

# **ARKANSAS TEACHER RETIREMENT SYSTEM**

**February 5, 2024**

1400 West Third Street

**BOARD ROOM**

Little Rock, AR 72201

## **Board of Trustees Meeting**

**11:00 a.m.**

### **Trustees**

Danny Knight, Chair

Shawn Higginbotham, Vice Chair

Kelsey Bailey

Anita Bell

Susan Ford

Keri Hamilton

Dr. Mike Hernandez

Michael Johnson

Bobby G. Lester

Chip Martin

Jeff Stubblefield

### **Ex Officio Trustees**

Susannah Marshall, State Bank Commissioner

Jacob Oliva, Secretary, Dept. of Education

Honorable Dennis Milligan, State Auditor

Honorable Larry Walther, State Treasurer

**AGENDA**  
**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**BOARD OF TRUSTEES**

**February 5, 2024**  
**11:00 a.m.**  
**1400 West Third Street**  
**Little Rock, AR 72201**

- I. **\*Call to Order/Roll Call.** page 1.
- II. **\*Motion to Excuse Absentees.**
- III. **\*Adoption of Agenda.** page 2.
- IV. Executive Summary. (Attachment No. 1) page 7.
- V. **\*Approval of December 4, 2023, Minutes.** (Attachment No. 2) page 14.
- VI. Executive Director Report. *Mark White, Executive Director* (Attachment No. 3) page 24.
- VII. **\*Staff Empowerment.**
  - A. **\*Authority to Transact Business.**
    - 1. **\*Resolution 2024-01.** (Attachment No. 4) page 27.
  - B. **\*Specific Powers of Executive Director.**
    - 1. **\*Resolution 2024-02.** (Attachment No. 5) page 28.
  - C. **\*Appointment of ATRS as Manager of LLC's.**
    - 1. **\*Resolution 2024-03.** (Attachment No. 6) page 30.
- VIII. **\*Authority to Reimburse Trustee Expenses for 2024.**
  - A. **\*Resolution 2024-04.** (Attachment No. 7) page 31.
- IX. **\*Authorization for Board Travel and Expense Reimbursement for 2024.**
  - A. **\*Resolution 2024-05.** (Attachment No. 8) page 32.

\* Action Item

2024-02-02 14:02:58.797663

- X. **\*2024-2025 Employer Contribution Rate.**
  - A. **\*Resolution 2024-06.** (Attachment No. 9) page 37.
  
- XI. **\*2024-2025 Member Contribution Rate..**
  - A. **\*Resolution 2024-07.** (Attachment No. 10) page 38.
  
- XII. **\*Surcharge Rate for Outsourced Positions.**
  - A. **\*Resolution 2024-08.** (Attachment No. 11) page 39.
  
- XIII. **\*Actuarial Valuation June 30, 2023.**
  - A. **\*Active and Inactive Members.** (Attachment No. 12) page 40.
  - B. **\*Retirees & Beneficiaries.** (Attachment No. 13) page 118.
  
- XIV. Report of Member Interest Amount Waived Under A.C.A. Sec. 24-7-205. No.
  
- XV. Report of Employer Penalties and Interest Waived Under A.C.A. Sec. 24-7-411. (Attachment No. 14) page 162.
  
- XVI. **\*Disability Review.**
  - A. In the Matter of Disability Review Applicant ATRS ID#391645. (Attachment No. 15) page 163.
  
- XVII. **\*2024 Board Election.**
  - A. **\*Certification of Ms. Keri Hamilton - Member Trustee, Position #4.**
    - 1. **\*Resolution 2024-09.** (Attachment No. 16) page 166.
  - B. **\*Certification of Mr. Kelsey Bailey, Member Trustee, Non Certified, Position #7.**
    - 1. **\*Resolution 2024-10.** (Attachment No. 17) page 167.
  
- XVIII. **\*Approval of New ATRS Employer.** *Mark White, Executive Director and Jennifer Liwo, General Counsel*
  - A. **\*In the Matter of the Arkansas School Bands and Orchestra Association.**
    - 1. **\*Resolution 2024-12.** (Attachment No. 18) page 168.
  
- XIX. Investment Committee Report. *Chip Martin, Investment Committee Chair*
  - A. Arkansas Related and Investment Update.
    - 1. List of Fund Closings.

\* Action Item

- a. EnCap Energy Transition Fund II, a fund focused on energy transition, the Board authorized commitment of up to \$50 million dollars on September 25, 2023 was accepted and closed on December 15, 2023.
  - b. Beekman Investment Partners V, L.P., a fund specializing in consumer, healthcare, and industrial services, the Board authorized commitment of up to \$35 million dollars on December 4, 2023 was accepted and closed on January 11, 2024.
  - c. KKR Real Estate Partners Americas IV SCSp, a fund focused on industrial and rental properties, the Board authorized commitment of up to \$50 million dollars on December 4, 2023 was accepted and closed on January 19, 2024.
2. Board Policies Report. (Attachment No. 19) page 170.
  3. Highland Update. (Attachment No. 20) page 173.
- B. General Investment Consultant. Aon Hewitt Investment Consulting.
1. Preliminary Performance Report for the Quarter Ending December 31, 2023. (Attachment No. 21) page 176.
  2. Asset Allocation Review and Recommendation.
    - a. **\*Recommendation to approve for Board adoption a motion to revise Board Policy 4 (Investment Policy) to transition 5% of the Total Equity Target Asset Allocation to the Fixed Income Target Asset Allocation.**
      1. **\*Asset Allocation Review and Recommendation.** (Attachment No. 22) page 327.
      2. **\*Proposed Revisions to Board Policy 4.** (Attachment No. 23) page 359.
    - b. **\*Pending approval of the proposed revisions to Board Policy 4.**
      1. **\*Recommendation to approve for Board adoption Resolution 2024-11 authorizing an investment of up to \$800 million dollars in Baird Advisors, Core Plus Bond strategy.**
        0. **\*Resolution 2024-11.** (Attachment No. 24) page 385.
      2. Notification of intent to rebalance the remaining transition amount to the existing SSgA Aggregate Bond Index Fund.

\* Action Item

- C. Real Assets. Aon Hewitt Investment Consulting.
    - 1. Performance Report for the Quarter Ending September 30, 2023. (Attachment No. 25) page 386.
  - D. Private Equity. Franklin Park.
    - 1. Private Equity Portfolio Review for the Quarter Ending September 30, 2023. (Attachment No. 26) page 436.
- XX. Operations Committee Report. *Bobby Lester, Operations Committee Chair*
- A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members in Attendance.
    - 1. Open Forum.
  - B. **\*Rules Promulgation Status Update.**
    - 1. **\*Rule 5-1: Investment Introduction.** (Attachment No. 27) page 483.
    - 2. **\*Rule 5-2: Standard Care.** (Attachment No. 28) page 484.
    - 3. **\*Rule 5-3: Asset Allocation.** (Attachment No. 29) page 485.
    - 4. **\*Rule 5-4: Investment Goals.** (Attachment No. 30) page 486.
    - 5. **\*Rule 5-6: Investment Consultants.** (Attachment No. 31) page 487.
    - 6. **\*Rule 5-7: Investment Managers.** (Attachment No. 32) page 488.
    - 7. **\*Rule 5-8: Soft Dollars.** (Attachment No. 33) page 489.
    - 8. **\*Rule 0-1: ATRS Rule of Organization and Operation.** (Attachment No. 34) page 490.
    - 9. **\*Rule 4: Election of Board of Trustees.** (Attachment No. 35) page 497.
    - 10. **\*Rule 6: Membership and Employer Participation.** (Attachment No. 36) page 516.
    - 11. **\*Rule 7: Service Credit, Contributions, Reporting, and Final Average Salary.** (Attachment No. 37) page 536.
    - 12. **\*Rule 8: Free Service Credit, Purchasable Service Credit, and Purchase Accounts.** (Attachment No. 38) page 560.
    - 13. **\*Rule 9: Retirement and Benefits.** (Attachment No. 39) page 588.
    - 14. **\*Rule 10: Return to Service and Teacher Deferred Retirement Option Plan.** (Attachment No. 40) page 631.
    - 15. **\*Rule 11: Survivors and Domestic Relations Orders.** (Attachment No. 41) page 653.

\* Action Item

16. **\*Rule 12-1: Protection of "Qualified Trust" Status of ATRS Under Internal Revenue Code 401(a).** (Attachment No. 42) page 691.
  17. **\*Rule 13-1: Administration Adjudications: Staff Determinations and Appeals.** (Attachment No. 43) page 694.
  18. **\*Rule 14-1: Retirement Fund Asset Accounts.** (Attachment No. 44) page 716.
  19. **\*Rule 15-1: Benefit Restoration Plan and Trust.** (Attachment No. 45) page 718.
  20. **\*Rule 16: Cash and Savings Help (CASH) Program.** (Attachment No. 46) page 735.
  21. **\*Rule 17-1: Manifest Injustice.** (Attachment No. 47) page 741.
- C. **\*Update to ATRS Board Policy 4 Statement of Investment Policy.** (Attachment No. 48) page 759.

XXI. **\*Staff Reports.**

- A. **\*Medical Committee Report. 16 Applications were approved.** (Attachment No. 49) page 772.

XXII. Other Business.

XXIII. **\*Adjourn.**

## EXECUTIVE SUMMARY

TO: Board of Trustees  
FROM: ATRS Staff  
RE: Executive Summary  
DATE: February 5, 2024

**VI. Executive Director Report. *Mark White, Executive Director* page 24.**

**VII. \*Staff Empowerment.**

Each year the ATRS Board authorizes ATRS staff to transact certain business to set the specific powers of the executive director and to appoint the executive director to manage and delegate operational duties to the limited liability companies that ATRS uses to manage its investments and Arkansas related property. The three resolutions regarding such actions are attached to this agenda as action items. The resolutions are worded the same as last year.

**A. \*Authority to Transact Business.**

1. \*Resolution 2024-01. page 27.

**B. \*Specific Powers of Executive Director.**

1. \*Resolution 2024-02. page 28.

**C. \*Appointment of ATRS as Manager of LLC's.**

1. \*Resolution 2024-03. page 30.

**VIII. \*Authority to Reimburse Trustee Expenses for 2024.**

**A. \*Resolution 2024-04. page 31.**

**IX. \*Authorization for Board Travel and Expense Reimbursement for 2024.**

**A. \*Resolution 2024-05. page 32.**

**X. \*2024-2025 Employer Contribution Rate.**

**A. \*Resolution 2024-06. page 37.**

**XI. \*2024-2025 Member Contribution Rate..**

**A. \*Resolution 2024-07. page 38.**

**XII. \*Surcharge Rate for Outsourced Positions.**

A. **\*Resolution 2024-08.** page 39.

**XIII. \*Actuarial Valuation June 30, 2023.**

These are the annual reports prepared by the actuaries concerning the valuation of liabilities to active and inactive members along with the valuation of liabilities for annuities being paid to current retirees and current beneficiaries. These reports reflect the future liabilities of ATRS to these two groups. The two groups are: (1) Active and Inactive Members; and (2) Members and Beneficiaries of Members currently receiving a monthly annuity. The ATRS Board has already had a presentation by the actuaries on these reports that are now in final form. This is an action item.

A. **\*Active and Inactive Members.** page 40.

B. **\*Retirees & Beneficiaries.** page 118.

**XIV. Report of Member Interest Amount Waived Under A.C.A. Sec. 24-7-205. No.**

No member interest was waived for this reporting period. This is a standard report for information and is not an action item.

**XV. Report of Employer Penalties and Interest Waived Under A.C.A. Sec. 24-7-411.**  
page 162.

ATRS may also waive employer interest and penalties when reports or payments are late or have issues due to a new bookkeeper, inclement weather, sickness and other situations that justify a waiver. Two (2) employer penalties and interest amounts were waived for this reporting period in the amount of \$ 531.80 This is a standard report for information and is not an action item.

**XVI. \*Disability Review.**

A. **In the Matter of Disability Review Applicant ATRS ID#391645.** page 163.

**XVII. \*2024 Board Election.**

A. **\*Certification of Ms. Keri Hamilton - Member Trustee, Position #4.**

1. **\*Resolution 2024-09.** page 166.

B. **\*Certification of Mr. Kelsey Bailey, Member Trustee, Non Certified, Position #7.**

1. **\*Resolution 2024-10.** page 167.

**XVIII. \*Approval of New ATRS Employer.** *Mark White, Executive Director and Jennifer Liwo, General Counsel*

A. **\*In the Matter of the Arkansas School Bands and Orchestra**



**Association.**

1. **\*Resolution 2024-12.** page 168.

**XIX. Investment Committee Report.** *Chip Martin, Investment Committee Chair*

**A. Arkansas Related and Investment Update.**

**1. List of Fund Closings.**

- a. **EnCap Energy Transition Fund II, a fund focused on energy transition, the Board authorized commitment of up to \$50 million dollars on September 25, 2023 was accepted and closed on December 15, 2023.**

The ATRS full commitment of \$50 million dollars was negotiated, accepted, and closed on December 15, 2023.

- b. **Beekman Investment Partners V, L.P., a fund specializing in consumer, healthcare, and industrial services, the Board authorized commitment of up to \$35 million dollars on December 4, 2023 was accepted and closed on January 11, 2024.**

The ATRS full commitment of \$35 million dollars was negotiated, accepted, and closed on January 11, 2024.

- c. **KKR Real Estate Partners Americas IV SCSp, a fund focused on industrial and rental properties, the Board authorized commitment of up to \$50 million dollars on December 4, 2023 was accepted and closed on January 19, 2024.**

The ATRS full commitment of \$50 million dollars was negotiated, accepted, and closed on January 19, 2024.

2. **Board Policies Report.** page 170.

3. **Highland Update.** page 173.

Representatives of Arkansas Capital Corporation will provide the Committee with an update on Highland.

**B. General Investment Consultant. Aon Hewitt Investment Consulting.**

1. **Preliminary Performance Report for the Quarter Ending December 31, 2023.** page 176.

P.J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting will provide the Committee with a preliminary portfolio update for the quarter ending December 31, 2023.

2. **Asset Allocation Review and Recommendation.**

P.J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting will provide the Committee with an update on the public equity and

fixed income asset classes of the ATRS investment portfolio. The update includes a recommendation to adjust the ATRS investment portfolio's asset allocation targets.

- a. **\*Recommendation to approve for Board adoption a motion to revise Board Policy 4 (Investment Policy) to transition 5% of the Total Equity Target Asset Allocation to the Fixed Income Target Asset Allocation.**

A redline of the proposed changes is included in the Investment Committee and Board materials for consideration. The proposed changes include adjusting the target allocations of the Total Equity and Fixed Income Asset Allocations.

1. **\*Asset Allocation Review and Recommendation.** page 327.
  2. **\*Proposed Revisions to Board Policy 4.** page 359.
- b. **\*Pending approval of the proposed revisions to Board Policy 4.**

1. **\*Recommendation to approve for Board adoption Resolution 2024-11 authorizing an investment of up to \$800 million dollars in Baird Advisors, Core Plus Bond strategy.**

Baird Advisors was founded in 2000 and is based in Milwaukee, WI. The management team for the Baird Total Return strategy is led by Mary Ellen Stanek, Warren Pierson, and Charles Groeschell, who have been with the firm since the strategy inception in 2000. This fixed income strategy seeks to outperform the Bloomberg U.S. Universal Index by 50 to 75 bps by investing in a diversified portfolio of fixed income opportunities including corporate credit, structured credit, and U.S. Treasury bonds. The strategy has consistently achieved this goal by outperforming the Bloomberg U.S. Universal Index over multiple time periods. Aon Hewitt Investment Consulting recommends an investment of up to \$800 million dollars in Baird Advisors, Core Plus Bond strategy and ATRS staff concurs.

0. **\*Resolution 2024-11.** page 385.
2. **Notification of intent to rebalance the remaining transition amount to the existing**

**SSgA Aggregate Bond Index Fund.**

Board Policy 4 grants the Executive Director the ability to rebalance the ATRS investment portfolio based on recommendation from the investment consultant and notice to the Board Chair. Given the timing of this meeting and potential need to transition assets to the existing SSgA Aggregate Bond Index Fund based on Aon recommendations this item is included on the agenda for this meeting. No action is required and this agenda item is intended to provide the Committee opportunity for discussion, questions, or to provide direction.

**C. Real Assets. Aon Hewitt Investment Consulting.**

- 1. Performance Report for the Quarter Ending September 30, 2023. page 386.**

Jack Dowd of Aon Hewitt Investment Consulting will provide the Committee with a portfolio update for the quarter ending September 30, 2023.

**D. Private Equity. Franklin Park.**

- 1. Private Equity Portfolio Review for the Quarter Ending September 30, 2023. page 436.**

Michael Bacine of Franklin Park will provide the Committee with a portfolio update for the quarter ending September 30, 2023.

**XX. Operations Committee Report. *Bobby Lester, Operations Committee Chair***

**A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members in Attendance.**

- 1. Open Forum.**

This is a standard part of the Committee agenda to allow Committee Members and Board Members in attendance to address topics and issues for consideration.

**B. \*Rules Promulgation Status Update.**

The public comment period for the proposed rule changes ended on January 22, 2024. ATRS received public comments and made changes and corrections to address the comments. ATRS staff recommends that the Board approve the rules as revised. With the approval of the Board, staff will submit a request to BLR for the rules to be placed on the agendas of the Joint Committee on Public Retirement and Social Security Programs and the Legislative Council's Administrative Rules Subcommittee. This is an action item.

1. **\*Rule 5-1: Investment Introduction.** [page 483.](#)
  2. **\*Rule 5-2: Standard Care.** [page 484.](#)
  3. **\*Rule 5-3: Asset Allocation.** [page 485.](#)
  4. **\*Rule 5-4: Investment Goals.** [page 486.](#)
  5. **\*Rule 5-6: Investment Consultants.** [page 487.](#)
  6. **\*Rule 5-7: Investment Managers.** [page 488.](#)
  7. **\*Rule 5-8: Soft Dollars.** [page 489.](#)
  8. **\*Rule 0-1: ATRS Rule of Organization and Operation.** [page 490.](#)
  9. **\*Rule 4: Election of Board of Trustees.** [page 497.](#)
  10. **\*Rule 6: Membership and Employer Participation.** [page 516.](#)
  11. **\*Rule 7: Service Credit, Contributions, Reporting, and Final Average Salary.** [page 536.](#)
  12. **\*Rule 8: Free Service Credit, Purchasable Service Credit, and Purchase Accounts.** [page 560.](#)
  13. **\*Rule 9: Retirement and Benefits.** [page 588.](#)
  14. **\*Rule 10: Return to Service and Teacher Deferred Retirement Option Plan.** [page 631.](#)
  15. **\*Rule 11: Survivors and Domestic Relations Orders.** [page 653.](#)
  16. **\*Rule 12-1: Protection of "Qualified Trust" Status of ATRS Under Internal Revenue Code 401(a).** [page 691.](#)
  17. **\*Rule 13-1: Administration Adjudications: Staff Determinations and Appeals.** [page 694.](#)
  18. **\*Rule 14-1: Retirement Fund Asset Accounts.** [page 716.](#)
  19. **\*Rule 15-1: Benefit Restoration Plan and Trust.** [page 718.](#)
  20. **\*Rule 16: Cash and Savings Help (CASH) Program.** [page 735.](#)
  21. **\*Rule 17-1: Manifest Injustice.** [page 741.](#)
- C. \*Update to ATRS Board Policy 4 Statement of Investment Policy.** [page 759.](#)

The proposed changes to Board Policy 4 revise the total equity and fixed income asset allocation ranges as recommended by the System's investment consultants. This is an action item.

**XXI. \*Staff Reports.**

- A. \*Medical Committee Report. 16 Applications were approved.** [page 772.](#)

The Medical Committee Report is a standard report made by staff on behalf

of the Medical Committee approving disability cases. A total of 18 disability applications were received, 16 were approved, 1 was denied, and 1 needed more information. This is not an action item.

**XXII. Other Business.**

**MINUTES**  
**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**BOARD OF TRUSTEES**  
**December 4, 2023**  
**11:00 a.m.**  
**1400 West Third Street**  
**Little Rock, AR 72201**

**ATTENDEES**

**Board Members Present**

Danny Knight, Chair  
Shawn Higginbotham, Vice Chair  
Kelsey Bailey  
Susan Ford  
Dr. Mike Hernandez  
Michael Johnson  
Bobby Lester  
Chip Martin  
Jeff Stubblefield  
Kelly Griffin, designee for Jacob Oliva  
Jason Brady, designee for Dennis Milligan  
Larry Walther, State Treasurer

**Board Members Absent**

Anita Bell  
Susannah Marshall, Bank Commissioner

**Reporters Present**

Mike Wickline, AR Dem. Gaz.

*\*Via ZOOM*

**ATRS Staff Present**

Mark White, Executive Director  
Rod Graves, Deputy Director  
Sarah Linam, Deputy Director – Member Services  
Tammy Porter, Board Secretary  
Curtis Carter, Chief Financial Officer  
Dena Dixson, Int. Audit/Risk Management  
Braeden Duke, Software Support Analyst  
Clementine Infante, Staff Attorney  
Willie Kincade, Director of Operations  
Mike Lauro, Manager, Information Systems  
Jennifer Liwo, General Counsel\*  
Amber Sevilla, Assistant to Executive Director  
Whitney Sommers, Administrative Analyst  
Leslie Ward, Manager, Private Equity  
Brenda West, Int. Audit/Risk Management  
Misty Yant, Manager, Accounting/Reporting\*

**Guest Present**

PJ Kelly, Aon Hewitt Consulting  
Jack Dowd, Aon Hewitt Consulting  
Katie Comstock, Aon Hewitt Consulting\*  
Chris Caldwell, AR Div. of Legislative Audit\*  
Eric Munson, State Treasurer's office  
Gar Chung/Fin News\*  
Derek Henning\*  
Catarina Moura

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 10:59 a.m. Roll call was taken. All members were present
  
- II. **Adoption of Agenda.**

***Mr. Lester moved for adoption of the Agenda. Mr. Martin seconded the motion, and the Board unanimously approved the motion.***

**III. Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

**IV. Approval of Prior Meeting Minutes.**

**A. June 2, 2023, Minutes.**

**Mr. Higginbotham *moved for approval* of the Minutes of the Board of Trustees meeting of June 2, 2023. Mr. Brady *seconded the motion*, and the Board *unanimously approved the motion*.**

**B. September 25, 2023, Minutes.**

**Mr. Stubblefield *moved for approval* of the Minutes of the Board of Trustees meeting of September 25, 2023. Mr. Lester *seconded the motion*, and the Board *unanimously approved the motion*.**

**C. November 1, 2023, Minutes.**

**Ms. Ford *moved for approval* of the Minutes of the Board of Trustees meeting of July 17, 2023. Mr. Martin *seconded the motion*, and the Board *unanimously approved the motion*.**

**V. Executive Director Report.** Mr. White, Executive Director, gave the Board a report on ATRS activity.

**VI. Commending Ms. Kathy Clayton for her service to Arkansas Teacher Retirement System.**

**A. Resolution 2023-44.**

**Mr. Stubblefield *moved to adopt* Resolution 2023-44. Mr. Martin *seconded the motion*, and the Board *unanimously approved the motion*.**

**VII. Preliminary Active Actuarial Valuation.** Judy Kermans, Brian Murphy and Heidi Berry of Gabriel, Roeder, Smith and Company. Judy Kermans and Heidi Berry from Gabriel, Roeder, Smith and Company presented the Board with the Preliminary Actuarial Valuation.

