

ATRS Board Policy 1

BOARD GOVERNANCE

A.C.A. § 24-7-301 et seq., A.C.A. § 24-7-401 et seq.,
and A.C.A. § 25-16-901 et seq.

I. Board Plan Administration

- A. The authority and responsibility for the administration, management, and control of the Arkansas Teacher Retirement System (“ATRS” or “System”), and for the construing and carrying out the provisions of the plan is vested in the Board of Trustees of the Arkansas Teacher Retirement System (“Board”). The Board is responsible for the governance of ATRS. It is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable legal mandates.
- B. The function of the Board is to make certain contributions that lead the System toward the desired performance and ensure that it occurs. The Board’s specific contributions are unique to its trusteeship role and necessary for appropriate governance and management. Board decisions are to be based on facts and expert opinions.
- C. The Board will approach its task with a style that emphasizes outward vision rather than an internal preoccupation; encouragement of diversity of viewpoints; strategic leadership more than administrative detail; clear distinction of Board and staff roles; future rather than past or present; and proactive rather than reactive.
- D. Consequently, the contributions of the Board shall be:
 1. The link between the System and its members.¹
 2. Written governing policies that, at the broadest levels, address:
 - a. **Governance Process**
Specification of how the Board conceives, carries out, and monitors its own task.
 - b. **Board-Staff Relationship**
How authority is delegated and its appropriate use is monitored.
 - c. **Ends**
System products, impacts, benefits, costs, and outcomes.

d. **Limitations**

Constraints on executive authority that establish the prudence and ethics boundaries within which executive activity, decisions, and organizational matters shall be carried out.

3. The assurance of Executive Director performance against Ends and Limitations policies above.

II. Board Guiding Principles

- A. The Board is dedicated to the proposition that its paramount purpose is that of providing an adequate and equitable retirement plan for the members of the teaching profession, to protect this group in the event total and permanent disability causes them to be unable to continue employment in their profession, and to provide in part for their dependents in case of death.
- B. The Board is responsible for the prudent investment of System funds. The two paramount considerations in fund investment are safety and yield, with yield being of first importance, provided such investments comply with legally mandated safeguards.
- C. The Board should be fully informed of its financial liabilities, not only to the retirees and beneficiaries, but also to active members of the teaching profession, and to make those liabilities known to members of the state legislature, to other state officials, and to education-related organizations.
- D. The Board should provide all interested citizens with information regarding the System's procedures for investing the System's funds, as well as the budgeting, control, and disbursement of those funds.
- E. The Board will actively promote the enactment of state and federal legislation that may improve the economic welfare of ATRS members.
- F. The Board endorses programs of counseling and information designed to assist members who are approaching retirement.
- G. The Board should be knowledgeable of the most current information regarding effective, efficient governance and operation of state retirement systems that could augment prudent decisions for the benefit of members. To this end, Board members are encouraged to participate actively in regional and national retirement organization programs that offer such information and training.

III. Board Code of Conduct

The Board expects of itself and its members ethical and business-like conduct.

- A. Board members, as fiduciaries, shall discharge their duties solely in the best interest of ATRS members for the exclusive purpose of providing optimum benefits.
- B. Board members must avoid any conflict of interest with respect to their fiduciary responsibility. Board members must not use their positions to obtain favorable treatment for themselves, family members, or close employees.
- C. Board members who desire specific information from firms employed by ATRS should make the request through the Executive Director.
- D. Board members shall not, directly or indirectly, solicit or accept any gift of value as defined by the Arkansas Ethics Commission.
- E. Board members shall decline any offer and shall not have any contact with anyone associated with a firm that the Board is considering employing after requests for proposals (RFP's) or requests for qualifications (RFQ's) have been sent.
- F. Board members shall not attempt to exercise individual authority over the operation of the System or staff members except as explicitly set forth in Board policies. Board members' interaction with the staff, public, press, or other entities must recognize the inability of any Board member or Board members to speak for the Board.
- G. Board members shall report violations of any of these policies of conduct in writing to the Chair.

IV. Board Member Development

The Board is responsible for its own readiness for Board work and the performance of that work.

- A. The Board determines appropriate issues for Board work and appropriate issues to be addressed, as well as the education and data required to address those issues wisely.
- B. The Board determines the need and mechanisms for Board development.
 - 1. Among the mechanisms will be membership in the National Council on Teacher Retirement, Board-approved consultants, and seminars provided by employees of ATRS.
 - 2. The Board's annual plan will include expected outcomes, costs, and scheduling of the Board development effort.
 - 3. The Board will set forth the educational experiences it determines appropriate for a new Board member.

- C. The Board may enlist assistance from the Executive Director in any phase of its own development.

