

MINUTES

Regular Meeting Board of Trustees

June 12, 2002

The Board of Trustees of the Arkansas Teacher Retirement System met on Wednesday, June 12, 2002, at 9:00 a.m. The meeting was held Salon C, the Peabody-Little Rock, 3 State House Plaza, Little Rock, Arkansas.

Members of the Board Present:

Linda Parsons, Chair
Charles Vondran, Vice Chair
Winfred Clardy
Hazel Coleman
Charles Dyer
Dr. Paul Fair
Jimmie Lou Fisher
John Fortenberry
Ann Harbison
Mary Harris
Betty McGuire
Louis Midkiff
Frank White

Members of the Board Absent:

Raymond Simon
Gus Wingfield

Members of the Staff Present:

Wayne Greathouse, Interim Executive Director
Michael Ray, Interim Deputy Director
Gail Blair, Manager, Data Processing
Dena Dixson, Manager, Membership & Payroll
Donna Hobbs, Personnel Manager
Tammy Medlock, Administrative Assistant
Hugh Roberts, Retirement Fund Investment Supervisor
Bernice Smith, Manager, Accounting
George Snyder, Internal Auditor
Barbara Waldrop, Manager, Pre-retirement Education.

Others Present:

Maureen Billingsley, Guest of Hazel Coleman
Wesley Brown, Arkansas News Bureau
Steve Cummings, Ennis Knupp + Associates
Darrell Dover, Dover Dixon Home PLLC
Tom Ferstl, Affiliated Real Estate Appraisers of Arkansas
Tom Gay, Office of the Attorney General
Robert Horton, Salomon Smith Barney

Others Present (cont'd):

P.J. Kelly, Ennis Knupp + Associates
James McGuire, Guest of Betty McGuire
Johnny Taylor, Stephens, Inc.
Leonard Venable, Office of the State Treasurer
Don Roberts, AR Retired Teachers Association
Mike Wickline, Arkansas Democrat-Gazette

I. Roll Call

The minutes were recorded by Tammy Medlock of the Teacher Retirement staff.

II. Adoption of Agenda

III. Minutes of April 8-9, 2002

Mr. Fortenberry made a motion to adopt the minutes as presented. The motion carried.

IV. Next Regular Meeting Date(s) – August 12-13, 2002

After much discussion, Ms. Harbison made a motion to leave unchanged the next regular meeting dates of August 12-13, 2002. The motion carried. The meeting scheduled for August 12 will begin at 1:30 p.m.; the meeting scheduled for August 13 will begin at 9:00 a.m.

V. Public Comment

VI. Consultant's Presentations - Steve Cummings, P.J. Kelly – Ennis Knupp + Associates

A. International Equity Manager Search

Ennis Knupp recommended the board interview Capital Guardian, Putnam Investments, and Oechsle International Advisors. Mr. Vondran made a motion to accept the recommendation of the Consultants. The motion carried.

B. Index Fund Manager Search

Ennis Knupp recommended the board interview Mellon Capital Management & State Street Global Advisors. Mrs. McGuire made a motion to accept the recommendation of the Consultants. The motion carried.

C. Fund Performance Report

Ennis Knupp will add five-year returns to the next quarterly report.

VII. Investment Committee Report – Charles Vondran, Chair

- A. Minutes of April 29, 2002; May 20, 2002; May 31, 2002
- B. Executive Director Search Update

Interviews with the five candidates are scheduled from 9:00 am to 5:30 p.m., July 9, 2002. Mrs. Hobbs is requesting five letters of recommendation from each candidate's previous employers.

VIII. Real Estate Committee Report – Tom Ferstl, ATRS Real Estate Manager

- A. Minutes of April 15, 2002; May 20, 2002

Mr. Ferstl reported there would be no Real Estate Committee meeting in June. He also reported he had requested removing the Real Estate Committee Manager from the Screening Committee.