**VIII. Statement of Financial Interest.** Executive Director Mark White gave the Board a report on when Statement of Financial Interest are due.

**IX. Proposed 2024 Board of Trustees Schedule.**

**Mr. Stubblefield *moved to approve* the 2024 Board of Trustees Schedule. Mr. Martin *seconded the motion* and the Board *unanimously approved the motion.***

**X. 2024 Board Election.** Executive Director Mark White gave the Board a report on the 2024 Board Election.

**A. Election Timeline.**

**B. Vendor Selection for Board Election**

**1. Resolution 2023-51**

**Mr. Walther *moved to adopt* Resolution 2023-51, Vendor Selection for Board Election. Mr. Lester *seconded the motion*, and the Board *unanimously approved the motion.***

**XI. Report of Member Interest Waived Under A.C.A. Sec. 24-7-205. None this reporting period.** Executive Director Mark White presented the member interest amount waived report. ATRS waives interest for members when there is a dispute between ATRS and the member as to whether ATRS made a mistake or otherwise did not do all that was required on the member's account. No member interest was waived for this reporting period.

**XII. Approval of Employer Penalties and Interest Waived under A.C.A. Sec 24-7-411.** Mr. White, Executive Director, and Ms. Jennifer Liwo presented the board with recommendation to approve Resolution 2023-50.

**A. Resolution 2023-50**

**Mr. Higginbotham *moved to adopt* Resolution 2023-50, Approval of Employer Penalties and Interest Waived. Mr. Bailey *seconded the motion*, and the Board *unanimously approved the motion.***

**XIII. Board Waiver of Penalties and Interest Greater than \$1,000 in a Fiscal Year**

**A. In Re: Employer 00593**

**B. In Re: Employer 00493**



**Mr. Stubblefield moved to approve the Board Waiver of Penalties and Interest Greater than \$1,000 in a Fiscal Year. Mr. Bailey seconded the motion, and the Board unanimously approved the motion.**

**XIV. Manifest Injustice Report.** Executive Director Mark White provided the Board with the second report of 2023. This report was for information purposes only and was not an action item.

**XV. Investment Committee Report. *Chip Martin, Chair.***

**A. Election of Vice Chair**

**Mr. Martin moved to approve election of Mr. Michael Johnson as Investment Committee Vice Chair, and the Board unanimously approved the motion.**

**B. Arkansas Related and Investment Update.**

- 1. List of Fund Closing.** Rod Graves, Deputy Director, gave the Board an update on fund closings.
- 2. Board Policies Report.** Rod Graves, Deputy Director, gave the Board a report on Board Policies.

**C. General Investment Consultant Report. *AON Hewitt***

- 1. Performance Report for the Quarter ended September 30, 2023.** Aon Hewitt Investment Consulting provided the Committee with a Performance Report for the quarter ended September 30, 2023. The report was for information purposes and no action was taken.
- 2. Preliminary Performance Report for the Month Ended October 31, 2023.** Aon Hewitt Investment Consulting provided the Committee with a Preliminary Performance Report for the month ended October 31, 2023. The report was for information purposes and no action was taken.

**D. Real Assets Consultant Report. *AON Hewitt***

- 1. Performance Report for the Quarter Ended June 30, 2023.** Aon Hewitt Investment Consulting provided the Committee with

a Performance Report for the quarter ended June 30, 2023. The report was for information purposes and no action was taken.

2. **Recommendation to approve for Board adoption Resolution 2023-45, authorizing an investment of up to \$50 million dollars in KKR Real Estate Partners Americas IV SCSp.** Aon Hewitt Investment Consulting presented the Committee with the recommendation to authorize an investment of up to \$50 million dollars in KKR Real Estate Partners Americas IV SCSp.

Staff concurs with the recommendation.

**Mr. Martin *moved to approve* Resolution 2023-45, authorizing an investment of up to \$50 million dollars in KKR Real Estate Partners Americas IV SCSp. The Board *unanimously approved the motion.***

3. **2024 Real Assets Commitment Pacing (Total Pacing \$450 Million Dollars).**
  - a. Core Real Estate \$250 Million Dollars
  - b. Value Added and Opportunistic Real Estate (Non-Core) \$150 Million Dollars.
  - c. Infrastructure \$50 Million Dollars

Staff concurs with the recommendation.

**Mr. Martin *moved to approve* the motion for 2024 Real Assets Commitment Pacing. The Board *unanimously approved the motion***

**E. Private Equity Consultant Report. *Franklin Park.***

1. **Preliminary Private Equity Portfolio Review for the Quarter Ended June 30, 2023.** Michael Bacine provided the Preliminary Private Equity Portfolio Review for the Quarter Ended March 31, 2023.
2. **Recommendation to approve for Board adoption Resolution 2023-46, authorizing an investment of up to \$35 million dollars**

**in Beekman Investment Partners V, LP.** Michael Bacine provided the Committee with the Recommendation to approve for Board adoption Resolution 2023-46, authorizing an investment of up to \$35 million dollars in Beekman Investment Partners V, LP.

Staff concurs with the recommendation.

**Mr. Martin *moved to approve* Resolution 2023-46, authorizing an investment of up to \$35 million dollars in Beekman Investment Partners V, LP. The Board *unanimously approved the motion.***

3. **Recommendation to approve for Board adoption Resolution 2023-47, authorizing an investment of up to \$35 million dollars in Clearlake Capital Partners VIII, LP.** Michael Bacine provided the Committee with the Recommendation to approve for Board adoption Resolution 2023-47, authorizing an investment of up to \$35 million dollars in Clearlake Capital Partners VIII, LP.

Staff concurs with the recommendation.

**Mr. Martin *moved to approve* Resolution 2023-47 authorizing an investment of up to \$35 million dollars in Clearlake Capital Partners VIII, LP. The Board *unanimously approved the motion.***

4. **2024 Private Equity Pacing Schedule (Total Pacing \$385 Million Dollars.)**
  - a. Five Small or Mid Buyout/Growth/Turnaround \$35 Million Dollars Each Primarily in the U.S. (Total \$175 Million Dollars).
  - b. Two Debt/Distressed Assets \$35 Million Dollars Each (Total \$70 Million Dollars).
  - c. Franklin Park International Fund XI No New Allocation.
  - d. Franklin Park Co-Investment Fund VI \$60 Million Dollars.
  - e. Franklin Park Venture Fund XV \$40 Million Dollars.
  - f. Franklin Park Venture Capital Opportunity Fund No New Allocation.

- g. Franklin Park Corporate Finance Access Fund III \$40 Million Dollars.

Staff concurs with the recommendation

**Mr. Martin moved to approve the 2024 Private Equity Pacing Schedule. The Board unanimously approved the motion.**

- 5. **Recommendation to approve for Board Adoption Resolution 2023-48 authorizing an additional investment of up to \$60 Million Dollars in Franklin Park Co-Investment Fund VI, LP.**

Staff concurs with the recommendation.

**Mr. Martin moved to approve Resolution 2023-48 authorizing an investment of up to \$60 million dollars in Franklin Park Co-Investment Fund VI, LP. The Board unanimously approved the motion.**

- 6. **Recommendation to approve for Board Adoption Resolution 2023-49 authorizing an investment of up to \$40 Million Dollars in Franklin Park Venture Capital Fund XV, LP.**

Staff concurs with the recommendation.

**Mr. Martin moved to approve Resolution 2023-49 authorizing an investment of up to \$40 million dollars in Franklin Park Venture Capital Fund XV, LP. The Board unanimously approved the motion.**

**XVI. Operations Committee Report.** Mr. Bobby Lester, Chair, gave a report on the Operations Committee meeting.

- A. **Open Forum for potential Rule or Law Changes by Committee Members and board Members in Attendance.**

- 1. **Open Forum.** None.

- B. **Rule Promulgation Status Update.** Jennifer Liwo, General Counsel, presented the Committee with Rules to be promulgated.

1. Rule 0-1 - ATRS Rules of Organization and Operation.
2. Rule 4 - Election of Board of Trustees.
3. Rule 6 - Membership and Employer Participation.
4. Rule 7 - Service Credit, Contributions, Reporting, and Final Average Salary.
5. Rule 8 - Free Service Credit, Purchasable Service Credit, and Purchase Accounts.
6. Rule 9 - Retirement and Benefits.
7. Rule 10 - Return to Service and Teacher Deferred Retirement Option Plan.
8. Rule 11 - Survivors and Domestic Relations Order.
9. Rule 12-1 - Protection of "Qualified Trust" Status of ATRS Under Internal Revenue Code 401(a)
10. Rule 13-1 - Administration Adjudications: Staff Determinations and Appeals.
11. Rule 14-1 - Retirement Fund Asset Accounts.
12. Rule 15-1 - Benefit Restoration Plan and Trust.
13. Rule 16 - Cash and Savings Help (CASH) Program.
14. Rule 17-1 - Manifest Injustice - Repealed and included in Amended Rule 13.

**Mr. Lester *moved to approve original changes in Rules as presented to the Board. The Board *unanimously approved the motion.****

## **XVII. Board of Trustees Disability Review**

### **A. In Re: ATRS ID#377358**

**Mr. Martin *moved to approve* the Board of Trustees Disability review for ATRS ID#377358. Mr. Lester *seconded the motion* and the Board *unanimously approved the motion*.**

#### **XVIII. Staff Reports.**

- A. Medical Committee Report.** Mr. Willie Kincade reported that a total of 12 Disability Retirement Applications were approved.

**Mr. Higginbotham *moved to approve* the Medical Committee Report. Mr. Bailey *seconded the motion*, and the Board *unanimously approved the Motion*.**

- B. Financial Reports.** Mr. Curtis Carter financial report for 2023. No action was taken.

**1. Financial Statement Report**

**2. Travel Report**

- C. Personnel Report.** Ms. Vicky Fowler presented the Board with the Personnel Report. No action was taken.

- D. Recommendation – Securities Litigation Lead Plaintiff.** Mark White, Executive Director and Jennifer Liwo, General Counsel presented the Board with the recommendation to seek lead plaintiff status in a securities litigation matter. Mr. White explained that the system has endured a loss of \$3.6 million in the investment of online gaming platform, Roblox. The loss was due to the platform's failure to disclose that a large portion of their growth was due to weak controls which allowed minors to play games with inappropriate content and make unauthorized purchases. In turn, these failures translated to unsustainable revenue levels. As a result, a pension fund out of Florida represented by Labaton Sucharow is filing a suit against Roblox and Labaton Sucharow, as well as a couple of other firms who represent ATRS have suggested we seek lead plaintiff status for the case. Doing so would give us decision making authority in conducting the lawsuit including negotiating and approving any settlement terms. There is no financial risk to the system and we are currently lead plaintiff in only one other case in active litigation.

Mr. White believes it makes sense for the system to seek to be lead plaintiff in the case and asked the board for authorization to make that request

**Mr. Stubblefield *moved to approve* the request to seek to be lead plaintiff in Securities Litigation. Mr. Higgonbotham *seconded the motion*, and the Board *unanimously approved the motion*.**

**XIX. Executive Session. Fulfillment of Vacancy Pursuant to A.C.A. 24-7-302(b)(2).**

The Board went into executive session at 12:25 p.m.

The Board reconvened from executive session at 12:26 p.m.

**Mr. Higginbotham *moved to appoint* Ms. Keri Hamilton to Position #4 on the Board of Trustees. Dr. Hernandez *seconded the motion*, and the Board *unanimously approved the motion*.**

**XX. Other Business:** None.

**XXI. Adjourn.** With no other business, Mr. Danny Knight, Chair, entertained a motion to adjourn the meeting.

**Meeting adjourned at 12:27 p.m.**

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Mark White, Executive Director

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Danny Knight, Chairman

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Tammy Porter, Board Secretary

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Date Approved

**Executive Director Board Report  
January 30, 2024**

To the ATRS Board of Trustees:

I am happy to report to you on the following highlights of the activities and achievements of your ATRS staff since my last Board Report:

**Operations Improvement**

- We have started a series of Process Mapping sessions, in which we closely review each of our internal business processes. The purposes of the sessions are to identify areas where things are working well and could be replicated by other teams across the System, but also identify areas where we could problem-solve and identify more efficient solutions to better serve our teams and our members. Mark Twyford's Benefits team is the first team working through this effort and more will follow.
- We are excited that Bre Harrison has joined us as Call Center Manager, filling a vacancy left by retirement in the fall. Bre comes to us from UAMS where she had extensive experience overseeing call center work.
- We have initiated the annual Benefits and Address Verification Affidavit (BAVA) process, in which we ask our out-of-state members to respond with information verifying that they are still living there and still appropriately receiving benefits. The purpose of this process is to identify cases where a member is deceased and we don't have notice of the death. We have simplified the process this year to make it more convenient and less of a hassle for members. Notices have gone out to 5,354 members, and their responses are due back to us February 29.

**Member Engagement**

- Staff have completed a first draft of a Member Handbook and it is now in the editing and revision process. We still expect to have a finished product ready for distribution this spring, so that Members considering retirement will have it as a resource, and so that employers will have it to use for orientation of new employees next school year.
- Since your last meeting, I have spoken at two county retired teacher meetings, and I also traveled to Bentonville School District to make a retirement presentation to their faculty.
- In the last two months, ATRS posts on Facebook have reached more than 17,100 individuals, and 7,600 individuals are actively following the ATRS page. In addition, I have established my own Facebook page as ATRS Executive Director at [facebook.com/MarkWhiteATRS/](https://www.facebook.com/MarkWhiteATRS/) so that I can respond directly to members when they have comments or questions on our page or on other education-related groups.
- For the monthly Executive Director Updates, the most recent Update was distributed to 41,744 subscribers and was opened by at least 56.23% of the recipients.



## Human Resources

- To mark the holidays, we held two events for employees – a White Elephant Gift Exchange and an Ugly Sweater Christmas Potluck Party to encourage fellowship and camaraderie. Our employees also contributed to the Arkansas Children’s Hospital Holiday Toy Drive. Altogether we delivered two carloads of toys to the Hospital easily worth more than \$1,000. Many thanks to our employees for their generosity for the children at Arkansas Children’s, and to my assistant Amber Sevilla for coordinating these events.

## Investments

- Rod Graves and I have worked extensively with our investment consultants at Aon to vet and prepare the recommendation Aon will be bringing in your meeting to adjust our investment allocation. We have also worked with Aon to clarify some of the wording and phrases used in their reports to you related to benchmarks.
- Since your last meeting, I have met with our property managers who oversee the American Center in Nashville, which is a significant investment for us. I have also met with representatives of three of our equity and fixed income investment managers to become more familiar with our portfolio.

## Finance & Reporting

- Arkansas Legislative Audit has completed their audit of FY2023 and we conducted a good exit conference with them. The written report has not been released yet, but I expect it will be submitted to the Legislature before your next meeting. I do not anticipate any concerns or issues.
- Staff worked extensively with our actuaries at Gabriel, Roeder, Smith & Company to complete the FY2023 valuations that are included in your meeting packet. We also worked with GRS to timely submit to Legislative Audit our FY2023 financial statements for GASB Statement Nos. 67 and 68. These reports are annually required per the Governmental Accounting Standards Board (GASB) and are standard requirements for pension systems nationally.

## Future Plans & Priorities

In the coming months, I will be focused on the following issues:

- **Strategic Planning** – We will kick off our strategic planning process with a senior staff session on February 20, and additional staff sessions in March and April. We are tentatively planning to conduct a session with you the Board after your meeting on June 3. At that time, we expect to have a final draft ready for your review and input. As I have mentioned before, the result of this process will be a three-year plan to help guide our operational decisions, as well as inform our requests for the next biennial budget. And I also intend for us to develop accountability measures to include specific performance goals as we implement the plan.
- **Member Engagement** – Within the next few weeks, we will be distributing a link for a member survey and encouraging all of our members to complete it. This survey will give us some baseline data on member satisfaction with ATRS as well as give us some guidance on how members prefer that we communicate with them. We will share the results with you in a future meeting.

- **Actuarial Audit** – Pension systems across the country commonly conduct actuarial audits every few years, in which a reviewing actuary assesses the data and recommendations produced by the pension’s consulting actuary. Per ATRS policy, this audit is conducted by Osborn, Carreiro & Associates, Inc., as they are the independent actuary for the Arkansas General Assembly and already have access to our data. The last actuarial audit was completed in 2022, and we are entering into a contract to conduct the next one this spring.

Respectfully submitted,

Mark White  
Executive Director  
Arkansas Teacher Retirement System

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION  
No. 2024-01**

**Authority to Transact Business**

***BE IT RESOLVED***, That effective this 5<sup>th</sup> day of February, 2024, **MARK WHITE**, Executive Director, **SARAH C. LINAM**, Deputy Director, **ROD GRAVES**, Deputy Director, and **WILLIE KINCADE**, Associate Director of Operations, each are authorized to execute, acknowledge and deliver such agreements, documents, and instruments as might be necessary or appropriate in connection with the purchase, sale, pledge, transfer, or other transaction of any kind whatsoever involving any investment approved by the Arkansas Teacher Retirement System Board of Trustees or approved by the Investment Committee of said Board; and

***WHEREAS***, This authority shall continue until after the first regular scheduled Board meeting in 2025; and

***FURTHER RESOLVED***, That the execution, acknowledgment and/or delivery of such agreement, document, or instrument by any one of the four (4) named persons shall constitute the valid, binding and enforceable act of the Arkansas Teacher Retirement System by its Board of Trustees.

**Adopted this 5<sup>th</sup> day of February 2024.**

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**Mr. Danny Knight, *Chair***  
***Arkansas Teacher Retirement System***

**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2024-02**

**Powers of the Executive Director**

**WHEREAS**, Ark. Code Ann. § 24-7-303(c) provides that the Executive Director of the Arkansas Teacher Retirement System (“Executive Director”) shall perform, or cause to be performed, such duties as are required of him under the Arkansas Teacher Retirement System Act, § 24-7-201 et seq., and as the Board of Trustees of the Arkansas Teacher Retirement System (“Board”) shall delegate to him; and

**WHEREAS**, the Board has delegated certain duties to the Executive Director in the policies and rules of the Arkansas Teacher Retirement System (“ATRS” or “the System”); and

**WHEREAS**, the law, rules, and policies applicable to the System do not specifically address the authority of the Executive Director to perform acts that are a natural, necessary, and ancillary extension of the duties prescribed to the Executive Director in the law, rules, and policies applicable to the System, or by resolution or other documented authorization of the Board; and

**WHEREAS**, the law, rules, and policies applicable to the System do not specifically address the authority of the Executive Director to perform those acts that fall within the usual and customary authority of the Executive Director as has been developed through the course of performance of previous Executive Directors over the years; and

**WHEREAS**, the Board has determined that the Executive Director should have the authority to: (1) perform those acts that are a natural, necessary, and ancillary extension of his duties as prescribed by the law, rules, and policies applicable to the System, or by resolution or other documented authorization of the Board, and (2) perform those acts that fall within the usual and customary authority of the Executive Director as has been developed through the course of performance of previous Executive Directors over the years; and

**WHEREAS**, the Board has determined that the Executive Director should notify the Board Chair of any material decision that may be made by the Executive Director under the authority granted to him in this resolution, to ensure that the Board is involved in all material decisions.

***NOW THEREFORE, BE IT RESOLVED***, that the Executive Director shall be and hereby is authorized and empowered to: (1) perform those acts that are a natural, necessary, and ancillary extension of his duties as prescribed by the law, rules, and policies applicable to the System, or by resolution or other documented authorization of the Board, and (2) perform those acts that fall within the usual and customary authority of the Executive Director as has been developed through the course of performance of previous Executive Directors over the years;

***FURTHER BE IT RESOLVED***, that the Executive Director shall notify the Board Chair of any material decision that may be made by the Executive Director under the authority granted to him in this resolution, to ensure that the Board is involved in all material decisions before a final decision is made; and

***FURTHER BE IT RESOLVED***, that this resolution shall be effective upon adoption of the Board and shall remain in effect until the next regularly scheduled meeting of the Board in February 2025, unless otherwise revoked by the Board or prohibited by the law, rules, or policies applicable to the System.

**Adopted this 5<sup>th</sup> day of February 2024.**

---

**Mr. Danny Knight, *Chair***  
***Arkansas Teacher Retirement System***

**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2024-03**

**Appointment of ATRS as Manager of LLC's**

**WHEREAS**, The Arkansas Teacher Retirement System (“ATRS”) is the sole member and manager of several LLC's, including: Pinnacle Mountain Holding Company, LLC, Pinnacle Mountain Holding II, LLC, Pinnacle Mountain Holding Company III, LLC, Pinnacle Mountain Holding Company IV, LLC, Pinnacle Mountain Holding Company V, LLC, Pinnacle Mountain Holding Company VI, LLC, all Arkansas limited liability companies; and American Timberland, LLC, a Delaware company (collectively, the “Companies”); and

**WHEREAS**, The ATRS Board of Trustees, acting as a prudent investor for the benefit of all ATRS members, and in recognizing ATRS as sole member and manager of the Companies, adopts the following actions and resolution for, and on behalf of the Companies;

**NOW, THEREFORE, BE IT RESOLVED**, That

1. As managing member of the Companies and pursuant to its authority in A.C.A § 24-2-619, ATRS hereby delegates the authority to the ATRS Executive Director to perform all duties related to the respective Companies consistent with the amended Articles of Organization, Operating Agreements, and other applicable laws and policies of ATRS and further the Executive Director may delegate authority to a Deputy Director or to an investment staff member, when proper, to perform needed actions and executions in his absence.

2. That the Executive Director or his delegate will provide regular reports to the ATRS Board on the Companies.

**Adopted this 5<sup>th</sup> day of February 2024.**

---

**Mr. Danny Knight, *Chair***  
***Arkansas Teacher Retirement System***

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION  
No. 2024-04**

**Authority to Reimburse Trustee Expenses for 2024**

**WHEREAS**, The Board of Trustees may reimburse expenses of the Trustees for performing official Board duties under A.C.A. § 24-7-303 (b) and other laws and policies of the State of Arkansas that may apply; and

**WHEREAS**, The Board must pre-approve any expenses incurred for the calendar year at its first meeting under ATRS Board Policy 1 section VII.A.

**THEREFORE, BE IT RESOLVED**, That the ATRS Board of Trustees hereby authorizes ATRS to reimburse Trustees for losses in salary resulting from attendance of a Board meeting that would otherwise be paid by the employer, including but not limited to, a Trustee's out of pocket cost associated with employing substitute personnel or losses in salary or compensation and any costs of communication, including long distance, postage, internet access, and other communication charges consistent with ATRS Board Policy 1 section VII.A. upon presentation of a written request by a Trustee, with adequate documentation enclosed.

