

**MINUTES OF THE QUARTERLY MEETING OF THE BOARD OF TRUSTEES  
ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
MAY 18, 2022**

A regular meeting of the Board of Trustees of the Arkansas Public Employees' Retirement System was held on Wednesday, May 18, 2022, at 9:00 a.m. This hybrid meeting was held via ZOOM remote conferencing in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Ms. Candace Franks presided.

(Remote attendees indicated with an asterisk \*).

**QUORUM PRESENT:**

Ms. Candace Franks recognized the presence of a quorum.

**BOARD MEMBERS PRESENT:**

Ms. Candace Franks, (State Employee, Retired), Chair, Little Rock, AR  
Mr. Larry Walther (Ex-Officio), Vice Chair, Department of Finance and Admin \*  
Mr. David Hudson (Non-State Employee, County Judge), Fort Smith, AR \*  
Mr. Gary Carnahan (Non-State Employee), Hot Springs, AR  
Mr. Dale Douthit, (State Employee), Russellville, AR \*  
Mr. Daryl Bassett (State Employee), Sherwood, AR \*  
Ms. Kaye Donham, (Retired), Benton, AR \*  
Mr. Richard Wilson (Retired), Little Rock, AR \*  
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR  
Mr. Russell White (Retired Law Enforcement), Alma, AR  
Mr. Jason Brady (State Treasurer's Office) *proxy* \*  
Hon. Andrea Lea (Ex-Officio), State Auditor

**BOARD MEMBERS ABSENT:**

Hon. Dennis Milligan, (Ex-Officio), State Treasurer  
Mr. Joe Hurst, (Non-State Employee, Mayor), Van Buren, AR

**VISITORS PRESENT:**

Ms. Brianne Weymouth, Callan LLC  
Mr. John Jackson, Callan LLC \*  
Mr. Avery Robinson, Callan LLC \*  
Ms. Heidi Barry, GRS \*  
Mr. Nick Henry, Auditor's Office  
Mr. Paul Louthian, DF&A \*  
Mr. John Shelnut, DF&A \*  
Mr. John Bridges, AR State Employee Association \*  
Mr. Daniel Faulkner, Attorney General's Office  
Mr. Jack Critcher, AR Municipal League  
Mr. Chris Villines, AR Assoc. of Counties  
Ms. Tash Brisco, City of Harrison \*  
Mr. John Balaod, Pageant Media \*  
Ms. Lauren Albanese, FIN News \*  
Ms. Zona Maness, Retired \*

**STAFF PRESENT:**

Ms. Allison Woods, APERS Interim Director  
Ms. Laura Gilson, APERS Chief Legal Counsel  
Mr. Carlos Borromeo, APERS Chief Investment Officer  
Ms. Usha Doolabh, APERS Investments Manager \*  
Ms. Jennifer Taylor, APERS Director of Benefits Administration  
Ms. Cheryl Wilburn, APERS Retirement Section Manager \*  
Mr. Jason Willett, APERS Chief Financial Officer  
Mr. Phillip Norton, APERS Director of IT \*  
Mr. John Owens, APERS Internal Auditor \*  
Mr. Jon Aucoin, APERS Retirement Section Manager \*  
Ms. Shelly George, APERS Retirement Coordinator \*  
Mr. Stefan Melikian, APERS Retirement Coordinator \*  
Mr. Ronald Barrick, APERS IT Specialist

Ms. Kristi Brown, APERS Retirement Coordinator \*  
Ms. Phyllis Franklin, APERS Retirement Coordinator \*  
Ms. Jacobia Bates, APERS Manager of Education Services  
Ms. Linda McGrath, APERS Administrative Specialist

**NEWS MEDIA NOTIFIED:**

An e-mail with 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 KAAJ. This notification is pursuant to A.C.A. 25-19-101 (Act 93 of 1967) as amended-The Freedom of Information Act.

**MINUTES:**

Prior to the Board meeting, copies of the Minutes from the February 16 and April 28, 2022 meetings were e-mailed to each APERS Board member for review.

Ms. Lea motioned to accept the Minutes as they presented, and she was seconded by Mr. Wallace. Motion approved.

**INVESTMENTS**

**QUARTERLY INVESTMENT REPORT FOR THE PERIOD ENDING MARCH 31, 2022-  
Presented by Ms. Brianne Weymouth and Mr. John Jackson of Callan LLC**

Ms. Weymouth gave an overview of the capital markets for the first quarter of Calendar Year 2022. Concerns over the invasion of Ukraine, the continuing pandemic, and supply chain bottlenecks all played a part in the down markets of the past quarter. She noted that this had been the first negative quarter since 2019 and had been an extremely rare case of a time when both Equity and Fixed Income markets have both been down, with the Bloomberg Aggregate having its worst returns for the quarter since 1980. The Federal Reserve has already raised their rates twice and is signaling their plans for another rate hike is an effort to slow down inflation. Real Estate was the only bright spot, with the NCREIF Property Index returning 5.3% for the quarter and 21.9% for the trailing 12-months. Emerging Markets struggled relative to developed markets as China (-14.2%) experienced significant pressure from economic slowdown and its regulatory crackdown. One of the biggest themes for the quarter was the switch from Growth (-9.0%) to Value (-0.7%). Energy (3.9%) and Utilities (4.8%) were the only positive sectors in the S&P 500.

Ms. Weymouth detailed the portfolio's performance. As of March 31, 2022, the Fund had a Market Value of just over \$11.3 billion, down roughly \$700 million from last quarter. The portfolio was close to its Target Allocation except in Real Assets, where it is still under-weight 3%, but will move closer if the Board approves the proposed TA Realty Fund investment later in this meeting.