- B. Screening Committee Guideline Changes

Mr. Vondran made a motion to adopt the proposed Screening Committee Guideline changes:

- 1) \$1,000,000 minimum for investment and loan proposal requests; and
- 2) Loan applications must be accompanied by a financial statement prepared by a Certified Public Accountant.

The motion carried.

- C. Offer to Purchase Northridge Healthcare & Rehabilitation Center by CornerStone Healthcare, Inc.

By common consent, the Board agreed to authorize Mr. Ferstl and Mr. Dover to negotiate the offer.

- D. Indemnification of Real Estate Committee Members

Dr. Fair made a motion to refer the indemnification of Real Estate Committee members to the Investment Committee for study and recommendation. The motion carried.

Mr. Greathouse will seek an Attorney General's opinion to determine if indemnification of Real Estate Committee members will suffice.

E. Other Issues

Pending Real Estate Project. By common consent, Mr. Ferstl was asked to notify project representatives of the following projects of the Board's decision to discontinue investing in real estate until further notice:

- 1) James Lindsey – Phase II of three projects
- 2) Highland Industrial Park
- 3) Chenal Apartments; and
- 4) Memorial Hospital

Sale of Properties. Mr. Vondran made a motion requesting Mr. Ferstl to submit a position paper on the sale of the properties in Fayetteville and Jonesboro, which were originally purchased for retirement village projects. The motion carried.

Chenal Retirement Village Property. Mr. Ferstl reported he had authorized hydro seeding of the property. Mr. White made a motion to authorize Mr. Ferstl to offer a sixty-day right of refusal with no commitment for financing to a prospective buyer. The motion carried.

Cooper-Communities Returns. By common consent, the Board agreed to refer to the Investment Committee investigation of the issue and report its findings to the Board. In addition, Mr. Ferstl was directed to refer all outside inquiries and information requests about ATRS real estate to the Executive Director.

IX. Policies Committee Report – Dr. Paul Fair, Chair

A. Minutes of April 11, 2002; May 1, 2002; May 20, 2002

B. Board Policies

Dr. Fair made a motion to adopt the policies as revised on June 11, 2002 (pages 89-129 of brochure). The motion carried.

NOTE: The Real Estate Screening Committee Charter (page 106) was revised by deleting item #3: "The Chief Fiscal Officer and the Real Estate Investment Manager shall serve as non-voting advisors to the Committee."

X. Legislative Committee Report – Winfred Clardy, Chair

Michael Ray of the ATRS staff reported the Committee met June 11. He presented a summary of the items discussed, and indicated the minutes of the meeting will be provided to the board. The next meeting of the Committee was scheduled for 11:00 a.m., July 15, in the ATRS Building.

XI. Teacher Retirement System Reports

A. Medical Board Summary Report – Michael Ray

Mr. Vondran made a motion to adopt the reports as presented on pages 168-169 of the brochure. The motion carried.

B. Personnel Report – Michael Ray

Mr. Midkiff made a motion to adopt the report as presented on page 170 of the brochure. The motion carried.

C. Membership & Payroll – Dena Dixon

D. Arkansas Related Investments – Hugh Roberts

E. Investment Summaries – Wayne Greathouse

F. Financial Statements – Bernice Smith

Mrs. Smith reported March 2002 financial statements would be available for review, but would not be published until the reconciliation reports are reviewed and approved by Mr. Snyder.

G. Pre-Retirement Program Update – Barbara Waldrop (*Attachment A*)

H. New Member System Update – Gail Blair

Ms. Blair reported the general design phase of the new member system has been completed. The technical design has been mapped out, and the project is now in the detail design phase. She reported this phase would require existing staff's time for input, as will the programming phase.

XII. New Business

A. Additional Staff Request

Mr. Greathouse reported he was requesting two high-level positions to help support the Arkansas Related investment program. Mr. Fortenberry made a motion to support the request. The motion carried.