V. Board Meetings

The Board shall hold regular meetings at least quarterly. Additional meetings may be called by the Chair or scheduled by action of the Board in a regular meeting. The Board shall adopt its own rules of procedure, which shall be subject to the following:

- A. The Board shall elect a Chair and Vice Chair from its own membership. The election will be in the odd numbered years at the first regular meeting after the beginning of the fiscal year. The Chair and Vice Chair shall be elected for a term of two years and may be reelected for two additional two-year terms. The Chair and Vice Chair shall be either an active member or retiree trustee. A Board member must have served at least one full year as a member of the Board to be eligible for election to the position of Chair or Vice Chair.
- B. In the event of a vacancy of the Chair or Vice Chair occurs for any reason other than completion of a term, the Board shall fill said vacancy by election from the existing Board members for the remainder of the unexpired term at its next regular meeting. A trustee elected to fill an unexpired term of the Chair or Vice Chair shall be eligible for two additional two-year terms.
- C. Quorum: Eight trustees shall constitute a quorum at any meeting of the Board.
- D. Each trustee shall be entitled to one vote on each question before the Board, and at least eight affirmative votes shall be required for a decision by the Board at any meeting.
- E. *Robert's Rules of Order* shall be followed in the conduct of all meetings except when a departure from Robert's is authorized by action of the Board.

F. Agenda

The Board shall adopt an agenda at the beginning of each meeting. By a majority vote of the Board, items may be added to the agenda before it is adopted.

1. The Executive Director shall prepare a tentative agenda and submit it to all trustees at least ten (10) days prior to a regularly scheduled meeting. The meeting agenda and materials will be submitted to trustees no later than three (3) days before the regularly scheduled meeting.

2. Trustees who want item(s) to be considered for the agenda should notify the Executive Director no later than seven (7) days prior to a regularly scheduled meeting.
3. Members or individuals who wish to have an item placed on the agenda at a regularly scheduled Board meeting should submit their request in writing to the Executive Director no later than twenty (20) days prior to the meeting.
4. Members or individuals who wish to make comments during a regularly scheduled Board meeting should indicate on forms provided the subject on which they intend to speak.
5. A time limit of five (5) minutes will be allowed members and individuals for presentation, unless extended by majority vote of the Board.

G. Minutes

The Board shall keep an official record of the proceedings of each meeting, the final draft of which must be approved by the Board and signed by the Chair and the Executive Director. The Board minutes are to contain only the action of the Board, information required by case law, and the vote thereon.

H. Public Meetings

All meetings of the Board shall be public and in compliance with the Freedom of Information Act. Representatives of the Little Rock news media shall be notified of each meeting.

VI. Duties of Chair and Vice Chair

A. Duties of the Chair

The duty of the Chair is to ensure the integrity of the Board's process and to represent the Board to outside parties.

1. The Chair will see that the Board operates consistent with its own rules and those legitimately imposed on it from outside ATRS.
 - a. Meeting discussion content will be only those issues that, according to Board policy, clearly belong to the Board to decide.
 - b. Deliberation will be timely, fair, orderly, and thorough, but also efficient, limited in time, and kept to the point.
2. The authority of the Chair consists only in making decisions on behalf of the Board that fall within and are consistent with Board policies.

- a. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.).
- b. The Chair may also:
 - i. Convene meetings of the Board, or committees thereof, as prescribed by law.
 - ii. Certify actions taken by the Board.
 - iii. Serve as the official spokesperson for the Board.
 - iv. Appoint Board members to committees.
 - v. Perform other duties specifically requested by the Board that are deemed necessary and appropriate for the Board to fulfill its duties and responsibilities under law.

B. Duties of the Vice Chair

The duties of the Vice Chair are to act as temporary chair in the absence of the regular chair.

VII. Reimbursement of Expenses

- A. The Board, by majority vote of the total membership cast at the first regularly scheduled meeting of each calendar year, may authorize expense reimbursement for each trustee for performing official Board duties. Official Board duties are defined as follows:
 - 1. Attending regular and called Board meetings.
 - 2. Attending committee meetings of the Board or any specially appointed committee comprised in whole or in part of Board members.
 - 3. Attending conferences approved by the Board of Trustees.
 - 4. Attending legislative committee meetings when acting as spokesperson for the Board.
 - 5. Attending legislative sessions at the request of the Board or Executive Director.
- B. Board members are subject to the same reimbursable expenses as state employees.
- C. Board officers are authorized payment for personal expenses, not otherwise reimbursed, incurred in the performance of their ATRS related duties. Such reimbursement is to cover (1) any losses in salary or compensation that would otherwise result from their attendance at Board or committee meetings, and will be paid to the officer's employer; and (2)

the costs of communication (long-distance telephone calls, postage, etc.) with other trustees or staff members.

