

Minutes

Called Meeting Arkansas Teacher Retirement System Board of Trustees

December 13, 2001

The Arkansas Teacher Retirement System Board of Trustees met in a called meeting on Thursday, December 13, 2001, at 1:00 p.m. The meeting was held in Room 300, Arkansas Teacher Retirement Building, 1400 West Third, Little Rock, Arkansas.

Members of the Board Present:

Linda Parsons, Chair
Charles Vondran, Vice Chair
Hazel Coleman
Winfred Clardy
Dr. Paul Fair
John Fortenberry
Ann Harbison
Mary Harris
Louis Midkiff
Gus Wingfield

Members of the Board Absent:

Charles Dyer
Jimmie Lou Fisher
Betty McGuire
Raymond Simon
Frank White

Members of the Staff Present:

Bill Shirron, Executive Director
Gail Blair, Manager, Data Processing
Dena Dixon, Manager, Membership & Payroll
Wayne Greathouse, Associate Director-Investments
Tammy Medlock, Administrative Assistant
Michael Ray, Manager, Benefits & Counseling
Bernice Smith, Manager, Accounting
George Snyder, Chief Fiscal Officer

Others Present:

Dr. Robert Bowers, NCTR Director of Education
Darrell Dover, Dover & Dixon, P.A.
Carol Griffiee, Jonesboro Sun
Richard Hutchinson, Arkansas Education Association
Hank Kelly, Flake & Kelly Management
Jan Meyer, Flake & Kelly
Brian Murphy, Gabriel Roeder Smith & Company
Charles Trammell, Retirement Communities of America
Leonard Venable, Office of the State Treasurer

I. Roll Call

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

II. Actuary Report – 6/30/01 Valuation Economic Issues – Brian Murphy, Gabriel Roeder Smith & Company

Mr. Murphy stated investment loss of \$259 million nearly wiped out accumulated gain from prior years and raised the amortization period in which the system has to pay current benefits. In addition, he stated benefit changes – the 2.15%/1.39% multipliers, increased amortization period yet more, meaning that the 12% contribution rate provides for payment of the normal cost plus interest (125 years) on the unfunded accrued liability. Mr. Murphy offered the following comments on the topic:

- Changing assumption restores the amortization period to a more acceptable level in 2001 and is acceptable by contemporary standards.
- Changing assumptions does not really change anything. Benefits, contributions, etc. remain the same.
- Regardless of any decisions made this year, higher contribution rates will be needed soon unless the investment markets turn around.

Mr. Murphy offered the following alternatives available to the Board:

1. Do nothing. GRS would then have to issue a report that shows 125 years as the amortization period. ATRS' legal counsel would need to determine potential ramifications.
2. Seek an immediate increase in the employer contribution rate on the order of 0.5% to 1.0% of payroll.
3. Change assumptions to 8% and 4% as recommended by the Watson Wyatt audit.

If either alternative 2 or 3 is adopted, the June, 2001 actuarial report would show 30 years (or less) as the amortization period.

Mr. Shirron recommended alternative #1. He will request an opinion from the Attorney General on the ramifications of the period to pay off unfunded liabilities exceeding 30 years.

No action was taken by the board.

III. Retirement Village Report – Charles Trammell, Retirement Communities of America and Hank Kelly, Flake & Kelly Management

Mr. Kelly reported that Phase I of the village is expected to be completed in Spring, 2004. No assisted living or nursing home rooms will be built in Phase I. There will be 540,000 square feet in the total project. Mr. Trammell, gave the following entrance cost projections:

Unit Description	Monthly	Entrance Fee
Studio	\$1,195	\$58,800
1 Bedroom	\$1,350	\$89,000
1 Bedroom w/ Den	\$1,545	\$98,000
2 Bedroom	\$1,650	\$119,000
3 Bedroom	\$2,165	\$165,000

Mr. Trammell stated each additional person will cost between \$850-\$975 per month depending on the unit. Mr. Trammell stated the Board could expect the costs to go down approximately 10% before the project is completed.

Mr. Shirron stated ATRS formed a limited liability corporation that will issue bonds to pay the retirement system for construction costs plus interest. ATRS will guarantee the bonds, and fees from residents will pay off the bonds. Mr. Trammell stated construction costs would be \$95-105 per foot.

Mr. Trammell suggested the board members who have not visited Kirby Pines in Memphis, to take a day in January to do so.