XIII. Executive Director's Comments

A. Status of Holman Litigation

A report on the status of the Holman litigation would be presented at a future meeting of the Board.

B. Thomas & Thomas Report – George Snyder

1. Update on Holman Accounting. Mr. Snyder distributed a draft of the compilation report through March 31, 2002. He stated the report was still in draft form because some figures are under litigation, and are not included. Mr. Snyder reported on an accrual basis for the nine months ended March 31, the nursing homes experienced an operating loss of \$828,511, which may be reduced \$260,000 for depreciation, a non-cash item.
2. Additional Work. Mr. Snyder reported half of all ATRS property managers are audited every other year on a rotating basis.

C. Professional Service Contracts – George Snyder

Mr. Snyder reported all contracts reviewed by the Board had been returned with the exception of Invesco Capital Management.

D. Update – Legislative Audit Special Report

Mr. Snyder reported the findings of Legislative Audit were referred to the prosecuting attorney of Pulaski County. Status of the report is unknown. Mr. Greathouse would check on the status and report to the Board.

E. Discussion – 2003 Elections & Trustee Vacancies

Mr. Tom Gay, of the Attorney General's office, indicated the statute regarding filling vacancies and the regulation (internal policy) seem to be inconsistent with one another. He stated an official opinion would probably be available the following week.

F. T-DROP Revised Request for Proposal

Mr. Greathouse reported the revised request for proposal (without surveys) would be sent to the companies that previously submitted a proposal.

In other business:

Called Board Meeting. A called Board meeting was tentatively scheduled for 9:00 a.m., July 10, to interview international equity and index fund managers.

Called Investment Committee Meeting. The regular meeting of the Investment Committee scheduled for June 17 was cancelled. A called Investment Committee meeting was tentatively scheduled for 1:00 p.m., June 27.

Contacting Former Consultant. Mr. Greathouse will contact the System's former Investment Consultant to request transferring the agency's historical data to the current consultant.

Midkiff Retirement. Mr. Midkiff, who retires July 1, 2001, was presented with a plaque commemorating his year of service on the Board in Position #1.

Budget Hearing for 2003-2005. The budget hearing for ATRS' 2003-2005 budget is scheduled for October 16. Budget requests would be presented to the Board at the August Board meeting.

As there was no further business to consider, Mr. Vondran made a motion to adjourn. The motion carried and the meeting adjourned at 4:20 p.m.

