

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Authority, Function and Style**

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The authority and responsibility for the administration, management and control of the Retirement System, and for the construing and carrying out the provisions of the Plan is vested in the Board of Trustees (hereinafter the “Board.”) The Board is responsible for the governance of the system. It is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable legal mandates.

The function of the Board is to make certain contributions that lead the Retirement 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.

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.

Consequently, the contributions of the Board shall be:

1. The link between the Retirement System and its members.<sup>1</sup>
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*: Retirement system products, impacts, benefits and outcomes (what good for which needs at what cost).
  - 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 policies in 2c and 2d above.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

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<sup>1</sup> “Members” as used in the Board Policies document means members of the Arkansas Teacher Retirement System, benefit recipients and their beneficiaries when the sense requires it.

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Guiding Principles**

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1. The Board of Trustees 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.
2. 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.
3. The Board should be fully informed of its financial liabilities, not only to the retirants 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.
4. The Board should provide all interested citizens with information regarding the System's procedures for investing system funds, as well as, the budgeting, control and disbursement of those funds.
5. The Board will actively promote the enactment of state and federal legislation that may improve the economic welfare of ATRS members.
6. The Board endorses programs of counseling and information designed to assist members who are approaching retirement.
7. The Board should be knowledgeable of the most current information regarding effective, efficient governance and operation of state retirement systems, which could augment prudent decisions for the benefit of members. To this end, Board members are encouraged to actively participate in regional and national retirement organization programs that offer such information and training.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Code of Conduct**

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The Board expects of itself and its member's ethical and business-like conduct.

1. Board members, as fiduciaries, shall discharge their duties solely in the best interest of the system members for the exclusive purpose of providing optimum benefits.
2. 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.
3. Board members who desire specific information from firms employed by the System should make the request through the Executive Director.
4. Board members shall not, directly or indirectly, solicit or accept any gift of value as defined by the Arkansas Ethics Commission.
5. 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) have been sent.
6. Board members shall not attempt to exercise individual authority over the operation of the retirement 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.
7. 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, discussing the degree to which it complies.
8. Board members shall report violations of any of these policies of conduct in writing to the Board Chair.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Board Member Development**

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

1. 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.
2. The Board determines the need and mechanisms for Board development.
  - a. Among the mechanisms will be membership in the National Council on Teacher Retirement, Board-approved consultants, and seminars provided by employees of the Retirement System.
  - b. The Board's annual plan will include expected outcomes, costs and scheduling of the Board development effort.
  - c. The Board will set forth the educational experiences it determines appropriate for a new Board member.
3. One or more members appointed by the Board Chair will conduct new member orientation. The Board Chair will designate one member of the Board to be a mentor for a new Board member for a period of one year.
4. The Board may enlist assistance from the Executive Director in any phase of its own development.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Board Meetings**

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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:

1. 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 re-elected for one additional two-year term. The Chair and Vice Chair shall be either an active member or retirant 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.
2. In the event 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.
3. Quorum: Eight trustees shall constitute a quorum at any meeting of the Board.
4. 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.
5. *Roberts Rules of Order* shall be followed in the conduct of all meetings except when a departure from *Roberts* is authorized by action of the Board.
6. 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.
  - a. The Executive Director shall prepare a tentative agenda and submit it to all trustees at least 30 days prior to a regularly scheduled meeting. The meeting brochure and agenda will be mailed to trustees not later than five days before the regularly scheduled meeting.
  - b. Trustees who want item(s) to be considered for the agenda should notify the Executive Director no later than 20 days prior to a regularly scheduled meeting.
  - c. 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 20 days prior to the meeting.

- d. 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.
  - e. A time limit of five minutes will be allowed members and individuals for presentation, unless extended by majority vote of the Board.
7. 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.
8. 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.

**Authority:** Amended by Act 418 of 1997

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Duties of Chair and Vice Chair**

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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 duty of the Chair is to see that the Board operates consistent with its own rules and those legitimately imposed on it from outside the retirement system.
  - 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. Name 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.

#### **Duties of the Vice Chair**

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

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Governance Process**

**POLICY TITLE: Reimbursement of Expenses**

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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.

Board members are subject to the same reimbursable expenses as state employees.

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.

