

# ARKANSAS TEACHER RETIREMENT SYSTEM BOARD OF TRUSTEES

## MINUTES December 5, 2006

The Arkansas Teacher Retirement System Board of Trustees held a regular meeting on Tuesday, December 5, 2006, in the Board Room of the ATRS Building at 1400 West Third Street in Little Rock, Arkansas.

### **Board Members Present:**

John Fortenberry, *Chair*  
Robin Nichols, *Vice Chair*  
Dr. Richard Abernathy  
Monty Betts  
Hazel Coleman  
Lawrence Colston  
Dr. Paul Fair  
Beverly Leming  
Linda Parsons  
Ellen Terry  
Jim Wood

### **Others Present:**

Jim & Betty McGuire  
Matthew Miller, *BLR*  
Estella Smith, *BLR*  
Bobby Lester, *ARTA*  
Lloyd Black, *ARTA*  
Richard Hutchinson, *AEA*  
Bill Conrad, *A. G. Edwards*  
Mary Purselley, *ARTA*  
Teresa Graves, *AEA*  
Greg Alagood, *Attorney*  
Mike Wickline, *Democrat/Gazette*

### **Board Members Absent:**

Robert H. (Bunny) Adcock, Jr.  
Dr. T. Kenneth James  
Gus Wingfield

### **Staff Present:**

David Malone, *Executive Director*  
Julie Cabe, *Deputy Director*  
Wayne Greathouse, *Deputy Director/Finance*  
Michael Ray, *Manager, Member Services*  
Carolyn Abbott, *Preretirement Manager*  
Mullahalli Manjunath, *DP Manager*  
Christa Clark, *Attorney Specialist*  
Hugh Roberts, *ATRS Real Estate*  
Donna Hobbs, *Personnel Manager*  
Mindy Looney, *B&C Supervisor*  
Willana Prince, *Retirement Manager*  
Judy Brown, *Retired Payroll Supervisor*

## **I. Call to Order/Roll Call**

John Fortenberry, Board Chair, called the meeting to order at 9:04 a.m. with a quorum present. The absences of Mr. Adcock, Dr. James, and Mr. Wingfield were noted and excused.

**II. Report of the Legislative Committee, Dr. Paul Fair, Chair**

Dr. Fair reviewed the minutes of the committee meeting on November 13, 2006, and asked Ms. Cabe to present the legislative items recommended by the committee for approval by the Board.

**NOTE:** All changes listed below are shown in legislation featured in the Legislative Committee Minutes of January 17, 2007, which is included in the agenda for February 13, 2007.

**A. Board of Trustees - § 24-7-301 and 305**

Changes clarify the use of certain terms (Commissioner instead of Director of the Department of Education and licensure rather than certification) and add a section authorizing the ATRS Board to make "all rules and regulations" necessary to administer the System. Linda Parsons moved approval of the changes, Hazel Coleman seconded, and the Board unanimously supported the motion.

**B. Noncontributory/Contributory - § 24-7-406**

A section used only once is repealed. Other adjustment will make it easier for anyone who wishes to become a contributory member. Once the decision is made to be contributory, however, the member cannot shift back to noncontributory. Dr. Fair moved approval of the recommendation, Beverly Leming seconded, and the Board unanimously concurred.

**C. Disposition of Residue - § 24-7-709**

Inserts "option beneficiary" for "beneficiary," and clarifies to whose estate the residue will be paid when an option annuity is payable at a retiree's death. Ms. Parsons moved approval of the revisions, Ms. Coleman seconded, and the Board unanimously approved the motion.

**D. Disability Retirement - § 24-7-704**

Revisions recommended will make the return-to-work and eligibility provisions the same for a disability retiree as for any age and service retiree when a disability retiree reaches age 60. Ms. Coleman moved approval of these revisions, Ms. Leming seconded, and the Board unanimously concurred.