Linda Parsons

Linda Parsons, Chairman

Wayne Greathouse

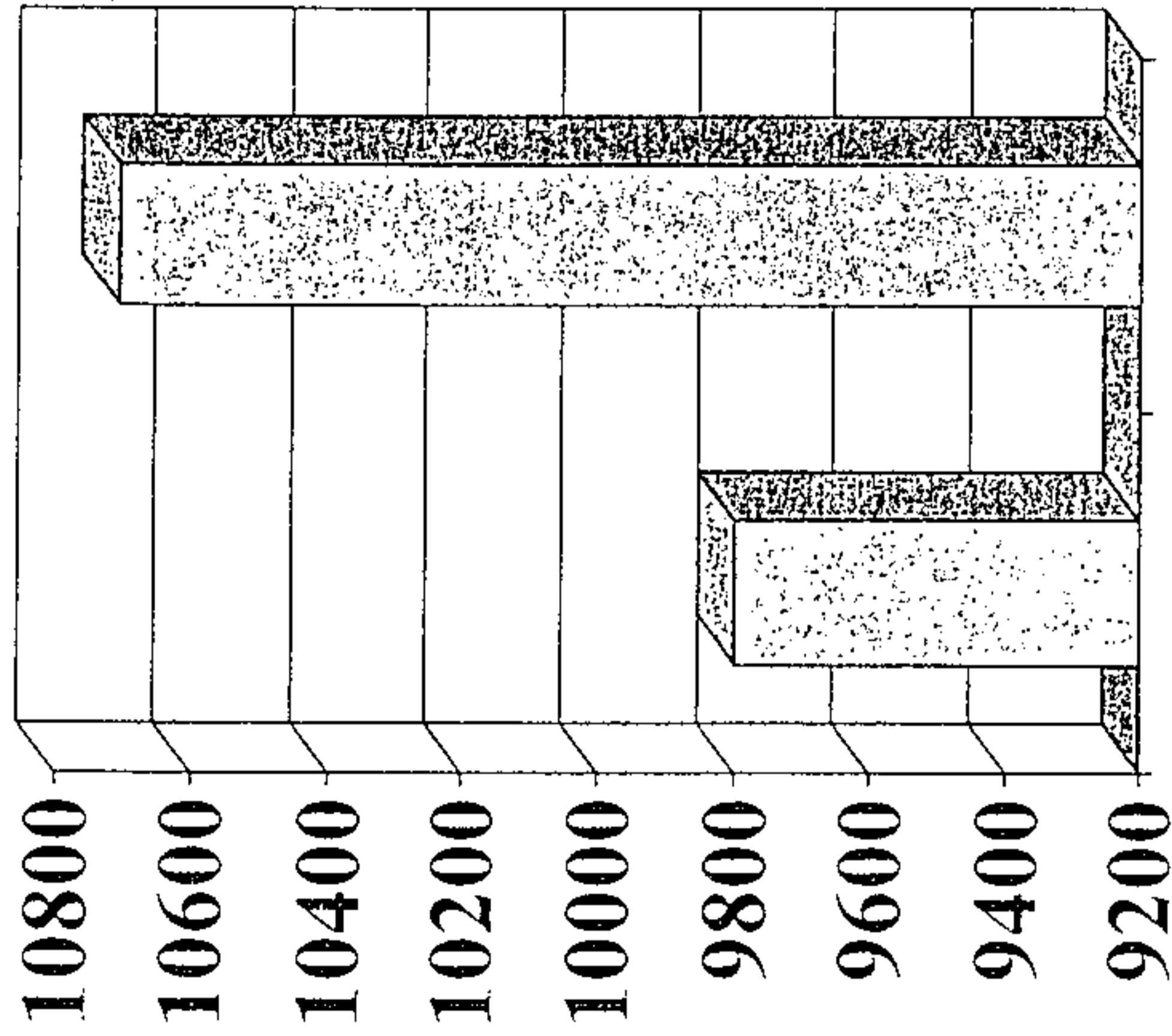
Wayne Greathouse, Interim Executive Director
Secretary to the Board

August 12, 2002

Date

Members Visited

Over
900
More
Members
Visited
This
Year!!