**Adopted this 5<sup>th</sup> day of February 2024.**

---

**Mr. Danny Knight, *Chair***  
***Arkansas Teacher Retirement System***

**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2024-05**

**Authorization for Board Travel and Expenses for 2024**

**WHEREAS**, Act 1211 of 1995 (A.C.A. § 25-16-901 *et seq.*) provides that every state board may, by a majority vote of the total membership of the board cast during its first regularly scheduled meeting of each calendar year, authorize expense reimbursement for each board member for performing official board duties. Such reimbursement cannot exceed the rate established for state employees by state travel regulations; and

**WHEREAS**, Act 975 of 2011 provides for expense reimbursement for members of the Board of Trustees of the Arkansas Teacher Retirement System; and

**NOW, THEREFORE, BE IT RESOLVED**, That the Board of Trustees of the Arkansas Teacher Retirement System, by a majority vote of its total membership, authorizes expense reimbursement for each Board member for performing official Board duties during the calendar year 2024; and

**FURTHER RESOLVED**, That the expense reimbursement shall not exceed the rate established for state employees by state travel regulations and shall be in compliance with the attached Addendum A to this Resolution, adopted by this Board to reflect changes in state travel regulations; and

**FURTHER RESOLVED**, That Board members, including those who live in the Little Rock area (excluding ex officio trustees), may be reimbursed for mileage and meal expenses incurred while performing official board duties in Little Rock at a rate not exceeding the rate established for state employees; and

**FURTHER RESOLVED**, That the adoption of this resolution authorizes reimbursement for any such expenses including those incurred in 2024 prior to the adoption of this resolution; and

**FURTHER RESOLVED**, That in years in which a Board retreat is held, each Board member shall be reimbursed for up to two (2) out-of-state conferences for the purpose of education; and

**FURTHER RESOLVED**, That in years in which the Board does not have a retreat each Board member shall be reimbursed for up to two (2) out-of-state



conferences for the purpose of education, with one (1) additional out-of-state conference with the approval of the Board Chair.

**Adopted this 5<sup>th</sup> day of February 2024**

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**Mr. Danny Knight, *Chair***  
***Arkansas Teacher Retirement System***

*Addendum A*

Resolution 2024-04

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The following regulations have been adopted to provide guidance to board members and employees of the Arkansas Teacher Retirement System (ATRS).

For purposes of these rules, the following definitions shall apply:

1. "Official Station" shall be:
  - (a) For board members, the city or town in which a board member has a permanent address.
  - (b) For employees, the city or town of the employee's actual location of work.
2. Travel expenses will be reimbursed when board members or employees are required to travel away from their official station on ATRS business. Minimization of expenses while traveling should be the same, as a prudent person would exercise if traveling on personal business.
3. A Travel Reimbursement Form (TR-1) must be verified and signed by the traveler, accompanied by the proper receipts, and duly signed by the Executive Director, or designee, before reimbursement may be processed.
4. All travel reimbursement requests, whether for in-state or out-of-state travel, must adhere to the reimbursement rates listed in the Federal Travel Directory unless a waiver is granted. Current rates as of the filing of this Resolution for cities not identified or located in listed cities have a Standard rate of \$107 per day for lodging and \$59 per day for meals. All current rates can be found on the Federal General Services Administration Website:  
  
<http://www.gsa.gov/portal/category/100120>
5. Reimbursement may be claimed for actual expenses only, and must not exceed the Federal Directory maximums. In-state meals will not be reimbursed without overnight lodging. There are no exceptions to the maximum meal rates. The tip reimbursement amount shall not exceed fifteen percent (15%) of the meal amount expended. The total reimbursement for meals and tips shall not exceed the maximum rates prescribed by the Financial Management Guide published by the Office of Accounting of the Department of Finance and Administration.
6. Exceptions to lodging maximums may be allowed only with good justification, e.g., when conference hotel rates exceed area maximums, and staying elsewhere would incur transportation charges. The Executive Director, or designee, must approve all requests for exceptions prior to incurring the expense.

*Addendum A*  
Resolution 2024-05

7. Private vehicle mileage is reimbursable at the current rate per mile authorized by the Arkansas Department of Finance and Administration, currently 52 cents per mile. If a traveler's personal vehicle is used for transportation to and from the airport, a mileage reimbursement may be requested.
8. Reimbursable travel expenses are limited to those expenses authorized and essential to conducting official ATRS business. Telephone, Internet access, and facsimile expenses shall be allowed only when necessary for the completion of official business. Incidental amounts not directly related to travel (such as postage, small emergency supplies, etc.) may be allowed, when necessary, if incurred during the performance of official business while traveling. These necessary incidental expenses shall be itemized on the TR-1 form with receipts attached.
9. If one-way travel exceeds 400 miles from the traveler's official station, reimbursement may be requested for no more than one day prior to, and/or after, the official start/end of an approved conference/convention.
10. Travelers shall not be reimbursed for the purchase of alcoholic beverages, entertainment, flowers, valet service, laundry, cleaning, printing items, or other discretionary purchases.
11. Travel expenses shall not be billed to ATRS by a third-party except for lodging, meals, registration fees, and air transportation, duly approved in advance by the Executive Director.
12. Travel may be achieved by plane, train, bus, private or system-owned vehicle, rented vehicle, or taxi, whichever method serves the requirements of ATRS most economically and advantageously. The maximum allowable mileage will be computed by the shortest major highway route. Flights resulting in the lowest available airfare for ATRS should be used for all business trips, unless there are extenuating circumstances, such as unreasonable arrival/departure times or unusually long layovers.
13. When common carriers (airplane, train, or bus) are needed to transport persons on ATRS business, ATRS will make the travel arrangements, if possible, in order for the system to be billed direct. If this is not possible, the traveler may make and pay for arrangements and request reimbursement. Items that are properly purchased by, and invoiced directly to ATRS, are not reimbursable to the traveler.

*Addendum A*

Resolution 2024-05

14. For out-of-state travel, reimbursement shall be the lesser of coach class air, or the current rate per mile authorized by the Arkansas Department of Finance and Administration.
15. If more than one traveler is transported in the same vehicle, only the owner can claim a mileage reimbursement.
16. When attending out-of-state conferences, travelers should choose the most economical mode of transportation between airports and hotels, i.e., rental car, shuttle, or taxi. Consideration must be given to mileage, fuel, and parking fees when selecting a rental. Vehicle rentals are no longer under a mandatory state contract. Employees requiring a vehicle rental must contact the ATRS fiscal department for assistance. If a rental car is obtained, and two (2) or more board members or employees travel to the same location, rentals should be shared, if possible.
17. Board members and employees of ATRS shall be reimbursed for their own travel expenses only. Board members and employees shall not be reimbursed for expenses incurred by their spouse or guest.

**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2024-06**

**2024-2025 Employer Contribution Rate**

**WHEREAS**, A.C.A. § 24-7-401(c) authorizes the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) to establish the employer contribution rate paid into the System prospectively for each year; and

**WHEREAS**, A.C.A. § 24-7-401(c) dictates that the rate shall be set by the Board following consultation with its actuary based on the annual actuarial valuation and that the rate shall be based on the actuary's determination of the rate required to fund the plan in accordance with the financial objectives set forth in A.C.A. § 24-7-401(a); and

**WHEREAS**, Arkansas Teacher Retirement System is 82% funded, with an amortization period to pay off unfunded liabilities of 26 years, which shows that ATRS is in a strong financial position as of the last actuarial valuation at the end of the last fiscal year; and

**WHEREAS**, The ATRS Board, on November 13, 2017, adopted an employer contribution rate schedule that established the employee contribution rate for FY2024 should be 15.00%.

**NOW, THEREFORE, BE IT RESOLVED**, That the Board of Trustees in accordance with the legislative restrictions hereby sets the employer contribution rate shall remain at Fifteen percent (15%) after fiscal year 2024 until changed.

**Adopted this 5<sup>th</sup> day of February 2024**

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**Mr. Danny Knight, Chair**  
**Arkansas Teacher Retirement System Board**

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 West Third Street  
Little Rock, Arkansas 72201**

**RESOLUTION  
No. 2024-07**

**2024-2025 Member Contribution Rate**

**WHEREAS**, A.C.A. § 24-7-406 authorizes the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) to establish and modify the member contribution rate paid into ATRS by contributory members; and

**WHEREAS**, A.C.A. § 24-7-406 dictates that the member contribution rate shall be set by the Board following consultation with its actuary based on the annual actuarial valuation and that the rate shall be set to maintain actuarial soundness;

**WHEREAS**, Arkansas Teacher Retirement System is 82% funded, with an amortization period to pay off unfunded liabilities of 26 years, which shows that ATRS is in a strong financial position as of the last actuarial valuation at the end of the last fiscal year; and

**WHEREAS**, The ATRS Board, on November 13, 2017, adopted a member contribution rate schedule that established the member contribution rate shall remain at Seven percent (7%) after fiscal year 2023 until changed.

**NOW, THEREFORE, BE IT RESOLVED**, That the Board of Trustees in accordance with the legislative restrictions hereby sets the member contribution rate for the fiscal year beginning July 1, 2024, at seven percent (7.00%).

**Adopted this 5<sup>th</sup> day of February, 2024**

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**Mr. Danny Knight, Chair**  
***Arkansas Teacher Retirement System Board***

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 WEST THIRD STREET  
LITTLE ROCK, ARKANSAS 72201**

**RESOLUTION  
No. 2024-08**

**Adoption of Surcharge Rate for Outsourced Positions**

**WHEREAS**, A.C.A. § 24-7-506, authorizes the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) to collect a surcharge on salary paid to certain embedded positions that are outsourced at certain ATRS employers; and

**WHEREAS**, The surcharge rate for outsourced positions is set by law with the option for the ATRS Board to increase the rate after an implementation period; and

**WHEREAS**, The authorized surcharge rate by law for fiscal year 2025 is four percent (4%); and

**WHEREAS**, ATRS should set the surcharge rate for outsourced salary as a part of its regular function.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby declares that the surcharge rate for applicable outsourced salaries for fiscal year 2025 is four percent (4%) in accordance with Arkansas law.

**Adopted this 5<sup>th</sup> day of February, 2024.**

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**Mr. Danny Knight, Chair**  
***Arkansas Teacher Retirement System Board***

# Arkansas Teacher Retirement System

Annual Actuarial Valuation of  
Active and Inactive Members  
June 30, 2023





# Report of the June 30, 2023 Actuarial Valuation

## Outline of Contents

Pages	Items
-	Cover Letter
<b>Section A</b>	<b>Executive Summary</b>
<b>Section B</b>	<b>Valuation Results</b>
B-1	Computed Employer Rates
B-2	Historical Employer Contribution Rates
B-3	Actuarial Liabilities
B-4	Retiree Accrued Liabilities
B-5	Financing Benefit Promises (Pie Charts)
B-6	Short Condition Test
B-7	Actuarial Accrued Liabilities and Valuation Assets
B-8	Closed Group Population Projection (Pie Charts)
<b>Section C</b>	<b>Summary of Benefits</b>
C-1	Summary of Benefit Provisions
C-11	Sample Benefit Calculations
<b>Section D</b>	<b>Financial Information</b>
D-1	Valuation Assets
D-5	Market Value of Assets
D-6	Market Value Reconciliation
D-7	Schedule of Funding Progress
D-8	Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution
D-9	Plan Maturity Measures
D-12	Low-Default-Risk Obligation Measure
<b>Section E</b>	<b>Covered Member Data</b>
E-1	Active Members
E-5	Deferred Vested Members
E-6	T-DROP Members
E-9	Retirees and Beneficiaries by Type of Annuity
E-10	Historical Graphs
E-11	Benefit and Purchasing Power Changes
<b>Section F</b>	<b>Financial Principles and Operational Techniques</b>
<b>Section G</b>	<b>Actuarial Assumptions</b>
<b>Section H</b>	<b>Glossary</b>



November 28, 2023

Board of Trustees  
Arkansas Teacher Retirement System  
Little Rock, Arkansas

Dear Board Members:

Presented in this report are the results of the ***Annual Actuarial Valuation of active and inactive members as of June 30, 2023***. The June 30<sup>th</sup> annual valuation of retired lives receiving monthly benefits indicates the liabilities for future benefit payments to existing retirees. These liabilities are covered in detail in a separate report. They are also covered briefly in this report on page B-4.

The purposes of the valuation are to measure the System's funding progress and to determine the amortization period that results from the statutory employer and employee rates and the actuarial assumptions that the Board has adopted. This report should not be relied on for any purpose other than the purposes described herein. Financial results associated with the benefits described in this report that are developed for purposes other than those identified above may be significantly different than those in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the Retirement System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

This valuation was based upon census data and financial information provided by the System's administrative staff. Preparation of this data requires considerable staff time. The helpful cooperation of the Arkansas Teacher Retirement System (ATRS) staff in furnishing the data is acknowledged with appreciation. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of any data provided by ATRS.

This report was prepared using certain assumptions approved by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. The combined effect of the assumptions is expected to have no significant bias (i.e. not significantly optimistic or pessimistic). All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice. The actuarial assumptions used for valuation purposes are summarized in Section G. These assumptions reflect expectations of future experience under the plan. They were developed in connection with an experience study covering the period July 1, 2015 to June 30, 2020.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. The scope of an actuarial valuation does not contain an analysis of the potential range of such future measurements.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Arkansas Teacher Retirement System as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable. The combined effect of the assumptions, excluding prescribed assumptions or methods set by law, is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. Judith A. Kermans, Heidi G. Barry and Derek Henning are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The actuaries submitting this report are independent of the plan sponsor.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, FCA, MAAA



Heidi G. Barry, ASA, FCA, MAAA



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JAK/HGB/DH:ah

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## **SECTION A**

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### **EXECUTIVE SUMMARY**

## Executive Summary

**General Financial Objective.** Section 24-7-401 (a) of the Arkansas Code provides as follows (emphasis added):

- (1) The financial objective of the Arkansas Teacher Retirement System is to establish and receive contributions that expressed as percentages of active member payroll will **remain approximately level from generation to generation of Arkansas citizens.**
- (2) Contributions received each year shall be sufficient:
  - (A) To **fully cover the costs of benefit commitments** being made to members for their service being rendered **in that year**; and
  - (B) To **make a level payment** that if paid annually over a reasonable period of future years will **fully cover the unfunded costs** of benefit commitments for service previously rendered.

**Arkansas Teacher Retirement System Status:** Based upon the results of the June 30, 2023 actuarial valuations, **ATRS is satisfying the financial objective of level-contribution-percent financing.**

This report contains the results of the June 30, 2023 valuation. The table below shows a summary of the data used in the valuation. This data was the basis for determining valuation results.

	Number	Average	Type of Average
Active not in T-DROP	68,249	\$45,897	Pay
Active in T-DROP	3,138	70,134	Pay
Deferred Vested	14,355	6,063	Annual Projected Benefit
Retired	54,646	24,643	Annual Current Benefit
<b>Total Members</b>	<b>140,388</b>		

Included in the 2023 valuation were 4,108 reemployed retirees (included in the Retired data file) with total earnings of \$139.5 million. ATRS receives full employer contributions on these individuals per Arkansas Code Section 24-7-708. The actuarial valuation assumes the number of working members will remain constant at the current level. In some recent years, the total number of working members has decreased. A decreasing population means less contribution income for the retirement system than expected and can lead to funding difficulty in extreme cases. ATRS receives employer contributions on behalf of all working members.

**Actuarial Assumptions and Methods:** There were no assumption or method changes in the June 30, 2023 valuation. In our judgement the actuarial assumptions in use, and in particular the 7.25% investment return assumption, are reasonable for the purposes described in this report.

The actuarial valuation reflects a minimum base salary for teachers of \$50,000, and a minimum salary increase of \$2,000 for teachers earning more than \$50,000 during the 2023-2024 school year due to ACT 237, also known as the LEARNS Act. The LEARNS Act was effective as of August 1, 2023. The increases in pays, as a result of the LEARNS Act, were not reflected in the data submitted for the actuarial valuation. Our model reflects an estimate of those increases.

## Executive Summary (Continued)

**Benefit Changes:** There were no benefit provision changes reflected in the June 30, 2023 valuation.

### **Results of the Valuation**

**The amortization period this year is 26 years**, unchanged from last year's period of 26 years. On a market value basis, the amortization period is 30 years. While an amortization period of 26 years meets statutory requirements, the ATRS has targeted 18 years in its financial objectives in order to eliminate negative amortization. The contribution rate based upon the target amortization period (18 years) would be approximately 17.2% of payroll.

**The statutory employer contribution rate is 15%.** The statutory employer contribution rate is a reasonable actuarially determined contribution rate based on the results of the June 30, 2023 valuation.

**The Arkansas Teacher Retirement System remains stable with an 82.1% funded position** as of June 30, 2023. If experience is reasonably in line with expectations in Fiscal Year 2024, the amortization period is likely to decrease in the next valuation due to the scheduled phase-in of net investment gains in FY 2024. (Please refer to page D-3 for details.)

**The rate of investment return on a market value basis was 8.71%<sup>#</sup>** this year. As of June 30, 2023, the actuarial value of assets exceeded the market value of assets by approximately \$340 million. (Please refer to page D-3 for details.) Investment gains and losses that occur each year are smoothed in over a 4-year period. After considering smoothing, the recognized return this year was 6.88%, compared to an assumed 7.25% return for Fiscal Year 2023. A phase-in of net investment gains is scheduled for the Fiscal Years 2024 and 2026, while a phase-in of net investment losses is scheduled for the Fiscal Year 2025.

<sup>#</sup> *The actuary calculated this return figure which may not exactly match the investment consultant's figure.*

# Executive Summary (Continued)

## Other Observations

### General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the funding value of assets), it is expected that:

- 1) The unfunded actuarial accrued liabilities will be fully amortized after 26 years;
- 2) The funded status of the plan will increase gradually towards a 100% funded ratio; and
- 3) The unfunded accrued liability will increase for several years before beginning to decline.

### Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the funding value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

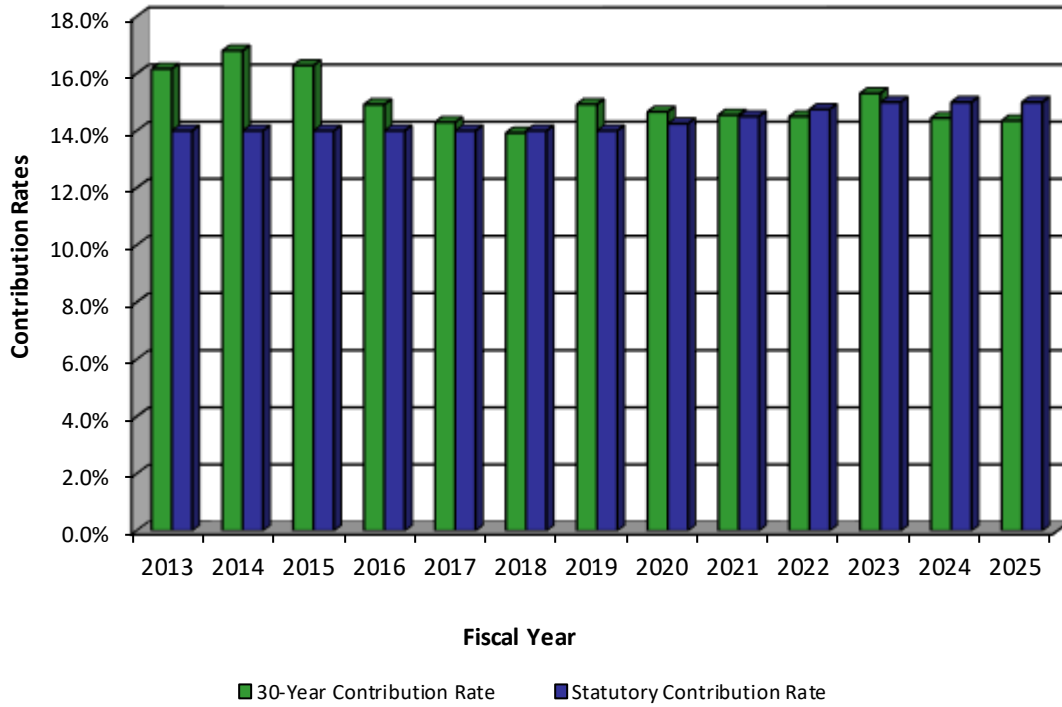
- 1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations; in other words, of transferring the obligations to an unrelated third party in an arm's length market value type transaction;
- 2) The measurement is dependent upon the actuarial cost method which, in combination with the plan's amortization policy, affects the timing and amounts of future contributions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit); and
- 3) The measurement would produce a different result if the market value of assets were used instead of the funding value of assets, unless the market value of assets is used in the measurement.

### Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.

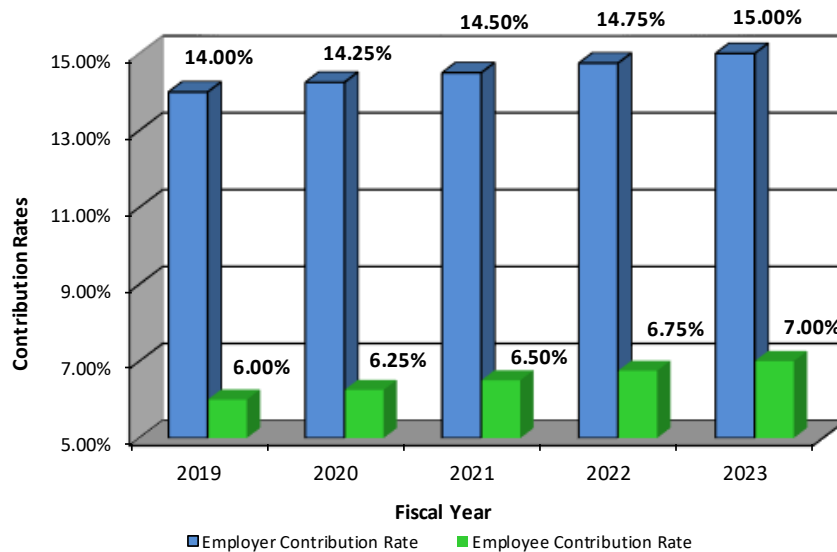
## Executive Summary (Concluded)

The following graph shows a history of the amounts contributed vs. the employer contributions based on a maximum amortization period of 30 years. The results would look different if the Employer Contribution were calculated according to the Board’s target of 18 years.



The amount contributed is less than the 30-year contribution in FY 2013-2017, FY 2019-2021 and FY 2023. In FY 2018 and FY 2022, the amount contributed exceeded the 30-year contribution.

The following graph also shows a recent history of the employer and employee amounts contributed.





## **SECTION B**

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### **VALUATION RESULTS**

## Determination of Amortization Period Computed as of June 30, 2023 and June 30, 2022

Computed Contributions for	Percents of Active Member Payroll			
	June 30, 2023			June 30, 2022
	Teachers	Support	Combined	Combined
Normal Cost				
Age & Service Annuities	11.24%	7.54%	<b>10.24%</b>	10.20%
Deferred Annuities	1.49%	2.31%	<b>1.71%</b>	1.73%
Survivor Benefits	0.27%	0.19%	<b>0.25%</b>	0.25%
Disability Benefits	0.41%	0.39%	<b>0.40%</b>	0.40%
Refunds of Member Contributions	0.48%	1.22%	<b>0.68%</b>	0.68%
<b>Total</b>	<b>13.89%</b>	<b>11.65%</b>	<b>13.28%</b>	<b>13.26%</b>
Average Member Contributions	6.62%	5.16%	<b>6.23%</b>	6.21%
Net Employer Normal Cost	7.27%	6.49%	<b>7.05%</b>	7.05%
Unfunded Actuarial Accrued Liabilities			<b>7.95%</b>	7.95%
<b>Employer Contribution Rate</b>			<b>15.00%</b>	15.00%
<b>Amortization Years</b>			<b>26</b>	26

The calculated amortization period of 26 years is based on employer and member contribution rates of 15.00% and 7.00%, respectively. See page A-4 for a recent history of employer and employee contribution rates.

The amortization period is the number of years it will take to pay off the unfunded liability of \$4.6 billion, assuming contributions remain at the Fiscal 2024 level. Since 2000, the period has varied from a low of 19 years to a high of over 100 years. If experience in FY 2024 is reasonably in line with expectations, the amortization period is likely to decrease in the next valuation due to the phase-in of net investment gains. Please see additional comments regarding the amortization period on page A-2.