**E. Teacher Deferred Retirement Option Plan (T-DROP) - § 24-7-1301 through 1316**

The proposed revisions add the requirement that a participant must be 55 years of age to enter T-DROP and may do so only once a year, extends the dates for the payment of employer contributions, restates the ten-year limit on participation and payment of plan interest, and clarifies how the balance may be taken. A section has been added separately restating the ATRS Board authority to make the plan cost-neutral to the System. Ms. Coleman moved approval of the revisions to the T-DROP legislation, and Dr. Fair seconded. The motion was defeated on a vote of 7 to 4, with Mr. Betts, Ms. Terry, Mr. Wood, and Dr. Abernathy in opposition.

Mr. Betts then moved approval of the revisions with the removal of “and, effective July 1, 2008, must be at least fifty-five (55) years of age.” Jim Wood seconded, and the Board supported the motion unanimously.

**F. Lump Sum Benefit - § 24-7-720**

The recommendation would amend the legislation to:

- Cap the maximum amount to which the Board may raise the lump-sum benefit at the current \$10,000 for contributory and \$6,667 for noncontributory members (from current caps of \$15,000 and \$10,000).
- Require that, for active members dying or members retiring on or after July 1, 2007, 10 years of actual service with ATRS, rather than the current 5 years, will be required for eligibility for the lump-sum death benefit.
- Clarify that such actual service will not include purchased or free credited service or reciprocal service.
- Eliminate the additional \$10,000 lump-sum death benefit for each dependent child currently being paid on top of survivor benefits.

Ms. Parsons moved approval of the amendments, Ms. Nichols seconded, and the Board unanimously supported the motion.

**G. Monthly Benefits – Redetermination (\$75 Stipend) - § 24-7-713(b)**

The proposal would amend the legislation to:

- Cap the maximum amount to which the Board may raise the stipend to the current \$75 per month (from a cap of \$200 per month).
- Require that, for members retiring on or after July 1, 2007, 10 years of actual service with ATRS, rather than the current 5 years, will be required for eligibility for the stipend.
- Clarify that such actual service will not include purchased or free credited service or reciprocal service.

Dr. Fair moved approval of the amendments to § 24-7-713(b), Dr. Abernathy seconded, and the Board unanimously approved the motion.

#### **H. Conditions Subjecting Annuities to Limitations - § 24-7-708**

The recommendation would amend A.C.A. § 24-7-708 to provide that waivers of the earnings limitation may only be requested for retirants who retired with at least 30 years of credited service. Dr. Fair moved approval of the recommendation, Ms. Coleman seconded, and the Board approved the motion 8-3 with Mr. Betts, Mr. Colston, and Ms. Terry in opposition

#### **I. ATRS Employer Contribution Rate**

The Board discussed raising the employer contribution rate for the next two fiscal years from the current 14%. The Legislative Committee recommended to the Board to ask the Legislature for a limit of 14.5% funded by the Legislature and to explore ways of funding the additional ½% directly to the system. Dr. Fair moved approval of this approach, Dr. Abernathy seconded, and the Board unanimously concurred. The Board further requested staff to prepare and bring a draft resolution back to the Board following consultation with legislators and legislative staff.

Mr. Fortenberry declared a recess at 11:10 a.m. The Board meeting resumed at 11:18 a.m.

### **III. Appeal of Teresa Graves**

When an ATRS retiree returns to work for an employer covered by ATRS and does not rescind retirement, the retirant's annuity is subject to earnings limitation of twice the limit of Social Security for that year, currently \$24,000. The limitation ceases to apply when the retiree becomes eligible for full Social Security benefits. Teresa Graves retired on December 1, 1996, at the age of 49, and was hired by the Pulaski County Special School District (PCSSD) to teach mathematics the 2005-2006

school year, the first time she received a salary from a covered employer exceeding the earnings limitation since she retired. The district requested a waiver of the earnings limitation for Ms. Graves on May 3, 2006, and the ADE Commissioner then sent the waiver request to ATRS on May 4, 2006 for approval, eight months after it was due. Regulations of both ADE and ATRS require that requests for waivers be submitted within 30 and 60 days of the employment of the retiree, respectively. As a result, even though Ms. Graves's teaching position qualified for a waiver as a critical academic shortage area, ATRS denied the request for a waiver due to its submission eight months after she returned to work, and the staff recommends authorizing ATRS to collect the \$12,590.50 owed by Ms. Graves for the 2005-2006 earnings limit violation.

