Director and staff to participate as plaintiff in class action securities litigation in SunPower Corporation. Dr. Kimbrell *seconded the motion*, and the Board *unanimously approved the motion*.

XV. Adjourn.

Ms. Riddle *moved to adjourn* the Board of Trustees Meeting. Mr. Stubblefield *seconded the motion*, and the Board *unanimously approved the motion*.

Meeting adjourned at 3:35 p.m.

George Hopkins,
Executive Director

Dr. Richard Abernathy, Chair
Board of Trustees

Amy Wells,
Recorder

Date Approved