

**MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES**

**Monday, February 3, 2020
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Dr. Richard Abernathy, Vice Chair
Anita Bell
Lloyd Black
Kathy Clayton
Kelly Davis
Susannah Marshall, designee for Candace
Franks
Hon. Andrea Lea
Shawn Higginbotham
Bobby Lester
Chip Martin
Robin Nichols
Janet Watson

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Internal Audit/Risk Mgmt.
Vicky Fowler, HR Manager
Willie Kincade, Director of Operations
Jerry Meyer, Manager, Real Assets
Martha Miller, General Counsel
Manju, Director Information Technology
Kevin Odum, Attorney Specialist
Joseph Sithong, Information Systems Coordinator
Brenda West, Internal Audit/Risk Mgt.

Board Members Absent

Johnny Key
Hon. Dennis Milligan

Guest Present

Donna Morey, ARTA
Jeff Stubblefield
PJ Kelly, AHIC
Tim Pflugrad, AHIC

Reporters Present

Mike Wickline, Ark. Democrat Gazette

- 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. Mr. Johnny Key and Hon. Dennis Milligan were absent.

- II. **Motion to Excuse Absences.**

Dr. Abernathy moved to excuse Mr. Key and Mr. Milligan from the February 3, 2020, Board of Trustees meeting. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.

III. Adoption of Agenda.

Ms. Bell moved for adoption of the Agenda. Ms. Davis 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 December 2, 2019 Minutes.

Mr. Lester moved for approval of the Minutes of the Board of Trustees meeting of December 2, 2019. Dr. Abernathy seconded the motion, and the Board unanimously approved the motion.

VI. Staff Empowerment.

A. Authority to Transact Business.

1. Resolution 2020-01

Ms. Watson moved to adopt Resolution 2020-01, Authority to Transact Business on behalf of the ATRS Board of Trustees. Mr. Higginbotham seconded the motion, and the Board unanimously adopted the resolution.

B. Specific Powers of Executive Director.

1. Resolution 2020-02.

Ms. Nichols moved to adopt Resolution 2020-02, Authorizing Specific Powers of Executive Director on behalf of the ATRS Board of Trustees. Ms. Davis seconded the motion and the Board unanimously adopted the resolution.

C. Appointment of ATRS as Manager of LLC's.

1. Resolution 2020-03

Ms. Bell *moved to adopt* Resolution 2020-03, Appointment of ATRS as Manager of LLC's. Ms. Davis *seconded the motion*, and the Board *unanimously adopted the resolution*.

VII. Authority to Reimburse Trustee Expenses for 2020.

A. Resolution 2020-04.

Mr. Black *moved to adopt* Resolution 2020-04, authorizing ATRS to reimburse ATRS Trustees for miscellaneous expenses and losses in salary resulting from Board of Trustees meeting attendance or other official Board duties. Ms. Clayton *seconded the motion*, and the Board *unanimously adopted the resolution*.

VIII. Authorization for Board Travel and Expense Reimbursement for 2020.

A. Resolution 2020-05.

Dr. Abernathy *moved to adopt* Resolution 2020-05, authorizing ATRS to reimburse ATRS Trustees for expenses used in traveling for official Board duties. Mr. Knight *seconded the motion*, and the Board *unanimously adopted the resolution*.

IX. Adoption Employer Contribution Rate.

A. Resolution 2020-06.

Ms. Nichols *moved to adopt* Resolution 2020-06, Adoption Employer Contribution Rate at the rate of 14.50% for the fiscal year starting July 1, 2020. Mr. Martin *seconded the motion*, and the Board *unanimously adopted the resolution*.

X. Adoption of Member Contribution Rate.

A. Resolution 2020-07.

Mr. Lester *moved to adopt* Resolution 2020-07, Adoption of Member Contribution Rate at the rate of 6.50% for the fiscal year starting July 1, 2020. Ms. Marshall *seconded the motion*, and the Board *unanimously adopted the resolution*.