Both the school district and the retiree are required to notify ATRS by submitting a Statement of Employment form to the System at the time of employment. Despite repeated reminders, Ms. Graves did not report her return to work to ATRS, and PCSSD did not respond to faxes sent by ATRS in December 2005 and February 2006 requesting that they submit a Statement of Employment.

Based on the information, Dr. Fair moved that the Board support the recommendation of the ATRS staff, Dr. Abernathy seconded, and the Board approved the motion, with Mr. Wood in opposition.

At 11:37 a.m. the Board recessed for the annual Christmas lunch with ATRS staff.

#### **IV. 2007 Board Meeting Schedule**

Monty Betts moved approval of the 2007 ATRS Board Meeting Schedule (*Attachment No. 1*), Ms. Nichols seconded, and the Board unanimously supported the motion.

#### **V. 2007 Board Election Vendor**

Dr. Abernathy moved approval of **Resolution No. 2006-29** (*Attachment No. 2*) to select VR Election Services of Carrollton, Texas, to conduct the 2007 Board elections and to authorize the Director to enter into a purchase order contract with the company for this purpose. VR Election Services submitted the low bid and has satisfactorily conducted previous elections for the Board. In 2007, elections will be held to fill Position #1, Position #3, and the unexpired term of Position #10. Ms. Parsons seconded, and the Board unanimously adopted the resolution.

**VI. Statements of Financial Interest**

The Board was reminded of the necessity to submit a Statement of Financial Interest for 2006 to the Secretary of State by January 31, 2007. The forms have been sent to Board members, and additional forms and assistance are available from the staff.

**VII. Staff Reports****A. Medical Board Reports – Michael Ray**

Michael Ray presented the medical reports for the months of September, October, and November 2006. Ms. Parsons moved approval of the medical reports as presented, Ms. Coleman seconded, and the Board unanimously approved the motion.

**B. No other staff reports required action.****VIII. Resolution of Appreciation for Gus Wingfield**

Ms. Parsons moved adoption of **Resolution No. 2006-30** (*Attachment No. 3*) honoring Gus Wingfield for his service on the ATRS Board as an ex officio member as State Auditor and State Treasurer, Ms. Terry seconded, and the Board moved approval. Mr. Wingfield did not run for reelection and is retiring.

**IX. Executive Director Comments**

Mr. Malone had no comments.

**X. Personnel**

Upon reconvening after a brief executive session, Chair John Fortenberry stated that the Search Committee for an Executive Director had unanimously recommended Paul Doane for the position, finding him well qualified with a background and experience that exceeded the requirements for the position. Ms. Parsons moved approval to offer the position to Paul Doane, Ms. Leming seconded, and the Board unanimously concurred.

Ms. Parsons moved approval to appoint Deputy Director Julie Cabe to serve as Interim Director until Mr. Doane's arrival, Ms. Nichols seconded, and the Board unanimously agreed.

**XI. Authority to Transact Business**

Dr. Fair moved adoption of **Resolution No. 2006-31** (*Attachment No. 4*) authorizing the Interim Director Julie Cabe and the Deputy Director/ Finance Wayne Greathouse to conduct the Board's business as authorized in the resolution, beginning January 1, 2006. Mr. Betts seconded, and the Board unanimously approved.

**XII. Resolution of Appreciation for David Malone**

Dr. Fair moved adoption of **Resolution No. 2006-32** (*Attachment No. 5*) in appreciation of Mr. Malone's service as Executive Director of ATRS, Ms. Coleman seconded, and the Board unanimously approved the motion. Mr. Malone is retiring on January 1, 2007, after four years as Executive Director.

**XIII. Adjournment**

Mr. Fortenberry adjourned the meeting at 2:30 p.m.