## Employer Contribution Rates 10-Year Comparative Statement

Valuation Date June 30	Active Members in Valuation **		Average Annual Pay		Consumer Price (Inflation) Index % Change	Employer Contributions	
	Number	Annual Payroll (\$ Millions)				Computed Financing Period (Years)	Total Employer Rate
			Amount	% Change			
2014	74,352	\$ 2,758	\$ 37,092	1.9 %	2.1 %	39	14.00 %
2015	72,919	2,777	38,088	2.7 %	0.1 %	33	14.00 %
2016	72,232	2,785	38,557	1.2 %	1.0 %	29	14.00 %
2017#*	72,148	2,814	38,997	1.1 %	1.6 %	29	14.00 %
2018#	72,341	2,872	39,702	1.8 %	2.9 %	28	14.00 %
2019#	72,164	2,907	40,285	1.5 %	1.6 %	28	14.00 %
2020#	70,539	2,954	41,884	4.0 %	0.6 %	27	14.25 %
2021#*	70,098	3,086	44,030	5.1 %	5.4 %	32	14.50 %
2022#	71,378	3,199	44,811	1.8 %	9.1 %	26	14.75 %
2023#	71,387	3,353	46,963	4.8 %	3.0 %	26	15.00 %

\* Revised assumptions.

# Legislated benefit or contribution rate changes.

\*\* Includes T-DROP members and payroll. ATRS also receives contributions on return to work retirees, but they are not included on this schedule.

## Computed Actuarial Liabilities as of June 30, 2023

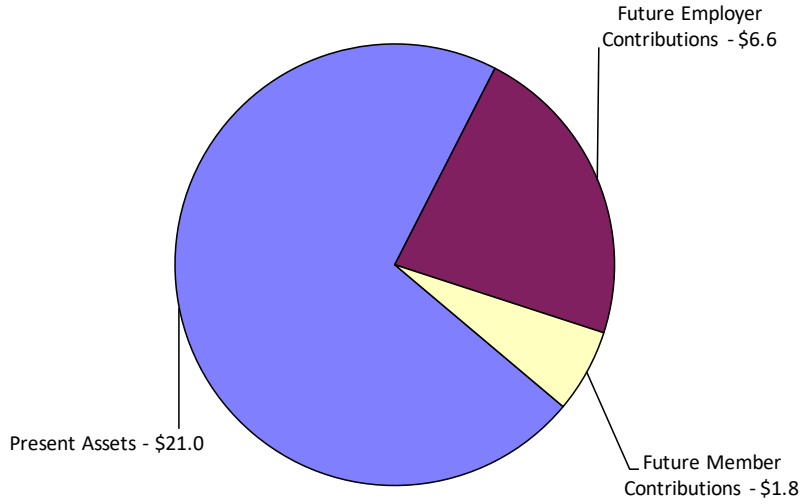
Actuarial Present Value of	(1) Total Present Value	Entry Age Actuarial Cost Method	
		(2) Portion Covered by Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
Age and service retirement allowances based on total service likely to be rendered by present active members.	\$ 10,997,036,288	\$ 2,892,841,180	\$ 8,104,195,108
Age and service retirement allowances based on total service likely to be rendered by present T-DROP members.	1,901,631,818	39,016,167	1,862,615,651
Vested deferred benefits likely to be paid present active and inactive members.	1,531,547,444	487,889,511	1,043,657,933
Survivor benefits expected to be paid on behalf of present active members.	187,006,996	71,372,302	115,634,694
Disability benefits expected to be paid on behalf of present active members.	222,460,200	111,729,654	110,730,546
Refunds of member contributions expected to be paid on behalf of present active members.	27,682,895	183,329,469	(155,646,574)
Benefits payable to present retirees and beneficiaries.	14,510,824,580	-	14,510,824,580
<b>Total</b>	<b>\$ 29,378,190,221</b>	<b>\$ 3,786,178,283</b>	<b>\$ 25,592,011,938</b>
Funding Value of Assets.	21,014,908,823	-	21,014,908,823
Liabilities to be covered by future contributions.	\$ 8,363,281,398	\$ 3,786,178,283	\$ 4,577,103,115

## Liabilities for Retirees July 1, 2023 Tabulated by Type of Benefit Being Paid

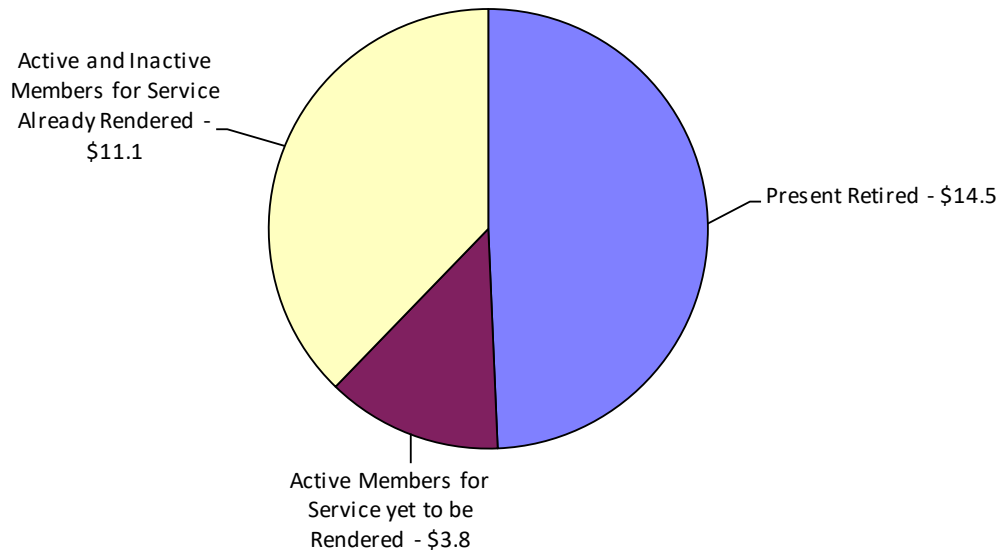
Type of Annuity	Liabilities July 1, 2023		
	Men	Women	Totals
<b>RETIREMENT RESERVE ACCOUNT</b>			
Age and Service Annuities			
Option 1 (Straight Life)	\$ 1,689,414,444	\$ 8,297,371,626	\$ 9,986,786,070
Option A (100% Joint & Survivor)	873,027,296	1,002,061,590	1,875,088,886
Option B (50% Joint & Survivor)	424,790,992	709,644,492	1,134,435,484
Option C (10 Years Certain & Life)	49,130,959	174,265,413	223,396,372
Beneficiaries	79,661,361	218,926,252	298,587,613
Total Age and Service	3,116,025,052	10,402,269,373	13,518,294,425
Disability Annuities			
Option 1	51,727,061	290,258,569	341,985,630
Option A	25,650,567	48,545,604	74,196,171
Option B	7,427,623	12,651,982	20,079,605
Option C	-	-	-
Beneficiaries	21,825,654	25,300,416	47,126,070
Total Disability	106,630,905	376,756,571	483,387,476
Act 793	7,172,197	4,650,082	11,822,279
Retirement Reserve Account	3,229,828,154	10,783,676,026	14,013,504,180
Act 808 Retirement Reserve Account	4,977,143	1,252,213	6,229,356
Total Retirement Reserve Account	3,234,805,297	10,784,928,239	14,019,733,536
<b>SURVIVORS' BENEFIT ACCOUNT</b>			
Beneficiaries of Deceased Members	\$ 57,386,933	\$ 62,567,136	\$ 119,954,069
<b>RETIREMENT SYSTEM TOTALS</b>			
Total Annuity Liabilities	\$ 3,292,192,230	\$ 10,847,495,375	\$ 14,139,687,605
Cash Benefit Account Liabilities			226,279,957
Liabilities for Lump Sum Death Benefits			144,857,018
Total			\$ 14,510,824,580

# Financing \$29.4 Billion of Benefit Promises for Present Active and Retired Members June 30, 2023

Sources of Funds  
(\$ Billions)



Uses of Funds



## Short Condition Test

ATRS' funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will **pay all promised benefits when due -- the ultimate test of financial soundness**. Testing for level contribution rates is the long-term test.

**A short condition test** is one means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: 1) Member contributions on deposit; 2) The liabilities for future benefits to present retired lives; and 3) The liabilities for service already rendered by members. In a system that has been following the discipline of level percent-of-payroll financing, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system. Liability 3 being fully funded is unusual, but highly desired.

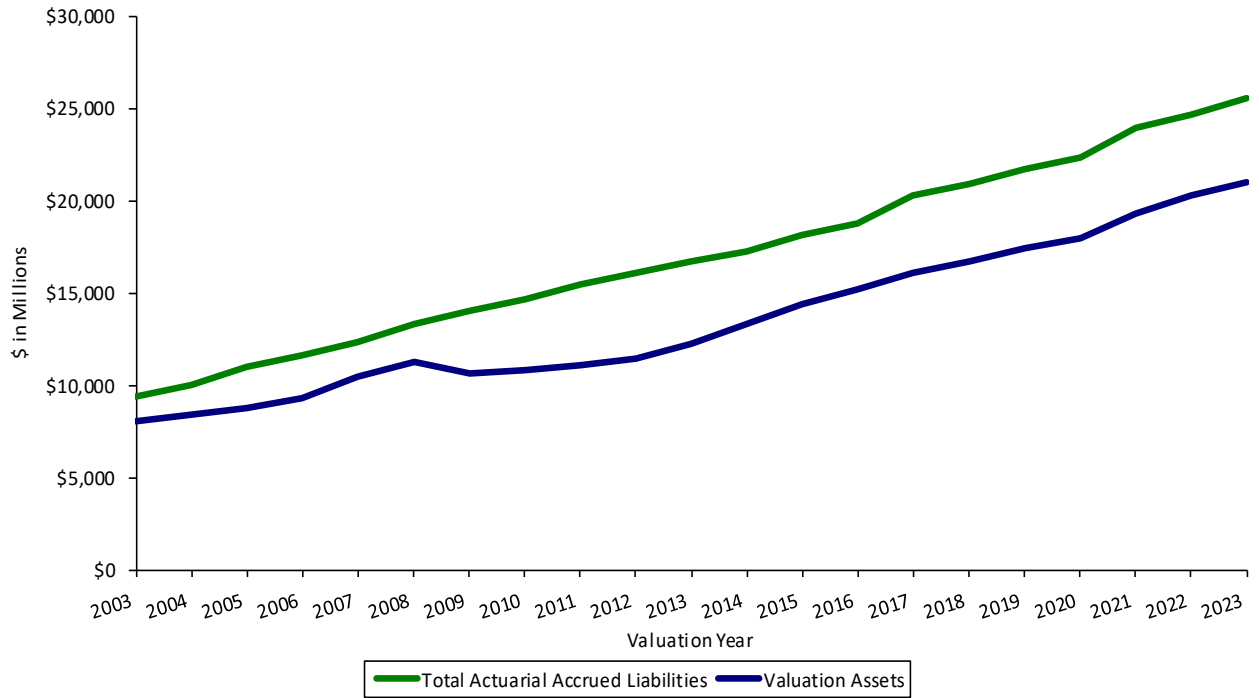
The schedule below illustrates the history of Liability 3 of the System and is indicative of the ATRS' objective of following the discipline of level percent-of-payroll financing.

Val. Date June 30	(1) Member Contrb.	(2) Retirees and Benef.	(3) Active and Inactive Members (Employer Financed Portion)	Present Valuation Assets	Portion of Present Values Covered by Present Assets			
					(1)	(2)	(3)	Total
-----\$ Millions-----								
2014	\$ 1,077	\$ 8,777	\$ 7,456	\$ 13,375	100%	100%	47%	77%
2015	1,128	9,778	7,230	14,434	100%	100%	49%	80%
2016	1,184	10,430	7,198	15,239	100%	100%	50%	81%
2017#*	1,254	11,337	7,707	16,131	100%	100%	46%	79%
2018#	1,312	11,851	7,772	16,756	100%	100%	46%	80%
2019#	1,377	12,460	7,872	17,413	100%	100%	45%	80%
2020#	1,455	12,890	8,007	18,007	100%	100%	46%	81%
2021#*	1,544	13,596	8,847	19,343	100%	100%	48%	81%
2022#	1,648	14,044	9,005	20,328	100%	100%	51%	82%
2023#	1,751	14,511	9,330	21,015	100%	100%	51%	82%

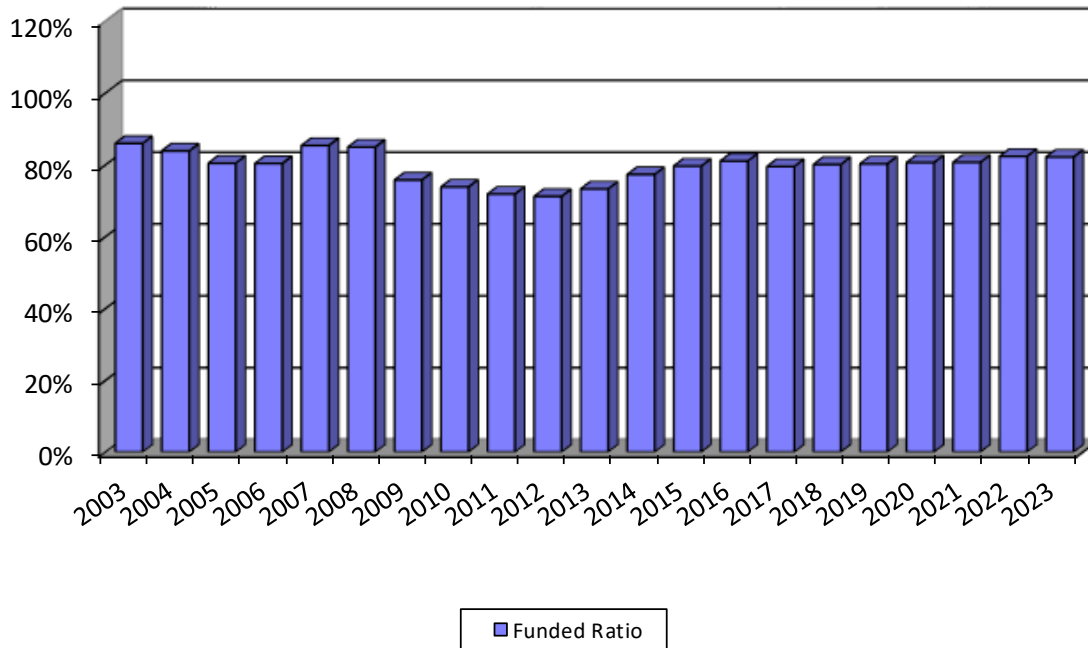
\* Revised actuarial assumptions or methods.

# Legislated benefit or contribution rate changes.

## Actuarial Accrued Liabilities and Valuation Assets

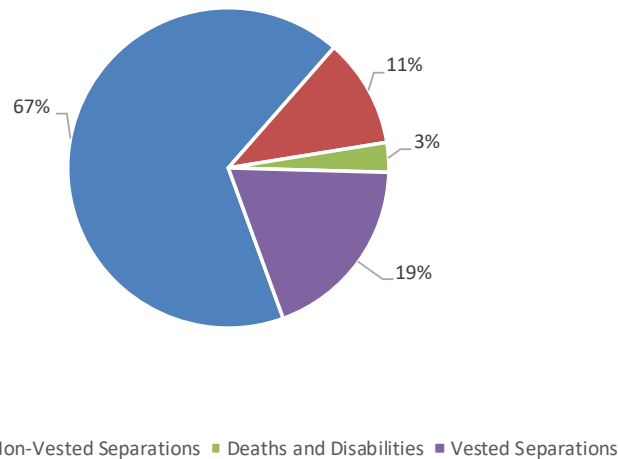
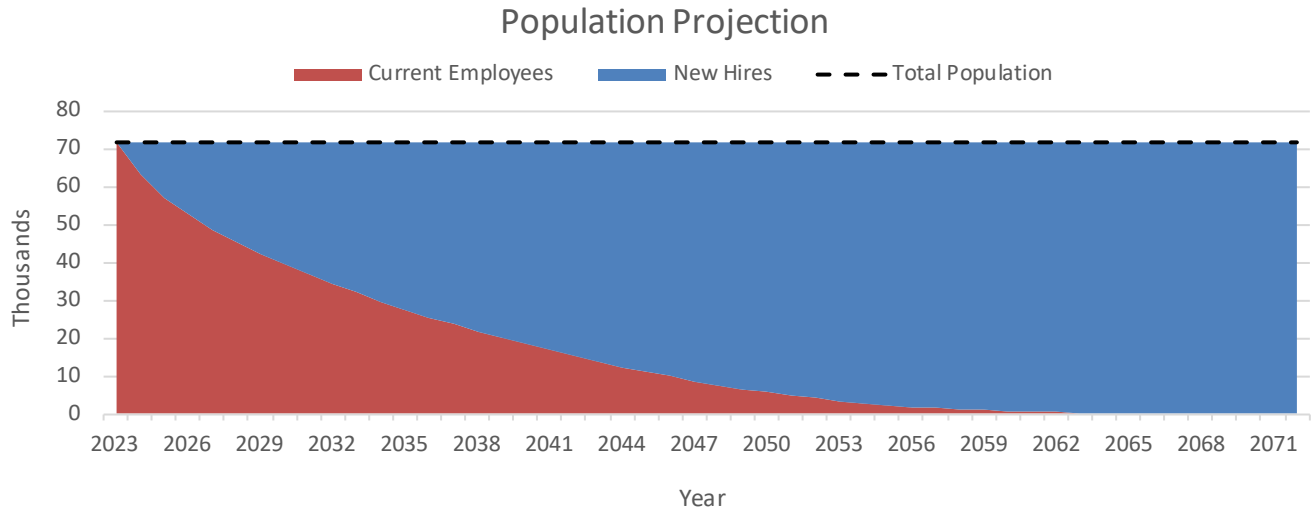


## Valuation Assets as a Percent of Accrued Liabilities (Funded Ratio)





# Expected Development of Present Active Population June 30, 2023 (Excludes Rehired Retirees)



The charts show the expected future development of the present population in simplified terms. The Retirement System presently covers 71,387 active members (includes T-DROP). Eventually, 11% of the population is expected to terminate covered employment prior to retirement and forfeit eligibility for an employer provided benefit. Approximately 86% of the present population is expected to receive monthly retirement benefits. Approximately 3% of the present population is expected to become eligible for death-in-service or disability benefits. Within nine years, over half of the covered active membership is expected to consist of new hires.

## SECTION C

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### SUMMARY OF BENEFITS

# Summary of Benefit Provisions

## June 30, 2023

1. **Voluntary Retirement – A.C.A. § 24-7-701.** A member may retire at age 60 with 5 or more years of credited service, or after 28 years of credited service regardless of age.
2. **Early Retirement – A.C.A. § 24-7-702.** A member who has more than 25 but less than 28 years of credited service and has not attained age 60 years may retire and receive an immediate early retirement annuity. The early annuity is an age & service annuity reduced by the lesser of (i) and (ii) below:
  - (i) 10/12 of 1% multiplied by the number of months by which early retirement precedes completion of 28 years of service, or
  - (ii) 10/12 of 1% multiplied by the number of months by which early retirement precedes the attainment of age 60 years.

The ATRS Board is allowed to set by resolution the early annuity reduction at a rate between 5% and 15% per year, to be prorated monthly if the System's actuary certifies that the amortization period to pay the unfunded liabilities exceeds 18 years. The Board adjusted the reduction to 10% per year beginning August 1, 2017 by Resolution 2017-14 on April 17, 2017.

3. **Deferred Retirement – A.C.A. § 24-7-707.** An inactive member who has 5 or more years of credited ATRS service will be entitled to an age & service annuity beginning at age 60, provided accumulated contributions are on deposit with the retirement system.
4. **Disability Retirement – A.C.A. § 24-7-704.** An active member with 5 or more years of actual and reciprocal service, who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age & service annuity. In order to qualify for disability retirement, the member must exhibit symptoms of physical or mental incapacitation while the member is an active member. A member who is eligible for age and service retirement (age 60 and 5 years of service or 28 years of service at any age) is no longer eligible to apply for disability retirement.

An ATRS disability retiree is required to obtain a Social Security Administration determination letter finding that the retiree is disabled within 36 months of the effective date of disability retirement. If a member cannot provide the SSA determination letter within the 36-month period, benefits will be terminated, the member will be returned to active service, and all member history will be restored. The requirement to qualify for SSA disability shall not apply to a disability retiree who was age 57 or older before July 1, 2015, because that member would qualify for age & service benefits prior to requiring the SSA determination of disability. The retiree may apply for an extension of the 36-month deadline if the retiree can demonstrate the SSA determination is in progress. There is a rebuttable presumption that if a Teacher Retirement member is qualified for Social Security Administration disability benefits then they would also qualify for ATRS disability retirement benefits.

A disability retiree may be employed with a covered employer for less than (80) days of actual service during a fiscal year. The covered employer who employs a disability retiree under this subsection shall remit contributions on all salary paid to the disability retiree in an amount equal

## Summary of Benefit Provisions

### June 30, 2023

4. **Disability Retirement – A.C.A. § 24-7-704 (Cont.)** to the employer contributions rate. The retiree will continue receiving their annuity from the system and shall not accrue additional service credit. If a retiree tries to return to full time employment, and fails, the suspended disability benefit will be restored to what it would have been had they not tried to return to work, or a recomputed benefit using the additional service, whichever is higher.
5. **Final Average Salary (FAS) – A.C.A. § 24-7-736 and A.C.A. § 24-7-601.** The ATRS Board made changes to the final average salary (FAS) by Resolution 2017-33 on November 13, 2017. Effective July 1, 2018, a member's final average salary is the average of the five (5) highest service year salaries (5-year FAS).

Members active in ATRS or a reciprocal system as of June 30, 2018 and with at least 3 full years of service in ATRS can use a benchmark 3-year FAS, which is the average of the three (3) highest service year salaries as of June 30, 2018. The three (3) highest service year salaries are adjusted for anti-spiking before being used in the calculation of the benchmark 3-year FAS.

In calculating the 5-year FAS, if a member has less five (5) years of credited service, the final average salary of the member shall be the total salary paid to the member for his or her years of credited service divided by the member's total credited years of service.

The Board may adjust the final average salary anti-spiking parameters by board resolution provided that the anti-spiking percentage range is no lower than 105% nor higher than 120% per year; and the anti-spiking amount is no lower than \$1,250 nor higher than \$5,000. The ATRS Board set the anti-spiking percentage to 110% and the anti-spiking amount to \$5,000 by Resolution 2017-13 on April 17, 2017.

If a member has at least five (5) years of credited service the five (5) highest service year salaries shall be adjusted for anti-spiking and the final average salary will be calculated as follows:

- a. The service year salaries are ranked from lowest to highest.
- b. The lowest service year salary in the ranking shall be the base salary.
- c. The next-highest-ranked service year salary shall be compared to the base salary.
- d. The next-highest service year salary in the calculation of final average salary that is less than eight (8) years from the base salary year, shall not exceed the base salary value plus \$5,000 unless the next-highest year's value is less than or equal to 110% of the base salary.
- e. After comparison of the base salary to the next-highest service year salary, a reduction to the next-highest service year salary is made if required to satisfy the conditions of the prior step.
- f. The next-highest service year salary, with any required reduction, becomes the new base salary to compare to the next succeeding highest service year salary in the ranking until all service year salaries in the ranking have been compared.
- g. The total value of the base salaries shall then be divided by the applicable number of years to be used in computing final average salary.

