

MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES
December 4, 2023
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201

ATTENDEES

Board Members Present

Danny Knight, Chair
Shawn Higginbotham, Vice Chair
Kelsey Bailey
Susan Ford
Dr. Mike Hernandez
Michael Johnson
Bobby Lester
Chip Martin
Jeff Stubblefield
Kelly Griffin, designee for Jacob Oliva
Jason Brady, designee for Dennis Milligan
Larry Walther, State Treasurer

Board Members Absent

Anita Bell
Susannah Marshall, Bank Commissioner

Reporters Present

Mike Wickline, AR Dem. Gaz.

**Via ZOOM*

ATRS Staff Present

Mark White, Executive Director
Rod Graves, Deputy Director
Sarah Linam, Deputy Director – Member Services
Tammy Porter, Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Int. Audit/Risk Management
Braeden Duke, Software Support Analyst
Clementine Infante, Staff Attorney
Willie Kincade, Director of Operations
Mike Lauro, Manager, Information Systems
Jennifer Liwo, General Counsel*
Amber Sevilla, Assistant to Executive Director
Whitney Sommers, Administrative Analyst
Leslie Ward, Manager, Private Equity
Brenda West, Int. Audit/Risk Management
Misty Yant, Manager, Accounting/Reporting*

Guest Present

PJ Kelly, Aon Hewitt Consulting
Jack Dowd, Aon Hewitt Consulting
Katie Comstock, Aon Hewitt Consulting*
Chris Caldwell, AR Div. of Legislative Audit*
Eric Munson, State Treasurer's office
Gar Chung/Fin News*
Derek Henning*
Catarina Moura

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 10:59 a.m. Roll call was taken. All members were present
- II. **Adoption of Agenda.**

Mr. Lester moved for adoption of the Agenda. Mr. Martin seconded the motion, and the Board unanimously approved the motion.

III. Executive Summary. The Executive Summary was provided for reference with no questions or expansions on the written summary.

IV. Approval of Prior Meeting Minutes.

A. June 2, 2023, Minutes.

Mr. Higginbotham *moved for approval* of the Minutes of the Board of Trustees meeting of June 2, 2023. Mr. Brady *seconded the motion*, and the Board *unanimously approved the motion*.

B. September 25, 2023, Minutes.

Mr. Stubblefield *moved for approval* of the Minutes of the Board of Trustees meeting of September 25, 2023. Mr. Lester *seconded the motion*, and the Board *unanimously approved the motion*.

C. November 1, 2023, Minutes.

Ms. Ford *moved for approval* of the Minutes of the Board of Trustees meeting of July 17, 2023. Mr. Martin *seconded the motion*, and the Board *unanimously approved the motion*.

V. Executive Director Report. Mr. White, Executive Director, gave the Board a report on ATRS activity.

VI. Commending Ms. Kathy Clayton for her service to Arkansas Teacher Retirement System.

A. Resolution 2023-44.

Mr. Stubblefield *moved to adopt* Resolution 2023-44. Mr. Martin *seconded the motion*, and the Board *unanimously approved the motion*.

VII. Preliminary Active Actuarial Valuation. Judy Kermans, Brian Murphy and Heidi Berry of Gabriel, Roeder, Smith and Company. Judy Kermans and Heidi Berry from Gabriel, Roeder, Smith and Company presented the Board with the Preliminary Actuarial Valuation.

VIII. Statement of Financial Interest. Executive Director Mark White gave the Board a report on when Statement of Financial Interest are due.

IX. Proposed 2024 Board of Trustees Schedule.

Mr. Stubblefield *moved to approve* the 2024 Board of Trustees Schedule. Mr. Martin *seconded the motion* and the Board *unanimously approved the motion*.

X. 2024 Board Election. Executive Director Mark White gave the Board a report on the 2024 Board Election.

A. Election Timeline.

B. Vendor Selection for Board Election

1. Resolution 2023-51

Mr. Walther *moved to adopt* Resolution 2023-51, Vendor Selection for Board Election. Mr. Lester *seconded the motion*, and the Board *unanimously approved the motion*.

XI. Report of Member Interest Waived Under A.C.A. Sec. 24-7-205. None this reporting period. Executive Director Mark White presented the member interest amount waived report. ATRS waives interest for members when there is a dispute between ATRS and the member as to whether ATRS made a mistake or otherwise did not do all that was required on the member's account. No member interest was waived for this reporting period.

XII. Approval of Employer Penalties and Interest Waived under A.C.A. Sec 24-7-411. Mr. White, Executive Director, and Ms. Jennifer Liwo presented the board with recommendation to approve Resolution 2023-50.

A. Resolution 2023-50

Mr. Higginbotham *moved to adopt* Resolution 2023-50, Approval of Employer Penalties and Interest Waived. Mr. Bailey *seconded the motion*, and the Board *unanimously approved the motion*.

XIII. Board Waiver of Penalties and Interest Greater than \$1,000 in a Fiscal Year

A. In Re: Employer 00593

B. In Re: Employer 00493

Mr. Stubblefield moved to approve the Board Waiver of Penalties and Interest Greater than \$1,000 in a Fiscal Year. Mr. Bailey seconded the motion, and the Board unanimously approved the motion.