\_\_\_\_\_  
Katherine Corcoran, *Recorder*

\_\_\_\_\_  
David Malone, Executive Director

\_\_\_\_\_  
John Fortenberry, *Board Chair*

\_\_\_\_\_  
Date Approved

**Board of Trustees  
2007 Meeting Schedule**

February 12 and 13

April 2 and 3

July 9 and 10 (may include a retreat)

August 6 (if necessary)

October 1 and 2

December 3 and 4

---

**Investment Committee**

All meetings start at 1:00 p.m., unless otherwise noted

January 8

March 19

May 14

September 10

November 12

---

**Legislative Committee or Policies Committee**

Will be held as needed and in conjunction with Investment Committee meetings at 9:30 a.m. on days the Investment Committee has scheduled a meeting (see above).

---



**Other Groups:**

<b><u>AEA:</u></b>	Annual Representative Assembly	April 16-17, 2007
	Educational Support Professionals Statewide Conference	April 20-21, 2007
	Summer Leaders Work Conference	July 11-13, 2007
	Professional Development Workshops	November 1-2, 1007
<b><u>AAEA:</u></b>	Superintendents' Symposium 2007	January 10-11,
<b><u>ARTA:</u></b>	ARTA Board of Directors Meeting (Little Rock)	February 8, 2007
	Area I Spring Conference (Fort Smith))	May 16, 2007
	Area II Spring Conference (Melbourne)	May 10, 2007
	Area III Spring Conference (Blytheville)	May 1, 2007
	Area IV Spring Conference (DeQueen)	May 15, 2007
	Area V Spring Conference (Stuttgart)	May 8, 2007
	Area VI Spring Conference (Little Rock))	May 3, 2007
	ARTA Board of Directors Meeting (Little Rock)	July 17, 2007
	Annual Convention	September 25, 2007
<b><u>ASBO:</u></b>	Annual Convention	February 1-2, 2007
<b><u>SCTR:</u></b>	Point Clear, Alabama	April 22 – 26, 2007
<b><u>NCTR:</u></b>	Trustee Workshop 2007 Boston, Massachusetts Convention Scottsdale, Arizona	July 29-August 2,   October 7-11, 2007
<b><u>NASRA:</u></b>	Winter Administrators' Meeting Washington, D.C. Annual Conference Aventura, Florida	February 3-4, 2007  August 3-8, 2007
<b><u>NAPPA:</u></b>	2006 Winter Section Meeting Washington, D.C. NAPPA Conference Vail, Colorado	February 7-8, 2007  June 27-29, 2007

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

**RESOLUTION**

**No. 2006-29**

**2007 Election Vendor**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System will conduct an election in March 2007 to fill Position #1, Position #3, and Position #10, and

**WHEREAS**, the staff of the Arkansas Teacher Retirement System forwarded a Request for Bid Quotation to four election companies and invited them to submit a bid to conduct the election in accordance with state laws and regulations, and

**WHEREAS**, after a review of the responses received to the Request for Bid Quotation, it was determined that VR Election Services of Carrollton, Texas, submitted the lowest bid, and

**WHEREAS**, VR Election Services has previously conducted elections for the Arkansas Teacher Retirement System Board of Trustees with competent and satisfactory performance.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System approves the selection of VR Election Services of Carrollton, Texas, to conduct the election, and

**BE IT FURTHER RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System authorizes the Executive Director to enter into a Purchase Order Contract with VR Election Services of Carrollton, Texas, to conduct the election.

**Adopted this 5<sup>th</sup> day of December 2006**

---

**JOHN FORTENBERRY, *Chair***  
**Arkansas Teacher Retirement System**

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

**RESOLUTION**

**No. 2006-30**

**WHEREAS**, Gus Wingfield has served on the Board of Trustees of the Arkansas Teacher Retirement System as an ex officio member in the position of State Treasurer of Arkansas and as State Auditor of Arkansas since 1993.

**WHEREAS**, Mr. Wingfield did not choose to run for reelection as State Treasurer in the general election of 2006 and is retiring from public service;

**WHEREAS**, Mr. Wingfield provided leadership during his tenure of service based on his advice and counsel and served as a member of the Investment Committee.

