Minutes

Arkansas Teacher Retirement System
Board of Trustees

June 17, 2003

The Board of Trustees of the Arkansas Teacher Retirement System met in regular session on Tuesday, June 17, 2003 at 9:00 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
Mary Harris
Betty McGuire
Ray Simon
Jim Wood

Members of the Board Absent:

Ann Harbison
Gus Wingfield

Members of the Staff Present:

David R. Malone, Executive Director
Julie Cabe, Deputy Director
Debbie White
Gail Blair
Dena Dixson
Wayne Greathouse
Donna Hobbs
Michael Ray
George Snyder
Barbara Waldrop
Nona Comer

Others Present:

Bunny Adcock, State Bank Commissioner
Maureen Billingsley, Retired teacher
Lloyd W. Black, ARTA
Elizabeth Echols
Tom Gay, Atttorney General's office
Robert Horton, Smith Barney
P.J. Kelly, Ennis Knupp
Bobby Lester, ARTA
Jim McGuire, Trustee spouse
Robin Nichols, Incoming Trustee
Linda Riley, ARTA
Ellen Terry, Incoming Trustee
Mike Wickline, Arkansas Democrat Gazette

I. Roll Call

Debbie White of the Teacher Retirement System staff recorded the minutes of the meeting.

II. Resolution

The Chair presented Resolution No. 2003-03 in memory of Frank White. Dr. Fair made a motion to approve the resolution. Mr. Vondran seconded the motion, which was unanimously approved.

III. Approval of the Agenda

Mr. Fortenberry asked if property manager contracts should be added to the agenda and whether the Investment Policy would be reported on. He also asked for a status report on Mr. Kilgore and the nursing home issue. Mr. Dyer asked if any consideration had been given regarding the conflicts on the August Board Meeting dates. A motion was made by Charles Vondran and seconded by Mr. Fortenberry to approve the agenda. The motion passed.

IV. Mr. Fortenberry made a motion to approve the April 7-8, 2003 Minutes. Mr. Vondran seconded the motion, which passed.

V. Staff Reports

Michael Ray presented the medical board reports for February 19, 2003, April 16, 2003 and May 14, 2003. Betty McGuire made the motion to approve the reports. Winfred Clardy seconded the motion, which passed.

A brief discussion of the financial statements that were included in the board packet concluded with a request by Mr. Fortenberry for a 1-2 page financial report summary.

VI. Election Results and Extension

The Executive Director presented the results of the trustee election. He also asked that the board ratify his decision to extend the deadline to return a portion of ballots, which was caused due to a computer program problem. Charles Dyer made the motion for ratification of the decision, Betty McGuire seconded the motion, which passed.

VII. Cooper Management Contract and Capital calls

Mr. Fortenberry made a motion to grant Cooper Realty Investments a one-year contract for Two Financial Center *(attachment 1)*. Mr. Vondran seconded the motion, which passed.

The Executive Director presented requests from Cooper for additional funds of *$1,036,474.50* for tenant finish-out cost at Two Financial Center. Also requested by Cooper, was a call for *$1,987,305.00* for the Crescent Center and Forum I in Memphis, TN. Mr. Vondran made a motion to grant both capital calls; Betty McGuire seconded the motion, which passed.

VIII. Second Amendment to Hathaway Management Agreement

Mr. Vondran made a motion to grant a second amendment to the management contract with The Hathaway Group, Inc. for multiple properties and houses in the cities of Bentonville, Gentry and Highfill, Arkansas, which will extend the terms until August 1, 2003, an additional 90 days *(attachment 2).* Mr. Fortenberry seconded the motion, which was approved.

At 10:00 a.m. a recess was called for a Public Hearing to be held in order to hear any comments regarding proposed rules and regulation changes. As no persons were present to address the board, the meeting reconvened 10:05 a.m.

IX. Proposed Rules and Regs Changes-T-DROP, Rescission of Retirement, Setting, Reporting & Payment of Employer Contributions *(Attachments 3,4 & 5 of these Minutes)*

The Executive Director advised that some amendments to proposed policy changes that had been recommended by the Policies Committee on May 27, 2003, had since been found to be in violation of various statutes. A brief review of those amendments was presented. He also stated in regards to T-Drop regulations, the staff was proposing in the draft policy, that the interest rate paid to T-Drop members would be set by the board for the 2003 year, and that 2004 would be the first year that rates would be based on a sliding scale with those calculations not being made until March 31, 2004. Staff recommendations are based on early estimates given to people who sought pre-retirement information, and the rate used for those estimates was 6%. He advised that future estimates would be set at 2%.

After a brief discussion, Mr.Vondron made a motion to approve number 2 (second paragraph under definitions regarding "Plan interest") on the amended Teacher Deferred Retirement Option Plan, marked-up version that was presented *(attachment 3).* Hazel Coleman seconded the motion. The motion failed.

Mr. Vondran made a motion, with second by Mr. Dyer, to adopt all policy changes as proposed in *attachment 3* of these Minutes. The policy package was briefly discussed and Mary Harris called for the question. The motion failed.

Mr. Vondran made another motion, which was seconded by Mary Harris to adopt the full package *(attachments 3,4,5)* and for clarity Mr. Vondran restated his intention was to approve number two of *attachment 3*. The motion passed. The Executive Director then advised that the full package included some changes on the rescission policy and he wanted to make certain those changes were understood and included in the motion. Mr. Vondran stated for clarity that his motion included approval of the proposed rescission changes.

The Executive Director then advised that the policy just adopted did not set what the rate would be for the year 2003. He stated that the staff's interpretation is that the Board had set the policy in the past with the rate at 6% and until the new policy takes effect, then the rate would be 6% for 2003.

Mr. Simon made a motion that the rate would be 6% for the 2002-2003 year. Betty McGuire seconded the motion. Mr. Fortenberry requested a roll call vote, with the following results:

Betty McGuire	YES
Ray Simon	YES
John Fortenberry	NO
Winfred Clardy	NO
Charles Dyer	YES
Charles Vondran	YES
Jim Wood	NO
Dr. Paul Fair	NO
Hazel Coleman	YES
Mary Harris	NO
Linda Parsons	YES

The vote was 6 (six) FOR approval of the motion, and 5 (five) AGAINST the motion. The motion failed.

The Executive Director reviewed proposed policy changes on Setting, Reporting and Payment of Employer Contributions *(attachment 5)* which sets up the procedure on how the board will set the employer contribution rate. He pointed out that the policy in the past has been that payments of employer contributions for federal and state agency employees have been based on current year's salaries, but payments for local school district employees have been based on prior year's salaries. He asked that the effective date for these rules changes be July 1, 2003 except for the provisions related to changing the basis for calculating employer contributions from the local school districts from previous year's to current year's salaries which will be July 1, 2004. Local school districts will continue to operate under existing rules for fiscal year 2003-2004. Hazel Coleman made a motion to approve the Executive Director's recommendations; Mr. Vondran seconded the motion, which passed.

