

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
SPECIAL TELECONFERENCE MEETING

11th Floor Conference Room
State Office Building
Juneau, Alaska

MINUTES OF
March 17, 2008

Monday, March 17, 2008

I. CALL TO ORDER

Chair GAIL SCHUBERT called the meeting of the Alaska Retirement Management Board (ARMB) to order at 3:00 pm.

II. ROLL CALL

Five ARMB trustees were present or on teleconference at roll call to form a quorum.

ARMB Board Members Present

Gail Schubert, *Chair*

Sam Trivette, *Vice Chair*

Gayle Harbo, *Secretary*

Tom Richards

Larry Semmens

Commissioner Patrick Galvin (joined at 3:03 pm)

Commissioner Annette Kreitzer (joined at 3:05 pm)

ARMB Board Members Absent

Martin Pihl

Michael Williams

Consultants Present

Robert Johnson, legal counsel

Department of Revenue Staff Present

Brian Andrews, Deputy Commissioner

Gary M. Bader, Chief Investment Officer

Bob Mitchell, Senior Investment Officer

Zachary Hanna, State Investment Officer

Steve Sikes, State Investment Officer

Judy Hall, Liaison Officer

Department of Administration Staff Present
Patrick Shier, Director, Division of Retirement & Benefits

III. PUBLIC MEETING NOTICE

JUDY HALL confirmed that proper public notice of this meeting had been published.

IV. APPROVAL OF AGENDA

MS. HARBO moved to approve the agenda. MR. TRIVETTE seconded. The agenda was approved without objection.

V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

There were no members of the public in attendance or on teleconference.

VI. DISCUSSION

A. Regarding Suspension of Securities Lending Program.

CHAIR SCHUBERT requested that Chief Investment Officer Gary Bader lead this discussion. MR. BADER stated that at the February ARMB meeting he had provided the Board an overview of the securities lending program, and outlined his concerns regarding the risks associated with collateral accepted for short-term loans and the concentration of loans with a single counterparty in the SSgA Navigator Prime fund. For those reasons, he asked the Board to approve a suspension of the program in order for Staff to make changes and develop more conservative guidelines. At that time, it was envisioned that no new securities would be added to the lending program. However, about \$2 billion in securities are outstanding, and given the turmoil in the financial markets, the judgment is that all securities on loan should be called back until the new investment guidelines are developed.

MS. HARBO moved that the Board suspend the securities lending program consistent with prudent practices and call back all securities on loan until new investment guidelines and an alternate program developed. MR. TRIVETTE seconded.

MR. SEMMENS asked what the process for unwinding would be and what the cost might be. MR. BADER replied that State Street will be given notice that we are calling in our loans, and there should be not cost. The standard is that when the person to whom the securities have been lent is given notice to return them, then three days is the usual transaction period.

MR. SEMMENS inquired whether any problems were expected. MR. BADER replied that he did not expect any problems, but there could be one or two. He further stated that he thought getting ahead of others who might also be considering such action would be beneficial.

Upon roll call vote, the Motion passed unanimously.

B. Regarding Discussion of Citizens Reorganization

CHAIR SCHUBERT requested that Mr. Bader provide the Board an update of the proposed reorganization. MR. BADER reported that, as previously communicated, staff visited Sentinel and met with management, the investment team, back office staff, compliance personnel and legal counsel. He stated that staff was impressed with the Sentinel organization and investment team. There was mention in their ADV of a sanction a number of years ago by the SEC which we investigated with the chief compliance officer. The action did not involve investment staff, it involved the international fund.

MR. BADER noted that staff voted the ARMB proxies against the reorganization because of uneasiness with the investment guidelines set forth in the proposed mutual fund structure. Staff has engaged Sentinel management in discussion about a separate account structure with contract terms, fees and investment guidelines mutually acceptable to the Board and Sentinel. He noted that the investment team headed by Dan Manion has a four star rating by Morningstar, which places them in the top third of funds in that category, and Mr. Manion would continue to manage the account, assisted by staff from Citizens who currently run the Citizens socially responsible screens.

MR. BADER reported that although Citizens offered to run a separate account for ARMB in the short term, staff believes it would be better to be a part of the new Sentinel offering rather than staying with Citizens, and is asking for Board approval of the recommendations prepared by staff.

MS. HARBO moved that the Board authorize staff to enter into a novation agreement and amend the Citizens contract to allow Sentinel Asset Management to become the new investment advisor for the socially responsible account.

MR. TRIVETTE requested any comments from Mr. O'Leary or the investment advisory council members. MR. WILSON stated that he concurred with the recommendation of staff; MR. JENNINGS stated that he would recuse himself from comment due to an association with the parent company of Sentinel Asset Management. MR. O'LEARY noted that he also concurred with the staff recommendation. MR. JOHNSON stated that he had been involved with discussions with staff in review of the reorganization documents and concurred with this course of action.

Upon roll call vote, the Motion passed unanimously.

MS. HARBO moved that the Board authorize staff to enter into a contract with Sentinel Asset Management to manage the socially responsible fund as a separate account, subject to the negotiation of investment guidelines, contractual terms, and fees agreeable to staff. MR. SEMMENS seconded.

Upon roll call vote, the Motion passed unanimously.

MR. TRIVETTE inquired about the notification to members of the change in status of the fund. MR. BADER indicated that he and staff would work with the Division of Retirement & Benefits to provide notice to participants.

VII. OTHER MATTERS TO COME BEFORE THE BOARD

None.

VIII. PUBLIC/MEMBER COMMENTS

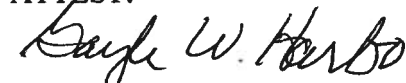
None.

IX. ADJOURNMENT

There being no objection, and no further business to come before the Board, the meeting was adjourned at 3:17 pm, on a motion made by MR. SEMMENS and seconded by MR. RICHARDS.


Chair of the Board of Trustees
Alaska Retirement Management Board

ATTEST:


Secretary