XIV. Manifest Injustice Report. Executive Director Mark White provided the Board with the second report of 2023. This report was for information purposes only and was not an action item.

XV. Investment Committee Report. *Chip Martin, Chair.*

A. Election of Vice Chair

Mr. Martin moved to approve election of Mr. Michael Johnson as Investment Committee Vice Chair, and the Board unanimously approved the motion.

B. Arkansas Related and Investment Update.

- 1. List of Fund Closing.** Rod Graves, Deputy Director, gave the Board an update on fund closings.
- 2. Board Policies Report.** Rod Graves, Deputy Director, gave the Board a report on Board Policies.

C. General Investment Consultant Report. *AON Hewitt*

- 1. Performance Report for the Quarter ended September 30, 2023.** Aon Hewitt Investment Consulting provided the Committee with a Performance Report for the quarter ended September 30, 2023. The report was for information purposes and no action was taken.
- 2. Preliminary Performance Report for the Month Ended October 31, 2023.** Aon Hewitt Investment Consulting provided the Committee with a Preliminary Performance Report for the month ended October 31, 2023. The report was for information purposes and no action was taken.

D. Real Assets Consultant Report. *AON Hewitt*

- 1. Performance Report for the Quarter Ended June 30, 2023.** Aon Hewitt Investment Consulting provided the Committee with

a Performance Report for the quarter ended June 30, 2023. The report was for information purposes and no action was taken.

2. **Recommendation to approve for Board adoption Resolution 2023-45, authorizing an investment of up to \$50 million dollars in KKR Real Estate Partners Americas IV SCSp.** Aon Hewitt Investment Consulting presented the Committee with the recommendation to authorize an investment of up to \$50 million dollars in KKR Real Estate Partners Americas IV SCSp.

Staff concurs with the recommendation.

Mr. Martin *moved to approve* Resolution 2023-45, authorizing an investment of up to \$50 million dollars in KKR Real Estate Partners Americas IV SCSp. The Board *unanimously approved the motion.*

3. **2024 Real Assets Commitment Pacing (Total Pacing \$450 Million Dollars).**
 - a. Core Real Estate \$250 Million Dollars
 - b. Value Added and Opportunistic Real Estate (Non-Core) \$150 Million Dollars.
 - c. Infrastructure \$50 Million Dollars

Staff concurs with the recommendation.

Mr. Martin *moved to approve* the motion for 2024 Real Assets Commitment Pacing. The Board *unanimously approved the motion*

E. Private Equity Consultant Report. *Franklin Park.*

1. **Preliminary Private Equity Portfolio Review for the Quarter Ended June 30, 2023.** Michael Bacine provided the Preliminary Private Equity Portfolio Review for the Quarter Ended March 31, 2023.
2. **Recommendation to approve for Board adoption Resolution 2023-46, authorizing an investment of up to \$35 million dollars**

in Beekman Investment Partners V, LP. Michael Bacine provided the Committee with the Recommendation to approve for Board adoption Resolution 2023-46, authorizing an investment of up to \$35 million dollars in Beekman Investment Partners V, LP.

Staff concurs with the recommendation.

Mr. Martin *moved to approve Resolution 2023-46, authorizing an investment of up to \$35 million dollars in Beekman Investment Partners V, LP. The Board *unanimously approved the motion.**

3. **Recommendation to approve for Board adoption Resolution 2023-47, authorizing an investment of up to \$35 million dollars in Clearlake Capital Partners VIII, LP.** Michael Bacine provided the Committee with the Recommendation to approve for Board adoption Resolution 2023-47, authorizing an investment of up to \$35 million dollars in Clearlake Capital Partners VIII, LP.

Staff concurs with the recommendation.

Mr. Martin *moved to approve Resolution 2023-47 authorizing an investment of up to \$35 million dollars in Clearlake Capital Partners VIII, LP. The Board *unanimously approved the motion.**

4. **2024 Private Equity Pacing Schedule (Total Pacing \$385 Million Dollars.)**
 - a. Five Small or Mid Buyout/Growth/Turnaround \$35 Million Dollars Each Primarily in the U.S. (Total \$175 Million Dollars).
 - b. Two Debt/Distressed Assets \$35 Million Dollars Each (Total \$70 Million Dollars).
 - c. Franklin Park International Fund XI No New Allocation.
 - d. Franklin Park Co-Investment Fund VI \$60 Million Dollars.
 - e. Franklin Park Venture Fund XV \$40 Million Dollars.
 - f. Franklin Park Venture Capital Opportunity Fund No New Allocation.

- g. Franklin Park Corporate Finance Access Fund III \$40 Million Dollars.

Staff concurs with the recommendation

Mr. Martin moved to approve the 2024 Private Equity Pacing Schedule. The Board unanimously approved the motion.