XI. Adoption of Contribution Rate applied to Outsourced Positions.

A. Resolution 2020-08.

Ms. Bell moved to adopt Resolution 2020-08, Adoption Contribution Rate of 3% applied to Outsourced Positions. Ms. Clayton seconded the motion, and the Board unanimously adopted the resolution.

XII. Actuarial Valuations, June 30, 2019. Mr. Rhoden presented the annual reports prepared by the Actuaries concerning the valuation of liability to active and inactive members along with the valuation of liabilities for annuities being paid to current retirees and current beneficiaries.

A. Active & Inactive Members. This report reflects the liabilities owed by ATRS to active and inactive members.

B. Retirees & Beneficiaries. This report reflects the liabilities to ATRS retirees, beneficiaries, survivors, and incapacitated children.

Ms. Davis moved to accept the Actuarial Valuations for Active & inactive Members, and Retirees & Beneficiaries as of June 30, 2019. Ms. Watson seconded the motion, and the Board unanimously approved the motion.

XII. Report of Member Interest Waived Under A. C. A. Section 24-7-205. Mr. Rhoden 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. Two (2) member interest amounts were waived for this reporting period in the amount of \$1,240.35. This is a standard report for information and is not an action item.

XIII. Report of Employer Interest and Penalties Waived Under A. C. A. Sec. 24-7-411. Mr. Rhoden presented the employer interest and penalties waived report. ATRS may also waive employer interest and penalties when reports or payments are late or have issues due to a new bookkeeper, inclement weather, sickness and other situations that justify a waiver. Seven (7) employer penalties and interest were waived for this reporting period in the amount of \$6,481.40. This is a standard report for information and is not an action item.

XV. Manifest Injustice report. Martha Miller reported that in December of 2019, the ATRS Board found that a manifest injustice occurred in the matter of the Little Rock School District's error in not reporting six (6) years (1995 through 2000) of non-contributory service for an ATRS member. The Board voted to hold the member harmless for the error; waived most of the accrued interest;

and directed staff to invoice the school district for employer contributions of \$19,437.47 and interest of \$16,938.86, with no additional accrual of interest if remitted before June 30, 2020.

On January 8, ATRS received payment in full from the LRSD of the \$36,376.33 invoice. This matter is closed.

- XVI. Forfeiture Recommendations Pursuant to A.C.A. 24-7-734(b).** A.C.A. §24-7-734(b) provides that benefits that are not paid within five (5) years of the date they are due may be forfeited if (1) ATRS is unable to contact the person entitled to the benefit by mail addressed to the last known address on record; or (2) if the person entitled to the benefit fails to submit the required paperwork to ATRS to claim the benefit.

Staff reviewed twenty-nine (29) member accounts in this initial round of reviews and, of those reviewed, identified benefits in 13 accounts totaling in the aggregate \$181,119.33 that fall within the provisions of this Code section. Staff recommends that the Board find these benefits should be forfeited according to A.C.A. §24-7-734(b) and direct the staff to transfer these benefits to the trust assets of ATRS.

Ms. Clayton *moved to approved* the Forfeiture Recommendations of 29 member accounts and direct staff to transfer these benefits to the trust assets of ATRS. Mr. Lester *seconded* the *motion*, and the Board *unanimously approved* the *motion*.

- XVII. Audit Committee Report.** Kelly Davis, Chair, gave a report on the Audit Committee Meeting.

- A. Internal Audit Report: ATRS Option Benefits.** Dena Dixon gave the Committee the report on the ATRS Option Benefits.

- XX. Investment Committee Report.** Robin Nichols, Chair, gave a report on the Investment Committee meeting.

- A. Arkansas Related and Investment Update.** Rod Graves, Deputy Director, gave the Committee a report on Arkansas related and Investment Update including Listing of Fund Closings, Investment Manager Guidelines Update and Investment Policy Update.

Ms. Nichols *moved to approve* the Investment Policy Update. The Board *unanimously approved* the *Motion*.