VIII. Procurement of Services

- A. ATRS shall utilize an equitable and open method of awarding contracts to providers of all contractual, management, and consultant services, including, but not limited to: (1) construction architects, engineers, and contractors; (2) building managers; (3) real estate, legal, and investment consultants; and (4) actuaries and auditors.
- B. The method of awarding contracts will assure that all bona fide providers of such services will have equal opportunity to submit competitive bids or competitive proposals for consideration.
 - 1. Consistent with the Prudent Investor Rule and pursuant to A.C.A. § 24-2-618, ATRS has a statutory goal to recruit and hire emerging managers and emerging investment funds.
 - 2. For purposes of this Rule, "emerging managers" and "emerging investment funds" means a managing group or fund that is predominately owned by black or African American, Hispanic American, American Indian or Native American, Asian, or Pacific Islander.
 - 3. Each investment consultant retained by ATRS to recommend investment managers or investment funds shall submit an annual report to ATRS consistent with the requirements in A.C.A. § 24-2-618 that addresses the goal of ATRS to recruit and hire emerging managers and emerging investment funds.
- C. The Executive Director shall develop procurement procedures and a plan for implementing the process of awarding contracts.
- D. The Board shall approve all procedures and contracts related to the procurement of services.

IX. Board Self-Evaluation

The Board will regularly evaluate its own performance, taking whatever action is necessary to govern with excellence. The Board will review these policies of conduct at least annually and discuss the degree to which it complies.

X. Board Committee Principles

The Board may establish committees to help carry out its responsibilities.

- A. Board committees may not speak or act for the Board except when formally given such authority.

- B. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation.
- C. Board committees may not exercise authority over staff.
- D. All members of the Board shall be notified as to the time and place of all committee meetings. A Board member may attend any committee meeting, but only committee members may vote on committee matters.
- E. Appointments to committees shall be made before the next regular meeting after the Board elects the Chair.
- F. A quorum of each committee and the number of affirmative votes needed for a motion to carry shall be a majority of the designated size of the committee.
- G. Board committees shall elect their own Chair and Vice Chair unless otherwise indicated by Board policy.
- H. The Executive Director shall serve as secretary and ex officio nonvoting member of Board committees or shall delegate another member of the staff to serve in this capacity.
- I. Committees shall report to the Board following each of their meetings.

XI. Investment Committee Charter

- A. There shall be an Investment Committee composed of eight members. The Chair shall appoint five members from the Board, and the Chair shall serve as an ex officio voting member. The remaining two members shall be the State Treasurer and the State Bank Commissioner upon their acceptance of the position.
- B. The committee shall meet on call by the committee chair and/or the Executive Director, but not less than on a quarterly basis.
- C. The purposes of the committee shall be:
 - 1. To consider investment policies and procedures for recommendation to the Board for adoption.
 - 2. To consider asset allocations for recommendation to the Board for adoption.
 - 3. To consider all investment proposals for approval or rejection, unless the Board assigns the proposals to other committees.
 - 4. To monitor all phases of the investment program and to recommend any changes that need to be made to the full Board.
- D. The agenda will be set by the committee chair after conferring with the Executive Director and will be furnished in advance when practical.

- E. The committee may act by majority consent of all the committee members.
- F. The actions taken by the committee shall be reported at the next regularly scheduled meeting of the Board.
- G. All public Board disclosures and the Code of Ethics are applicable to all members of this committee.

XII. Operations Committee Charter

- A. There shall be an Operations Committee composed of up to eight members. The Chair shall appoint five members from the Board, and the Chair shall serve as an ex officio voting member. The remaining two members shall be the State Auditor and the Commissioner of Education upon their acceptance of the position.
- B. The committee shall meet on call by the committee chair and/or the Executive Director.
- C. The purposes of the committee shall be:
 - 1. To receive and consider proposals for the adoption of new or revised policy to recommend to the Board for adoption.
 - 2. To receive and consider legislative proposals to recommend to the Board for adoption.
 - 3. To suggest and develop legislative proposals for the benefit of ATRS and its members to recommend to the Board for adoption.
 - 4. To make recommendations to the Board for initiating, supporting, or opposing legislation.
 - 5. To recommend and oversee the Board and Executive Director evaluation process.
 - 6. To recommend and oversee the Board's training and conference schedules.
- D. All matters that are not within the jurisdiction/purposes of the Investment or Audit Committees shall be within the jurisdiction/purposes of the Operations Committee.
- E. The agenda will be set by the committee chair after conferring with the Executive Director and will be furnished in advance when practical.
- F. The committee may act by majority consent of all the committee members.
- G. The actions taken by the committee shall be reported at the next regularly scheduled meeting of the Board.