**Authority:** Act 1211 of 1995

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Governance Process**

## **POLICY TITLE: Committee Principles**

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

1. Board committees may not speak or act for the Board except when formally given such authority.
2. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation.
3. Board committees may not exercise authority over staff.
4. All members of the Retirement Board shall be notified as to the time and place of all committee meetings. Any Retirement Board member may attend any committee meeting, but only committee members may vote on committee matters.
5. Appointments to committees shall be for four-year terms unless otherwise noted. Initial appointments for less than four may be reappointed to one full, four-year term.
6. 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.
7. Board committees shall elect their own chair and vice chair unless otherwise indicated by Board policy.
8. The Executive Director shall serve as secretary and an ex-officio non-voting member of Board committees or shall delegate another member of the staff to serve in this capacity.
9. Committees shall report to the Board following each of their meetings.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Governance Process**

**POLICY TITLE: Investment Committee Charter**

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1. There shall be an Investment Committee composed of six members of the Board. The Chair of the Board will appoint four members. The Chair and Vice-Chair of the Board shall serve as ex-officio voting members of the Committee.
2. The Committee shall meet on call by the Chair and/or the Executive Director, but not less than on a quarterly basis.
3. The purposes of the Committee shall be:
  - a. To consider investment policies and procedures for recommendation to the Board for adoption.
  - b. To consider asset allocations for recommendation to the Board for adoption.
  - c. To consider all investment proposals for approval or rejection, unless they are assigned to other committees by the Board.
  - d. To monitor all phases of the investment program, including the Real Estate Committee and the Real Estate Screening Committee, and recommend any changes that need to be made to the full Board.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Governance Process**

**POLICY TITLE: Legislative Committee Charter**

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1. There shall be a Legislative Committee composed of five members of the Board appointed by the Board Chair. The Board Chair may serve as a voting member of the committee.
2. The Committee shall meet twice monthly, or more often if needed, during the three-month pre-legislative fall season and during the General Assembly sessions. At other times, the Committee will meet on call by either the Committee Chair or the Executive Director.
3. The committee shall recommend to the Board for approval a spokesperson to present and support the Board's defined and adopted positions on legislative issues.
4. The purposes of the Legislative Committee shall be:
  - a. To preview legislative proposals that will impact the Retirement System and its members.
  - b. To suggest and develop legislative proposals for the benefit of the Retirement System and its members.
  - c. To make recommendations to the Board for initiating or supporting legislative proposals or for opposing proposed legislation.
  - d. To review and monitor enacted legislation relating to the Retirement System and its members. It shall be the ongoing responsibility of the Legislative Committee:
    - i. To see that such legislation is properly incorporated into Retirement System policies and procedures, and
    - ii. To monitor the effect of such legislation as it relates to current and future retirees.
  - e. To monitor meetings of the Legislative Council and the Committee on Social Security and Retirement.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Governance Process**

**POLICY TITLE: Policies Committee Charter**

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1. There shall be a Policies Committee composed of five members of the Board. The Board Chair will appoint four trustees to the Committee and will serve as an ex-officio voting member of the Committee.
2. The Committee shall meet bi-monthly, or on call by either the Chair or the Executive Director.
3. The primary purpose of the Policies Committee is to receive and consider proposals for the adoption of new policy and the revision or deletion of existing policy. The Committee is responsible for recommending the adoption or rejection of any such policy proposals to the Board.
4. Recommendations or suggestions for initiating or changing Board policy must be submitted in writing to the Board Chair, the Chair of the Policies Committee and the Executive Director seven days prior to the next meeting of the Policies Committee.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Governance Process**