B. General Investment Consultant Report.

- 1. Preliminary Performance Report for the Quarter Ending December 31, 2019.** P.J. Kelly and Tim Pflugradt of Aon Hewitt Investment Consulting presented the Committee with the preliminary portfolio update for the quarter ending December 31, 2019.
- 2. York Credit Opportunities Fund, an Opportunistic Credit Fund Approved by the Board in 2011.** P.J. Kelly presented the Committee with the recommendation for full redemption in the York Credit fund.

Ms. Nichols *moved to approve* the Redemption in Full of the York Credit Opportunities Fund. The Board *unanimously approved* the Motion.

C. Real Asset Consultant Report.

- 1. Performance Report for the Quarter Ending September 30, 2019.** Chae Hong of Aon Hewitt Investment Consulting provided the Committee with a portfolio update for the quarter ending September 30, 2019.

D. Private Equity Consultant Report.

- 1. Private Equity Portfolio Review for the Quarter Ending September 30, 2019.** Michael Bacine of Franklin Park provided the Committee with the private equity portfolio update for the quarter ending September 30, 2019.
- 2. Recommendation to Commit up to \$30 Million Dollars in BVIP Fund X, L. P., a Private Buyout Fund investing in Middle Market Companies in the Tech-Enabled Business Services and Information Technology Service Sectors.** Michael Bacine provided the Committee with the recommendation to Commit up to \$30 Million Dollars in BVIP Fund X, L. P., a Private Buyout Fund investing in Middle Market Companies in the Tech-Enabled Business Services and Information Technology Service Sectors.

Both ATRS staff and Franklin Park recommend committing up to \$30 Million Dollars in BVIP Fund X, L. P.

Ms. Nichols moved to adopt Resolution 2020-09, to Commit up to \$30 Million Dollars in BVIP Fund X, L. P., a Private Buyout Fund investing in Middle Market Companies in the Tech-Enabled Business Services and Information Technology Service Sectors. The Board unanimously adopted the Resolution.

3. **ATRS Staff Requests Authority to Modify the Fund Agreement for the ATRS/FP Private Equity Fund to Allow Franklin Park to Allocate Smaller Co-Investments to each of their clients on a Rotating Basis** Michael Bacine provided the Committee with the recommendation to Modify the Fund Agreement for the ATRS/FP Private Equity Fund to Allow Franklin Park to Allocate Smaller Co-Investments to each of their clients on a Rotating Basis.

Both ATRS staff and Franklin Park recommend the Agreement for the ATRS/FP Private Equity Fund to Allow Franklin Park to Allocate Smaller Co-Investments to each of their clients on a Rotating Basis.

Ms. Nichols moved to approve Authority to Modify the Fund Agreement for the ATRS/FP Private Equity Fund to Allow Franklin Park to Allocate Smaller Co-Investments to each of their clients on a Rotating Basis. The Board unanimously adopted the Motion.

XXI. Operations Committee Report. 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. Revision to Current Board Policy.

1. **Board Policy 2: Board Governance.**

Mr. Lester moved to approve Revisions to Board Policy 2: Board Governance. The Board unanimously adopted the Motion.

- C. Update on Rules.** Mr. Rhoden gave the Committee an update on the current Rules being promulgated. Public Commit period ends on March 6, 2020 and a called telephonic Board meeting is schedule for March 9, 2020 to review any public comments.
- D. ATRS 2021 Legislative Package.** Mr. Rhoden gave the Committee an update on the 2021 Legislative Package.

XX. Staff Reports.

- A. Medical Committee Report.** Mr. Kincade reported that a total of Fifteen (15) Disability Retirement Applications were approved.

Mr. Lester *moved to approve* the Medical Committee Report. Ms. Bell *seconded the motion* and the Board *unanimously approved the Motion.*

XXIII. Other Business: None

XXIV. Adjourn.

Mr. Lester *moved to adjourn* the Board Meeting. Dr. Abernathy *seconded the motion*, and the Board *unanimously approved the motion.*

Meeting adjourned at 11:36 a.m.

Clint Rhoden,
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved