

MINUTES

**Called Meeting
Board of Trustees**

January 9, 2003

The Board of Trustees of the Arkansas Teacher Retirement System met on Thursday, January 9, 2003, at 10:00 a.m. The meeting was held in the ATRS Board Room, Arkansas Teacher Retirement Building, 1400 West Third Street, Little Rock, Arkansas.

Members of the Board Present:

Linda Parsons, Chair
Charles Vondran, Vice Chair
Winfred Clardy
Hazel Coleman
Charles Dyer
Dr. Paul Fair
John Fortenberry
Ann Harbison
Mary Harris
Betty McGuire
Raymond Simon
Gus Wingfield

Members of the Board Absent:

Frank White

Members of the Staff Present:

David R. Malone, Executive Director
Teresa Ellington, Administrative Assistant
Mike Ray, Manager of Benefits and Counseling
Bernice Smith, ATRS Staff
George Snyder, Chief Fiscal Officer
Wayne Greathouse, Associate Director-Investments

Others Present:

Lloyd Black, ARTA
Louis Blanchard
James W. Bradford
Wesley R. Brown, Stephens Media
Lura Campbell
Jody Carreiro, Osborn Carreiro & Assoc.

Others Present (cont'd)

Betty Cole
Opal Crow
Vernon Garrison
Gene Gregory
Jerry Hall
Dr. Jack Harrington, ARTA
Norman Hill
Helen Holloway
Cravens Housley
Betty Jett
Ace Johnson
Shanon Johnson
Denny Jordan
J.E. Lawrence
Bobby G. Lester, ARTA
Shirley Matheny
Don McMahan
Etoyle Mouser
Linda Riley
Ralph Riley
Don R. Roberts
Kar Lynn Roberts, JCARTA
Corry Schiffner
Kathryn Shaddock
Carol Stapleton, Bureau of Legislative Research
Joe Suratt
W.D. Tommey
Pat Weaver

I. Roll Call

The minutes were recorded by Teresa Ellington of the Teacher Retirement staff.

II. Adoption of Agenda

Hazel Coleman made a motion to adopt the agenda, which was seconded by John Fortenberry.
Motion carried.

III. Adoption of Minutes – December 9, 2002; December 10, 2002

Mr. Fortenberry made the motion to adopt the minutes as presented. Motion carried.

IV. Mercer – T-DROP Study

Mr. Douglas Rowe, Consulting Actuary of Mercer Human Resource Consulting presented a summary and addressed questions regarding their recent assessment of cost neutrality of the (ATRS) T-DROP. Mr. Clardy made a motion that Director Malone determine which recommendations of the report the Board has a right to change under present law with the findings being brought before the Board as soon as possible. Mr. Fortenberry seconded the motion. The vote on the motion was delayed while Actuaries Brian Murphy and Judith Kermans made comments. Ms. Kermans noted they had not received an advance copy of the Mercer report, but utilized the original large worksheet from the last meeting to base their comments on. Brian Murphy referred to the results in their 5-Year Experience Study; page I-5 (Retirement Crude Rates). Mr. Murphy stated they believed that T-DROP is a factor that may be causing people to delay retirement. Ms. Kermans stated they had no opinion on possible changes the Board may deem necessary, but on whether members were remaining on the job longer after T-DROP may indicate the opposite of the Mercer findings. Mr. Murphy urged the board to review all recommendations to determine what they deemed right for ATRS. After additional board questions were discussed Mr. Clardy's original motion was clarified and restated by Director Malone. The Chair called for a vote on the motion, which was approved.

V. Gabriel, Roeder, Smith & Company-Actuarial Study

Judith Kremens presented highlights of the 5-Year Experience Study. Brian Murphy reviewed the current economic assumptions for ATRS and the impact of the downturn in the economy. Mr. Dyer made a motion to approve the recommended demographic changes. A second was made to the motion, which was approved. Mr. Dyer also made a motion to approve Alternate I recommendations (attached exhibit 1), which was seconded and approved.

VI. Executive Director's Comments

Director Malone advised that the Board may need to seek additional funding during the legislative session. Therefore, special studies/options of the reports need to be revisited and evaluated quickly to prepare for the legislative session. Additionally, the State statute limiting increased benefits if unfunded liabilities exceed 30 years needs to be clarified.

VII. General Comments

As there was no further business to consider, Ms. Parsons made a motion to adjourn. The motion carried and the meeting adjourned at 12:30 p.m.

Debbie White
Debbie White, Project Analyst

Linda Parsons
Linda Parsons, Chair

David R. Malone
David R. Malone, Executive Director

2-10-03
Date

COMBINED
1997-2002 EXPERIENCE STUDY
ILLUSTRATIVE EFFECT ON ACTUARIAL VALUATION

Computed Contributions for	Present Demographic - 3.50% Spread	Economic Assumptions		
		Current 8.00%/4.50%	Alternate 1 8.00%/4.00%	Alternate 2 7.75%/4.00%
Normal Cost				
Age & Service Annuities	12.43%	11.48%	10.83%	11.49%
Deferred Annuities	1.50%	1.65%	1.62%	1.73%
Survivor Benefits	0.51%	0.25%	0.24%	0.25%
Disability Benefits	0.37%	0.66%	0.64%	0.67%
Refunds of Member Contributions	0.34%	0.36%	0.37%	0.37%
Total	15.15%	14.40%	13.70%	14.51%
Average Member Contributions	4.02%	3.88%	3.88%	3.88%
Net Employer Normal Cost	11.13%	10.52%	9.82%	10.63%
Unfunded Actuarial Accrued Liabilities	0.87%	1.48%	2.18%	1.37%
Employer Contribution Rate	12.00%	12.00%	12.00%	12.00%
Amortization Years	*	*	38.0	*
Contribution Rate Needed for 30 Years		13.10%	12.30%	14.00%

* The available contribution rate for unfunded liabilities is insufficient to pay interest on the unfunded liability.