*****Executive Session*****

Ms. Harbison made a motion that the Executive Director take the appropriate disciplinary action against Dr. Angelo Coppola for actions unbecoming the office of the Deputy Director as instructed by the Board. The motion carried.

IV. Budget for Highfill Land Team (Attachment A)

Mr. Vondran made a motion to approve the \$25,000 budget requested by Mr. Hathaway, and to approve Crafton, Tull & Associates of Rogers as the engineering firms to work with him. The motion carried.

V. Selection of ATRS Real Estate Manager

Dr. Fair made a motion to employ Tom Ferstl to serve as the ATRS Real Estate Manager. The motion carried.

VI. Selection of Additional Real Estate Committee Member

The Investment Committee will determine on December 17 two additional members to serve on the Real Estate Committee.

In other business

Ennis/Knupp Contract. Mr. Shirron stated the interim agreement with Ennis/Knupp would be for six months at \$150,000. Ennis/Knupp will meet with the Board at the next regular meeting in February. Prior to their first meeting with the Board they will meet with portfolio managers, analyze ATRS' investment program and be prepared to make recommendations.

Study on T-DROP. Mr. Fortenberry made a motion that the Chair, Executive Director and Dr. Roberts meet and agree on a scope for the T-DROP study. Mr. Shirron will secure proposals from various firms, and bring the findings back to the board in February, 2002. The motion carried.

Reports Requested. By common consent, the Board requested written reports on the Riley properties, an update on the LJM2 fund, and a private equity update.

Dillard's Update. Mr. Shirron stated that the Dillard's stock that have been downgraded will not affect ATRS' investment with Dillard's.

As there was no further business to consider, Dr. Fair made a motion to adjourn. The motion carried and the meeting adjourned at 6:45 p.m.

Linda Parsons
Linda Parsons, Chair

Bill A Shirron
Bill Shirron, Secretary to the Board

2-11-02
Date

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THE
HATHAWAY
GROUP

MEMORANDUM

TO: *VIA FACSIMILE and MAIL*
Bill Shirron

FROM: Jim Hathaway

DATE: December 10, 2001

SUBJECT: Highfill Land Assignment
Recommendation of Engineering/Land Planning Firm

During the last 30 days, I have contacted three engineering firms with land planning capability regarding their interest in being selected as the engineering firm of record for the Highfill Land assignment.

All three firms indicated a strong interest in this role. Each firm furnished extensive written material in the form of a Statement of Qualification and Proposal for Engineering and Land Planning Services.

The three firms are:

Firm	Office Location (s)
The Mehlburger Firm	Little Rock, AR Heber Springs, AR
Cromwell, Truemper, Levy, Thompson, Woodsmall, Inc.	Little Rock, AR Fayetteville, AR
Crafton, Tull & Associates	Rogers, AR Fayetteville, AR Russellville, AR Grove, OK Tulsa, OK

All three firms are competent and experienced in the delivery of the services which are needed for the Highfill Land Assignment and it was most difficult to select the recommended firm.

After reviewing all of the material submitted to me, I created a Comparison Chart which lists what I considered to be the most important factors and a subjective grade for each factor for each firm. Grades were based on a sliding scale from 2 on the low to 10 on the high. I also placed a higher weighting on the grade for those factors I considered to be the most critical to the process. The Comparison Chart is attached as Exhibit A.



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After tabulating the scoring on the Comparison Chart and weighing the strengths and weaknesses of each firm, I am recommending that Crafton, Tull & Associates be retained for engineering and land planning services for the Highfill Land Assignment.

My reasons for recommending Crafton, Tull & Associates ("CT&A") include the following:

1. CT&A has its headquarters in Rogers approximately 10 miles from the Highfill Land.
2. CT&A has by far the most extensive local knowledge concerning the issues to be addressed in this assignment.
3. CT&A has offered to utilize Tom Hopper, P.E., its Chairman of the Board and Director of Marketing as my contact person within their firm.
4. CT&A's corporate culture and "way of thinking" is viewed as being the most "in synch" with that of a land owner seeking to maximize return on investment.

This recommendation is being submitted for your approval. If you feel it appropriate to retain another firm, let's discuss your thinking as I have a high regard for all three firms and can work with any of them.