## Summary of Benefit Provisions June 30, 2023

**Final Average Salary (FAS) – A.C.A. § 24-7-736 and A.C.A. § 24-7-601 (Cont.)** ATRS members with reciprocal service credit will also have a reciprocal FAS calculated. The reciprocal FAS is generally a value calculated by the non-ATRS reciprocal system. Effective March 2, 2021, ATRS will use the value calculated by the non-ATRS reciprocal system only if the member has at least two (2) years of service credit in that system.

The highest of the 5-year FAS, benchmark 3-year FAS, or reciprocal FAS will be used to calculate retirement benefits for the member.

6. **Age & Service Annuity and Disability Annuity – A.C.A. §§ 24-7-705, 24-7-727 (stipend).** The annuity payable will not be less than the total of: years of contributory service times 2.15% of FAS; plus years of noncontributory service times 1.39% of FAS (1.25% for service earned after 2019); plus a stipend for all members with 10 or more years of ATRS actual service. The ATRS Board is allowed to set the contributory multiplier for service credit earned after June 30, 2013, within a range of 1.75% to 2.15%. Also, the noncontributory multiplier for service credit earned after June 30, 2013, may be set within a range of 0.5% and 1.39%. In addition, the Board is allowed to set special multiplier rates for the first 10 years of ATRS service earned after June 30, 2013, for both contributory and noncontributory service. By Board Resolution 2017-31 on November 13, 2017, the noncontributory multiplier was set to 1.25% beginning in FY 2020. By Board Resolution 2017-32 on November 13, 2017, the contributory multiplier and noncontributory multiplier for the first 10 years of service was set to 1.75% and 1.0% respectively beginning July 1, 2018. Once a member accrues 10 years of service, all service including the first 10 years is then credited at the standard multiplier rate in place at the time the service was earned.
7. **T-DROP – A.C.A. §§ 24-7-1301–1316.** A member with 28 or more years of service may participate in the Teacher Deferred Retirement Option Plan (T-DROP). T-DROP participants do not make member contributions. A T-DROP deposit is made monthly to the participant's T-DROP account. The T-DROP deposit is the amount that would have been paid had the member retired, reduced by 1% for each year of contributory, noncontributory, and reciprocal service. Members who enter T-DROP with less than 30 years of service are subject to an additional 6% reduction for each year less than 30 years. T-DROP deposits are increased each year by 3% of the member's initial T-DROP deposit. T-DROP Deposits cease at the earlier of 10 years of T-DROP participation or separation from service. T-DROP participants may continue in covered employment after 10 years of T-DROP participation, but do not accumulate additional T-DROP deposits.

T-DROP participants receive interest annually on the balance of the T-DROP account. Regular T-DROP interest is credited for 10 or less years of participation. Post 10-year T-DROP interest is credited for more than 10 years of participation.

Regular T-DROP interest is a combination of a fixed interest rate and an incentive interest rate. An incentive rate may be approved by the Board to encourage continued participation in T-DROP, if the estimated ATRS rate of return is 2% greater than the ATRS actuarial assumed rate of return in the preceding calendar year. Beginning in fiscal year 2019, the Board has set the Regular T-DROP fixed interest rate at 3% and the maximum incentive rate at 3% by Resolution 2017-35 on November 13, 2017.

## Summary of Benefit Provisions

### June 30, 2023

**T-DROP – A.C.A. §§ 24-7-1301–1316 (Cont.)** The fixed and incentive interest rates may be adopted by board resolution before the first quarter of the fiscal year and would apply to subsequent fiscal years unless modified by the Board. For fiscal year 2022, the Board set the Regular T-DROP fixed interest rate at 3% and the incentive interest rate at 3%, resulting in a total interest rate of 6%, by Resolution 2021-33 on September 27, 2021.

Post 10-year T-DROP interest has been in effect since July 1, 2010. The Post 10-year T-DROP interest rate can be determined as appropriate by the Board and adopted by the resolution prior to the first quarter of the fiscal year in which the interest rate shall apply. Post 10-year T-DROP interest is a combination of a variable interest rate and an incentive interest rate, to encourage continued participation in T-DROP. The Post 10-year T-DROP variable interest rate formula is based on investment returns and other factors. On November 13, 2017, the ATRS Board by Resolution 2017-36 set the formula for the variable interest rate and the maximum combined variable and incentive interest rate for fiscal year 2019 and beyond. The Post 10-year T-DROP variable interest rate is calculated as 2% less than the system's rate of return, but not less than 4%, nor greater than 6%. The maximum Post 10-year T-DROP combined interest rate including the incentive interest rate is 7.5%. The Post 10-year T-DROP incentive interest rate can be awarded if the estimated ATRS rate of T-DROP – A.C.A. § 24-7-1301-1316 return is 2% greater than the ATRS actuarial assumed rate of return in the preceding calendar year. For fiscal year 2022, the Board set the Post 10-year T-DROP variable interest rate at 6% and the incentive interest rate at 1.5%, resulting in a combined interest rate of 7.5%, by Resolution 2021-35 on September 27, 2021.

Upon actual retirement, the member may receive the T-DROP account balance in the form of a lump sum, a Cash Balance Account (CBA), or as an additional annuity. The T-DROP distribution may be a combination of lump sum, CBA, and additional annuity.

8. **Post-Retirement Increases – A.C.A. §§ 24-7-713, 24-7-727 (compound COLA).** Each July 1, annuities are adjusted to be equal to the base annuity times 100% plus 3% for each full year in the period from the effective date of the base annuity to the current July 1. The base annuity is the amount of the member's annuity on the later of July 1, 2001 or the effective date of retirement. The July 1, 2009 cost of living adjustment for retirees was compounded. The annuity was set to 103% of the June 30, 2009 retirement benefit amount. After it was calculated on July 1, 2009, the base amount was reset to be the July 1, 2009 benefit amount. Future cost of living raises will be established by the new updated base amount. Future cost of living adjustments will be evaluated on an annual basis to determine if a simple or compound cost of living increase will be given, depending on the financial condition of the System.
9. **Survivor Benefits – A.C.A. § 24-7-710.** Upon the death of an active member, who has 5 or more years of actual and reciprocal service, the following annuities are payable:
  - (a) The surviving spouse receives an annuity computed in the same manner as if the member had (i) retired the date of his death with entitlement to an annuity, (ii) elected Option A - 100% Survivor Annuity, and (iii) nominated the spouse as joint beneficiary. If the member has attained age 60 and has acquired 5 years of credited service or has acquired 25 years of

# Summary of Benefit Provisions

## June 30, 2023

### **Survivor Benefits – A.C.A. § 24-7-710. Cont.**

- (a) credited service regardless of age, the annuity begins immediately; otherwise the annuity begins the month following the date the member would have attained age 60. Under certain circumstances, a lump sum distribution may be made to the beneficiary(ies) of the deceased member.
  
- (b) A surviving child's benefit is prorated to an amount equal to 1% of the member's highest salary year for each quarter of a year credited as actual service in the system, up to 20% or up to a maximum of \$20,000 per year. If there is more than 1 surviving dependent, the benefits are capped to the lesser of 60% of the member highest salary or \$60,000 per year to be divided equally among the dependents. A child is dependent until the child's death, marriage, or attainment of age 18 (age 23 if the child is a full-time student).

A child of a deceased member is considered a dependent child and is eligible for the dependent child annuity to eighteen years of age or older, but no older than twenty-three years of age if the dependent child stays continuously enrolled as a full-time student at an accredited school, college, university or vocational-technical school.

- 10. **Lump Sum Death Benefit – A.C.A. § 24-7-720.** Beneficiaries of deceased active members or retirees with 10 or more years of ATRS credited service are eligible to receive a lump sum death benefit of up to \$10,000. Resolution 2020-27 on September 28, 2021 set the minimum amount of the lump sum death benefit for all eligible members to six thousand six hundred sixty-seven dollars (\$6,667); retired members who retired on or before July 1, 2007 will receive an additional six hundred sixty-six dollars and sixty cents (\$666.60) for each contributory year of service credit up to the maximum amount of ten thousand dollars (\$10,000); and all other members will receive an additional three hundred thirty-three dollars and thirty cents (\$333.30) for each contributory year of service credit up to the maximum amount of ten thousand dollars (\$10,000).
  
- 11. **Member Contributions – A.C.A. § 24-7-406.** Contributory members pay 7% of their salaries. Through FY 2019, contributory members contributed 6% of their salaries. Members that are participating in the T-DROP program or are working retirees do not make member contributions. If a member leaves service prior to becoming eligible to retire, the accumulated member contributions are returned upon request. No interest is credited to a member's contributions for the first year of membership; after 1 year, interest is credited. The ATRS Board set the interest rate on refunded contributions to 0.08% for fiscal year 2017 and beyond by Resolution 2017-17 on April 17, 2017. By Resolution 2017-30 on November 13, 2017, the Board set the member contribution rate to 6.25%, 6.50%, 6.75%, and 7.00% for FY 2020, FY 2021, FY 2022, and FY 2023 respectively and 7.00% thereafter. Effective July 1, 1986, a noncontributory plan was created. Effective July 1, 1999 the default choice for new members is contributory. Effective July 1, 1997, all future member contributions are tax deferred in accordance with §414(h) of the Internal Revenue Code of the United States. Each July 1, members who previously elected to be noncontributory may elect to change to contributory status. The election is irrevocable.

A member, who was reported as non-contributory and should have been contributory, may remain in a non-contributory status for the current fiscal year and will be pending for the next fiscal year as

## Summary of Benefit Provisions

### June 30, 2023

11. **Member Contributions – A.C.A. § 24-7-406 (Cont.)** contributory. If the member owes contributions, he or she may have the system convert the contributory service to noncontributory service rather than pay the balance due.

Members who are contracted for 181 days or more in a fiscal year must be contributory. Effective July 1, 2021 the number of contracted days increased to 185.

12. **Act 808 Retirement – A.C.A. § 24-4-732.** Any employee of a state agency who was an active member of the Arkansas Teacher Retirement System on April 8, 1987, and who qualified for retirement before January 1, 1988, could become a member of the Arkansas Public Employees Retirement System and retire from that system. All credited service was transferred to that system but the member's contributions were retained by the Arkansas Teacher Retirement System and the benefit amount is transferred monthly to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).
13. **Act 793 Retirement – A.C.A. § 24-4-522.** Any employee who was a member of the rehabilitation services in 1977 was permitted to become a member of the Arkansas Public Employees Retirement System. Liabilities associated with prior service earned through June 30, 1978 remain in the Arkansas Teacher Retirement System. Future service is allocated to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).
14. **Retiree Benefit Stipend – A.C.A. § 24-7-713.** The current stipend amount is \$50 per month. Each retired member as of June 30, 2008, with 5 or more years of ATRS credited service receives a \$75 per month stipend. Members in T-DROP do not receive the \$75 per month stipend until actual retirement. For all members retiring on or after July 1, 2008, a minimum of 10 years of ATRS credited service is required to receive the \$75 per month stipend. The ATRS Board is allowed to set the stipend to a minimum of \$1 per month and a maximum of \$75 per month. By Board Resolution 2017-34 on November 13, 2017 the benefit stipend is removed from the base amount for all retirees and beneficiaries beginning in fiscal year 2019 and the benefit stipend will be reduced to \$50.00 for fiscal year 2020 and beyond. The Resolution contains a "hold harmless" provision that prevents the lowering of the stipend if it would actually reduce the total monthly benefit. This would only affect retirees when the COLA is less than \$25 per month.

15. **Optional Forms of Benefits – A.C.A. § 24-7-706:**

#### **Option 1 (Straight Life Annuity)**

A member will receive the maximum monthly benefit for which he/she qualifies, throughout his/her lifetime. No monthly benefits will be paid to his/her beneficiary after the member's death. Should a member die before he/she has drawn in benefits an amount equal to his/her contributions plus earned interest, the balance will be paid to a designated beneficiary. The designated beneficiary may be anyone chosen by the member.



# Summary of Benefit Provisions

## June 30, 2023

### **Option A (100% Survivor Annuity)**

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary(ies) will receive (equal shares of) the same annuity for the balance of his/her lifetime.

### **Option B (50% Survivor Annuity)**

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary(ies) will receive (equal shares of) one-half (1/2) of this annuity for the balance of his/her lifetime.

### **Option C (Annuity for Ten Years Certain and Life Thereafter)**

A reduced monthly benefit payable for 120 months. After that time, a member's monthly allowance will revert to the amount he/she would have received under the regular plan and continue for life. If the member dies before receiving 120 payments, the designated beneficiary will receive a monthly benefit in the same amount until monthly benefits to both the member and the beneficiary equal 120 monthly payments. No further benefits are then payable to the beneficiary.

### **Pop-Up Election**

Following the death of or a divorce from the member's designated beneficiary, his or her benefit reverts (pops-up) to the straight life annuity amount from the elected optional annuity amount. The member may then elect new beneficiaries in accordance with Arkansas Code and rules adopted by the ATRS board.

Option Factors are based upon a 5.0% interest rate and the PUB-2010 General Healthy Retiree/MP-2020 tables (generational projections using retirement year 2025) adjusted with a 50% unisex mix.

16. **Refund of Member Contributions – A.C.A. § 24-7-711.** Any termination refund made to a member or a lump sum payout made to a surviving spouse after July 1, 2011, cancels all service credit, including noncontributory service credit; any repurchase of refunded service will be as contributory years at actuarial cost. All membership rights (including noncontributory service credit) and beneficiary designations to the ATRS are cancelled when a member gets a refund of his or her contributions.
17. **Contract Buyout – A.C.A. § 24-7-735.** During periods of contract buyout/litigation/termination, members will not receive service credit if no on-call service or on-site work is performed. ATRS will not allow the purchase of the time between actual work and the settlement unless the settlement was made to resolve a claim of wrongful termination.
18. **Actuarial Cost of Service – A.C.A. §§ 24-1-107, 24-2-502, 24-7-202, 24-7-406, 24-7-501, 24-7-502, 24-7-612, 24-7-602, 24-7-603, 24-7-604, 24-7-606, 24-7-607, 24-7-610, 24-7-611.** Effective July 1, 2011, all service purchases will be at actuarial cost. Act 279 of 2021 allows inactive members to purchase service at actuarial cost before monthly retirement benefits or T-DROP deposits begin.
19. **Deceased Member Refund of Contributions – § 24-7-711.** Effective July 1, 2011, if a beneficiary is not eligible for survivor benefits, or if a surviving spouse is eligible and chooses a contribution refund, the interest on the refund stops the July 1 following the member's death.

## Summary of Benefit Provisions

### June 30, 2023

20. **Look-back Period – A.C.A. §§ 24-7-202, 24-7-205.** Effective July 1, 2011, absent intentional nondisclosure, fraud, misrepresentation, criminal act, or obvious/documentated error by an employer of ATRS members can no longer establish old service previously unreported unless such service is acquired by purchase at actuarial cost. ATRS is allowed to correct an understated service credit error upon which all required contributions have been paid or when understated service credit is well documented and undisputed, even if beyond the 5-year look-back period.
21. **Service Credit Requirements – A.C.A. §§ 24-7-501, 24-7-502, 24-7-601, 24-7-603, 24-7-604, 24-7-606, 24-7-607, 24-7-611.** Effective July 1, 2011, members must receive 160 days of service to be credited with a year of service credit.
22. **T-DROP Cash Balance Account.** Effective July 1, 2012, a T-DROP cash balance account was established that allows members exiting (retiring) from T-DROP to place all or a portion of their T-DROP proceeds into a Cash Balance Account (CBA) at ATRS. On November 13, 2017, by Resolution 2017-38 the Board set the CBA interest rate schedule based on years of participation as follows: 2.50% for year one, 2.75% for year two, 3.00% for year three, 3.25% for year four, 3.50% for year five, and 4.00% for year six and beyond. Each fiscal year, the Board can grant an incentive interest rate to encourage continued participation in the CBA program. For fiscal year 2022, the Board granted CBA participants an incentive rate of 1.0%, by Resolution 2021-36 on September 27, 2021.
23. **Purchase of “Air Time” as a Result of Wrongful Termination – A.C.A. §§ 24-7-702, 24-7-735, 6-17-413.** A member is allowed to purchase service credit under a settlement agreement or court order to resolve a claim of wrong termination if the service credit is purchased from the date of termination by an ATRS employer to the date of the resolution of the dispute. This service credit would be purchased at actuarial cost.
24. **Buyout of Inactive Members – A.C.A. § 24-7-505.** The ATRS Board created a voluntary "buyout plan" for inactive vested members. The System will make a one-time lump sum payment to a member, a surviving spouse, or an alternate payee in exchange for a member, surviving spouse, or alternate payee's cancellation of membership and retirement benefit rights. The buyout plan will be established by Board rules. Rule 16 Cash and Savings Help Program for Members (CASH) defines the terms of the “buyout plan”. Depending upon the success of the plan, it may be extended by the Board. The ATRS Board expanded the CASH program to include all inactive vested members, regardless of service type by Resolution 2017-18 on May 10, 2017. The ATRS Board offered the FY 2022 CASH program for all inactive vested members to end on June 30, 2022 by Resolution 2021-37 on September 27, 2021.
25. **Private School Service – A.C.A. § 24-7-607.** Prior to 2015, private school service had to be recognized by the Arkansas Department of Education as positions that required the issuance of teaching licenses. The certification of this service credit was performed by one employee of the Arkansas Department of Education, and that one employee retired. Upon that employee's retirement, the Arkansas Department of Education no longer certified private school service credit. No certifications occurred for approximately a year until legislation could be passed to allow ATRS to make this determination. In addition, a distinction was made between certified and noncertified private school service credit. Certified private school service (basically administrative and teaching) could be purchased at actuarial cost, up to 15 years. Noncertified private school service could be purchased at actuarial cost, up to 5 years.

## Summary of Benefit Provisions

### June 30, 2023

26. **Military Service Credit – A.C.A. § 24-7-602.** Act 301 of 2015 made technical corrections to the ATRS laws. In the military service credit section, ATRS was not in compliance with a state law that was passed in 2009, Act 295, which repealed the requirement for free military service credit to be granted only if the service was not credited under any other plan except Social Security and the requirement that receipt of a pension from the federal military retirement system paid solely for disability shall not be considered as having service with another retirement plan. The military technical corrections bill raised questions by some of the legislators, and Act 558 of 2015 was passed to further clarify military service credit. Compulsory military service was changed throughout the law to read: "federal military draft". The word "honorable" was inserted before discharge in order for the member to obtain free military service credit throughout the law.
27. **Pension Advance Prohibition – A.C.A. § 24-7-715.** Prohibits a pension advance company from obtaining a retiree's benefit to repay a loan.
28. **Accrued Sick Leave – A.C.A. § 24-7-601.** Unused accrued sick leave, whether paid or unpaid, is allowed to count as service credit to determine retirement eligibility for survivor benefits and lump sum death benefits. One day of service shall be added to the service credit for the fiscal year of the member's death for each day of unused sick leave. This does not include catastrophic leave and other unused donated leave.
29. **Spousal Survivor Benefit – A.C.A. § 24-7-710.** Members may direct an alternative residual beneficiary to receive a lump sum payment of the member's residue amount or T-DROP balance. No spousal survivor benefits will be payable if an alternative beneficiary who is not the surviving spouse is designated by the member.
30. **Settlement Agreements – A.C.A. § 24-7-202, § 24-7-735.** Salary or service credit may be purchased as part of a settlement agreement between a member and their employer. Salary will be added to the salary at the time of purchase and will be determined using the same factors used to calculate an additional monthly benefit in the annuitization of a T-DROP distribution. It is assumed the member would have retired immediately at the time of the purchase.
31. **Outsourcing – A.C.A. § 24-7-506.** Outsourcing is defined to mean employment for an ATRS covered employer through a third party, private employer, independent contractor, or other contractual relationship. A person who performs services that are necessary for the normal daily operation for an ATRS covered employer is considered an Embedded Employee. The ATRS covered employer has a one-time decision to choose between two options for handling their Embedded Employees. The first option for the ATRS covered employer is to become a participating employer and make embedded employees participating members of ATRS. The second option for the ATRS covered employer is to become a Surcharge Employer and opt to pay a surcharge on the Embedded Employee's salary to ATRS to help cover the actuarial cost. The surcharge starts at ½% the first year and slowly rises to 3% over 4 years with a hard cap of 4%. The Embedded Employees of a Surcharge Employer will not be members of ATRS. The services necessary for normal daily operations include: substitute teaching, teacher's aides, food service, transportation service, custodial service, security services, and school nursing. Only those working on the premises are subject to the surcharge. The surcharge is ONLY on

## Summary of Benefit Provisions

### June 30, 2023

**Outsourcing – A.C.A. § 24-7-506 (Cont.)** SALARY of embedded employees. All salary is reported in the aggregate with the contractor's salary amount being the final word unless it is clearly in error. The Division of Youth Services shall be a participating Employer and may designate any or all Embedded Employees as members of ATRS. The law does not apply to post-secondary higher education institutions.

32. **Concurrent Reciprocal Service Credit – A.C.A. § 24-7-601.** ATRS members have the option of waiving their ATRS service in the event the member had concurrent service in two (2) state supported retirement systems. The member has the option to surrender either ATRS service or the reciprocal plan service. If a member worked full-time under a reciprocal retirement system and only part-time under ATRS, the member can to waive the ATRS service to obtain a higher benefit based upon the full-time service in the other system. Concurrent reciprocal members have the option to voluntarily elect to waive service in ATRS.
33. **Employer Contribution Rate – A.C.A. § 24-7-401.** Employer contributions are collected on active members, T-DROP participants (even those who work beyond the 10-year participation period), and working retirees. Through fiscal year 2019, the employer contribution rate is 14%. For the fiscal year beginning July 1, 2018, the Board may modify the employer contribution rate for future fiscal years above 14% in increments of 0.25% per fiscal year provided the system has a greater than 18-year amortization period to pay unfunded liabilities without an employer contribution rate of more than 14% limited to a maximum employer contribution rate of 15%. By Resolution 2017-40 on November 13, 2017, the Board set the employer contribution rate to 14.25%, 14.50%, 14.75%, and 15.00% for FY 2020, FY 2021, FY 2022, and FY 2023 respectively and 15.00% thereafter.
34. **Forfeiture of Benefits by Certain Persons – A.C.A. §§ 24-1-301, 302, 303, 304, 305.** A beneficiary's benefits under a public retirement system can be forfeited when the beneficiary unlawfully kills a member or retiree.
35. **Socially responsible investments – A.C.A. § 24-7-105.** A decision on whether to invest, not invest, or withdraw from investment the funds of the Arkansas Teacher Retirement System or an alternate retirement plan of the system shall not be based on a consideration that the location of the investment, fund, company, or any other type of investment vehicle is in the State of Israel.
36. **Normal Retirement Age & Separation Period – A.C.A. §§ 24-7-202, 24-7-502.** In order for a member to start drawing retirement benefits the IRS requires them to have a bona fide termination of employment or have attained the “normal retirement age”. ATRS ensures the bona fide termination of employment by requiring a member stay separated from covered employment for six (6) months before returning to work for an ATRS covered employer. The ATRS "normal retirement age" is defined as age 65 with 5 years of actual service OR at least age 60 years of age or older if the member's age and the member's combined years of actual service, T-DROP service and reciprocal service total 98. A member who has attained the normal retirement age may draw full retirement benefits and remain employed without separating from employment.