**WHEREAS**, Mr. Wingfield's involvement with the Arkansas Teacher Retirement System Board provided a valuable service to the System and to the teaching profession of the state.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Trustees of the Arkansas Teacher Retirement System to adopt this Resolution and authorize the transmittal of this Resolution to Mr. Wingfield as an expression of sincere appreciation.

**Adopted this 5<sup>th</sup> day of December 2006**

---

**JOHN FORTENBERRY, *Chair***  
Arkansas Teacher Retirement System

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

**RESOLUTION  
No. 2006-31**

***BE IT RESOLVED***, that effective the 1st day of January 2007, **Julie Cabe**, Deputy Director, or **G. WAYNE GREATHOUSE**, Deputy Director-Finance, and they each are, authorized to execute, acknowledge and deliver such agreements, documents, and instruments as might be necessary or appropriate in connection with the purchase, sale, pledge, transfer, or other transaction of any kind whatsoever involving any investment approved by the Arkansas Teacher Retirement System Board of Trustees or approved by the Investment Committee of said Board; and

***FURTHER RESOLVED***, that the authorizations contained in the preceding paragraph shall apply to transactions involving ATRS Recoveries, LLC, ATRS Properties, LLC, and ATRS Retirement Properties, LLC (all of which are single member limited liability companies of which the Arkansas Teacher Retirement System is the single member) as well as to transactions in the direct name of the Arkansas Teacher Retirement System; and

***FURTHER RESOLVED***, that the execution, acknowledgement (if appropriate) and delivery of such agreement, document, or instrument by any one of these two named persons shall constitute the valid, binding and enforceable act of the Arkansas Teacher Retirement System and that no third party dealing with the Arkansas Teacher Retirement System need inquire further as to the authority of such person to act for and in behalf of the Arkansas Teacher Retirement System.

**Adopted this 5<sup>th</sup> day of December 2006**

---

**JOHN FORTENBERRY, *Chair***  
Arkansas Teacher Retirement System

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

**RESOLUTION  
No. 2006-32**

**WHEREAS**, David Malone, Executive Director of Arkansas Teacher Retirement System, has tendered his resignation as Executive Director as of December 31, 2006;

**WHEREAS**, Mr. Malone provided leadership in maintaining a balanced and effective investment portfolio by analyzing all financial data; making suggestions for reallocating assets and selling poorly performing assets such as various items in the real estate portfolio, resulting in an increase during his tenure of \$4 billion of total assets under management;

**WHEREAS**, The most recent actuarial reports indicate that ATRS is operating in a sound manner and maintaining fiscally responsible practices, and the most recent State Audit, for the first time listed no deficiencies;

**WHEREAS**, Mr. Malone provided leadership to continue the work that had been started previously to put ATRS policies and regulations into an accurate and concise up-to-date manual;

**WHEREAS**, Mr. Malone established a systematic internal organization to perform the work of ATRS, including installing major database software and employing additional personnel to perform the work more effectively;

**WHEREAS**, Mr. Malone established effective communications through Board meeting agendas which are well written with pertinent information, and organized for the understanding of the Trustees and the public and through maintaining accurate records of Board meetings and actions taken by the Board;

**WHEREAS**, Mr. Malone has worked effectively with the Arkansas Legislature and the Joint Committee on Public Retirement and Social Security Programs explaining and justifying the status and needs of ATRS;

**WHEREAS**, Mr. Malone has worked to further the goals of the National Conference of Teacher Retirement and planned and implemented a very effective regional meeting of the NCTR in Little Rock in April 2006;

***NOW, THEREFORE, BE IT RESOLVED*** that the Board of Directors of ATRS accepts Mr. Malone's resignation, with sincere regret, and with thankfulness for his many accomplishments, some of which are listed in this Resolution, during his tenure of four years.

**Adopted this 5<sup>th</sup> day of December 2006**

---

**JOHN FORTENBERRY, *Chair***  
**Arkansas Teacher Retirement System**