After additional discussion regarding the official setting of the employer contribution rate, Mr. Vondran made a motion to set the rate at 13% effective July 1st. The Executive Director then stated that the statute giving the board the authority to set the rate actually didn't come into effect until July 1st. Mr. Fortenberry then suggested that a teleconference board meeting take place to set the rate on July1st. Mr. Vondran then withdrew his motion. Mr. Fortenberry then made a motion to have a teleconference board meeting on Tuesday, July 1, 2003 at 10:00 a.m. Dr. Fair seconded the motion, which was unanimously approved.

The Executive Director then presented four alternatives on how to handle T-DROP after 10 years of service. Mr. Vondran made a motion to adopt recommendation number one of *(attachment 6, Alternative on T-Drop after 10 Years).* Mr. Fortenberry seconded the motion. After considerable discussion, Mary Harris made a motion to cut-off debate and Mr. Dyer seconded the motion to call the question. This motion passed and the vote was then taken on Mr. Vondran's motion. The motion failed.

X. RFQs for Outside Legal Counsel

The Executive Director updated the board on recent RFQs for outside legal counsel. He advised that the staff recommended either renewing the contracts with Dover Dixon or using a combination of firms as follows: Mitchell Williams for real estate matters and The Rose Firm for tax & fiduciary matters. Mr. Vondran moved to select Mitchell Williams and The Rose Firm, with second by Mary Harris. The motion passed. The Executive Director advised that some current legal items would need to be finished up with Dover Dixson and any new legal issues would be taken up by the new firms. He also updated the board on the RFQs for legal counsel with regard to securities and class action issues. He presented the RFQ for board review and stated a recommendation for this outside legal counsel would be forthcoming at the next meeting.

XI. Publications

The Executive Director presented the latest editions of the ATRS Review (Active and Retired versions) and also advised that the Annual Report had been completed and distributed.

XII. Director's Comments

Attorney General's Opinion – Unused Sick Leave

The Executive Director reviewed background on the Attorney General's opinion regarding un-used sick leave and the definition of salary. He advised them on the four exceptions to the 110% rule on what can be calculated as salary in the computation of retirement benefits. He stated that 1,313 people in the system have possibly exceeded the 110%. He advised that school districts will be contacted to clarify who will be affected by the AG's opinion and that the situation can not be resolved until the districts provide the information, which may take approximately six months. After determining how many accounts need adjusting, the staff will bring back to the board a recommendation on how to bring these into compliance.

XIII. Old Business

A. Professional Service Contracts- Money Managers, Consultants, & Real EstateManagement Contracts *(attachments 7 & 8 of these Minutes)*

A professional services contract summary *(attachment 7)* and real estate managers list *(attachment 8)* was presented. A discussion followed on the status of present contracts. The Executive Director noted and made the distinction between the two contracts with Gabriel Roeder, Smith and he made a recommendation that the System stay with Gabriel Roeder, Smith. Charles Vondran made a motion to approve the Executive Director's recommendation. Hazel Coleman seconded the motion. After a brief statement was made by Mary Harris, the motion was withdrawn. Charles Dyer then made a motion to approve all the contracts as presented. Betty McGuire seconded the motion. The vote indicated the motion failed. Dr. Fair then made a motion to approve all contracts with the exception of Gabriel Roeder, Smith. Winfred Clardy seconded the motion, which failed. Raymond Simon made a motion to approve all on the list, with Gabriel Roeder, Smith receiving a 6 (six) month contract, with a stipulation that they make an appearance before the board, within a reasonable time period, to address concerns. The motion also included a directive that no RFQs be issued until after that meeting. Mr. Fortenberry seconded this motion, which was unanimously approved.

B. Real Estate Management Companies List-

The Executive Director's recommendation on the management contracts was to leave these companies under present contract, with RFQs to be issued as contracts expire. He advised that Flake & Kelley's contract to manage the Victory Building needed to be amended to state there would be a $5,500.00 cap for management fees, with anything over that amount being applied to the manager's salary. Mr. Clardy made a motion to approve that recommendation, with second by John Fortenberry. The motion passed.

C. The Executive Director then advised that ATRS policy stated that the Executive Director may not change his/her compensation and benefits without board approval. He stated the legislature had approved an increase of the line item maximum that could be paid. Mr. Dyer made a motion to set the Executive Director's salary at the maximum amount, with a second by Mr. Vondran. The motion was unanimously approved.

D. Legal Update

The Executive Director recommended that ATRS give notice to Cornerstone/Mr. Kilgore terminating the management contract for Woodland Heights and hire Tom Ferstle and associate, Jeff Siebold, to temporarily manage Woodland Heights while the System seeks another buyer for that property.

Mr. Malone advised that a settlement proposal had been made by Ed Holman to withdraw his lawsuit. ATRS would agree to a withdrawal of ATRS' counter suit and come to a settlement by that means. Hazel Coleman made a motion to accept this proposal to enter into a settlement. Betty McGuire seconded the motion, which was approved.

E. Investment Policy

There was a motion by Dr. Fair that all policies, with the exception of investment policies would be taken through the Policies Committee. All investment matters would be taken through the Investment Committee (not the Policies Committee) for review before being passed to the full board. Hazel Coleman seconded the motion, which was unanimously approved.

F. Fixed Income Managers

Mr. Malone stated there were still several issues regarding fixed income investments, in addition to the decision to hire PIMCO as a manager. After some discussion, Mr. Vondran asked for the Executive Director's recommendation for an additional core plus bond manager. Mr. Malone stated the staff's recommendation would be to hire BlackRock. Dr. Fair made a motion to hire BlackRock as an additional core plus bond manager; Mr. Fortenberry added the second, and the motion was unanimously approved.

Dr. Fair made a motion to limit the number of core plus managers to three, those being PIMCO, BlackRock and Western. Mr. Vondran seconded the motion. The motion failed. The Executive Director asked if anyone else had a motion. No additional motions were voiced.

After additional discussion regarding index fund managers, Hazel Coleman made a motion to table this issue until the August meeting. No second was voiced for the motion. Betty McGuire then made a motion for 10% to be placed in index funds with State Street. The second was added by Hazel Coleman. The motion passed.

The Executive Director stated his recommendation for use of the Universal Benchmark. Mr. Vondran made a motion, seconded by Charles Dyer to approve the recommendation. The motion was unanimously approved.

Mr. Malone advised that because of securities and derivatives used by some index managers, accounting issues might make it desirable to use the manager's co-mingled accounts until the investment policy was completed. He also noted a pending lawsuit on behalf of the system being managed by Hyperion, one of the managers to be replaced. Mr. Dyer made a motion to give the Executive Director authority to allocate funds as needed during the period of transition to the new managers. Mr. Fortenberry seconded the motion, which passed.

IVX. New Business

Chair of the Board, Linda Parsons, presented a plaque to Charles Vondran in appreciation for his service to the Board.

XV. Adjournment

With no further business to attend to, the meeting was declared adjourned by the Chair.

Debbie White

Debbie White, Project Analyst

David R. Malone

David R. Malone, Executive Director

Linda Parsons

Linda Parsons, Chair

Date of Approval 8-5-03

Attachment 1

CRI

Michael T. Pyron
Senior Vice President & COO

May 2, 2003

Mr. Hugh Roberts
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201

Re: Management and Leasing Agreement
Two Financial Center

Dear Mr. Roberts,

Please find enclosed a Management and Leasing Agreement for Two Financial Center, which employs the Agent for a term of one year commencing June 1, 2003.

If this meets with your approval, please sign where indicated and return to me for execution. A fully executed copy will be provided to you.

If you have questions or concerns, please do not hesitate to contact me.

Sincerely,

Michael T. Pyron
ap

Michael T. Pyron
by Ann Prestage

/ap
Enclosure

MANAGEMENT AND LEASING AGREEMENT

In consideration of the covenants herein contained COOPER FINANCIAL LLC (hereinafter called "Owner"), and COOPER REALTY INVESTMENTS, INC. (hereinafter called "Agent"), agree as follows:

1. The Owner hereby employs the Agent exclusively to rent, lease, operate and manage that property commonly known as Two Financial Center in Little Rock, Pulaski County, Arkansas, and more particularly described in Exhibit 1 attached hereto and made a part hereof (the "Premises"), upon terms hereinafter set forth for the period of one (1) year beginning on the 1st day of June, 2003 and ending on the 31st day of May, 2004.

2. The Agent accepts the employment and agrees to use diligence in the management of the Premises for the period and upon the terms herein provided and agrees to furnish the services of its organization for the renting, leasing, and managing of the herein described premises.

3. The Owner hereby gives to the Agent the following authority and powers and agrees to assume the expenses in connection therewith:

(a) To advertise the availability of the Premises or parts thereof.

(b) To display signs thereon.

(c) To sign, renew and/or cancel leases.

(d) To collect rents due or to become due and to issue receipts therefore.

(e) To terminate tenancies.

(f) To sign and serve in the name of the owner such notices as are deemed needful by the Agent.

(g) To institute and prosecute actions, to evict tenants, and to recover possession.

(h) and, when expedient, to settle, compromise, and release such actions or evict or terminate such tenancies.

4. The Owner further gives to the Agent the following authority and powers and agrees to assume the expenses in connection therewith:

(a) To make or cause to be made and to supervise such repairs, alterations and decorating on the Premises if in the opinion of the Agent such work is necessary to protect the property from damage or to maintain services to the tenants as are called for by their tenancy.

(b) To purchase necessary supplies.

(c) To hire, discharge, and supervise all independent contractors required for the maintenance and operation of the Premises.

(d) To make contracts for electricity, gas, fuel, water, telephone, window cleaning, trash hauling, and such other services as the Agent shall deem advisable.

5. Owner shall,, at its expense, provide office space for Agent on the Premises and all supplies and equipment needed by Agent to manage the Premises. Moreover, Owner shall be responsible for and pay all expenses incurred by Agent for operation and maintenance of the Premises.

6. The Owner agrees that the Agent may perform any of its duties through its attorneys, agents, and employees, and shall not be responsible for their acts, defaults, or negligence, if reasonable care has been exercised in their appointment and retention. The Agent shall not be liable for any error of judgment, or for any mistake of fact or law, for anything which it may do or refrain from doing hereafter, except in cases of willful misconduct or negligence.

7. Agent shall be responsible for all billings, collections, and the production of monthly financial statements.

8. Agent shall hold Owner harmless from all claims, damages, and expenses arising out of Agent's failure to act in a reasonable and prudent manner in connection with the management of the property described herein.

9. The Owner further agrees:

(a) To obtain, maintain and carry, at its expense, a Comprehensive General Liability and Public Liability Insurance Policy to protect Agent and Owner from suits relating to the Premises.

(b) To save the Agent harmless from all damage suits to the extent of Public Liability Insurance from injury to any persons or damage to any property and to carry, at his expense, necessary Public Liability Insurance to adequately protect the interest of both parties thereto. Certificates of Insurance shall be furnished to the Agent as evidence.

(c) To advise the Agent in writing if payment of mortgage indebtedness, property or employee taxes or special assessments, or the placing of fire, liability, boiler or any other insurance is desired.

(d) To recognize the Agent as broker for any leases written during the term of this Agreement to parties who are not extending existing leases. Leasing of additional space to existing leases and negotiating new leases, but not writing lease extensions or new leases for existing tenants, shall result in the Agent receiving a leasing commission according to the following schedule:

(i) For lease terms of five years or less, a commission of 4% of the total contract rent for the term of the lease without considering Consumer Price Index adjustments or percentage rents.

(ii) For lease terms of ten years or less but greater than five years, a commission of 4% of the total contract rent for the first five years plus 3% of the total contract rent in excess of five years.

(iii) For lease terms greater than ten years, a leasing commission of 4% of the total contract rent for the first five years plus 3% of the total contract rent for the next five years plus 2.5% of the total contract rent in excess of ten years.

(e) To recognize the Agent as broker for any leases written during the term of this Agreement to parties who are extending existing leases, or negotiating new leases for existing tenants, and pay Agent a leasing commission of 2% of the total contract rent for the term of such lease without considering Consumer Price Index adjustments or percentage rents.

(f) To recognize the Agent as Owner's broker for any leases written during the term of this Agreement to parties who are represented by a real estate broker other than Agent ("Outside Broker"), and pay Agent and Outside Broker collectively a leasing commission of 6% of the total contract rent for the term of such lease without considering Consumer Price Index adjustments or percentage rents.

(g) To pay the Agent for management an annual fee of Four Percent (4%) of collected rents.

10. Owner may terminate this Agreement effective upon giving written notice to Agent in the event that:

(a) Agent materially breaches this Agreement of the Operating Agreement of Cooper Financial LLC and does not cure such breach within 30 days following notice to Agent unless such breach is of such a nature that it cannot be cured within the 30-day period and Agent is diligently attempting to cure such breach.

(b) Agent ceases to be a member of Cooper Financial LLC.

Attachment 2
90 day contract

SECOND AMENDMENT TO MANAGEMENT AGREEMENT

This Second Amendment to Management Agreement (hereinafter "Second Amendment") dated ___________, 2003 is by and between Arkansas Teacher Retirement System, Owner of multiple properties and houses in the cities of Bentonville, Gentry, and Highfill, Arkansas, as "Owner" and The Hathaway Group, Inc. as "Manager."

WHEREAS, Owner and Manager entered into a Management Agreement dated April 19, 2000 (hereinafter "First Agreement") for the management of properties at 33588 Highway 12, 13582 Highway 12, 13542 Highway 12, 13588 Highway 12, 9530 S. Mason Valley Road, and 13744 Armstrong Cemetery Road in Bentonville, Arkansas, containing approximately 800 acres and 5 houses, which were defined as "Development"; and

WHEREAS, Owner and Manager entered into a Management Agreement dated May 22, 2000 (hereinafter "Second Agreement") for the management of properties at 13679 Armstrong Road and 14177 Armstrong Road in Gentry, Arkansas containing approximately 248 acres and 2 houses, which were defined as "Development"; and

WHEREAS, Owner and Manager agreed to an Amendment dated May 1, 2002 (hereinafter "First Amendment") which combined the terms, conditions, and Developments in the First Agreement and Second Agreement into one Master Management Agreement (hereinafter "Master Agreement") with an expiration date of April 30, 2003.

NOW THEREFORE, both parties agree as follows:

Effective May 1, 2003, both parties agree to extend the expiration date contained in the First Amendment to the Master Agreement until August 1, 2003. Both parties agree that all other terms and conditions shall remain the same.

This Second Amendment shall be attached to and made part of the Master Agreement and First Amendment between the parties and shall be effective as of the date written above.

OWNER: Arkansas Teacher Retirement System	MANAGER: The Hathaway Group, Inc.
By:____________________ ____________________	By:____________________ ____________________

THIS AGREEMENT shall be binding upon the successors and assigns of the Agent and the heirs, administrators, executors, successors, and assigns of the Owner.

OWNER:

COOPER FINANCIAL LLC

By: COOPER REALTY INVESTMENTS, INC., an Arkansas corporation, its managing member

Date: ____________ By: ______________________________

Michael T. Pyron, Senior Vice President and
Chief Operating Officer

and

By: ARKANSAS TEACHER RETIREMENT SYSTEM, its Remaining Member

Date: ____________ By: ______________________________

Title: ______________________________

AGENT:

COOPER REALTY INVESTMENTS, INC., an Arkansas corporation

Date: ____________ By: ______________________________

Michael T. Pyron, Senior Vice President and
Chief Operating Officer

TEACHER DEFERRED
RETIREMENT OPTION PLAN (T-DROP)
(Act 1096 of 1995)
(Amended by Acts 118, 927 and 953/97; Act 1590/99; Act 991/03)

DEFINITIONS

1. "T-DROP" means, effective July 1, 1995, in lieu of terminating employment and accepting a service retirement benefit, any active member of the Arkansas Teacher Retirement System may elect to participate in the Teacher Deferred Retirement Option Plan (T-DROP), continue to work without the earnings limitation restriction of Arkansas Code Section 24-7-708, in a position covered by the Teacher Retirement System and defer receipt of retirement benefits until a later date.

2. "~~T-DROP~~ Plan interest" means the rate ~~or rates~~ per annum, compounded annually, as the Board shall ~~from time to time~~ adopt at the end of each fiscal year, credited annually on each T-DROP participants' T-DROP account ~~(currently 6%)~~. The interest rate shall be 2% less than the system's average rate of return with a maximum of 6% and minimum of 2%. Effective for fiscal year 2003-2004, the Board will determine the interest rate for the fiscal year based upon the rate of return for the twelve month period ending March 31. The initial calculation of this rate shall begin March 31, 2004 for interest to be paid for the 2003-2004 fiscal year.

3. "Deferred retirement option plan" means an option for retirement provided by the Arkansas Teacher Retirement System, or any other deferred retirement option plan created by, or authorized for creation, by law under a reciprocal system.

POLICIES

1. To participate in the T-DROP, the member must have at least twenty-eight (28) years of service credit in the Arkansas Teacher Retirement System.

2. To participate in the T-DROP, the member will make the election on an application form or forms furnished and approved by the Board of Trustees of the Arkansas Teacher Retirement System.

3. Within a reasonable period of time, the member's application will be reviewed and a determination will be made regarding whether the member meets the eligibility requirements specified in Act 1096 of 1995.

4. If the member is deemed eligible to participate in the T-DROP, his T-DROP date will be the later of:

    a) the first day of the second month following the Board of Trustees' determination of his eligibility to participate, or

b) the date requested by the member on the application.

5. The member's T-DROP benefit will be the monthly straight life annuity benefit to which he would have been entitled had he actually retired on the T-DROP date as determined by #4 above, but without applying the earnings limitation set out in Arkansas Code Section 24-7-708. The T-DROP benefit will not include the benefits provided in Arkansas Code Section 24-7-713(b)

6. A member who elects participation in the T-DROP may elect one (1) of the annuity options provided in Arkansas Code 24-7-706. The election shall be made at the time the member separates from service and is granted a monthly retirement benefit. The beneficiary, or beneficiaries shall be chosen in accordance with Arkansas Code Section 24-7-706.

7. T-DROP contributions shall be a percentage of the ~~T-DROP~~ regular retirement annuity benefit, as follows:

   a) ~~If applicable, one~~ One hundred percent (100%) reduced by the product of one percent (1.0%) multiplied by the number of years of contributory service credit and fractions thereof, plus,

   b) ~~If applicable, one~~ One hundred percent (100%) reduced by the product of six-tenths percent (0.6%) multiplied by the number of years of non-contributory service credit and fractions thereof.

   c) (1) In the event a member whose effective date in the T-DROP is before September 1, 2003, has more than thirty (30) years of service, the years of service above thirty (30) years shall be reduced by one-half of one percent (0.5%) for contributory years and three-tenths of one percent for non-contributory years.

   (2) ~~(d) (1)~~ When a participant whose effective date in the T-DROP is before September 1, 2003, reaches normal retirement age, the plan contributions shall be 100% with no reduction.

   (3) ~~(2)~~ For any member whose effective date in the T-DROP is September 1, 2003, or after and who has more than thirty (30) years of service, the plan contributions for the years of service above thirty (30) years shall be reduced under 7. (a) and (b).

   4) ~~(2)~~ For any member whose effective date in the T-DROP is September 1, 2003, or after, the plan contributions for a participant who reaches normal retirement age shall continue as reduced under 7 (a) and (b).

(d) (e) "Effective date" means the date determined to be the member's teacher deferred retirement option plan date under the policies, rules, and regulations of the Board of Trustees of the Arkansas Teacher Retirement System.

8. An additional reduction of ½ of 1% for each month the member lacks having in the T-DROP to having thirty (30) years of credited service, will be applied.

9. The member's T-DROP account shall be the account into which his T-DROP contributions shall be deposited. At the end of each fiscal year, the member's T-DROP account shall be credited with ~~T-DROP~~ Plan interest on the mean balance in the account for the fiscal year. Upon completion of 10 years of participation, the monthly deposits and accrued interest shall cease. ~~However, n~~ No more than ten (10) years of interest shall be credited to any participant's T-DROP account. Upon application for retirement, the T-DROP benefits will be based on the account balance at the end of the 10th year.

10. T-DROP participants shall receive the cost-of-living increase provided for in Arkansas Code Section 24-7-713(a). On July 1, 1996, a T-DROP participant whose effective T-DROP date was August 1, 1995, shall be eligible to receive a cost-of-living adjustment just as if the participant had been a participant beginning July 1, 1995.

11. The election to participate in the T-DROP is irrevocable.

12. In the event a T-DROP participant applies for disability benefits under Arkansas Code Section 24-7-704, Arkansas Code Section 24-7-701 shall apply and no disability benefits shall become payable.

13. During the period of T-DROP participation, no member shall receive service credit under any state-supported retirement system ~~, and both member and employer contributions to the Arkansas Teacher Retirement System shall cease~~.

14. In the event a T-DROP participant dies, the benefits payable from the T-DROP shall be determined according to A.C.A. 24-7-710(b)(1), (b)(1)(A) and (b)(1)(B). However, the T-DROP participant's surviving spouse may choose to receive the T-DROP benefit in a lump sum without affecting options on the monthly retirement benefit payable from the Arkansas Teacher Retirement System.

15. For the purposes of Arkansas Code Section 24-7-709 ~~, T-DROP contributions shall be considered annuity payments.~~any amounts received from the T-DROP account either in the form of a lujmp sum or annuity payments shall be considered to be annuity

payments received by the member or his or her designated beneficiary and shall offset any disposition of residue payable under section 24-7-709.

16. As soon as possible after the end of each fiscal year of participation in the T-DROP, the participant shall be furnished an annual statement of the account.

17. At the time the member actually separates from service, applies for retirement and is granted a monthly retirement benefit, participation in the T-DROP shall cease.

18. When the member's participation in the T-DROP ceases, the member may elect to receive the balance in the T-DROP account as a lump sum or in a monthly benefit paid according to the annuity option elected by the member at the time he elects to receive monthly benefits. This amount shall be in addition to the monthly benefit to which the member ~~became~~ was entitled under the regular retirement plan as a result of electing to participate in the T-DROP.

19. If the member elects to receive the balance in the T-DROP account as a monthly benefit, a factor approved by the Board of Trustees shall be used to determine the conversion of the T-DROP balance to a lifetime monthly benefit amount.

20. When participation in the T-DROP ceases, the member shall receive regular monthly benefit amounts in the same manner as if the member had retired on the T-DROP date.

21. Following participation in the T-DROP, no participant shall be eligible to receive service credit under any Arkansas state-supported retirement system.

22. The T-DROP is intended to operate in accordance with Section 415 and other applicable sections of the United States Internal Revenue Code. Any provision of the T-DROP found to be in conflict with an applicable provision of the Internal Revenue Code shall be declared null and void.

23. If a member separates from service but does not apply for monthly retirement benefits, the T-Drop monthly deposit and accrued interest shall cease the month of separation from service. No deposits or interest will be credited to the members account for the duration of the separation. Upon returning to service the monthly deposits and interest will resume. Upon application for retirement, benefits will be paid according to the account balance at the time of separation from service.

24. (a) If a T-DROP participant leaves service with a school to serve, on a voluntary or involuntary basis, in the uniformed services of the United States and returns to service with a school the member shall be treated as not having incurred a break in service with the employer. The employer shall certify to the system that reemployment was in accordance with the requirements set forth in Section 4312 of Pub.L. 103-353, the Uniformed Services Employment and Reemployment Act of 1994.

<ins>(b) Under this subsection, uniformed services of the United States is limited to the armed forces, the Army and the Air National Guard when engaged in active duty for training, inactive duty training, or full-time National Guard duty, the commissioned corps of the Public Health Service, and any other category of persons designated by the President in time of war or emergency.</ins>

6/11/03

RETIRANTS RETURN TO SERVICE
RESCISSION OF RETIREMENT (Act 39 of 1989)
(Amended by Act 1293/95; Act 384/99; Act 30/99)

DEFINITION

A retirant under Arkansas Code 24-7-201 through Arkansas Code 24-7-713, and any amendments thereto, may rescind his decision to terminate active membership and may become an active member upon reemployment.

POLICIES

1. A retirant rescinding his decision to terminate active membership shall file a written rescission on a form furnished by the Board.

2. a) For any school year in which a retirant takes a position in a public school, the rescission form shall be filed with the Teacher Retirement System office on or before June 30 of the previous year.

   b) Should a retirant fail to meet the deadline set out in 2(a), the school district may file an appeal for a waiver of the required filing date.

3. The rescission shall become effective the first day of the calendar month next following the date the written rescission is received by the Board.

4. Any annuity benefit formerly due from the System shall be terminated upon the effective date of the rescission.

5. Upon rescission, the former retirant shall be considered an active member who shall accrue additional credited service subject to the following conditions:

   a) If reemployment terminates before the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, the former retirant shall become a retired member and the payment of annuity shall resume upon such termination. The former retirant shall be entitled to receive any member contributions, which may have been made during the reemployment period.

   b) If reemployment terminates after the end of the fiscal year in which the former retirant has accumulated at least three (3) years of credited service, upon termination of reemployment, the former retirant shall become a retired member and receive an annuity, which has been recalculated according to the benefit formula in effect at the time of such termination of reemployment.

6. Effective July 1, 1993, if a retirant has previously rescinded his decision to terminate active membership and become an active member by reemployment, but after becoming a retirant and before rescinding had been employed in a

position covered by the System, as an active member he shall be eligible to purchase such previous service by:

a) Fulfilling the requirements set out in Sec. 24-7-717(e)(2);

b) Returning to the System all retirement benefits received during such employment, together with regular interest from the date of receipt of such payments to the date of repayment in full; and

c) Paying to the System both member and employer contributions for the previous service rendered after becoming a retirant but before rescinding, plus interest from the date of reemployment to the date of payment in full.

7. Upon rescission, a former retirant shall be eligible to participate in the T-DROP subject to the following conditions:

   a) The employee shall file a Retirement Rescission form;

   b) The employee shall file a T-DROP application; and

   c) The effective date will be the first day of the calendar month next following the completion of at least thirty (30) working days

   d) The years of service used in the calculation of T-DROP reductions do not include service rendered while rescinded

   e) The former retirant's T-DROP deposit will be based on the monthly straight life annuity benefit to which he/she was entitled on the effective date of retirement plus retirant raises received during time of retirement. The T-DROP deposit will not include the benefit provided in Arkansas Code Section 24-7-713(b).

8. A T-DROP retirant who wishes to rescind must file a Retirement Rescission form and receive a lump sum distribution of the remainder of the T-DROP account. Then, following receipt of the T-DROP Application form and the completion of at least thirty (30) working days, participation in the T-DROP will begin.

   a) The years of service used in the calculation of T-DROP reductions do not include service rendered while rescinded.

   b) The former retirant's T-DROP deposit will be based on the monthly straight life annuity benefit to which he/she was entitled on the effective date of retirement plus retirant raises received during time of retirement. The T-DROP deposit will not include the benefit provided in Arkansas Code Section 24-7-713(b).

   c) Upon completion of a maximum of 10 years of combined participation, the monthly deposits and accrued interest shall cease.

SETTING, REPORTING AND PAYMENT OF EMPLOYER CONTRIBUTIONS (Act 300 of 1993; Act 1194 of 1995; Act 142 of 1997; Act 865 of 1999; Act 340 of 2003; Act 992 of 2003)

~~Section 13 of Act 1194 of 1995 requires participating employers to pay the Teacher Retirement employer contribution rate for any eligible employees beginning with the 1996-97 school year. An amount funded in previous years in the public school fund has been included in the State Equalization Funding (formerly, Minimum Foundation Aid Program) and will be distributed to the local school districts.~~

DEFINITIONS

1. "Covered salary," means, effective July 1, 2003, regular and ~~non-~~ federal salaries for the ~~previous~~ current fiscal year~~, minus non-federal salaries for members with less than thirty (30) days in the previous fiscal year,~~ plus supplemental salary payments received for the previous fiscal year, plus adjustments agreed upon by both the employer and the Teacher Retirement System.

2. "Participating employers" means: local school districts, educational cooperatives, vocational centers, the Department of Correction, open enrollment charter schools, state agencies covered by ATRS, all public post-secondary institutions, or any non-profit corporation approved by the Board of Trustees in accordance with rules and regulations established by the Board.

3. Adjustments include, but are not limited to, error corrections, payments for members who were omitted from the correct reporting period, and any adjustments agreed to by both the employer and the Teacher Retirement System.

POLICIES

1. Effective July 1, 2003, ~~T~~ the employer contribution rate shall be the rate established by the ~~Arkansas General Assembly.~~ Board of Trustees of the Arkansas Teacher Retirement System prospectively for each year pursuant to Act 340 of 2003 (A.C.A. §24-2-701(c)).

2. The rate shall be set by the Board following consultation with its actuary. In determining such rate, the Board shall consider the financial objectives set forth in A.C.A. §24-2-701(a) and §24-7-401 and shall base the rates on the actuary's determination of the rate required to fund the plan in accordance with these financial objectives.

3. (a) Beginning July 1, 2003 through June 30, 2004, if the system's unfunded actuarial accrued liabilities exceed a thirty (30) year amortization period, the Board based on the actuary's determination may increase the contribution rate, but the increase shall be no more than one percent (1%) above the rate in effect on June 30, 2003.

4. On the 14th of each month in which a payment is due, the Teacher Retirement System will certify to the Department of Education the names of employers who have failed to remit their monthly payment. The amount of the payment plus the six percent (6%) penalty will be withheld from the employer's State Equalization Funding payment for that month.

5. Supplemental salary payments received from local school districts after July 1, 1996 for fiscal years 1995-96 and later, will be accompanied by the employer contributions due.

6. Effective July 1, 2003, the Arkansas Teacher Retirement System shall return to the employers the employer matching remitted for members that rendered less than 30 days of service during the current fiscal year. The return of employer matching shall be done within three months (December 31) of the update (August 31) of end of the fiscal year 4th quarter reports.

4.(b) *For ~~Educational Cooperatives~~ Cooperative Education Services, ~~and~~ Area Vocational Centers, Arkansas Easter Seals and the school operated by the Department of Correction (paid by the Department of Education from the Public School Fund): **

1. The Teacher Retirement System shall certify to the Department of Education no later than October 1 the amount of employer contributions due. The amount will be based on the previous year's covered salaries.

2. The amount will be paid in nine (9) equal payments. The first payment for the month of September will be due by October 10th. ~~five (5) days after the Teacher Retirement notification letter is postmarked, and will be considered late within 10 days of the due date~~. For subsequent months, the payment will be due in the ATRS office by the tenth (10th) calendar day following the end of each month. Under Act 300 of 1993 (A.C.A. §24-7-411), a $150 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15th day of the month or postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday or a Holiday, postmarked date is extended to the next working date. ~~on the first of each month and will be considered late after the 10th of the month.~~

~~*For All Other State Agencies, Colleges, and Vocational-Technical Schools, and Non-Profit Corporations approved by the Board of Trustees (Pay As You Go):*~~

~~All other state agencies, colleges and vocational-technical schools and any non-profit corporations approved by the Board of Trustees to participate in Teacher Retirement, will remit each month the employer contributions due on current year covered salaries.~~

(b) Beginning July 1, 2004, the Board, based on the actuary's determination, may increase or decrease the contribution rate, but the rate shall not be increased by more than one percent (1%) above the rate in effect on June 30, 2004.

(c) If the system's unfunded actuarial accrued liabilities no longer exceed a thirty (30) year amortization period, the Board shall reduce the contribution rate for the succeeding fiscal year based on the actuary's determination.

GUIDELINES FOR REMITTING EMPLOYER CONTRIBUTIONS

~~4.~~ 1. Remittance forms will be furnished by the Teacher Retirement office.

~~5.~~ 2. Any remaining book balance on each June 30, no greater nor less than $25 will be absorbed as an uncollectible accounts receivable or other income.

~~6.~~ 3. A six percent (6%) penalty of the amount due will be assessed for each late payment of employer and employee contributions. ~~After July 1, 1998, a penalty not to exceed the System's current actuarial interest rate assumption (presently 8%) will be assessed on the amount due for each late payment of employer and employee contributions.~~

4. (a) *For Local School Districts, Open Enrollment Charter Schools, State Agencies, Colleges, Technical Institutes and Non-Profit Corporations approved by the Board of Trustees**

1. Section 13 of Act 1194 of 1995 (A.C.A. §24-7-103) requires local school districts to pay the Teacher Retirement employer contribution rate for any eligible employees in accordance with rules and regulations established by the Board of Trustees of the Arkansas Teacher Retirement System

~~1.~~ 2. The ~~local school districts'~~ above employers' obligation in a fiscal year shall be the ~~previous~~ current year's regular and ~~non-~~ federal salaries times the employer contribution rate set by the Board.

~~2. The Teacher Retirement System shall certify to local school districts no earlier than October 1 the amount of employer contributions due. The amount will be based on the previous year's covered salaries.~~

3. ~~The amount will be paid in nine (9) equal payments. The first payment will be due five days after the Teacher Retirement notification letter is postmarked, and will be considered late within 10 days of the due date. For subsequent months, the payment will be due on the first of each month and will be considered late after the 10th of the month.~~ The monthly remittance of employer contributions shall be due in the ATRS office by the tenth (10^{th}) calendar day following the end of each month. Under Act 300 of 1993 (A.C.A. §24-7-411), a $150 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15^{th} day of the month or postmarked by the 14^{th} day of the month due. If the 14^{th} falls on Saturday, Sunday or a Holiday, postmarked date is extended to the next working date.

*Beginning with the 1996-97 school year, the Department of Education's biennial appropriation for grants and aids to local school districts has contained special language on this subject. The specific language contained in Act 51, First Extraordinary Session, 2003 states in Section 7: "Beginning with the 1996-97 school year, Local School Districts shall pay the teacher retirement employer contribution rate for any eligible employee in accordance with rules and regulations established by the Teacher Retirement Board of Directors. The appropriation continued herein for Teacher Retirement Matching each fiscal year shall be used to provide the employer matching for employees of the Cooperative Education Services, Area Vocational Centers, Arkansas Easter Seals and the school operated by the Department of Correction."

5. Employer Matching for Teacher Deferred Retirement Option Plan (T-DROP) Participants:

1. The participating employers' T-DROP employer matching obligation, pursuant to Act 992 of 2003 (A.C.A. 24-7-1303), in a fiscal year shall be the current year's regular and federal salaries beginning September 1, 2003 times the employer rate as listed below.