### **POLICY TITLE: Real Estate Committee Charter**

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1. There shall be a Real Estate Committee composed of five members—including three members selected from the business community, the Arkansas Banking Commissioner, and the ATRS Real Estate Investment Manager.
  - a. The Board shall select six business community members from a list compiled by the Executive Director and the Board. The business community members shall be appointed for one-year terms and may be reappointed. Three members will be selected by the Committee Chair to serve at a particular meeting.
  - b. The six members from the business community shall be knowledgeable about real estate matters. A person will be deemed to be “knowledgeable with respect to real estate matters” if that person is a present or former lending officer for a federally-insured financial institution, or is a licensed Arkansas real estate broker with five years or more experience as such, or is an Arkansas licensed real estate appraiser (state certified general appraiser or MAI designation).
  - c. The Real Estate Investment Manager will be employed by the Board to review, monitor and advise on all aspects of the real estate portfolio including management contracts. This will include advice on assets and loans currently in the portfolio as well as future loans and acquisitions. The Real Estate Investment Manager shall have a minimum of ten years experience as a commercial real estate broker, property developer, appraiser, counselor, lender or a combination thereof.
2. No member of the Committee may do business with ATRS while serving on the committee or for a period of three years thereafter.
3. The Real Estate Investment Manager shall serve as Chair of the Committee.
4. The Committee shall operate under guidelines and procedures approved by the Board.
5. The purpose of the Committee shall be to consider and approve or disapprove all real estate investments submitted by the Real Estate Screening Committee. ATRS Legal Counsel must review all such proposals prior to final approval by the Committee.
6. The Committee shall have the authority to renew loans that have matured and performed according to loan documents. This shall include, but not be limited to raising and lowering interest rates, substituting or requiring more collateral and making adjustments in life insurance premiums.
7. Total real estate investments shall not exceed the system’s approved asset allocation as determined by the Board at the beginning of each fiscal year. Should the real estate allocation be exceeded, no additional real estate investments shall be entered into until the asset

allocation exceeds the total real estate investments.

8. Minutes of each meeting will be maintained and reports of all actions taken by the Committee will be presented at the following Investment Committee meeting and Board meeting.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

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**POLICY TYPE: Governance Process**

**POLICY TITLE: Real Estate Screening Committee Charter**

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1. There shall be a Real Estate Screening Committee composed of four members—including the Investment Committee Chair, one other Board member appointed by the Board Chair, the Retirement Fund Investment Supervisor, and the Associate Director—Investments.
2. The Investments Supervisor shall serve as Chair.
3. The Chief Fiscal Officer and the Real Estate Investment Manager shall serve as non-voting advisors to the Committee.
4. The primary purpose of the Committee shall be to consider all real estate loans and acquisition proposals for preliminary approval. Proposals approved by the Committee will be submitted for “due diligence” study by underwriters selected by the Real Estate Committee.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Governance Process**

**POLICY TITLE: Board Self-Evaluation**

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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.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Board-Executive Director Relationship**

### **POLICY TITLE: Delegation to the Executive Director**

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Authority for implementing policy and the development of supporting procedures is delegated to the Executive Director

1. All Board authority delegated to staff is delegated through the Executive Director, so that all authority and accountability of staff is considered to be within the authority and accountability of the Executive Director.
2. *Ends* policies direct the Executive Director to achieve certain results; *Executive Director Limitations* policies constrain the Executive Director to act within Board adopted policies, legal requirements and acceptable boundaries of prudence and ethics. With respect to *Ends* and *Executive Director Limitations*, the Executive Director is authorized to establish further procedures, make decisions, and take actions provided they are consistent with Board policies.
3. The Board may change its policies, thereby shifting the boundary between the Board and the Executive Director domains. The Board and Executive Director will respect and support the parameters of delegation as they exist and as they may be changed in the future.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Board-Executive Director's Relationship**

**POLICY TITLE: Executive Director's Job Description**

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The Executive Director is the Board's official link to the operation of the Retirement System. The Executive Director is accountable for all organizational performance and entitled to exercise all authority delegated by official Board action.

The Executive Director's job description may be stated as performance in these areas:

1. Organizational accomplishment of the provisions of Board policies on *Ends*.
2. Organizational operation within the boundaries of prudence and ethics established in Board policies on *Executive Director Limitations*.
3. Serving as Secretary to the Retirement Board and an ex-officio non-voting member of its committees and maintaining an accurate record of the proceedings.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

## **POLICY TYPE: Board-Executive Director's Relationship**

### **POLICY TITLE: Monitoring Executive Performance**

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Monitoring executive performance is synonymous with monitoring organizational performance against Board policies on *Ends* and *Executive Director Limitations*. Any evaluation of Executive Director performance, formal or informal, may be derived only from these monitoring data.