LSV has benefited from the market shift to value and ranked in the top half of their peers and beating their benchmark. However, the market shift worked against Baillie Gifford and they finished at the bottom of their class. Overall, the Fund underperformed its index for the quarter, returning (4.84%), while the benchmark was down (4.07%). Over the past 12 months the portfolio grew by 5.7%, trailing its benchmark by 39 basis points and finishing in the top half of its peers. The Fund remains in the top quartile of its peers in all trailing time periods for the last 15 years.

**Review and Approve a Commitment to TA Realty Fund XIII**

Mr. Avery Robinson of Callan discussed APERS' Value-Added Real Estate portfolio and the Fund's previous investments in TA Realty X, XI and XII. He noted that the Fund had a target of 16% of the total assets to be invested in Real Assets and committing to this fund would bring the allocation in line with the target.

Mr. Brady motioned to approve up to \$75 million into TA Realty XIII. He was seconded by Mr. White and the motion passed.

**ADMINISTRATIVE**

**SUMMARY OF RETIREES FOR THE QUARTER ENDING MARCH 31, 2022:**

Ms. Woods read from her report, noting that APERS had 276 members who retired in January, 149 in February and 166 more retirees in March, for a total of 591 new retirees over the first three months of 2022. This brought the total number of retirees and beneficiaries receiving monthly checks from APERS to 37,975. Termination refunds seem to be keeping pace with retirement applications, a trend that has been going on for several years.

**FINANCIAL STATEMENTS FOR THE QUARTER ENDING MARCH 31, 2022:**

Mr. Willett noted that the fund had lost roughly \$54.8 million since July 1, 2021. APERS' total assets as of March 31, 2022, were over \$11.7 billion. Contributions, both employer and employee, had increased slightly due to salary increases and should continue upwards as the mandatory employee contribution rate increases. During the first half of the fiscal year, APERS paid out over \$478 million in benefit checks; an increase of about \$12.5 million over this time last year.

**LEGISLATIVE AUDIT REVIEW AND APPROVAL:**

Ms. Woods explained that each year the Board is required to review and approve the results of the annual Legislative Audit. She was pleased to announce that there had been no findings by the auditors. Copies of the audit results had been mailed previously to each Board member for their review.

Mr. Bassett motioned to approve the Legislative Audit results and he was seconded by Mr. Wallace. Motion passed.

**PRELIMINARY BIENNIAL BUDGET REQUEST (FY 23-FY25):**

The interim director explained that APERS had been advised that the packet would not be available until late in June and it would be due before the next quarterly meeting in August. Ms. Woods wanted to have something for the Board to review, so she had included the preliminary proposed budget for FY23-FY25 Biennium in the Board folders. There were no significant adjustments from the last biennium and the only areas changing were related to personnel and salary changes. Mr. Bassett lauded the proposed changes.

Mr. White motioned to approve Proposed Biennium Budget and was seconded by Mr. Carnahan. Motion passed.

**LEGAL**

**Legal Report – Ms. Laura Gilson, APERS Chief Legal Counsel**

A copy of the May 18, 2022 Legal Report was included in the Board materials. In reviewing the report before the Board, Ms. Gilson noted:

Mr. David Shelton's appeal, which was presented to the Board February 2, 2022, but adjourned pending Staff evaluation of new information presented, had been resolved to the satisfaction of Staff and Mr. Shelton.

Ms. Nita Murray was appealing the Director's decision dated April 8, 2022, denying her request for additional service credit. An appeal before the Board will be scheduled in the future.

Bolden v. APERS case was appealed to Pulaski County Circuit Court to Judge Herbert Wright in late 2020. On March 11, 2021, the Court upheld the decision of the Board. Bolding appealed April 5, 2021, to the Court of Appeals. Both APERS and Bolding have filed briefs and are awaiting the decision of the court.

Regarding APERS securities litigation cases, Ms. Gilson stated that there were still two active cases, but nothing had changed since the last report.

**Rules Promulgation**

**24 CAR § 1-213. DROP provisions.** APERS Rule 214, concerning DROP provisions, has been successfully promulgated to include the maximum number of years of participation in the DROP, raised from 7 to 10 years under Act 518 of 2021. The promulgation also utilized the new Code style and was renamed accordingly to 24 CAR § 1-213. DROP provisions. The rule is effective May 7, 2022.

**APERS Rule 501. Investment Policy.** APERS Rule 501, Investment Policy was repealed as obsolete and duplicative. Since the Board annually and periodically updates its portfolio of investments with the advice and expertise of investment consultants, and further, Ark. Code Ann. § 24-2-601 et seq. specifically grants the APERS Board authority to invest and manage APERS funds for the benefit of the members in accordance with the "prudent investor rule" (Ark. Stat. Ann. §§ 24-2-610–24-2-619), the rule was outdated and obsolete. The repeal is effective May 7, 2022.

**Securities Litigation Cases**

- 1) Lobstein, pro se. APERS is not lead plaintiff. There have been no changes since APERS August Board meeting.
- 2) Bristol-Myers Squibb. This case was dismissed on March 11, 2022, and is no longer an active case

**OTHER BUSINESS:**

Mr. Wallace motioned for the Board to go into an Executive Session to discuss the processes being used to select the new Executive Director, since he was a new Trustee. There was no second, so the motion failed to pass.

**NEXT QUARTERLY BOARD MEETING:**

The next quarterly Board Meeting is scheduled for Wednesday, August 17, 2022, at 9:00 a.m. There is a Special Board meeting scheduled for Wednesday, June 1, 2022, to interview candidates for the Executive Director position.

**ADJOURNMENT:**

There being no further business, the meeting was adjourned.

  
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Ms. Candace Franks, Chair

  
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Ms. Allison Woods, APERS Interim Director