   (a) For member's whose effective date in T-DROP is **before September 1, 2003**, the employer contribution rate to the Arkansas Teacher Retirement System on behalf of all members in the T-DROP shall be at the rate of:

   - One percent (1%) for the period from September 1, 2003 through June 30, 2005
   - Three percent (3%) for the period from July 1, 2005 through June 30, 2007
   - Six percent (6%) for the period from July 1, 2007 through June 30, 2009
   - Nine percent (9%) for the period from July 1, 2009 through June 30, 2011
   - Twelve Percent (12%) after July 1, 2011

   (b) For members whose effective date in T-DROP is **on or after September 1, 2003**, the employer contribution rate on behalf of members in the T-DROP shall continue at the rate established by the Board of Trustees of the Arkansas Teacher Retirement System.

2. The monthly remittance of T-DROP employer contributions shall be due in the ATRS office by the tenth (10th) calendar day following the end of each month. Under Act 300 of 1993 (A.C.A. 24-7-411), a $150 late report penalty and a 6% interest penalty on late contributions will be assessed on reports and contributions not received by the 15th day of the month or postmarked by the 14th day of the month due. If the 14th falls on Saturday, Sunday or a Holiday, postmarked date is extended to the next working date.

3. The Arkansas Teacher Retirement System shall return to participating employers any amounts over paid in employer matching for T-DROP participants due to but not limited to erroneous submission of payments, member's termination of employment or incorrect reporting of Salary Option 2 (first $7,800.00) member salaries. The return of employer matching shall be done within three months (December 31) of the update (August 31) of end of the fiscal year 4th quarter reports.

4. Supplemental T-DROP salary payments for salaries earned on or after September 1, 2003 will be accompanied by the employer contributions due.

5. Until and on August 31, 2003 employer contributions on behalf of the members participating in the T-DROP may be retained by the school district.

6. Except for employer contributions to the Arkansas Teacher Retirement System beginning September 1, 2003, the school district shall not make contributions to any tax-qualified retirement plan on behalf of any employee participating in the T-DROP.

ALTERNATIVE ON T-DROP AFTER 10 YEARS.

1. Leave the situation as is. This means T-Drop ends and the employee must retire in order to receive regular retirement and T-Drop benefits.
2. After 10 years you lose T-Drop if you do not retire. Regular retirement is frozen at old final average.
3. T-Drop ends. Regular retirement remains frozen at old final average salary. Begin new non-contributory retirement.
4. Extention of T-Drop period.

Arkansas Teacher Retirement System
Professional Contract Summary

Management Company & Type	Fees paid Year ended 06/31/02	Paid in 2003 thru 03/31/2003	Budget 03/'04	Budget 04/'05	Two Year Total
[redacted]tional Asset Management					
[redacted]eltus	1,088,544	$ 637,652	$ 1,500,000	$ 1,500,000	$ 3,000,000
AIB Govett	766,312	341,344	1,000,000	1,000,000	2,000,000
Alliance	611,856	359,471	1,500,000	1,500,000	3,000,000
Daruma Asset Mgmt.	817,682	489,291	1,100,000	1,100,000	2,200,000
Eubel Brady &Suttman	671,948	501,593	1,000,000	1,000,000	2,000,000
Hyperion	310,888	243,811	250,000	-	-
ICC	694,278	395,023	1,250,000	1,250,000	2,500,000
Invesco	714,440	-	-	-	-
Kennedy	1,480,889	990,559	1,500,000	1,500,000	3,000,000
Loomis Sayles	479,787	365,077	800,000	800,000	1,600,000
Munder	523,983	96,651	-	-	-
Nicholas Applegate	972,558	677,159	1,250,000	1,250,000	2,500,000
Oppenheimer	866,502	479,877	1,500,000	1,500,000	3,000,000
Phoenix Investments	546,672	107,221	-	-	-
Putnam Advisory Company	-	660,719	2,100,000	2,100,000	4,200,000
Regions Capitol Management	178,216	111,556	-	-	-
Rothschild Asset Management	852,068	192,326	-	-	-
Scudder	1,494,347	369,958	-	-	-
State Street Global Advisors	-	24,996	250,000	250,000	500,000
Trust Company of the West (TCW)	716,019	344,643	1,500,000	1,500,000	3,000,000
[redacted]S Global Asset Management (Brinson	1,616,477	1,191,807	2,250,000	2,250,000	4,500,000
[redacted]nderbilt (ARM)	945,478	-	-	-	-
[redacted]stern Asset Management	-	420,351	500,000	500,000	1,000,000
Total Traditional Asset Management	16,348,944	9,001,085	19,250,000	19,000,000	38,000,000
Non-traditional Asset Management (1)					
Blackstone Mezzanine	1,436,586	798,580	2,250,000	2,250,000	4,500,000
Cinven	620,884	444,448	2,250,000	2,250,000	4,500,000
Cypress Advisors II	753,974	749,695	1,200,000	1,200,000	2,400,000
Diamond State Ventures	-	82,440	75,000	75,000	150,000
DLJ Real Estate II	1,629,468	692,533	1,400,000	1,400,000	2,800,000
DLJ Merchant Banking III	3,393,505	3,330,142	5,500,000	5,500,000	11,000,000
DLJ II Mezzanine Fund	1,400,000	1,860,404	2,250,000	2,250,000	4,500,000
Doughty Hanson III	856,685	1,302,243	3,750,000	3,750,000	7,500,000
Doughty Hanson-Euro Real Estate	1,047,926	1,257,435	1,700,000	1,700,000	3,400,000
Doughty Hanson Tech #1	1,233,538	1,137,062	2,800,000	2,800,000	5,600,000
Hicks Muse III	-	-	250,000	250,000	500,000
Hicks Muse IV	262,209	540,363	600,000	600,000	1,200,000
Hicks Muse V	3,237,573	2,469,696	2,750,000	2,750,000	5,500,000
LJM2 - Partnership Services	-	-	1,200,000	1,200,000	2,400,000
Oak Hill Capital Partners	757,979	981,112	1,300,000	1,300,000	2,600,000
Olympus Real Estate Fund III	1,269,716	937,500	1,550,000	1,550,000	3,100,000
[redacted]chovia I & II	1,165,535	1,220,047	1,950,000	1,950,000	3,900,000
[redacted]tbrook II	403,729	239,091	1,300,000	1,300,000	2,600,000
[redacted]tbrook III	860,277	559,437	1,600,000	1,600,000	3,200,000
Westbrook IV	1,201,000	901,573	1,950,000	1,950,000	3,900,000
21st Century Group	312,500	625,000	1,300,000	1,300,000	2,600,000
Total Non-traditional Asset Management	21,843,084	20,128,801	38,925,000	38,925,000	77,8[illegible]