1. The purpose of monitoring is simply to determine the degree to which Board policies are being fulfilled. Information that does not meet this purpose will not be considered to be monitoring. Monitoring will be as automatic as possible, using a minimum of Board time so that meetings can be used to create the future rather than to review the past.
2. A given policy may be monitored in one or more of three ways:
  - a. Internal report: Compliance information prepared by the Executive Director for the Board.
  - b. External report: Compliance information prepared by a disinterested, external auditor, inspector or consultant who is selected by and reports directly to the Board. Such reports must assess executive performance only against policies of the Board, not those of the external party unless the Board has previously indicated that party's opinion to be the standard.
  - c. Direct Board inspection: Compliance information prepared by a Board member, a committee or the Board as a whole. This is a Board inspection of documents, activities or circumstances directed by the Board that allows a "prudent person" test of policy compliance.
3. Upon the choice of the Board, any policy may be monitored by any method at any time. For regular monitoring, however, each *Ends* and *Executive Director Limitations* policy will be classified by the Board according to the following frequency and method:

<b>Policy</b>	<b>Method</b>	<b>Respon- sibility</b>	<b>Frequency</b>	<b>Month Expected</b>
<b>Ends</b>				
<b>Financial Perspective</b>				
<b>Sustain actuarial soundness</b>	External Report	Actuary	Annual	Dec.
<b>Manage contributions effectively</b>	Internal Report	Executive Director	Annual	June
<b>Maximize investment returns . . .</b>	External Report	Investment Consultant	Quarterly	Apr., July, Oct., Jan.
<b>Ensure budget credibility</b>	Internal Report	Executive Director	Annual	June
<b>Customer Perspective</b>				
<b>Promote comparable contribution rates, benefits and services</b>	Internal Report	Executive Director	Annual	June
<b>Increase awareness of trust fund stewardship</b>	Internal Report/ External Audit Report	Executive Director/ Independent Auditor	Annual	June
<b>Promote retirement education and communications</b>	Internal Report	Executive Director	Annual	June
<b>Improve overall service level</b>	Internal Report	Executive Director	Annual	June
<b>Internal-Business Process Perspective</b>				
<b>Administer retirement laws timely, accurately and consistently</b>	Internal Audit Report	Internal Auditor	Annual	June
<b>Provide member benefits and services (1) at a level that promote member satisfaction and (2) in a cost effective manner</b>	Internal Report	Executive Director	Annual	June
<b>Process improvement</b>	Internal Report	Executive Director	Annual	June
<b>Effectively manage new projects and initiatives</b>	Internal Report	Executive Director	Annual	June
<b>Promote effective communication</b>	Internal Report	Executive Director	Annual	June
<b>Promote knowledge-based decision making</b>	Internal Report	Executive Director	Annual	June

<b>Learning and Growth Perspective</b>				
<b>Foster a positive, innovative work environment</b>	Internal Report	Executive Director	Annual	June
<b>Employ and retain highly capable employees</b>	Internal Report	Executive Director	Annual	June
<b>Recruit and retain a diverse work force</b>	Internal Report	Executive Director	Annual	June
<b>Enhance training and development opportunities</b>	Internal Report	Executive Director	Annual	June
<b>Executive Director Limitations</b>				
<b>General Executive Constraints</b>	Internal Report	Executive Director	Annual	June
<b>Communication and Counsel to the Board</b>	Direct Board Inspection	Board	Annual	June
<b>Code of Ethics</b>	Internal Report	Executive Director	Annual	June
<b>Compensation and Benefits</b>	Internal Audit Report	Internal Auditor	Annual	June
<b>Staff Treatment</b>	Internal Report	Executive Director	Annual	June
<b>Operations</b>	Internal Report	Executive Director	Annual	June
<b>Risk Management</b>	Internal Report	Executive Director	Annual	June

\*Every five years another independent actuary will review the actuarial soundness of the system. (The last actuarial audit was conducted for FY XXXX.)

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**

**POLICY TYPE: Board-Executive Director Relationship**

**POLICY TITLE: Employment of Executive Director**

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Employment of the Executive Director will be by the Board.

1. Employment will be based on the Board's judgment that a candidate's knowledge, skill and character would indicate reasonable assurance of excellent performance.
2. Criteria will be based on:
  - a. General characteristics set forth by the Board to predict successful Executive Director performance, and
  - b. Specific characteristics set forth by the Board to predict successful Executive Director performance in view of the Retirement System's strategic challenges in the future.
3. Prior to selecting an Executive Director, the Board will make explicit provisions for:
  - a. Providing notice of the vacancy,
  - b. Screening nominations or applications, and
  - c. The selection process.

**Authority:** Act 427 of 1973

**Adopted:** February 12, 2002

**Amended:**