- 5. **Recommendation to approve for Board Adoption Resolution 2023-48 authorizing an additional investment of up to \$60 Million Dollars in Franklin Park Co-Investment Fund VI, LP.**

Staff concurs with the recommendation.

Mr. Martin moved to approve Resolution 2023-48 authorizing an investment of up to \$60 million dollars in Franklin Park Co-Investment Fund VI, LP. The Board unanimously approved the motion.

- 6. **Recommendation to approve for Board Adoption Resolution 2023-49 authorizing an investment of up to \$40 Million Dollars in Franklin Park Venture Capital Fund XV, LP.**

Staff concurs with the recommendation.

Mr. Martin moved to approve Resolution 2023-49 authorizing an investment of up to \$40 million dollars in Franklin Park Venture Capital Fund XV, LP. The Board unanimously approved the motion.

XVI. Operations Committee Report. Mr. Bobby Lester, Chair, gave a report on the Operations Committee meeting.

- A. **Open Forum for potential Rule or Law Changes by Committee Members and board Members in Attendance.**

- 1. **Open Forum.** None.

- B. **Rule Promulgation Status Update.** Jennifer Liwo, General Counsel, presented the Committee with Rules to be promulgated.

1. Rule 0-1 - ATRS Rules of Organization and Operation.
2. Rule 4 - Election of Board of Trustees.
3. Rule 6 - Membership and Employer Participation.
4. Rule 7 - Service Credit, Contributions, Reporting, and Final Average Salary.
5. Rule 8 - Free Service Credit, Purchasable Service Credit, and Purchase Accounts.
6. Rule 9 - Retirement and Benefits.
7. Rule 10 - Return to Service and Teacher Deferred Retirement Option Plan.
8. Rule 11 - Survivors and Domestic Relations Order.
9. Rule 12-1 - Protection of "Qualified Trust" Status of ATRS Under Internal Revenue Code 401(a)
10. Rule 13-1 - Administration Adjudications: Staff Determinations and Appeals.
11. Rule 14-1 - Retirement Fund Asset Accounts.
12. Rule 15-1 - Benefit Restoration Plan and Trust.
13. Rule 16 - Cash and Savings Help (CASH) Program.
14. Rule 17-1 - Manifest Injustice - Repealed and included in Amended Rule 13.

Mr. Lester *moved to approve original changes in Rules as presented to the Board. The Board *unanimously approved the motion.**

XVII. Board of Trustees Disability Review

A. In Re: ATRS ID#377358

Mr. Martin *moved to approve* the Board of Trustees Disability review for ATRS ID#377358. Mr. Lester *seconded the motion* and the Board *unanimously approved the motion*.

XVIII. Staff Reports.

- A. Medical Committee Report.** Mr. Willie Kincade reported that a total of 12 Disability Retirement Applications were approved.

Mr. Higginbotham *moved to approve* the Medical Committee Report. Mr. Bailey *seconded the motion*, and the Board *unanimously approved the Motion*.

- B. Financial Reports.** Mr. Curtis Carter financial report for 2023. No action was taken.

1. Financial Statement Report

2. Travel Report

- C. Personnel Report.** Ms. Vicky Fowler presented the Board with the Personnel Report. No action was taken.

- D. Recommendation – Securities Litigation Lead Plaintiff.** Mark White, Executive Director and Jennifer Liwo, General Counsel presented the Board with the recommendation to seek lead plaintiff status in a securities litigation matter. Mr. White explained that the system has endured a loss of \$3.6 million in the investment of online gaming platform, Roblox. The loss was due to the platform's failure to disclose that a large portion of their growth was due to weak controls which allowed minors to play games with inappropriate content and make unauthorized purchases. In turn, these failures translated to unsustainable revenue levels. As a result, a pension fund out of Florida represented by Labaton Sucharow is filing a suit against Roblox and Labaton Sucharow, as well as a couple of other firms who represent ATRS have suggested we seek lead plaintiff status for the case. Doing so would give us decision making authority in conducting the lawsuit including negotiating and approving any settlement terms. There is no financial risk to the system and we are currently lead plaintiff in only one other case in active litigation.

Mr. White believes it makes sense for the system to seek to be lead plaintiff in the case and asked the board for authorization to make that request

Mr. Stubblefield *moved to approve* the request to seek to be lead plaintiff in Securities Litigation. Mr. Higgonbotham *seconded the motion*, and the Board *unanimously approved the motion*.

XIX. Executive Session. Fulfillment of Vacancy Pursuant to A.C.A. 24-7-302(b)(2).

The Board went into executive session at 12:25 p.m.

The Board reconvened from executive session at 12:26 p.m.

Mr. Higginbotham *moved to appoint* Ms. Keri Hamilton to Position #4 on the Board of Trustees. Dr. Hernandez *seconded the motion*, and the Board *unanimously approved the motion*.

XX. Other Business: None.

XXI. Adjourn. With no other business, Mr. Danny Knight, Chair, entertained a motion to adjourn the meeting.

Meeting adjourned at 12:27 p.m.

Mark White, Executive Director

Danny Knight, Chairman

Tammy Porter, Board Secretary

Date Approved