Arkansas Teacher Retirement System
Professional Contract Summary

Management Company & Type	Fees paid Year ended 06/31/02	Paid in 2003 thru 03/31/2003	Budget 03/'04	Budget 04/'05	Two Year Total
C[redacted]r Professional Contracts					
[redacted]loomberg	18,031	20,172	27,500	27,500	55,000
Cooper Consultants	50,293	-	-	-	-
Dover & Dixon	190,620	135,084	50,000	-	50,000
Gabriel Roeder	74,700	129,900	137,200	137,200	274,400
Gabriel Roeder	44,400	69,100	127,800	127,800	255,600
Heathcott Associates	53,626	1,825	-	-	-
Ennis Knupp	214,576	190,064	335,000	-	335,000
Mystery Properties (2)	313,068	290,580	218,400	-	218,400
Optdata Inc (3)	1,492,959	1,393,756	-	-	-
Simpson Thacher & Bartlett (4)	-	127,644	500,000	500,000	1,000,000
State Street (5)	-	351,341	2,670,000	2,670,000	5,340,000
Thomas & Thomas CPAs	13,300	8,850	40,000	40,000	80,000
Tom Ferstl	11,457	42,071	42,500	42,500	85,000
Voice Retrieval	-	28,627	-	-	-
Wollmuth Maher & Deutch (4)	-	100,000	300,000	300,000	600,000
Total Other Professional Contracts	2,477,030	2,889,014	4,448,400	3,845,000	8,293,400
Total Professional Contracts	$ 40,669,058	$ 32,018,899	$ 62,623,400	$ 61,770,000	$ 124,143,400

[redacted]

Notes:

- The majority of these contracts will never pay in full, as fees are paid based on market value of assets under management. The more ATRS pays, the better the fund is performing.

(1) Increases are the result of accounting for various expenses, not an increase in fees.

(2) This firm maintains the current legacy system. Services not needed after the projected 07/01/04 new system roll-out.

(3) This contract is a carryover from the 2001/2002 and 2002/2003 fiscal years.

(4) These are offensive and defensive firms for situations related to LJM2 and Enron.

[redacted]

Attachment 8

[redacted] [redacted] [redacted]

MANAGEMENT COMPANY	PROPERTY NAME	ORIGINAL DATE OF MGMT. AGREEMENT	EXPIRATION DATE	FEES PAID 1-1-02 THRU 12-31-02		CANCELLATION NOTICE REQUIRED
DICKSON FLAKE PARTNERS	SOUTHCENTER SHOPPING CENTER	July 14, 2000	June 30, 2006	$47,889.73		60 Days
DICKSON FLAKE PARTNERS	ROSE LAW FIRM BUILDING	October 11, 2000	October 10, 2010	$7,947.12		Straight Lease
DICKSON FLAKE PARTNERS	BENTON COMMONS SHOPPING CENTER	November 21, 2000	November 30, 2010	$25,201.47		60 Days
DICKSON FLAKE PARTNERS	720 WEST THIRD (ADCP)	September 11, 2000	September 30, 2005	$8,093.70		60 Days
DICKSON FLAKE PARTNERS	FLETCHER PROPERTIES	September 11, 2000	September 30, 2005	$4,479.96		60 Days
DICKSON FLAKE PARTNERS	623 WOODLANE-ARK. DEPT. OF EDUCATION	January 1, 2002	December 31, 2006	$2,446.06		60 Days
DICKSON FLAKE PARTNERS	DHS BUILDING-WEST MEMPHIS	March 1, 2002	February 28, 2004	$10,037.69		60 Days
DICKSON FLAKE PARTNERS	DHS BUILDING-WEST MEMPHIS	March 1, 2002	February 28, 2004	$8,174.98		60 Days
TOTAL FEES PAID IN 2002				$114,270.70		
FLAKE & KELLEY MGMT., INC.	ATRS BUILDING	December 1, 1996	June 30, 2003	$13,200.00		Not to be renewed
FLAKE & KELLEY MGMT., INC.	ARKLA PLAZA-OCSE	July 1, 2000	June 30, 2003	$30,720.78		Not to be renewed
FLAKE & KELLEY MGMT., INC.	HARVEST FOODS BUILDING	January 1, 1998	June 30, 2003	$4,200.00		Not to be renewed
FLAKE & KELLEY MGMT., INC.	THE VICTORY BUILDING	February 1, 2000	January 31, 2005	$46,196.26		30 Days
TOTAL MGMT. FEES PAID IN 2002				$94,317.06		
VICTORY BLDG. MGR. FEE PAID IN 2002				$69,326.92		
TOTAL FEES PAID IN 2002				$163,643.98		
THE HATHAWAY GROUP, INC.	CHERRY BROOK BUILDING	June 14, 1996	June 30, 2003	$5,220/60		60 Days
THE HATHAWAY GROUP, INC.	BANK OF AMERICA PLAZA-FAYETTEVILLE	December 30, 1999	December 31, 2003	$24,487.98		60 Days
THE HATHAWAY GROUP, INC.	B'VILLE/GENTRY LAND-HOUSES(Springdale)	April 19, 2000	April 30, 2003-Being Negotiated	$9,000.00		60 Days
THE HATHAWAY GROUP, INC.	ARKANSAS INSURANCE DEPARTMENT	April 10, 2001	April 30, 2004	$11,400.00		60 Days
THE HATHAWAY GROUP, INC.	THE RILEY BUILDING	August 6, 2001	August 14, 2003	$10,592.79		60 Days
TOTAL FEES PAID IN 2002				60,701.37		
COOPER REALTY INVESTMENTS, INC.	CRESCENT/FORUM-MEMPHIS, TN	May 31, 2001	May 31, 2006	$323,043.57	ATRS Portion	
COOPER REALTY INVESTMENTS, INC.	AMERICAN CENTER I & II-NASHVILLE, TN	December 15, 2000	December 31, 2005	$339,020.17	ATRS Portion	
COOPER REALTY INVESTMENTS, INC.	TWO FINANCIAL CENTER-LITTLE ROCK, AR	May 19, 2000	May 31, 2003	$44,393.97	ATRS Portion	
TOTAL FEES PAID IN 2002				706,457.71	ATRS Portion	
LINDSEY MANAGEMENT COMPANY, INC.	THE GREENS AT MOORE, MOORE, OK	February 1, 2001	January 31, 2026	$75,560.51	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	MOORE GOLF DEVELOPMENT, MOORE, OK	February 1, 2001	January 31, 2026	$14,850.00	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	THE GREENS AT OWASSO, OWASSO, OK	February 1, 2001	January 31, 2026	$81,106.18	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	THE GREENS AT OWASSO-PHASE II, OWASSO, OK	February 1, 2001	January 31, 2026	$7,879.38	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	OWASSO GOLF DEVELOPMENT, OWASSO, OK	February 1, 2001	January 31, 2026	$16,335.00	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	THE GREENS AT BROKEN ARROW, BROKEN ARROW, OK	February 1, 2001	January 31, 2026	$71,791.17	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	THE GREENS AT BROKEN ARROW-PHASE II, BROKEN ARROW, OK	February 1, 2001	January 31, 2026	$7,482.57	ATRS Share	
LINDSEY MANAGEMENT COMPANY, INC.	BROKEN ARROW GOLF DEVELOPMENT	February 1, 2001	January 31, 2026	$16,335.00	ATRS Share	
TOTAL FEES PAID IN 2002				$291,339.81		