

Minutes

Called Meeting Arkansas Teacher Retirement System Board of Trustees

July 10, 2002

The Arkansas Teacher Retirement System Board of Trustees met in a called meeting on Wednesday, July 10, 2002, 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
Betty McGuire
Winfred Clardy
Hazel Coleman
Charles Dyer
Dr. Paul Fair
John Fortenberry
Ann Harbison
Mary Harris
Frank White
Gus Wingfield

Members of the Board Absent:

Jimmie Lou Fisher
Raymond Simon

Members of the Staff Present:

Wayne Greathouse, Interim Executive Director
Donna Bumgardner, Supervisor, Investments
Tammy Medlock, Administrative Assistant
Marla Palmer, Investment Specialist
Marcia Pinson, Investment Specialist
Michael S. Ray, Interim Deputy Director

Others Present:

Eric Brandorst, State Street Global Advisors
Bob Brinker, Mellon Capital Management
Susan Ellison, Mellon Capital Management
Mike Feehily, State Street Global Advisors
David Fisher, Capital Guardian
Sabrina Gracias, State Street Global Advisors
Kathleen Harris, Oechsle International Advisors

Others Present (Cont'd):

Carolyn Hughes, Putnam Investments
Richard Hutchinson, AR Education Association
Patrick Kelly, Ennis Knupp
John McGowan, Putnam Investments
James McMillan, Oechsle International Advisors
Michael Nyeholt, Capital Guardian
Stephen Oler, Putnam Investments
John Power, Oechsle International Advisors
Yanna Turner, Ennis Knupp
Leonard Venable, Office of the State Treasurer
Mike Wickline, Arkansas Democrat-Gazette

I. Roll Call

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

II. Adoption of Agenda

Mrs. Coleman made a motion to accept the addition of two items to the agenda: Discussion – Policy Guidelines for Western Asset Management and an executive session.

III. International Manager Interviews

- A. Capital Guardian
- B. Putnam Investments
- C. Oechsle International Advisors

Ms. Harbison made a motion to employ Putnam Investments. The motion carried. The manager will be funded the amount in the Zurich Scudder portfolio on funding date.

IV. Index Fund Manager Interviews

- A. Mellon Capital Management
- B. State Street Global Advisors

Mr. Vondran made a motion to hire State Street as the index fund manager, with the amount committed to the fund to be determined at a later date. The motion did not carry.

Mr. Vondran made a motion to accept State Street as ATRS' index fund manager. The motion did not carry.

Mrs. McGuire made a motion to place \$500 million in an index fund. The motion did not carry.

Mr. Dyer made a motion to place \$500 million in an index fund, \$100 million with Rothschild and divide the remainder between ICC Capital and Eubel Brady & Suttman. The motion did not carry.

Mr. Vondran made a motion to place \$600 million in an index fund, and to let the Board decide where the remaining amount will be placed. The motion did not carry.

Dr. Fair made a motion to employ State Street as index fund manager, with the amount to be placed in the fund to be determined at the August meeting. The motion carried.

V. Transition Manager Selection

Mrs. McGuire made a motion to employ State Street to serve as transition manager. The motion carried.

VI. Discussion – Policy Guidelines for Western Asset Management

Mr. Greathouse stated the policies under which Western Asset Management were instructed to operate have not been approved by the Board. For This reason, Western will operate under existing policies for fixed income until the policies are finalized by the Policies Committee and approved by the Board. Mr. Greathouse requested Ennis Knupp strike 'international bonds' from the proposed policies for Western Asset Management.

VII. Executive Session

No action was taken.

In other business:

Update on Indemnification of Real Estate Committee Members. Mr. Greathouse reported an opinion from the Attorney General would be requested. By common consent, the Board agreed to direct Mr. Greathouse to notify Tom Ferstl, via memorandum, regarding the status of this issue.

As there was no further business to consider, Mr. Dyer made a motion to adjourn. The motion carried and the meeting adjourned at 4:45 p.m.

Linda Parsons

Linda Parsons, Chairman

Wayne Greathouse, Interim Executive Director
Secretary to the Board

August 12, 2002

Date