

**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES
25th ANNUAL EDUCATIONAL SEMINAR
TUESDAY, OCTOBER 28, 2014**

The Board of Trustees of the Arkansas Public Employees Retirement System held its Twenty-fifth Annual Educational Seminar beginning at 9:00 a.m. with a brief Board meeting and concluding at 4:30 p.m. on Tuesday, October 28th at The Capital Hotel in Little Rock.

QUORUM PRESENT:

Mr. Williams recognized the presence of a quorum.

BOARD MEMBERS PRESENT:

Mr. Artee Williams (State Employee Member), *Chair*, Director Dept. of Workforce Services
Judge Mike Jacobs (County Employee), *Vice-Chair*, Clarksville, AR
Ms. Ouida Wright (State Employee Member), Conway, AR
Mr. Bill Gaddy (State Employee Member), Little Rock, AR
Mayor Steve Northcutt (City Employee), Malvern, AR
Mr. Wes Goodner, State Treasurer's Office (*proxy*)
Ms. Janet Harris, Deputy State Auditor (*proxy*)
Dr. John Shelnett, Dept. of Finance and Administration (*proxy*)
Ms. Gail H. Stone (Executive Director), APERS

BOARD MEMBERS ABSENT:

Ms. Carol Bevis, (Other, Non-State Employee), Little Rock, AR
Hon. Charles Robinson (Ex-Officio Member), State Treasurer
Hon. Richard Weiss (Ex-Officio Member), Dept. of Finance and Administration
Hon. Charlie Daniels (Ex-Officio Member), State Auditor

ADDITIONAL VISITORS PRESENT:

Mr. Ryan Ball, Callan Associates, Inc.
Ms. Brianne Weymouth, Callan Associates, Inc.
Mr. David Hoffman, Gabriel Roeder Smith
Mr. Mita Drazilov, Gabriel Roeder Smith
Mr. Mike Wickline, *Arkansas Democrat-Gazette*
Mr. William Latimer, AQR Capital Management
Mr. Aaron Roberts, Artisan Partners
Ms. Jessie Wilson, Baillie Gifford
Mr. Joe Faraday, Baillie Gifford
Ms. Larysa Bemko, Baillie Gifford
Mr. Carlos Pacheco, BNY Mellon Corp.
Mr. Mike McDermott, BNY Mellon Corp.
Ms. Jackie Dimitri, Blackstone Asset Management
Mr. Michael Purvis, Blackstone Alternative Asset Management
Mr. Jerry Castellini, CastleArk Management
Mr. Kevin Dolsen, CastleArk Management
Mr. Greg Golden, Golden Capital Management
Mr. Jon Cangalosi, Golden Capital Management
Mr. Blaise Keane, Heitman
Mr. Alan Purser, Heitman
Mr. Ellis Sloan, Horrell Capital Management
Mr. Scott Horrell, Horrell Capital Management
Mr. Christian McCormick, INTECH
Ms. Leanne Smith, INTECH
Mr. David Farmer, Invesco Real Estate
Ms. Dyice Ellis-Beckham, Invesco Real Estate
Mr. Jim Hutchinson, LaSalle Investment Management
Mr. Matthew Walley, LaSalle Investment Management
Mr. Anthony Dote, Lazard Asset Management
Mr. Michael Bennett, Lazard Asset Management
Mr. Marty Flood, Lazard Asset Management
Mr. Al Marley, Lombardia Capital Partners

Mr. Kevin Sapanli, Lombardia Capital Partners
Mr. Louis Cohen, MacKay Shields
Mr. Stephen Buckley, MacKay Shields
Mr. Erik Schonberg, Manning & Napier Advisors, Inc.
Mr. Todd Bailey, Mellon Capital Management
Mr. Jon Ritz, Newton Capital Management
Ms. Naomi Waistell, Newton Capital Management
Mr. James Blake, Newton Capital Management
Mr. Barry Beers, Pinnacle Forest Investments
Mr. Hank Page, Pinnacle Forest Investments
Mr. Michael Collins, Prudential Investment Management
Ms. Rupal Shah, Prudential Investment Management
Ms. Melissa Moesman, Pyramis Global Advisors
Mr. Abhijeet Singh, Pyramis Global Advisors
Mr. Steve Spare, SSI Investment Management
Mr. Florian Eitner, SSI Investment Management
Mr. David Settles, State Street Global Advisors
Mr. Patrick White, Stephens Investment Management
Mr. Ryan Crane, Stephens Investment Management
Mr. Tom Landry, TA Associates Realty
Mr. Zander Grant, Wellington Management Company
Mr. Ed Baldini, Wellington Management Company
Mr. David Spika, Westwood Management Company
Ms. Kim Calhoun, Westwood Management Company

STAFF PRESENT:

Ms. Michele Williams, Deputy Director, APERS
Mr. Carlos Borromeo, Chief Investment Officer, APERS
Ms. Susan Bowers, Associate Director of Investments, APERS
Mr. Jay Wills, Attorney Specialist, APERS

NEWS MEDIA NOTIFIED:

A letter of notification of the Arkansas Public Employees Retirement System Board meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, Television Station KLRT/FOX16, Radio Station KARN, and Radio Station KAAY. This letter of notification is pursuant to A.C.A 25-19-101 (Act 93 of 1967) as amended -The Freedom of Information Act.

