

**MINUTES OF THE QUARTERLY MEETING OF THE FINANCE COMMITTEE
ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM
MARCH 22, 2023**

A meeting of the Finance Committee of the Arkansas Public Employees' Retirement System was held on Wednesday, March 22, 2023, at 2:00 p.m. This hybrid meeting was held via ZOOM remote conferencing in the Conference Room, 124 West Capitol, Little Rock, Arkansas. Secretary Daryl Bassett presided.

(Remote attendees indicated with an asterisk *).

FINANCE COMMITTEE MEMBERS PRESENT:

Mr. Daryl Bassett (Chair), Sherwood, AR*
Mr. Gary Wallace (Retired Law Enforcement), Greenbrier, AR*
Mr. Jason Brady (State Auditor's Office) *proxy**
Mr. Eric Munson (State Treasurer's Office) *proxy**
Mr. Gary Carnahan (Non-State Employee), Hot Springs, AR*
Mr. Larry Walther (Ex-Officio), Department of Finance and Admin*
Ms. Amy Fecher, APERS Executive Director

VISITORS PRESENT:

Mr. Mike Wickline, *AR Democrat-Gazette*
Ms. Lauren Albanese, FIN News*

STAFF PRESENT:

Mr. Carlos Borromeo, APERS Deputy Director of Investments & Finance
Ms. Laura Gilson, APERS General Counsel
Mr. Richmond Giles, APERS Staff Attorney
Mr. Ronald Barrick, APERS IT Specialist
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 KAAY. This notification is pursuant to A.C.A § 25-19-101 (Act 93 of 1967) as amended, *a.k.a.* the Arkansas Freedom of Information Act.

INTRODUCE FINANCE COMMITTEE AND ELECT CHAIRPERSON:

Director Fecher thanked everyone for their participation and reminded everyone that the purpose of this committee was to hear private equity or class action requests in between quarterly board meetings and consult on any APERS litigation. First order of business was to elect a Chair. Mr. Munson nominated Secretary Bassett for the position. He was seconded by Mr. Brady and Secretary Bassett was elected unanimously.

SECURITIES LITIGATION:

APERS Board Policy-

The Board recognizes that securities litigation is an optional and occasional tool to recover lost assets, and only appropriate in certain circumstances. The objectives of APERS in engaging in securities litigation include collecting losses in the portfolio, maximizing the net recovery, and effecting meaningful corporate governance reforms.

Mr. Brady discussed the current Loss Threshold of \$1 million and felt the amount needed to be adjusted higher if the point was to have APERS as Lead Plaintiff. Chair Bassett stated that further study was required.

APERS Securities Litigation Firms-

The Board reviewed the list of the 18 Securities Litigation firms approved by the APERS Board in 2020. Mr. Brady questioned what activity APERS had seen from each of these firms in that duration. Ms. Gilson noted six firms had filed initially for this class-action, but, three firms had withdrawn, feeling the other firms would be more effective in representing APERS. Several firms had merely sent newsletters on a regular basis to APERS, while others had sent detailed reports on possible class actions. The subcommittee felt it might be time to weed through the list and keep the

most active firms. Staff was instructed to prepare a list of the 18 firms and level of contact maintained by each for the subcommittee to review.

SECURITIES LITIGATION FORM AND PROCESS:

The committee reviewed three Claim Review Forms that Staff had designed to show possible Claims in a uniform fashion. These detailed a common securities claim against Sotera Health Company for alleged misrepresentation over safety and emissions of toxic EtO gas from its sterilization facilities which results in cancer claims against Sotera. The risk materialized in 9/2022 when the first lawsuits against the company were awarded \$363 million in damages and Sotera's stock dropped 44% over the next two days.

Staff noted the one detail they had overlooked in creating the form was pension fund's estimated financial loss, which would be included, going forward. Secretary Bassett agreed and commented that other additional information might be required, as the subcommittee got more experience.

Cohen Milstein, Rosen Law Firm, and Labaton Sucharow LLP all notified APERS that it could consider entering in a Class-Action suit, but their chance of being selected as lead plaintiff was minimal. Lazard had held just over \$2 million in Sotera stock, but had sold it before the value dropped. Ms. Gilson explained that under the Securities Act of 1934, APERS had suffered no loss. However, under the Securities Act of 1933, dealing with fraud and misstatements, APERS might recognize some financial benefit. The best candidate for lead plaintiff would have claims under the 1933 Act.

SECURITIES LITIGATION REQUEST FOR LEAD PLAINTIFF- Sotera Health Company

After comparing the three responses from the law firms, the subcommittee agreed it would be prudent to pass on going for Lead Plaintiff status in this case. Ms. Gilson reminded them that APERS would automatically be included in the case by BNY/Mellon, APERS Custodian Bank.

There was an extended discussion on the exact role of the subcommittee. Chair Bassett stated he felt it was their duty to screen out items to take before the full board and thus streamline the regular APERS' meetings. Ms. Gilson explained that the deadline for these Class Actions decisions was short and many times fell between quarterly Board meetings. The deadline for a decision on the Sotera case was March 27 (five days away). The subcommittee decided for Staff to send the Minutes of this meeting to the full Board so they could evaluate the decision and respond before the Monday deadline.

Mr. Brady motioned to recommend APERS pass on taking Lead Plaintiff in this lawsuit. He was seconded by Mr. Wallace and the motion carried.

CIO REPORT:

Mr. Borromeo began by giving the subcommittee an update on how APERS portfolio was affected by the Silicon Valley Bank crisis. The fund had minimal exposure and the currently loss was about \$1.6 million. He stated the market movement from this was unprecedented, unless you went through the S&L crisis in 1980.

After short discussion on the SVB crisis, Mr. Borromeo gave a detailed report of how he pulled money from APERS Investment Managers monthly to pay benefits. Sometimes this resulted in a less than optimal market timing when both taking money out and reinvesting. In the past, APERS has never has a dedicated cash portion of portfolio, but Mr. Borromeo thought it might be a good time to rethink that strategy. He noted it would require a change in the APERS Investment Policy and suggested allowing for \$20-30 million, on a monthly basis.

After further discussion it was decided to put the matter on the agenda for the quarterly may meeting.

NEXT MEETING:

Since it was impossible to know when the next Class Action decision might be required, The board decided to just meet on an "as needed" basis.

The next regular meeting of the APERS Board will be on May 17, 2023.

ADJOURNMENT:

There being no further business, the meeting was adjourned.


Sec. Daryl Bassett, Finance Committee Chair


Ms. Amy Fecher, APERS Executive Director