- H. All public Board disclosures and the Code of Ethics are applicable to all members of this committee.

XIII. Audit Committee Charter

- A. There shall be an Audit Committee composed of three (3) members of the Board appointed by the Chair and two at-large members from the public with extensive auditing experience approved by the Board. The at-large members must be independent and have no affiliation with ATRS.
- B. At-large members may serve two (2) four-year terms. If the initial term of an at-large member is for less than four (4) years they may serve two (2) more four-year terms. An at-large member's four-year term shall begin on the first of the month immediately following the Board's approval and appointment of the at-large member.
- C. The committee shall meet as needed on call by either the committee chair or the ATRS Internal Auditor. Actions taken by the committee shall be reported to the ATRS Board of Trustees.
- D. The committee has authority to conduct or authorize investigations into any matters within its scope of responsibility and to seek any information it requires from employees, all of who are directed to cooperate with the committee's request. In the event the committee has difficulty obtaining the necessary information from an employee or employees, the committee may seek assistance from the Executive Director or the Board of Trustees as the circumstances dictate.
- E. The committee may invite members of management, auditors, employees, or others to attend meetings and provide pertinent information as necessary.
- F. The committee will assist the Board of Trustees in fulfilling the Board's oversight responsibility relating to:
 - 1. The financial reporting processes
 - 2. The system of internal controls
 - 3. The internal audit process
 - 4. ATRS's compliance with laws and regulatory requirements and ethics policies
- G. Meeting agendas will be prepared and provided in advance to committee members, along with appropriate briefing material when practical.
- H. The committee may act by majority consent of all the members of the committee.

- I. Minutes of the meeting will be prepared and presented at the next scheduled Audit Committee meeting for review and approval. J. The committee will carry out the following responsibilities:
 1. **Financial Statements**
 - a. Review with management and auditors the results of audits which have significant findings and recommendations, together with management's responses to findings and follow up on corrective actions.
 2. **Internal Control**
 - a. Review the risk assessment to consider the effectiveness of ATRS's internal controls.
 - b. Review with management and auditors any significant findings and recommendations on internal controls over financial reporting, together with management's responses.
 3. **Internal Audit**
 - a. Review with management and the Internal Auditor the charter, activities, staffing, and organizational structure of the internal audit function.
 - b. Review and approve the audit plan and all major changes to the plan.
 - c. Review Internal Audit's reports and follow up on findings and recommendations.
 4. **Compliance**
 - a. Review the findings of any examinations by regulatory agencies, and any auditor observations.
 5. **Reporting Responsibilities**
 - a. Regularly report to the Board of Trustees on the committee's activities and issues that arise with respect to the quality or integrity of ATRS's financial statement, compliance with legal or regulatory requirements, and the performance of the internal audit function.
 6. **Other Responsibilities**
 - a. Perform other activities related to this charter or the audit functions as requested by the Board of Trustees.
 - b. Resolve any disagreements between management and the Internal Auditor regarding financial reporting.

- c. Review and assess the adequacy of the committee charter, and propose recommended changes as needed, and request Board of Trustees approval for recommended changes.
 - d. Approve administrative decisions regarding the appointment and removal of the Internal Auditor. Approval of appointment or termination of the Internal Auditor by the Audit Committee is not final until confirmed by the Board of Trustees.
 - e. Perform an annual employee evaluation of the Internal Auditor of ATRS. The audit committee shall:
 - i. Meet in executive session, with or without the Internal Auditor, for the purpose of conducting, reviewing, and discussing an employee evaluation of the internal auditor;
 - ii. Gather information as it deems necessary, including input from the Executive director or other persons with direct knowledge of the Internal Auditor's performance, for the purpose of conducting a fair and thorough annual employee evaluation of the Internal Auditor;
 - iii. Report to the Board of Trustees when the Committee has completed the annual evaluation that the evaluation has been completed. If a Trustee requests by motion and second to learn the specific results of the Internal Auditor evaluation, and the majority of the Board votes in favor of such motion, the Board of Trustees may meet in executive session to hear the Committee's findings and recommendation on the employee evaluation.
- K. The committee may periodically evaluate itself and report the results to the Board of Trustees. The effective date for the start of any evaluation process and frequency of evaluations may be determined by the committee.

HISTORY

Adopted: June 12, 2002 as Rule 1-1 through 1-19
 Amended: October 7, 2003
 Amended: December 3, 2007
 Amended: June 16, 2009
 Amended: September 12, 2012
 Amended: March 6, 2013
 Amended: April 1, 2013
 Amended: July 1, 2018
 Amended: October 7, 2019 as Board Policy 1
 Amended: September 27, 2021
 Amended: September 25, 2023

1 "Members" as used in the Board policies means plan participants of the Arkansas Teacher Retirement System.