CONSIDERATION OF THE ADJRS UNFUNDED LIABILITY EMPLOYER RATE FOR FY2015 - Presented by Mr. David Hoffman, Gabriel Roeder Smith and Company

Mr. Hoffman gave a brief history of the district judges and why they have been considered a "separately experience-rated division" within APERS since 2007. Currently, there are still 56 employers throughout the state paying off their UAAL (Unfunded Actuarial Accrued Liability) on the "Old Plan" which covers service before 2005. Once these entities have paid off their UAAL, they will move into a cost-sharing arrangement with the "New Plan". The 2014 Valuation shows the calculated employer contribution for those 56 individual employers (beginning July 1, 2015) as well as the percentage employer rate for the "New Plan" and the "Paid-off Old Plan". Finally, he showed how the Employer Contribution Rate was calculated. Using the method from previous years, it was calculated that the 2015 Employer Contribution Rate would be 24.69% based on 24-year amortization period. Mr. Hoffman stated that it was felt that based on the age distribution of the active membership in this closed plan that the amortization period was too long and recommended shortening it to a closed 14-year period. This would make the suggested Employer Contribution Rate to be 24.69% of payroll, dropping from last year's rate of 25.82%.

Mr. Gaddy motioned to adopt the 14-year amortization period with an Employer Contribution Rate for Fiscal Year 2015 of 24.69% (beginning July 1, 2015). Judge Jacobs seconded and the motion passed.

GREETING & AGENDA DETAILS – Presented by Mr. Carlos Borromeo, APERS CIO

Mr. Borromeo greeted the attendees and explained how to access the website he'd set up to organize all the presentation slides for those who wanted to follow along on their laptops or review them after the seminar was over. He introduced the new managers since the last educational seminar and explained this year's theme of "What Now?" since everything

seemed to be in flux. He noted that there would be speakers from all the asset classes represented and some had been instructed to speak from a bullish position and others from a bearish point-of-view. Mr. Borrromeo noted that originally all the "Bears" had requested a disclaimer, but some might have changed their minds in the duration.

CALLAN ASSOCIATES INTRODUCTION – Presentation by Mr. Ryan Ball & Ms.

Brianne Weymouth

Mr. Ball introduced himself and his associate, Ms. Weymouth and explained to those who did not know them that they were the Investment Consultants for APERS. He noted that APERS was one of Callan's oldest clients, having been with them for over 26 years. Today's Trustee Educational Seminar would be focused on how past predictions of various manager's had played out and what could be learned from these successes and failures going forward. The Board members would be hearing from a variety of investment professionals discussing possible Bull and Bear markets in the future. Ms. Weymouth gave an example of how in January 2001, Callan expected the Treasury debt to be paid down within 10 years, which did not happen. The point she hoped the Trustees would take away from this educational seminar was that while it may seem obvious which way the future markets will go, there is still a lot of uncertainty. For example - how many people would have predicted the demise of the Lehman Brothers Index? She detailed several scenarios that showed the effects of various rates on the APERS' investment portfolio. Mr. Ball showed the new manager activity that other Callan clients had engaged in over the last five years.

Domestic Equities Panel:

Mr. Marty Flood, Lazard Asset Management - BULL
Mr. Ed Baldini, Wellington Management - BEAR

LUNCH

EDUCATIONAL SEMINAR CONTINUES

International Equity Panel:

Ms. Naomi Waistell, Newton Capital Management - BEAR
Mr. Michael Bennett, Lazard Asset Management - BULL

BREAK

Fixed Income Panel:

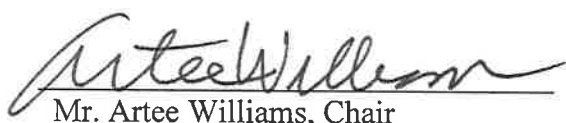
Mr. Michael Collins, Prudential Investment Management – BULL
Mr. Lou Cohen, MacKay Shields – BEAR

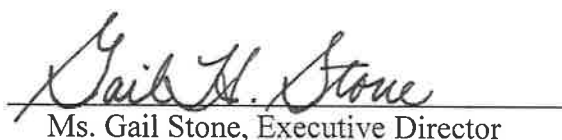
Real Assets Panel:

Mr. Jerry Castellini, CastleArk Management - BULL
Mr. Michael Purvis, Blackstone Alternative Asset Management - BEAR

CLOSING REMARKS & BULL/BEAR AWARD – Presented by Mr. Carlos Borrromeo

Mr. Borrromeo thanked everyone for their participation at the Annual Educational Seminar and announced that there was a three-way tie for the 2014 Bull/Bear Award. All three winners had guessed the Dow Jones would close at 16,750 on June 30, 2014 (actual close was 16,826). The interesting feature was the three winners were a Trustee, a Consultant and an Investment Manager. He named off Trustee Ouida Wright, Ryan Ball from Callan and Jessie Wilson from Bailey Gifford as the 2014 Award winners. Then, as there was no further business, he closed the 25nd Annual Educational Seminar.


Mr. Artee Williams, Chair


Ms. Gail Stone, Executive Director