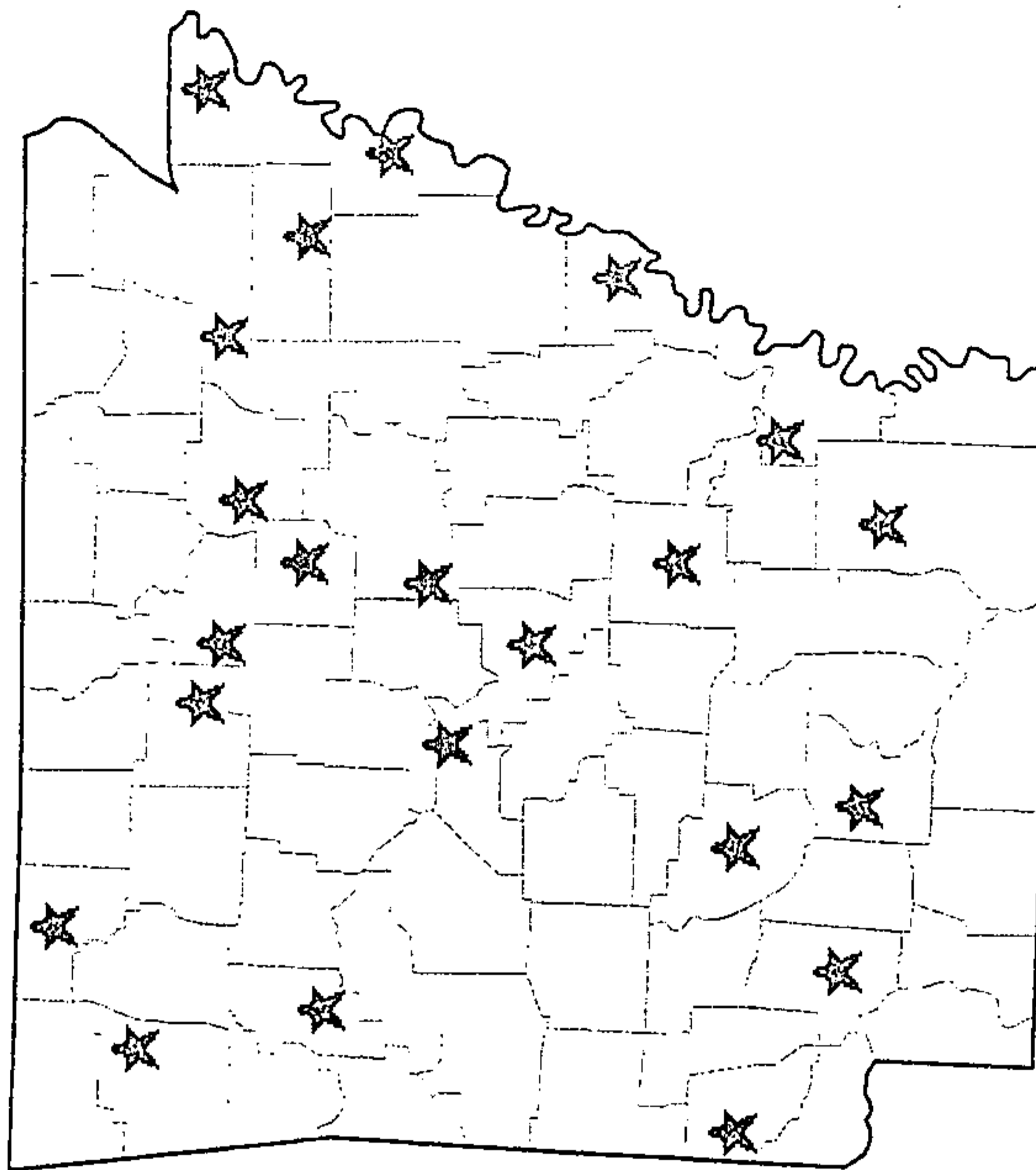
Members Visited

2000-01 2001-02

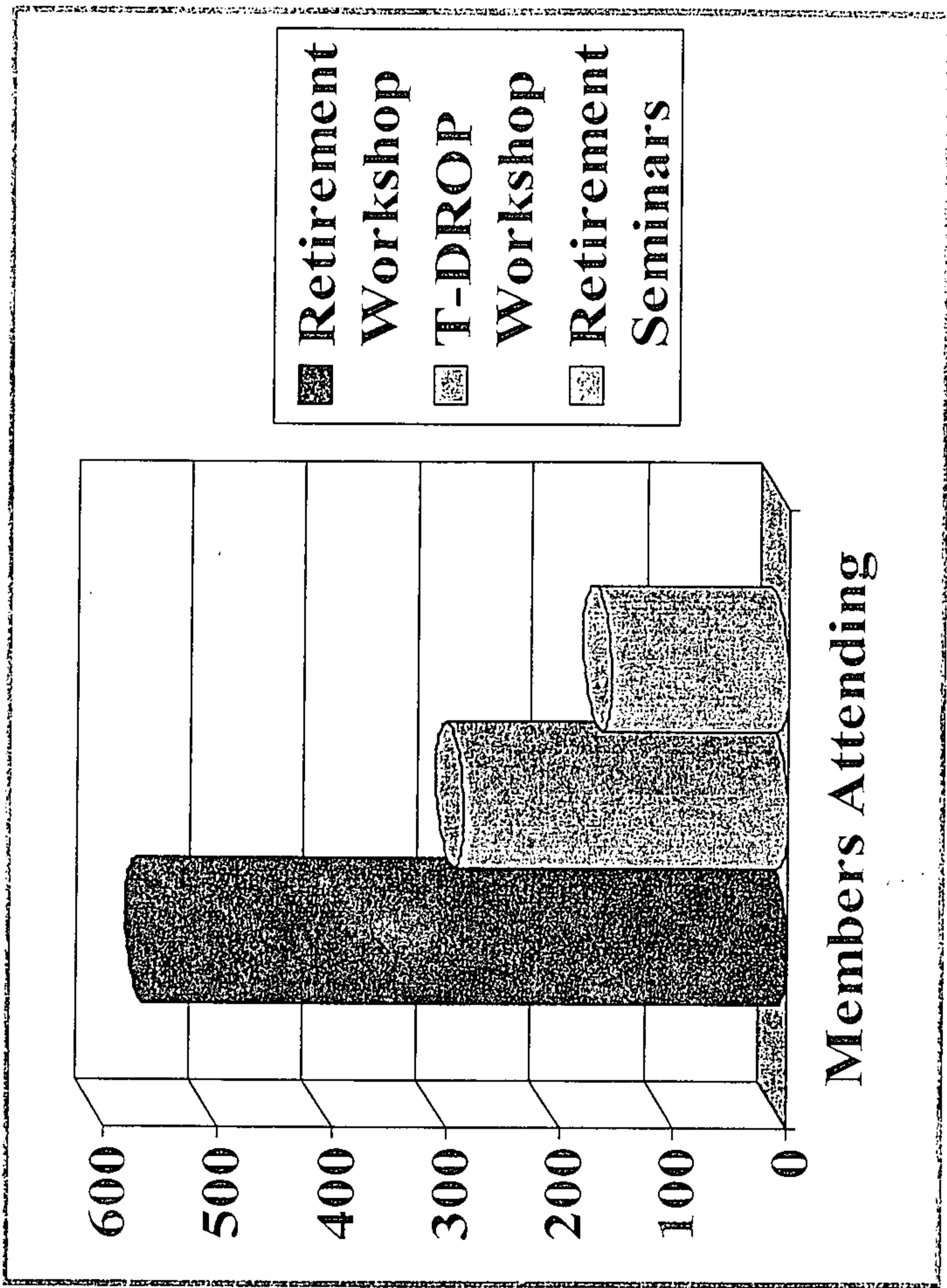
WORKSHOPS/SEMINARS

Retirement and T-Drop
2001-2002

Arkadelphia	Hope
Batesville	Little Rock
Beebe	Melbourne
Berryville	Monticello
Blytheville	Pine Bluff
Branch	Plummerville
Camden	Springdale
DeQueen-Mena	Walnut Ridge
Harrisburg	West Helena
Harrison	West Memphis



WORKSHOPS & SEMINARS



WORKSHOPS/SEMINARS

Retirement and T-Drop

2002-2003

Arkadelphia Batesville Beebe Bentonville Berryville Blytheville Brinkley Camden Clarkesville Conway Corning Crossett DeQueen Dumas El Dorado Fordyce Forrest City Fort Smith Harrison Hope Hot Springs Jacksonville	Jonesboro Lake Village Leslie Little Rock Magnolia Mammoth Springs McGehee Melbourne Mena Monticello Mountain View Mt. Home Mt. Ida Newport Paragould Pine Bluff Russellville Searcy Siloam Springs Stuttgart Texarkana
--	---