## Sample Benefit Calculations for a Member Retiring June 30, 2023

The data for the Example member is shown below:

A.	\$35,000	Final Average Compensation
B.	32	Total Service Credit
C.	27	Contributory Service Credit
D.	60	Age of Retiree
E.	55	Age of Spouse
F.	100%	Percentage of Retirement Allowance to Continue to Spouse after Retiree's Death (Retiree Chooses this Percentage)

The computations that would be made for this case are:

	<b>Annual</b>
G. Non-Contributory Base: $1.39\% \times A \times B$	\$15,568
H. Extra for Contributory: $0.76\% \times A \times C$	<u>7,182</u>
I. Subtotal Benefit: G + H	22,750
J. Health Stipend	<u>600</u>
K. Total Benefit: I + J	23,350
L. Adjustment for Line F election: $(1 - 0.78571) \times I$	<u>4,875</u>
M. Annual Amount Payable	\$18,475

Projected Benefits, taking into account increases after retirement would be:

Year Ended June 30	Annual Amount
2024	\$18,475
2025	19,011
2026	19,547
2027	20,083
2028	20,619

Thereafter, the amount would increase by \$536 annually for life.

## Sample T-DROP Benefit Calculations for a Member Entering T-DROP June 30, 2023

The data for the Example member is shown below:

A.	\$35,000	Final Average Compensation
B.	28	Total Service Credit
C.	28	Contributory Service Credit
D.	55	Age of Retiree

The computations that would be made for this case are:

		<b>Annual Amount</b>
E.	Non-Contributory Base: $1.39\% \times A \times B$	\$13,622
F.	Extra for Contributory: $0.76\% \times A \times C$	7,448
G.	Reduction for T-DROP Plan: (1% for each year of service) $0.28 \times (E+F)$	5,900
H.	Reduction for Entering T-DROP with less than 30 years of service (6% for each year less than 30): $0.12 \times (E + F - G)$	<u>1,820</u>
I.	Annual Deposit $E + F - G - H$	\$13,350

Projected Deposits, taking into account increases after DROP, and 5 years duration would be:

<b>Year Ended June 30</b>	<b>Amount Deposited</b>
2024	\$13,350
2025	13,751
2026	14,151
2027	14,552
2028	<u>14,952</u>
Total	\$70,756

The amount deposited, plus credited interest, can be paid as a lump sum or as an annuity. A portion of the deposits can also be placed into a Cash Balance account.

## SECTION D

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### **FINANCIAL INFORMATION**

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items the auditor changes so that we may maintain consistency with the System's financial statements.

## Asset Valuation Method

An essential step in the valuation process is comparing valuation assets with computed liabilities. Valuation assets are those assets that are recognized for funding purposes.

Asset valuation methods are distinguished by the timing of the recognition of investment income. Total investment income is the sum of ordinary income and capital value changes. Under a pure market value approach, ordinary investment income and all capital value changes would be recognized immediately. Because of market volatility, use of pure market values in retirement funding can result in volatile contribution rates and unstable financial ratios, contrary to ATRS' objectives.

Under the ATRS asset valuation method (see page D-3), assumed investment return is recognized fully each year. Differences between actual and assumed investment return are phased-in over a closed four-year period. During periods when investment performance exceeds the assumed rate, the funding value will tend to be less than the market value. Conversely, during periods when investment performance is less than the assumed rate, funding value will tend to be greater than market value. If assumed rates are exactly realized for three consecutive years, funding value will become equal to market value.

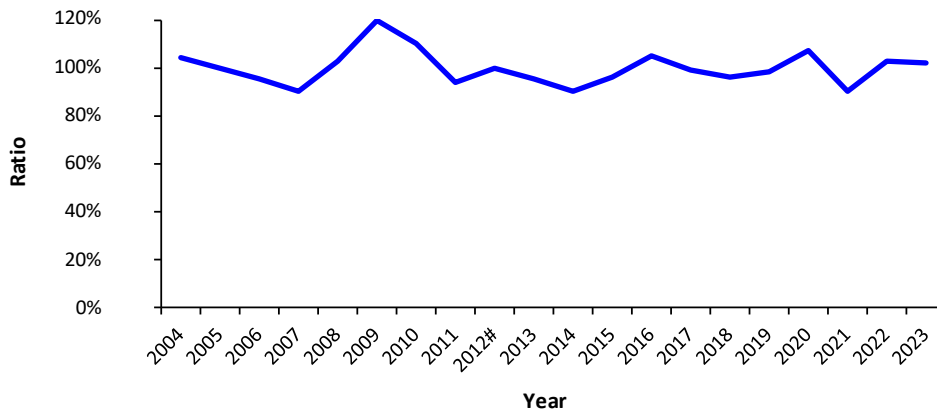
A multi-year comparison of market value to funding (actuarial) value is on the following pages.



## Asset Valuation Method

Valuation Date June 30	Market Value of Assets (1)	Funding Value of Assets (2)	Ratio of FV to MV (2) / (1)
2004	\$ 8,122	\$ 8,424	104%
2005	8,811	8,817	100%
2006	9,868	9,332	95%
2007	11,637	10,519	90%
2008	11,018	11,319	103%
2009	8,847	10,617	120%
2010	9,884	10,845	110%
2011	11,895	11,146	94%
2012#	11,484	11,484	100%
2013	12,830	12,247	95%
2014	14,856	13,375	90%
2015	15,036	14,434	96%
2016	14,559	15,239	105%
2017	16,285	16,131	99%
2018	17,493	16,756	96%
2019	17,742	17,413	98%
2020	16,902	18,007	107%
2021	21,469	19,343	90%
2022	19,679	20,328	103%
2023	20,675	21,015	102%

**Ratio of Funding Value to Market Value**



# Funding Value set equal to Market Value.

This year the market value of assets is less than the funding value (see page A-2 for a more detailed explanation). To prevent unreasonably large differences between market value and funding value, there is a requirement that the recognized assets must always be between 80% and 120% of the market value (see page D-3).

## Development of Funding Value of Assets

Year Ended June 30:	2020	2021	2022	2023	2024	2025	2026
A. Funding Value Beginning of Year	\$ 17,412,534,651	\$ 18,007,255,143	\$ 19,342,870,512	\$ 20,328,281,484			
B. Market Value End of Year	16,902,076,224	21,468,772,872	19,679,467,252	20,675,051,918			
C. Market Value Beginning of Year	17,741,621,773	16,902,076,224	21,468,772,872	19,679,467,252			
D. Non-Investment Net Cash Flow	(665,324,622)	(676,930,006)	(192,363,759) *	(688,831,775)			
E. Investment Return							
E1. Market Total: B - C - D	(174,220,927)	5,243,626,654	(1,596,941,861)	1,684,416,441			
E2. Assumed Rate	7.50%	7.50%	7.25%	7.25%	7.25%	7.25%	7.25%
E3. Amount for Immediate Recognition	\$ 1,280,990,426	\$ 1,325,159,261	\$ 1,395,384,926	\$ 1,448,830,256			
E4. Amount for Phased-In Recognition: E1-E3	(1,455,211,353)	3,918,467,393	(2,992,326,787)	235,586,185			
F. Phased-In Recognition of Investment Return							
F1. Current Year: 0.25 x E4	(363,802,838)	979,616,848	(748,081,697)	58,896,546	Unknown	Unknown	Unknown
F2. First Prior Year	(85,342,509)	(363,802,838)	979,616,848	(748,081,697) \$	58,896,546	Unknown	Unknown
F3. Second Prior Year	156,914,612	(85,342,509)	(363,802,838)	979,616,848	(748,081,697) \$	58,896,546	Unknown
F4. Third Prior Year	271,285,423	156,914,613	(85,342,508)	(363,802,839)	979,616,849	(748,081,696) \$	58,896,547
<b>F5. Total Recognized Investment Gain</b>	<b>(20,945,312)</b>	<b>687,386,114</b>	<b>(217,610,195)</b>	<b>(73,371,142)</b>	290,431,698	(689,185,150)	58,896,547
G. Funding Value End of Year:							
G1. Preliminary Funding Value End of Year: A+D+E3+F5	<b>18,007,255,143</b>	<b>19,342,870,512</b>	<b>20,328,281,484</b>	<b>21,014,908,823</b>			
G2. Upper Corridor Limit: 120% x B	<b>20,282,491,469</b>	<b>25,762,527,446</b>	<b>23,615,360,702</b>	<b>24,810,062,302</b>			
G3. Lower Corridor Limit: 80% x B	<b>13,521,660,979</b>	<b>17,175,018,297</b>	<b>15,743,573,802</b>	<b>16,540,041,535</b>			
<b>G4. Funding Value End of Year</b>	<b>18,007,255,143</b>	<b>19,342,870,512</b>	<b>20,328,281,484</b>	<b>21,014,908,823</b>			
H. Actual/Projected Difference between Market and Funding Value	(1,105,178,919)	2,125,902,360	(648,814,232)	(339,856,905)	(630,288,603)	58,896,547	-
I. Market Rate of Return	(1.00)%	31.66 %	(7.47)%	8.71 %			
J. Funding Rate of Return	7.38 %	11.39 %	6.12 %	6.88 %			
K. Ratio of Funding Value to Market Value	106.54 %	90.10 %	103.30 %	101.64 %			

\* Includes \$507.4 million from the settlement of a lawsuit.

The Funding Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased-in over a closed four-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. **The Funding Value of Assets is unbiased with respect to Market Value.** At any time, it may be either greater or less than Market Value. If assumed rates (applied to the funding value of assets) are exactly realized for three consecutive years, it will become equal to Market Value.

**The assets** of the Retirement System, as of June 30, 2023, were reported to your actuary to be \$20,675,051,918. This amount, increased by a funding value adjustment of \$339,856,905 this year, is used to finance the Retirement System liability.

Accounts	Assets as of June 30	
	2023	2022
Regular Accounts		
Members' Deposit Accounts		
Contributions	\$ 1,718,903,627	\$ 1,619,234,265
Interest	11,599,922,370	10,879,135,880
Total	13,318,825,997	12,498,370,145
T-DROP Member Deposit Accounts		
Contributions	32,472,783	28,418,105
Interest	18,548,379	19,012,373
Total	51,021,162	47,430,478
Cash Balance Account	226,279,957	207,565,576
Employer's Accumulation Account	(7,256,480,855)	(7,008,787,923)
Retirement Reserve Account	13,886,819,183	13,468,111,609
Act 808 Retirement Reserve Account	6,235,877	6,840,591
T-Lump Sum Payable	320,171,587	339,803,043
Survivors Benefit Account	112,186,981	110,412,603
Total Regular Accounts	20,665,059,889	19,669,746,122
Other Accounts		
Income Expense Account	9,992,029	9,721,130
Other Special Reserves	-	-
Miscellaneous	-	-
Total Other Accounts	9,992,029	9,721,130
Total Accounting Value of Assets	20,675,051,918	19,679,467,252
Funding Value Adjustment	339,856,905	648,814,232
Funding Value of Assets	\$ 21,014,908,823	\$ 20,328,281,484

## Market Value of Assets

The net market value of assets at year-end was \$20,675,051,918 and was invested as shown below:

	Market Value at June 30	
	2023	2022
Cash	\$ 349,165,471	\$ 367,097,595
Receivables		
Unsettled Trades and Accrued Return	58,090,474	50,990,481
Member Contributions	11,023,509	10,473,412
Employer Contributions	33,734,466	32,672,388
Other	669,443	668,209
Total Receivables	103,517,892	94,804,490
Investments		
Public Equity	3,715,263,524	3,653,122,876
Fixed Income	1,686,126,493	1,385,176,472
Real Estate	175,694,289	203,361,821
Pooled	5,555,585,690	5,411,394,612
State Recycling Tax Credits	129,552,000	144,000,000
Derivative	(17,623)	10,632
Alternative	9,005,490,511	8,472,390,498
Other	(133,457)	(580,788)
Total Investments	20,267,561,427	19,268,876,123
Invested Securities Lending	457,448,502	770,276,668
Net Equipment	210,730	191,687
Deferred Outflows Related to OPEB	493,831	685,899
Total Assets	21,178,397,853	20,501,932,462
Liabilities		
Survivor Benefits for Minors	14,148	14,149
Other Payables	6,576,235	6,838,994
Securities Related Payables	37,647,135	43,265,338
Securities Lending Collateral	457,448,502	770,276,667
Deferred Inflows Related to OPEB	1,659,915	2,070,062
Total Liabilities	503,345,935	822,465,210
Net Market Value	\$ 20,675,051,918	\$ 19,679,467,252
Change from Prior Year	995,584,666	(1,789,305,620)

## Market Value Reconciliation

Assets developed during the year as follows:

	Year Ended June 30	
	2023	2022
Net Market Value July 1	\$ 19,679,467,252	\$ 21,468,772,872
<b>Additions</b>		
Employer Contributions	536,619,031	501,522,604
Employee Contributions	200,610,721	183,315,252
Other (Including Settlement)	-	507,446,092
Appreciation	1,550,226,801	(1,729,497,003)
Interest	66,655,648	30,361,656
Dividends	128,765,267	151,306,900
Real Estate	6,437,924	6,387,875
Other	1,244,319	1,308,741
Securities Lending Activity	3,789,883	3,527,825
<b>Total Additions</b>	<b>2,494,349,594</b>	<b>(344,320,058)</b>
<b>Deductions</b>		
Age and Service Benefits	1,183,189,280	1,135,131,535
Disability Benefits	40,457,469	40,631,115
Option Benefits	39,659,615	36,681,111
Survivor Benefits	12,949,173	12,527,408
Reciprocal Service	67,375,786	64,615,316
Act 808	1,605,876	1,953,045
Refunds	12,583,767	10,426,792
Active Member Death	396,423	681,421
T-DROP Benefits	47,464,578	64,370,804
CBA Benefits	17,726,519	15,630,112
CASH Benefit Program	2,653,041	1,999,048
Investment Expense	64,810,579	53,687,251
Administrative Expense	7,892,822	6,650,604
<b>Total Deductions</b>	<b>1,498,764,928</b>	<b>1,444,985,562</b>
Miscellaneous	-	-
<b>Net Market Value June 30</b>	<b>\$ 20,675,051,918</b>	<b>\$ 19,679,467,252</b>

## Schedule of Funding Progress (Dollar Amounts in Millions)

Valuation Date June 30	(1) Funding Value of Assets	(2) Entry Age AAL	(3) UAAL (2)-(1)	(4) Funding Ratio (1)/(2)	(5) Annual Payroll	Liabilities as a % of Payroll		
						Unfunded (3)/(5)	Funded (1)/(5)	Total (2)/(5)
2004	\$ 8,424	\$ 10,050	\$ 1,626	83.8%	\$ 1,748	93.0%	481.9%	574.9%
2005	8,817	10,973	2,156	80.4%	1,962	109.9%	449.4%	559.3%
2006	9,332	11,623	2,291	80.3%	2,080	110.1%	448.7%	558.8%
2007+	10,519	12,329	1,810	85.3%	2,191	82.6%	480.1%	562.7%
2008+	11,319	13,334	2,015	84.9%	2,268	88.8%	499.1%	587.9%
2009	10,617	14,019	3,402	75.7%	2,318	146.8%	458.0%	604.8%
2010+	10,845	14,697	3,852	73.8%	2,381	161.8%	455.5%	617.3%
2011+*	11,146	15,521	4,375	71.8%	2,728	160.4%	408.6%	569.0%
2012	11,484	16,139	4,655	71.2%	2,714	171.5%	423.2%	594.7%
2013+*	12,247	16,718	4,471	73.3%	2,727	164.0%	449.1%	613.1%
2014	13,375	17,310	3,935	77.3%	2,758	142.7%	484.9%	627.6%
2015	14,434	18,136	3,702	79.6%	2,777	133.3%	519.8%	653.1%
2016	15,239	18,812	3,573	81.0%	2,785	128.3%	547.2%	675.5%
2017+*	16,131	20,298	4,167	79.5%	2,814	148.1%	573.2%	721.3%
2018+*	16,756	20,935	4,179	80.0%	2,872	145.5%	583.4%	728.9%
2019+	17,413	21,709	4,296	80.2%	2,907	147.8%	599.0%	746.8%
2020+	18,007	22,352	4,345	80.6%	2,954	147.1%	609.6%	756.7%
2021+*	19,343	23,987	4,644	80.6%	3,086	150.5%	626.8%	777.3%
2022+	20,328	24,697	4,369	82.3%	3,199	136.6%	635.4%	772.0%
2023+	21,015	25,592	4,577	82.1%	3,353	136.5%	626.8%	763.3%

+ Legislated benefit or contribution rate changes.

\* Revised actuarial assumptions.

A system with a high ratio of assets or liabilities to payroll will tend to experience more volatility than a system with a lesser ratio, assuming a similar asset allocation.

# Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base. In a fixed rate plan with unfunded liabilities, a reduction in covered payroll can have a negative effect on the system as actual employer contributions are based on a lower than expected payroll;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected. Teacher shortages and reductions in school age populations may have an effect on the System other than expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

# Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures are discussed below and on the following pages. An additional historical summary of plan maturity measures can be found on page D-11.

	2023	2022	2021	2020	2019
Ratio of the Market Value of Assets to Total Payroll	5.9	5.9	6.7	5.7	6.1
Ratio of Actuarial Accrued Liability to Payroll	7.3	7.4	7.5	7.6	7.5
Ratio of Actives to Retirees and Beneficiaries	1.3	1.4	1.4	1.4	1.5
Ratio of Net Cash Flow to Market Value of Assets	-3.3%	-1.0%	-3.2%	-3.9%	-3.6%
Duration of the Present Value of Future Benefits	14.16	14.03	14.02	13.83	13.82

## Ratio of the Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. The market value of assets is currently 5.9 times the payroll indicating that a return on assets 2% different from assumed would equal approximately 12% of payroll. Such a change could affect the amortization period by approximately five years based on 2023 results. While asset smoothing would reduce the effect, asset gains and losses much larger than 2% are common. An increasing level of this maturity measure generally indicates an increasing volatility in the amortization period.

## Ratio of Actuarial Accrued Liability to Payroll

As the ratio of actuarial accrued liability to payroll increases, the amortization period becomes increasingly sensitive to the effects of demographic gains and losses, and assumption changes. For example, a 1% demographic gain or loss would correspond to 7.3% of payroll and would affect the amortization period by three years based on the 2023 results.

## Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

## Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefits and expenses exceed contributions, and existing funds may be used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.



# Plan Maturity Measures

## Duration of Present Value of Future Benefits

The modified duration of the present value of future benefits may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, the current duration of 14.2 (which is based on a 7.25% discount rate) indicates that the present value of future benefits would increase approximately 14.2% if the assumed rate of return were lowered 1%. Such a change could affect the amortization period by 20 years or more.

## Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

## Plan Maturity Measures (Based on Market Value of Assets)

Valuation Date June 30	(1) Accrued Liabilities (AAL)	(2) Market Value of Assets	(3) Unfunded AAL (1)-(2)	(4) Valuation Payroll	(5) % Change in Payroll	(6) Funded Ratio (2)/(1)	(7) Annuitant Liabilities (AnnLiab)	(8) AnnLiab/AAL (7)/(1)	(9) Liability/Payroll (1)/(4)	(10) Assets/Payroll (2)/(4)	(11) Est. Portfolio Std. Dev.	(12) Std. Dev. % of Pay (10)x(11)	(13) Unfunded/Payroll (3)/(4)	(14) Net External Cash Flow (NECF)	(15) NECF/Assets (14)/(2)	(16) Portfolio Rate of Return	(17) 10-year Trailing Average
2012	\$ 16,139	\$ 11,484	\$ 4,655	\$ 2,803		71.2%	\$ 7,649	47.4%	575.8%	409.7%			166.1%	\$ (285)	-2.5%	-1.1%	6.6%
2013#	16,718	12,830	3,888	2,819	0.6%	76.7%	8,181	48.9%	593.0%	455.1%			137.9%	(337)	-2.6%	14.9%	8.0%
2014	17,310	14,856	2,454	2,851	1.1%	85.8%	8,777	50.7%	607.2%	521.1%			86.1%	(395)	-2.7%	19.2%	8.2%
2015	18,136	15,036	3,100	2,874	0.8%	82.9%	9,778	53.9%	631.0%	523.1%			107.9%	(445)	-3.0%	4.3%	7.7%
2016	18,812	14,559	4,253	2,888	0.5%	77.4%	10,430	55.4%	651.3%	504.0%			147.3%	(505)	-3.5%	0.2%	6.3%
2017#*	20,298	16,285	4,013	2,922	1.2%	80.2%	11,337	55.9%	694.7%	557.4%			137.3%	(556)	-3.4%	16.0%	6.0%
2018	20,935	17,493	3,442	2,986	2.2%	83.6%	11,851	56.6%	701.1%	585.8%	12.7%	77.3%	115.3%	(607)	-3.5%	11.4%	7.6%
2019	21,709	17,742	3,967	3,027	1.4%	81.7%	12,460	57.4%	717.2%	586.1%	12.5%	76.3%	131.1%	(642)	-3.6%	5.2%	10.4%
2020	22,352	16,902	5,450	3,078	1.7%	75.6%	12,890	57.7%	726.2%	549.1%	12.5%	71.5%	177.1%	(665)	-3.9%	-1.0%	8.8%
2021*	23,987	21,469	2,518	3,205	4.1%	89.5%	13,596	56.7%	748.4%	669.8%	13.8%	92.1%	78.6%	(677)	-3.2%	31.7%	9.6%
2022	24,697	19,679	5,018	3,320	3.6%	79.7%	14,044	56.9%	743.8%	592.7%	13.7%	81.1%	151.1%	(192)	-1.0%	-7.5%	8.9%
2023	25,592	20,675	4,917	3,492	5.2%	80.8%	14,511	56.7%	732.9%	592.1%	13.9%	82.3%	140.8%	(689)	-3.3%	8.7%	8.3%

(\*) ATRS had experience studies in these years leading to a change or "true up" in actuarial assumptions. A pattern of periodic studies is a sign of a well-run system and suggests the extent to which the liability measures the actuary provides are likely to be realistic.

(#) ATRS had benefit changes in these years. Benefit increases cause liabilities to rise; benefit decreases cause liabilities to fall. In either case benefit changes affect the year by year comparability of the measures on this page.

(6). The Funded ratio is the most widely known measure of a plan's financial strength, but the trend in the funded ratio is much more important than the absolute ratio. The funded ratio should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.

(9) and (10) The ratios of liabilities and assets to payroll gives an indication of both maturity and volatility. Many systems have values between 500% and 700%. Values significantly above that range may indicate difficulty in supporting the benefit level as a level % of payroll or an increased level of volatility in results.

(13) The ratio of unfunded liability to payroll gives an indication of the plan sponsor's ability to actually pay off the unfunded liability. A value above approximately 300% or 400% may indicate difficulty in discharging the unfunded liability within a reasonable time frame.

(14) and (15) The ratio of Net External Cash Flow to assets is an important measure of sustainability. Negative ratios are common and expected for a maturing system. In the longer term, this ratio should be on the order of approximately -4%. A ratio that is significantly more negative than that for an extended period could be a leading indicator of potential exhaustion of assets.

(16) and (17) Investment return is probably the largest single risk that most systems face. The year by year return and the 10-year geometric average give an indicator of the past performance of the investment program. Of course, past performance is not a guarantee of future results. Some of the trailing averaged are distorted by the extraordinary events of 2008 and 2021.

# Low-Default-Risk Obligation Measure

## Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDRM). The rationale that the ASB cited for the calculation and disclosure of the LDRM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the “right” liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.”

