

**MINUTES OF THE SPECIAL TRAINING SESSION FOR THE BOARD OF TRUSTEES
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SEPTEMBER 14, 2007**

The regular quarterly meeting of the Board of Trustees of the Arkansas Public Employees Retirement System was held on Friday, September 14, 2007 at 10:00 a.m., in the Kie D. Hall Conference Chamber, 124 West Capitol, Little Rock, Arkansas. Mr. Don Zimmerman presided.

QUORUM PRESENT:

Mr. Zimmerman recognized the presence of a quorum.

BOARD MEMBERS PRESENT:

Mr. Don Zimmerman (Municipal Employee Member), *Chair*, North Little Rock, AR
Mr. Artee Williams (State Employee Member), *Vice Chair*, Director, Dept. of Workforce Services
Mr. Larry Fratesi (County Employee Member), Pine Bluff, AR
Mr. Maurice Henry (School Employee Member), Fulton, AR
Ms. Ouida Wright (State Employee Member), Retired, Conway, AR
Mr. Richard Weiss (Ex-Officio Member), Dept. of Finance and Administration
Mr. Steve Kelly, Deputy State Auditor (*proxy*)
Mr. Bill Gaddy (State Employee Member), Retired, Little Rock, AR
Mr. Mike Creekmore, State Treasurer's Office (*proxy*)
Ms. Gail H. Stone (Executive Director), APERS

BOARD MEMBERS ABSENT:

Hon. Jim Wood (Ex-Officio Member), State Auditor
Hon. Martha Shoffner (Ex-Officio Member), State Treasurer

VISITORS PRESENT:

Mr. Joe Giddis, Office of State Procurement
Mr. Rick Smith, Office of State Procurement
Ms. Jenny Foshee, Office of State Procurement
Mr. Steve McDonald, Office of State Procurement
Dr. John Shelnett, Dept. of Finance and Administration
Ms. Erika Gee, Attorney General's Office

STAFF PRESENT:

Ms. Michele Williams, Deputy Director, APERS
Ms. Susan Bowers, Associate Director of Investments, APERS
Ms. Linda McGrath, Executive/Administrative Secretary, APERS

NEWS MEDIA NOTIFIED:

A letter of notification of the APERS Board Meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, 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.

RFQ EDUCATIONAL TRAINING – Presented by Mr. Joe Giddis, Mr. Rick Smith, Ms. Jenny Foshee, and Mr. Steve McDonald of the Office of State Procurement

Ms. Stone explained to the Board that she had included in their packets copies of the draft Request For Qualifications (RFQ) for the Actuaries and Investment Consultants, as well as an article from Greenwich Associates that addressed the quantitative factors Trustees should consider when selecting these candidates.

Mr. Giddis introduced his associates from OSP and gave an overview of the selection process that the Trustees would be going through in selecting consultants and actuaries. He explained that this process would need to be gone through at least once every seven years per vendor, as the state only allowed for six renewals after the original one-year contract. Mr. Giddis acknowledged that while APERS had dropped the ball on this matter, they were not alone and he'd be visiting Teacher Retirement in the near future over the same matter. Finally, he cautioned the Trustees that over the next 10 months, the most vulnerable part of the selection process was the vendor evaluation and he gave examples of how best to avoid a protest by a vendor.

Mr. McDonald reiterated the importance of disclosure if any Trustee or their family had a business relationship with any one of the candidates prior to the selection process. When asked to clarify what

was meant by “business relationship” Mr. McDonald explained that if you or any of your immediate family had ever received a W-2 from one of the companies, then you would be disqualified from the selection process. He then distributed an OSP Evaluation packet and explained the duties and responsibilities of the Committee Chair and Committee Members. He stressed that each member would be expected to read and score every proposal that was submitted.

Mr. McDonald explained how to score and how to change a score on the evaluation sheets. Mr. Giddis explained that these sheets were subject to FOIA and vendors often requested to see their scores for various reasons. There was a short discussion on FOIA and “unfair competitive advantage” and when and how each could be invoked. Mr. McDonald stressed that the Board needed to come to a group consensus on the vendor scores. He also explained how Ms. Foshee was the conduit between the Trustees and the vendors, and any questions should be directed to her. Mr. McDonald explained how and why references would be used. Mr. Giddis suggested that one committee member be appointed to do the reference checks.

Mr. Giddis summed up that he expected this to take about 5-6 official meetings and gave the following breakdown of what would happen at each:

1. Initial evaluation to receive the proposals.
2. After all the proposals have been graded, meet again to come to a consensus of the scores.
3. Discuss the candidates and select number to interview
4. Interview candidates
5. Compare notes and scores from interviews
6. Final and best offer

He said that some of these meetings could probably be combined with standing board meetings and he had seen the process take anywhere from 90 days to 8 months.

Mr. Zimmerman asked how many would be on the committee and Mr. Gaddy stated he assumed the committee would be comprised of the entire Board. There was a discussion and the decision of the composition of the Review Board was deferred until the November 21st meeting or after the receipt of the proposals, to gauge the number of applications to be reviewed. Ms. Wright commented that she felt very strongly that Ms. Stone should be included in the Review Committee.

Ms. Foshee stressed that the Board pay particular attention to the evaluation criteria. She stated that since none had been submitted, she had developed one for the committee to use. She felt the Board might want to reassign or rearrange the points allowed. Ms. Stone added that in the actuarial services evaluation, for instance, she wanted to see points awarded for “technical services” for things like providing a benefit calculator for APERS.

Mr. Weiss motioned for Staff to prepare a final draft of the evaluation criteria and e-mail it to everyone on the Board for approval, before sending to OSP. Second by Mr. Williams and motion carried.

APERS INVESTMENT RETREAT:

The APERS Investment Retreat is scheduled for Monday, October 1, 2007 starting at 8:00 a.m. and would be held at the Peabody Hotel in Little Rock. There will be a brief board meeting during the Retreat at approximately 4 p.m.

EXECUTIVE SESSION WITH APERS DIRECTOR: (CLOSED SESSION)

A closed session of the Board was held regarding personnel issues. No action taken.

NEXT QUARTERLY BOARD MEETING:

The next quarterly meeting of the APERS Board of Trustees is scheduled for November 21, 2007 at 9:00 a.m.

ADJOURNMENT:

There being no further business, the meeting was adjourned.

MR. DON ZIMMERMAN, CHAIR

MS. GAIL STONE, EXECUTIVE DIRECTOR