Please let me know as soon as possible if you are in agreement with this recommendation. I would like to announce this decision as part of my presentation at the Board Meeting on Thursday. It is also important to formally retain the selected firm and get this process started right away.

JEH:jlr

Attachment: Exhibit A: Comparison Chart

THE
HATHAWAY
GROUP

Exhibit A
Engineering / Land Planning Firms
Comparison Chart

FACTORS	FIRMS		
	Cromwell	Mehlburger	Crafton, Tull & Associates
1. Experience/Competence for THIS job	8	9	9
2. Knowledge of area	7	5	10
3. Depth of personnel	9	6	8
4. Capability and strength of contact person	6	8	9
<i>Sub-Total</i>	30	28	36
<i>Sub-Total x 2</i>	60	56	72
5. Office in area	7	2	10
6. Previous working relationship with			
ATRS	10	2	4
The Hathaway Group / Shearin Hathaway Group	8	10	6
<i>Sub-Total</i>	25	14	20
TOTAL	85	70	92

12/10/01

JEH



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**THE
HATHAWAY
GROUP****MEMORANDUM**

TO: Directors and Staff
Arkansas Teacher Retirement System

FROM: Jim Hathaway, CRE

DATE: December 13, 2001

SUBJECT: Highfill Land Planning Assignment

I am recommending that the Board:

1. Authorize a budget of \$25,000 in 2002 for the creation of a Master Plan for the Highfill Land; and
2. Authorize the hiring of Crafton, Tull and Associates of Rogers, Arkansas as the engineering and land planning firm to work with The Hathaway Group as part of the Master Plan Team.

The Master Plan needs to be completed by July of 2002 in order that the System can present a plan for its land before the city of Highfill enacts new land use regulations.

ATRS now owns 1,342 acres of land in Highfill at a cost of approximately \$12,183,000. It is vital that this property be professionally planned in order to maximize its future value.

The \$25,000 budget represents the best current estimate of the cost but is subject to change as the scope of this Assignment and the desired involvement of the Master Plan Team becomes clearer. Both Crafton, Tull & Associates and The Hathaway Group are to be paid on an hourly basis as per a pre-approved schedule.

The initial work scope is attached as Exhibit A.

Proposals from three highly qualified firms were reviewed as part of the selection process. Those firms were The Mehlburger Firm, The Cromwell Firm, and Crafton, Tull and Associates. Crafton, Tull and Associates was recommended for many reasons including the following:

1. CT&A has its headquarters in Rogers approximately 10 miles from the Highfill Land.
2. CT&A has by far the most extensive local knowledge concerning the issues to be addressed in this assignment.
3. CT&A has offered to utilize Tom Hopper, P.E., its Chairman of the Board and Director of Marketing, as my contact person within their firm.
4. CT&A's corporate culture and "way of thinking" is viewed as being the most in synch with that of a land owner seeking to maximize return on investment.

JEH:jlr

Attachment: Exhibit A: Workscope



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ATTACHMENT A
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**THE
HATHAWAY
GROUP****PRELIMINARY WORKSCOPE
OUTLINE FOR
HIGHFILL LAND**

Task 1: Collect Data

- Site Inventory and Analysis
- Analyze Development Study by the University of Arkansas Community Design Center Commissioned for the City of Highfill
- Obtain aerial photogrammetry, topographic boundary survey, soils analysis, environmental studies, traffic impact report and wetland evaluation as deemed necessary. (These would be reimbursable expenses not included in the hourly fee structure.)

Task 2: Document Existing Conditions

- Graphic Development Study with Text

Task 3: Market Analysis

- Gather information as to recent completed sales and as to competitive properties offered for sale
- Develop goals and timeline
- Meet with City of Highfill and U of A Community Design Center
- Develop objectives

Task 4: Preliminary Design Drawing and Report

- Proposed Zoning and Land Use Plans
- Profiles of Planned Amenities
- Conceptual Master Street Plan
- Review Storm Drainage Plan
- Utility Infrastructure Analysis
- Sketch Vignettes of Important Development Areas
- Descriptive Text Report

Task 5: Feedback and Coordination

- The Hathaway Group and ATRS
- City of Highfill
- U of A Community Design Center
- Participation in public forums



12/12/01

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100 Morgan Keegan Drive • Suite 120 • Little Rock, Arkansas 72202-2214 • (501) 563-5400 • FAX (501) 663-5408
www.hathawaygroup.com