## Comparing the Accrued Liabilities and the LDRM

One of the fundamental financial objectives of ATRS is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of ATRS is set equal to the expected return on the System’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For ATRS, the investment return assumption is 7.25%.

The LDRM is meant to approximately represent the lump sum cost to secure benefits by purchasing low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDRM is very dependent upon market interest rates at the time of the LDRM measurement. The lower the market interest rates, the higher the LDRM, and vice versa. The LDRM results presented in this report are based on the projected unit credit actuarial cost method and discount rates based upon the June 2023 Treasury Yield Curve Spot Rates (monthly average). The 1-, 5-, 10- and 30-year rates follow: 5.29%, 3.99%, 3.61% and 3.84%.

Presented below are the actuarial accrued liability and the LDRM as of June 30, 2023 for ATRS.

Type of Member	Valuation Accrued Liabilities	LDRM
Retirees	\$14,510,824,580	\$19,425,406,435
Deferreds	697,814,529	1,299,446,005
Actives	10,383,372,829	16,684,907,712
<b>Totals</b>	<b>\$25,592,011,938</b>	<b>\$37,409,760,152</b>

# Low-Default-Risk Obligation Measure

## Commentary Regarding the LDROM

Some ways in which the LDROM can assist the ATRS Board of Trustees in a decision-making process include:

- (1) It provides information to potentially allow for better risk management for ATRS.
- (2) It places the appropriateness of potential employer contribution rate reductions or benefit enhancements in a better context.
- (3) It provides more complete information regarding the benefit security of the membership's benefits earned as of the measurement date.

**Potentially Allows for Better Risk Management:** A very useful risk metric to exhibit potential contribution rate volatility (or amortization period volatility for fixed rate plans) is the ratio of assets to payroll or AAL to payroll. How could we reduce that potential contribution rate volatility (or amortization period volatility for fixed rate plans)? The LDROM and Liability Driven Investing (LDI) are closely related concepts.

Other than reducing benefits, all other things being equal, the only way to reduce that volatility is to immunize (i.e., LDI) a portion of the System's liability. This does not mean that the System needs to immunize all of the liability. For example, if it could immunize half of it, it could reduce the contribution rate volatility in half. This would require the actuary to use a cash flow matching method to value that portion of the liabilities. This means that the actuary would not use the System's investment return assumption for this portion of the liability, but the yield curve resulting from the fixed income portfolio that is being used to immunize the liability. The value of the assets (i.e., fixed income portfolio) and the value of the immunized liability would move in tandem with any changes (up or down) in future interest rates. The result being that the immunized portion of the System's liability would reduce the potential of producing new unfunded actuarial accrued liabilities. However, the fixed income portfolio would still have the potential for credit default risk.

**Places the Appropriateness of Potential Employer Contribution Rate Reductions or Benefit Enhancements in a Better Context:** Many Public Employees Retirement System have adopted a funding policy. Many funding policies already take into account the System's funded ratio (based upon the AAL) when considering whether to allow for benefit enhancements or contribution rate reductions. For example, a System may not allow for a benefit enhancement if the funded ratio does not exceed a certain threshold. Similarly, a System may not allow for an employer contribution rate reduction in some circumstances. For example, a reduction to the employer normal cost contribution may not be allowed until the System reaches a funded ratio of 120%. Given the fact that most criteria are based upon the expectation of earning the investment return assumption, a System may want to also consider information based upon the LDROM criteria.

**Provides more Complete Information Regarding the Benefit Security of the Membership's Benefits Earned as of the Measurement Date:** Too often a high funded ratio (e.g., 100% funded) on an AAL basis is interpreted as benefit security for the participants. The fact that this funded ratio is based upon an expected measure is many times overlooked. If the AAL and LDROM measures are relatively close, then the System could consider securing benefits by investing in a low default risk laddered bond portfolio.

## SECTION E

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### COVERED MEMBER DATA

**Active Members in Valuation June 30, 2023**  
**by Attained Age and Years of Service**  
**(Excludes T-DROP and Rehired Retirees)**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	720							720	\$ 2,250,399
20-24	2,353	18						2,371	62,564,059
25-29	4,804	1,344	4					6,152	253,894,513
30-34	3,255	3,457	816	4				7,532	329,886,799
35-39	2,800	2,365	2,577	738	7			8,487	393,835,409
40-44	2,507	2,105	1,737	2,627	613	5		9,594	476,967,042
45-49	1,794	1,676	1,493	1,756	2,136	539		9,394	499,109,439
50-54	1,633	1,400	1,340	1,644	1,625	1,813	65	9,520	504,506,622
55-59	1,242	1,079	908	1,335	1,268	1,102	103	7,037	329,180,355
60	254	190	163	225	240	200	15	1,287	56,261,607
61	251	205	145	222	227	151	15	1,216	52,805,606
62	214	183	126	175	165	143	19	1,025	42,806,861
63	198	153	100	118	112	109	14	804	32,098,018
64	183	111	106	105	91	97	12	705	27,327,459
65	156	106	74	95	72	61	14	578	21,926,290
66	127	105	32	28	22	23	14	351	11,635,105
67	122	63	29	15	21	14	4	268	8,030,441
68	109	56	22	10	8	6	2	213	5,520,497
69	92	41	15	5	2	4	4	163	3,872,859
70 & Up	473	247	65	23	7	7	10	832	17,974,047
<b>Totals</b>	<b>23,287</b>	<b>14,904</b>	<b>9,752</b>	<b>9,125</b>	<b>6,616</b>	<b>4,274</b>	<b>291</b>	<b>68,249</b>	<b>\$3,132,453,427</b>

Group Averages:  
Age: 44.0 years  
Service: 10.2 years



**FEMALE Active Members in Valuation June 30, 2023**  
**by Attained Age and Years of Service**  
**(Excludes T-DROP and Rehired Retirees)**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	291							291	\$ 1,055,354
20-24	1,809	11						1,820	49,553,843
25-29	3,585	1,058	1					4,644	187,342,629
30-34	2,610	2,641	617	2				5,870	245,157,690
35-39	2,316	1,867	1,944	597	3			6,727	296,920,220
40-44	2,027	1,753	1,365	2,037	475	4		7,661	364,726,456
45-49	1,409	1,373	1,195	1,399	1,678	408		7,462	378,601,609
50-54	1,212	1,077	1,090	1,373	1,324	1,397	51	7,524	382,159,687
55-59	854	786	680	1,121	1,083	883	74	5,481	246,982,632
60	175	133	120	174	209	169	11	991	42,569,511
61	170	144	98	177	196	124	11	920	39,742,093
62	131	134	87	130	142	119	14	757	30,637,023
63	147	87	71	85	90	97	10	587	22,187,431
64	102	76	75	83	77	83	11	507	19,304,223
65	77	67	49	72	53	53	13	384	14,539,535
66	79	64	23	22	21	21	10	240	7,770,099
67	70	30	21	13	18	9	4	165	4,944,847
68	64	30	12	7	7	6	1	127	3,169,167
69	72	19	9	3	2	3	3	111	2,481,014
70 & Up	268	106	35	18	4	4	6	441	9,266,050
<b>Totals</b>	<b>17,468</b>	<b>11,456</b>	<b>7,492</b>	<b>7,313</b>	<b>5,382</b>	<b>3,380</b>	<b>219</b>	<b>52,710</b>	<b>\$ 2,349,111,113</b>

Group Averages:

Age: 44.0 years

Service: 10.4 years



**MALE Active Members in Valuation June 30, 2023**  
**by Attained Age and Years of Service**  
**(Excludes T-DROP and Rehired Retirees)**

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	429							429	\$ 1,195,045
20-24	544	7						551	13,010,216
25-29	1,219	286	3					1,508	66,551,884
30-34	645	816	199	2				1,662	84,729,109
35-39	484	498	633	141	4			1,760	96,915,189
40-44	480	352	372	590	138	1		1,933	112,240,586
45-49	385	303	298	357	458	131		1,932	120,507,830
50-54	421	323	250	271	301	416	14	1,996	122,346,935
55-59	388	293	228	214	185	219	29	1,556	82,197,723
60	79	57	43	51	31	31	4	296	13,692,096
61	81	61	47	45	31	27	4	296	13,063,513
62	83	49	39	45	23	24	5	268	12,169,838
63	51	66	29	33	22	12	4	217	9,910,587
64	81	35	31	22	14	14	1	198	8,023,236
65	79	39	25	23	19	8	1	194	7,386,755
66	48	41	9	6	1	2	4	111	3,865,006
67	52	33	8	2	3	5		103	3,085,594
68	45	26	10	3	1		1	86	2,351,330
69	20	22	6	2		1	1	52	1,391,845
70 & Up	205	141	30	5	3	3	4	391	8,707,997
<b>Totals</b>	<b>5,819</b>	<b>3,448</b>	<b>2,260</b>	<b>1,812</b>	<b>1,234</b>	<b>894</b>	<b>72</b>	<b>15,539</b>	<b>\$ 783,342,314</b>

Group Averages:

Age: 44.2 years

Service: 9.4 years





## Summary of Active Members (Excludes T-DROP and Rehired Retirees)

	Educational		Support		Total Active Members	
	No.	Valuation Payroll	No.	Valuation Payroll	No.	Valuation Payroll
Female	29,167	\$ 1,667,034,058	23,543	\$ 682,077,055	52,710	\$ 2,349,111,113
Male	8,323	539,276,152	7,216	244,066,162	15,539	783,342,314
All	37,490	\$ 2,206,310,210	30,759	\$ 926,143,217	68,249	\$ 3,132,453,427

	Educational	Support	Total
Members Contributing Now	35,778	18,342	54,120
Members Not Contributing	1,712	12,417	14,129
All	37,490	30,759	68,249

June 30	Number	Group Averages			Active Member Payroll (\$ Millions)
		Age	Years of Service	Annual Earnings	
2005	65,793	44.2	9.4	\$29,826	\$1,962
2006	67,710	44.3	9.3	30,714	2,080
2007	69,226	44.4	9.3	31,645	2,191
2008	70,172	44.5	9.4	32,319	2,268
2009	70,655	44.7	9.5	32,804	2,318
2010	72,208	44.7	9.7	32,980	2,381
2011	72,293	44.8	9.9	33,995	2,458
2012	71,195	45.0	10.1	34,362	2,446
2013	70,660	45.0	10.2	34,920	2,467
2014	70,225	44.7	10.2	35,673	2,505
2015	68,945	44.6	10.3	36,717	2,531
2016	68,368	44.4	10.2	37,235	2,546
2017	68,337	44.3	10.2	37,707	2,577
2018	68,645	44.2	10.2	38,477	2,641
2019	68,457	44.1	10.1	39,065	2,674
2020	66,900	44.3	10.3	40,709	2,723
2021	66,633	44.2	10.5	42,901	2,859
2022	68,127	44.1	10.2	43,758	2,981
2023	68,249	44.0	10.2	45,897	3,132

## Deferred Vested Members at June 30, 2023 by Attained Age

Age	Number	Estimated Annual Benefits	Contribution Balance
Below 40	2,107	\$ 11,831,565	\$ 30,161,483
40	298	2,076,514	5,064,887
41	328	2,340,528	5,724,708
42	355	2,734,030	6,502,533
43	375	3,074,889	7,315,134
44	408	2,949,550	6,949,626
45	347	2,622,166	6,138,269
46	390	2,987,368	7,221,672
47	397	2,871,478	6,507,495
48	397	3,202,128	7,297,425
49	470	3,420,143	7,696,007
50	432	3,190,442	6,800,123
51	475	3,408,588	7,287,490
52	536	3,659,660	7,129,678
53	530	3,551,306	6,862,977
54	501	3,502,779	7,089,374
55	534	3,701,980	7,346,686
56	558	3,539,983	6,541,403
57	545	3,559,380	6,796,800
58	598	3,821,963	7,268,395
59	666	3,945,260	7,101,847
60 & Up	3,058	10,745,852	17,576,625
Future Beneficiaries #	50	303,391	0
<b>Totals</b>	<b>14,355</b>	<b>\$ 87,040,943</b>	<b>\$ 184,380,637</b>

*# These are beneficiaries of deceased active members who are eligible for a pension at age 62.*

An inactive member is no longer actively working in a position covered by ATRS but has sufficient service credit to qualify for a monthly benefit at retirement age.

## All Members Participating in T-DROP at June 30, 2023 by Attained Age

Age	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
48	2	\$ 31,889	\$ 30,960	\$ 31,463	\$ 103,794
49	3	47,972	46,280	58,106	174,711
50	2	47,003	44,899	72,719	122,906
51	33	685,442	662,438	759,636	2,128,725
52	97	2,382,934	2,286,783	3,276,522	7,173,213
53	146	3,480,462	3,320,505	5,836,210	10,845,789
54	196	4,583,636	4,288,336	10,711,499	14,242,710
55	244	5,914,173	5,464,382	17,224,292	17,892,178
56	260	6,066,403	5,516,426	21,333,448	18,787,287
57	273	6,265,767	5,612,565	25,156,909	19,092,577
58	267	6,382,333	5,624,252	30,002,257	19,549,272
59	283	6,538,218	5,809,761	34,904,837	19,903,559
60	322	6,974,918	6,423,177	41,688,650	22,602,145
61	258	5,458,830	5,068,366	36,520,275	17,535,931
62	226	4,163,261	4,343,223	31,814,787	15,734,689
63	168	3,239,762	3,073,800	21,883,880	11,266,451
64	149	2,703,534	2,722,506	20,056,872	10,163,792
65	111	1,843,476	1,856,100	12,791,123	6,830,920
66	36	483,605	502,146	3,614,768	2,033,910
67	32	543,433	570,462	4,760,101	2,011,740
68	12	124,890	168,331	1,450,848	652,189
69	5	64,808	100,434	1,041,341	371,818
70	4	68,594	79,191	829,761	270,502
71	3	50,207	41,166	361,451	180,442
72	2	35,078	31,095	346,726	128,355
73	1	-	9,665	177,611	42,630
74	1	18,024	14,536	150,839	36,220
76	2	37,819	50,179	695,807	202,878
<b>Totals</b>	<b>3,138</b>	<b>\$ 68,236,471</b>	<b>\$ 63,761,964</b>	<b>\$ 327,552,738</b>	<b>\$ 220,081,333</b>

A T-DROP member continues to work, but does not accrue additional retirement benefits and does not make member contributions. A reduced benefit is paid into the T-DROP account (see pages C-3 and C-4) during T-DROP participation. Deposits to T-DROP cease at 10 years of T-DROP participation. ATRS receives full employer contributions on behalf of T-DROP participants.



## All Members Participating in T-DROP at June 30, 2023 by Years in T-DROP

Years in T-DROP	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
1	570	\$ 12,567,373	\$ 12,228,050	\$ 12,422,901	\$ 39,482,222
2	453	9,874,571	9,322,048	19,664,154	30,949,492
3	402	8,617,753	7,904,772	25,916,304	27,458,489
4	386	8,213,399	7,333,093	33,150,374	26,351,212
5	360	8,734,468	7,608,151	44,481,462	26,350,468
6	266	6,379,146	5,411,954	39,363,488	18,645,393
7	237	5,799,094	4,797,487	42,118,768	17,068,495
8	189	4,556,782	3,699,720	38,393,533	13,652,358
9	142	3,493,885	2,769,411	33,490,235	10,501,180
10	100	-	2,034,427	28,351,138	7,441,198
11	14	-	309,015	4,544,191	1,021,905
12	10	-	197,445	3,076,964	616,846
13	5	-	90,094	1,482,554	314,224
14	1	-	14,652	254,845	73,317
15	1	-	9,665	177,611	42,630
16	1	-	18,793	364,306	61,793
18	1	-	13,187	299,910	50,111
<b>Totals</b>	<b>3,138</b>	<b>\$ 68,236,471</b>	<b>\$ 63,761,964</b>	<b>\$ 327,552,738</b>	<b>\$ 220,081,333</b>

A T-DROP member continues to work, but does not accrue additional retirement benefits and does not make member contributions. A reduced benefit is paid into the T-DROP account (see pages C-3 and C-4) during T-DROP participation. Deposits to T-DROP cease at 10 years of T-DROP participation. ATRS receives full employer contributions on behalf of T-DROP participants.

## Active, T-DROP and Return to Work Members as of June 30, 2023

June 30	Number				Total Payroll
	Active	T-DROP	RTW	Total	\$ Millions
2014	70,225	4,127	3,845	78,197	\$ 2,851
2015	68,945	3,974	3,741	76,660	2,874
2016	68,368	3,864	3,829	76,061	2,888
2017	68,337	3,811	3,881	76,029	2,922
2018	68,645	3,696	4,029	76,370	2,986
2019	68,457	3,707	4,077	76,241	3,027
2020	66,900	3,639	4,019	74,558	3,078
2021	66,633	3,465	3,575	73,673	3,205
2022	68,127	3,251	3,643	75,021	3,320
2023	68,249	3,138	4,108	75,495	3,492

The actuarial valuation assumes the number of working members will remain constant at the current level. In some recent years the total number of working members has decreased. A decreasing population means less contribution income for the Retirement System than expected and can lead to funding difficulties in extreme cases.

## Annuities Being Paid Retirees and Beneficiaries July 1, 2023 by Type of Annuity Being Paid

Type of Annuity	No.	Annual Amounts		
		Original Annuities	Base Annuities	Current Annuities
<b>RETIREMENT RESERVE ACCOUNT</b>				
Age and Service				
Option 1 (Basic single life)	40,060	\$ 645,738,331	\$ 726,676,861	\$ 982,437,433
Option A (Joint & 100% Survivor)	5,595	95,988,271	107,765,649	147,170,803
Option B (Joint & 50% Survivor)	2,783	63,486,737	73,460,832	100,348,785
Option C (10-year certain)	774	13,739,084	13,755,337	16,992,558
Beneficiaries	1,519	29,199,569	25,668,859	36,535,227
Totals	50,731	848,151,992	947,327,538	1,283,484,806
Disability				
Option 1	2,202	23,971,617	25,491,149	34,783,736
Option A	356	3,990,596	4,001,425	5,373,331
Option B	80	1,246,966	1,313,808	1,764,040
Option C	-	-	-	-
Beneficiaries	282	3,503,010	3,394,184	4,899,609
Totals	2,920	32,712,189	34,200,566	46,820,716
Act 793	131	750,736	1,616,848	1,616,848
Retirement Reserve Account	53,782	881,614,917	983,144,952	1,331,922,370
Act 808 Retirement Reserve Account	27	503,922	1,572,478	1,572,478
Total Retirement Reserve Account	53,809	882,118,839	984,717,430	1,333,494,848
<b>SURVIVOR'S BENEFIT ACCOUNT</b>				
Beneficiaries of Deceased Members				
Age 0 - 17	143	\$ 1,274,975	\$ 1,273,464	\$ 1,409,056
Age 18 - 23	68	656,668	654,960	743,071
Other	626	7,310,354	8,089,863	10,968,739
Totals	837	9,241,997	10,018,287	13,120,866
<b>RETIREMENT SYSTEM TOTALS</b>				
Total Annuities Being Paid	54,646	\$ 891,360,836	\$ 994,735,717	\$ 1,346,615,714

**The Original Annuity** is the annuity at the date of retirement.

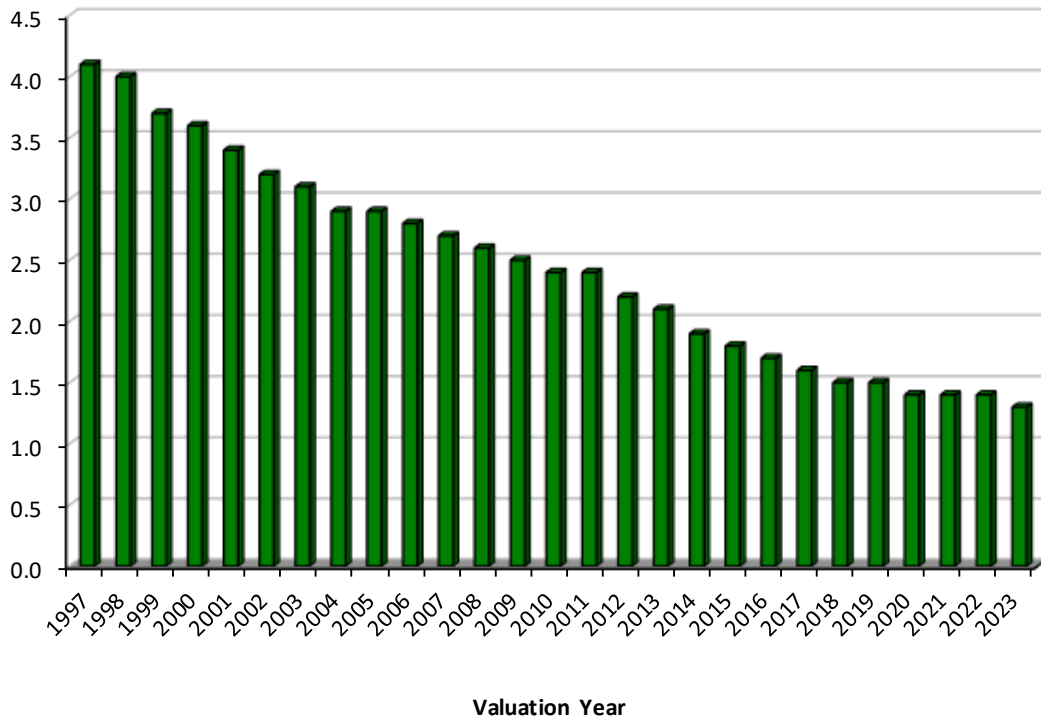
**The Base Annuity** is the amount from which the 3.0% COLA is calculated.

**The Current Annuity** is the annuity payable at July 1, 2023 (Includes July 1 COLA).

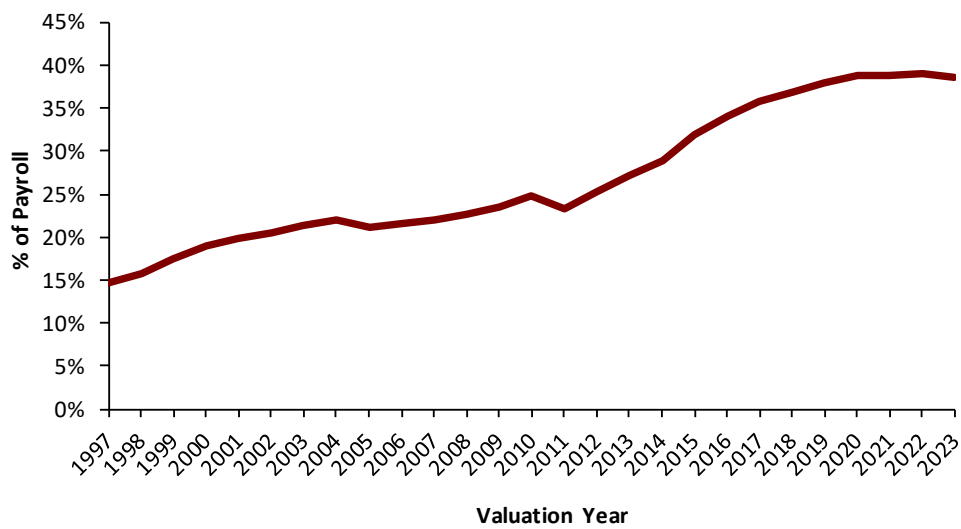


# Historical Graphs

## Active Members Per Retired Life \*



## Retirement Benefits Being Paid as a Percent of Member Payroll \*



\* Beginning with the June 30, 2011 valuation, active members include T-DROP participants in payroll.

## Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (1990 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				1990 \$	% of 1990
1990	\$ ----	\$ 11,000	----	\$ 11,000	100%
1991	330	11,330	(4.7)%	10,822	98%
1992	1,005	12,335	(3.1)%	11,429	104%
1993	1,045	13,380	(3.0)%	12,036	109%
1994	1,082	14,462	(2.5)%	12,693	115%
1995	400	14,862	(3.0)%	12,660	115%
1996	400	15,262	(2.8)%	12,652	115%
1997	772	16,034	(2.3)%	12,993	118%
1998	481	16,515	(1.7)%	13,161	120%
1999	1,383	17,898	(2.0)%	13,989	127%
2000	1,129	19,027	(3.7)%	14,336	130%
2001	1,406	20,433	(3.2)%	14,911	136%
2002	807	21,240	(1.1)%	15,337	139%
2003	562	21,802	(2.1)%	15,417	140%
2004	562	22,364	(3.3)%	15,314	139%
2005	562	22,926	(2.5)%	15,312	139%
2006	562	23,488	(4.3)%	15,037	137%
2007	562	24,050	(2.7)%	14,994	136%
2008	562	24,612	(5.0)%	14,611	133%
2009	562	25,174	1.4 %	15,161	138%
2010	755	25,929	(1.1)%	15,453	140%
2011	778	26,707	(3.6)%	15,370	140%
2012	778	27,485	(1.7)%	15,558	141%
2013	778	28,263	(1.8)%	15,723	143%
2014	778	29,041	(2.1)%	15,828	144%
2015	778	29,819	(0.1)%	16,232	148%
2016	778	30,597	(1.0)%	16,491	150%
2017	778	31,375	(1.6)%	16,638	151%
2018	778	32,153	(2.9)%	16,575	151%
2019	751	32,904	(1.6)%	16,687	152%
2020	451	33,355	(0.6)%	16,807	153%
2021	751	34,106	(5.4)%	16,306	148%
2022	751	34,857	(9.1)%	15,281	139%
2023	751	35,608	(3.0)%	15,160	138%
2024	751	36,359			

\* The \$11,000 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount could show a smaller purchasing power loss in percent loss.

# Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).



## Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (2000 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				2000 \$	% of 2000
2000	\$ ----	\$ 11,600	----	\$ 11,600	100%
2001	1,003	12,603	(3.2)%	12,207	105%
2002	523	13,126	(1.1)%	12,579	108%
2003	372	13,498	(2.1)%	12,668	109%
2004	372	13,870	(3.3)%	12,605	109%
2005	372	14,242	(2.5)%	12,624	109%
2006	372	14,614	(4.3)%	12,417	107%
2007	372	14,986	(2.7)%	12,400	107%
2008	372	15,358	(5.0)%	12,100	104%
2009	372	15,730	1.4 %	12,573	108%
2010	472	16,202	(1.1)%	12,815	110%
2011	486	16,688	(3.6)%	12,746	110%
2012	486	17,174	(1.7)%	12,902	111%
2013	486	17,660	(1.8)%	13,039	112%
2014	486	18,146	(2.1)%	13,125	113%
2015	486	18,632	(0.1)%	13,460	116%
2016	486	19,118	(1.0)%	13,675	118%
2017	486	19,604	(1.6)%	13,797	119%
2018	486	20,090	(2.9)%	13,745	118%
2019	459	20,549	(1.6)%	13,831	119%
2020	159	20,708	(0.6)%	13,848	119%
2021	459	21,167	(5.4)%	13,431	116%
2022	459	21,626	(9.1)%	12,582	108%
2023	459	22,085	(3.0)%	12,479	108%
2024	459	22,544			

\* The \$11,600 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount could show a smaller purchasing power loss in percent loss.

# Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

## Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (2010 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				2010 \$	% of 2010
2010	\$ ----	\$ 11,900	----	\$ 11,900	100%
2011	357	12,257	(3.6)%	11,836	99%
2012	357	12,614	(1.7)%	11,981	101%
2013	357	12,971	(1.8)%	12,108	102%
2014	357	13,328	(2.1)%	12,188	102%
2015	357	13,685	(0.1)%	12,499	105%
2016	357	14,042	(1.0)%	12,699	107%
2017	357	14,399	(1.6)%	12,812	108%
2018	357	14,756	(2.9)%	12,764	107%
2019	330	15,086	(1.6)%	12,837	108%
2020	30	15,116	(0.6)%	12,780	107%
2021	330	15,446	(5.4)%	12,391	104%
2022	330	15,776	(9.1)%	11,605	98%
2023	330	16,106	(3.0)%	11,506	97%
2024	330	16,436			

\* The \$11,900 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount could show a smaller purchasing power loss in percent loss.

# Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

## **SECTION F**

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### **FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES**

## Financial Principles and Operational Techniques

**Promises Made and to Be Paid For.** As each year is completed, the System, in effect, hands an “IOU” to each member then acquiring a year of service credit. The “IOU” says: “The Arkansas Teacher Retirement System owes you one year’s worth of retirement benefits, payments in cash commencing when you qualify for retirement.”

The related **key financial questions** are:

**Which generation of taxpayers contributes the money to cover the IOU?**

**The present taxpayers**, who receive the benefit of the member’s present year of service?

**Or the future taxpayers**, who happen to be in Arkansas at the time the IOU becomes a cash demand?

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The financial objective of the ATRS is that this year’s taxpayers contribute the money to cover the IOUs being handed out this year so that **the employer contribution rate will remain approximately level from generation to generation** -- our children and our grandchildren will not have to contribute greater percents of pay than we contribute now. This objective was set forth in Act 793 of 1977.

(There are systems which have **a design for deferring contributions to future taxpayers**, lured by a lower contribution rate now and putting aside the fact that the contribution rate must then relentlessly grow much greater over decades of time -- consume now, and let your children face higher contribution rates after you retire.)

An inevitable byproduct of the level-cost design is the accumulation of reserve assets for decades and the income produced when the assets are invested. **Investment income** becomes the **third and largest contributor** for benefits to employees, and is interlocked with the contribution amounts required from employees and employers.

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

Normal Cost (the cost of members’ service being rendered this year)

... plus ...

Interest on Unfunded Actuarial Accrued Liabilities (unfunded accrued liabilities are the difference between (i) liabilities for service already rendered and (ii) the accrued assets of the plan).

**Computing Contributions to Support System Benefits.** From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of **an actuarial valuation**. An actuarial valuation has a number of ingredients such as: the rate of investment income which plan assets will earn; the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit; the rates of mortality; the rates of disability; the rates of pay increases; and the assumed age or ages at actual retirement. In an actuarial valuation, assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the System can indicate the degree of accuracy of the assumptions.

**Reconciling Differences Between Assumed Experience and Actual Experience.** Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the accuracy of the various financial assumptions or the skill of the actuary and the precision of the calculations made. The System copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in financial position.



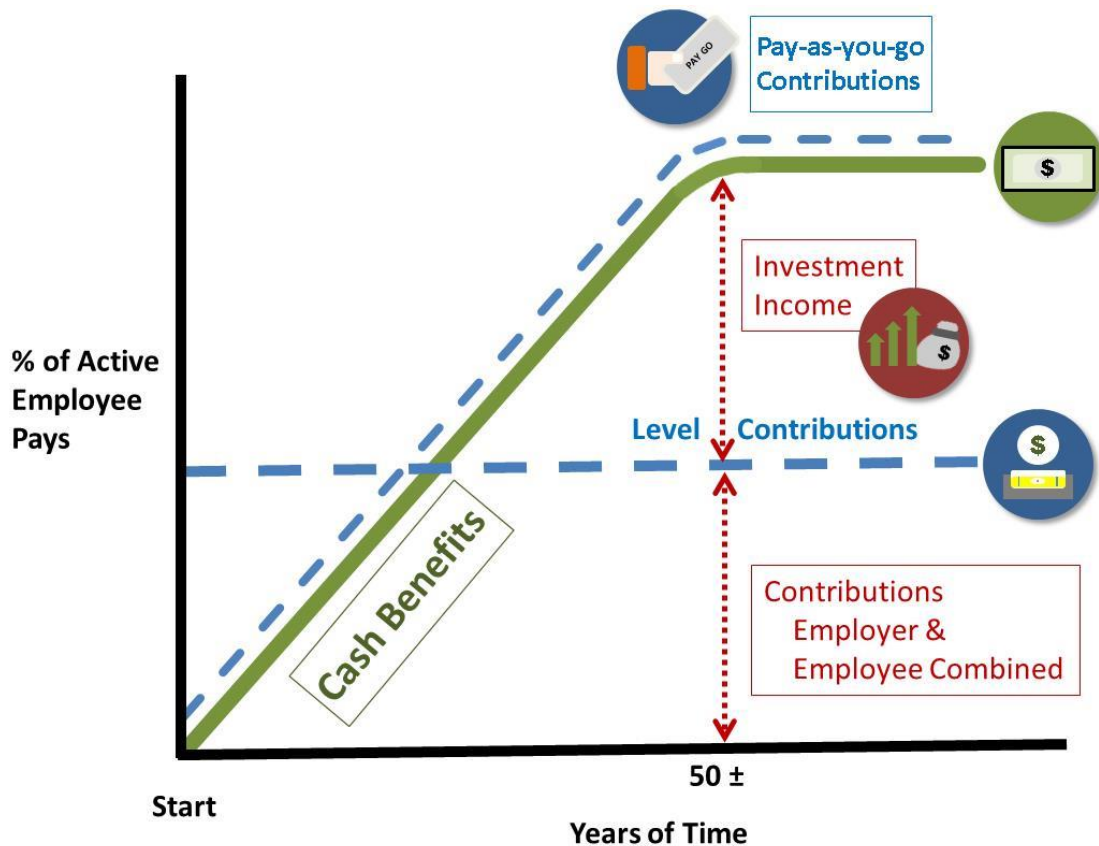
## Actuarial Valuation Process

*The financing diagram* on the next page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program), and is thus an *increasing contribution method*; and the *level contribution method* which equalizes contributions between the generations.

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*The actuarial valuation* is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

- A. **Census Data**, furnished by plan administrator
  - Retired lives now receiving benefits
  - Former employees with vested benefits not yet payable
  - Active employees
  
- B. + **Asset data** (cash & investments), furnished by plan administrator
  
- C. + **Benefit provisions** that establish eligibility and amounts of payments to members
  
- D. + **Assumptions concerning future financial experiences in various risk areas**, which assumptions are established by the Board of Trustees after consulting with the actuary
  
- E. + **The funding method** for employer contributions (the long-term planned pattern for employer contributions)
  
- F. + **Mathematically combining the assumptions, the funding method, and the data**
  
- G. = Determination of:
  - Plan financial position**, and/or
  - New Employer Contribution Rate**



**CASH BENEFITS LINE.** This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

**LEVEL CONTRIBUTION LINE.** Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- **Economic Risk Areas**
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size
- **Non-Economic Risk Areas**
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability

## **SECTION G**

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### **ACTUARIAL ASSUMPTIONS**

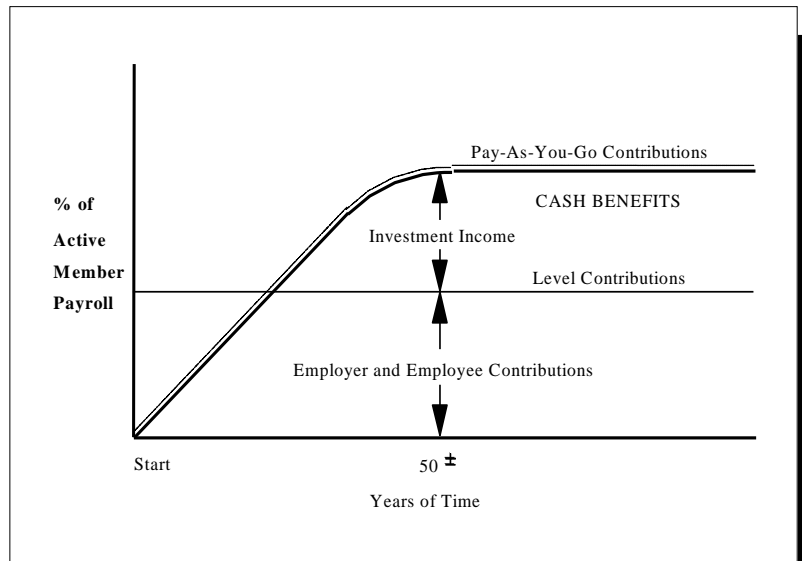
# Selection of Assumptions Used in Actuarial Valuations

## Economic Assumptions

Investment return  
Pay increases to individual employees  
Active member group size and total payroll growth

## Demographic Assumptions

Actual ages at service retirement  
Disability while actively employed  
Separations before retirement  
Mortality after retirement  
Mortality before retirement



## Relationship Between Plan Governing Body and the Actuary

The actuary should have the primary responsibility for choosing the **demographic** assumptions used in the actuarial valuation, making use of specialized training and experience.

Guidance regarding the selection of economic assumptions for measuring pension obligations is provided by Actuarial Standards of Practice (ASOP) No. 27. The standard requires that the selected economic assumptions be consistent with each other. That is, the selection of the investment return assumption should be consistent with the selection of the payroll growth and inflation assumptions.

ASOP No. 27 defines a reasonable economic assumption as an assumption that has the following characteristics: (a) It is appropriate for the purpose of the measurement; (b) It reflects the actuary's professional judgment; (c) It takes into account historical and current economic data that is relevant as of the valuation date; (d) It reflects the actuary's estimate of future experience, the actuary's observation of the estimates inherent in market data, or a combination thereof; and (e) It has no significant bias (i.e., it is not significantly optimistic or pessimistic), except when provisions for adverse deviation or plan provisions that are difficult to measure are included and disclosed under Section 3.5.1, or when alternative assumptions are used for the assessment of risk.



# Summary of Assumptions Used in Actuarial Valuations for the Arkansas Teacher Retirement System Assumptions Adopted by the Board of Trustees After Consulting with Actuary

The actuarial assumptions used in the valuation are shown in this section. The rationale for the assumptions is provided in the Experience Study covering the period July 1, 2010 through June 30, 2015. The Board of Trustees adopts the actuarial assumptions used for actuarial valuation purposes after consulting with the actuary. The actuarial assumptions represent estimates of future experience.

## Economic Assumptions

The **price inflation** assumption is 2.50%. It is assumed that the 3% COLA will always be paid.

**The investment return rate** used in the valuation was 7.25% per year, compounded annually (net after administrative expenses). This rate was first used for the **June 30, 2021** valuation. The assumed real rate of return over price inflation is 4.75%.

The **wage inflation** assumption is 2.75%. This consists of 2.50% related to pure price inflation and 0.25% related to general economic improvements. This assumption was first used for the **June 30, 2017** valuation.

**Pay increase assumptions** for individual active members are shown on page G-9. Part of the assumption for each service year is for a merit and/or seniority increase, and the other 2.75% recognizes wage inflation. These rates were first used for the **June 30, 2021** valuation.

The Active Member Group (Active, T-DROP, RTW) size is assumed to remain constant at its present level.

**Total active member payroll** is assumed to increase 2.75% per year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This rate was first used for the **June 30, 2017** valuation.

## Non-Economic Assumptions

**The mortality tables** used were the Pub-2010 General Healthy Retired, General Disabled Retiree and General Employee Mortality amount weighted tables for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

A limited fluctuation credibility procedure was used to determine the appropriate scaling factor of each gender and each member classification (see the 2015-2020 Experience Study), and are shown below:

	<b>Scaling Factor</b>
Healthy Male Retirees	<b>105%</b>
Healthy Female Retirees	<b>105%</b>
Disabled Male Retirees	<b>104%</b>
Disabled Female Retirees	<b>104%</b>
Male Active Members	<b>100%</b>
Female Active Members	<b>100%</b>

Related values are shown on page G-4. These tables were first used for the **June 30, 2021** valuation.

**The probabilities of retirement** for members eligible to retire are shown on pages G-5 and G-6. The rates for full retirement and reduced retirement were first used in the **June 30, 2021** valuation.

**The probabilities of withdrawal from service, death-in-service and disability** are shown for sample ages on pages G-7 and G-8. These rates were first used in the **June 30, 2021** valuation.

**The entry age actuarial cost method of valuation** was used in determining accrued liabilities and normal cost. T-DROP members are treated as active members. Normal cost runs from the date of entry to the date of retirement.

Differences in the past between assumed experience and actual experience (“actuarial gains and losses”) become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (the total of principal & interest) which are level percents of payroll contributions.

These cost methods were first used in the June 30, 1986 valuation.

The Fiscal Year 2023 employer and member contribution rates were 15% and 7%, respectively.

**Asset Valuation Method.** A market value related asset method is used as described on page D-1. This method was first used in the June 30, 1995 valuation. It was modified following the 1997-2002 Experience Study to include an 80% - 120% market value corridor.

**The data about persons now covered and about present assets** was furnished by the System’s administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary. Members whose dates of birth were not supplied were assumed to be 40 years old on the valuation date. Members whose salaries were not supplied and that entered T-DROP were assumed to have the group average pay of those with salary data as of the valuation date that entered T-DROP.

## Single Life Retirement Values\*

Sample Attained Ages in 2023	Present Value of \$1.00 Monthly for Life		Present Value of \$1 Monthly for Life Increasing 3.0% Simple Annually		Future Life Expectancy (Years)		Percent Dying within Next Year	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$159.96	\$162.49	\$213.47	\$218.30	45.36	48.37	0.09 %	0.05 %
45	155.57	158.81	205.04	210.97	40.12	43.08	0.12 %	0.07 %
50	149.87	153.98	194.63	201.82	35.02	37.91	0.29 %	0.22 %
55	142.93	148.16	182.42	191.08	30.14	32.96	0.43 %	0.30 %
60	134.14	140.50	167.74	177.74	25.44	28.11	0.66 %	0.42 %
65	123.21	130.50	150.50	161.41	20.97	23.41	0.97 %	0.62 %
70	109.70	117.76	130.52	141.96	16.74	18.90	1.49 %	0.99 %
75	93.73	102.22	108.40	119.79	12.85	14.69	2.51 %	1.75 %
80	76.09	84.50	85.47	96.11	9.43	10.92	4.50 %	3.24 %
85	58.67	66.08	64.10	73.00	6.64	7.75	8.29 %	6.17 %
Base	2705 x 1.05	2706 x 1.05	2705 x 1.05	2706 x 1.05				
Projection	964	965	964	965				

\* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

Age	Benefit Increasing 3.0% Simple Annually	Portion of Age 60 Lives Still Alive	
		Male	Female
60	\$100.00	100%	100%
65	115.00	96%	98%
70	130.00	91%	94%
75	145.00	84%	89%
80	160.00	73%	81%
Ref		2705 x 1.05	2706 x 1.05

## Probabilities of Retirement for Members

Retirement Ages	% of Active Participants Retiring with Unreduced Benefits			
	Education		Support	
	Male	Female	Male	Female
48	8%	7%	8%	8%
49	8%	7%	8%	8%
50	8%	7%	8%	8%
51	8%	7%	8%	8%
52	8%	7%	8%	8%
53	8%	7%	8%	8%
54	8%	7%	8%	8%
55	8%	8%	8%	8%
56	10%	8%	8%	8%
57	10%	10%	8%	11%
58	10%	12%	8%	11%
59	14%	15%	8%	15%
60	17%	18%	13%	15%
61	24%	20%	13%	16%
62	27%	29%	28%	26%
63	27%	26%	25%	20%
64	27%	28%	25%	24%
65	60%	57%	57%	59%
66	60%	57%	47%	49%
67	50%	42%	44%	40%
68	45%	42%	44%	40%
69	45%	42%	44%	40%
70	45%	42%	44%	40%
71	45%	42%	44%	40%
72	45%	42%	44%	40%
73	45%	42%	44%	40%
74	45%	42%	44%	40%
75	100%	100%	100%	100%
Ref	3245	3246	3247	3248

These rates are based upon data presented in the 2015-2020 experience study and were first used in the 2021 valuation.

## Probabilities of Reduced Retirement for Members

Retirement Ages	% of Active Participants Retiring with Reduced Benefits			
	Education		Support	
	Male	Female	Male	Female
45	1.0%	1.0%	2.0%	3.0%
46	1.0%	1.0%	2.0%	3.0%
47	1.0%	1.0%	2.0%	3.0%
48	1.0%	1.0%	2.0%	3.0%
49	1.0%	1.0%	2.0%	3.0%
50	2.0%	2.0%	3.0%	4.0%
51	3.0%	2.0%	3.0%	4.0%
52	3.0%	3.0%	4.0%	4.0%
53	4.0%	4.0%	4.0%	4.0%
54	5.0%	4.0%	5.0%	4.0%
55	6.0%	5.0%	6.0%	4.0%
56	6.0%	5.0%	7.0%	6.0%
57	8.0%	5.0%	7.0%	6.0%
58	9.0%	6.0%	7.0%	6.0%
59	6.0%	6.0%	7.0%	6.0%
Ref	3249	3250	3251	3252

These rates are based upon data presented in the 2015-2020 experience study and were first used in the 2021 valuation.

## Duration of T-DROP for Members

Present T-DROP members are assumed to remain in T-DROP according to the following table:

Entry Age	Assumed Duration Years
50-56	7
57	6
58	5
59+	4

## T-DROP Participation

It was assumed that active members will participate in the T-DROP at the time in which entering the T-DROP would provide the highest value of benefits.

## Teachers Separations from Active Employment Before Age and Service Retirement

Sample Ages in 2023	Percent of Active Members Separating within the Next Year						
	Years of Service	Death *		Disability		Other	
		Male	Female	Male	Female	Male	Female
	0					17.00%	13.00%
	1					13.80%	11.30%
	2					11.30%	10.50%
	3					8.90%	8.30%
	4					6.30%	6.50%
25	5 & Up	0.03%	0.01%	0.02%	0.02%	5.80%	6.50%
30		0.05%	0.02%	0.02%	0.02%	4.20%	4.80%
35		0.07%	0.03%	0.02%	0.03%	2.90%	3.20%
40		0.09%	0.04%	0.04%	0.07%	2.00%	2.10%
45		0.11%	0.06%	0.13%	0.17%	1.70%	1.70%
50		0.14%	0.08%	0.31%	0.37%	1.60%	1.70%
55		0.21%	0.12%	0.61%	0.63%	1.60%	1.70%
60		0.33%	0.19%	0.82%	0.89%	1.50%	1.60%
65	0.47%	0.28%	0.82%	0.89%	1.20%	1.30%	
Ref:						1364	1365
		2723 x 1.00	2724 x 1.00	1217 x 1	1218 x 1	1574	1575

\* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

## Support Employees Separations from Active Employment Before Age and Service Retirement

Sample Ages in 2023	Percent of Active Members Separating within the Next Year						
	Years of Service	Death *		Disability		Other	
		Male	Female	Male	Female	Male	Female
	0					54.50%	48.50%
	1					29.90%	27.20%
	2					19.80%	19.00%
	3					15.50%	15.30%
	4					12.00%	12.80%
25	5 & Up	0.03%	0.01%	0.02%	0.01%	10.60%	9.90%
30		0.05%	0.02%	0.05%	0.03%	7.80%	7.00%
35		0.07%	0.03%	0.10%	0.04%	5.70%	5.10%
40		0.09%	0.04%	0.13%	0.08%	4.40%	4.30%
45		0.11%	0.06%	0.21%	0.16%	3.70%	4.00%
50		0.14%	0.08%	0.45%	0.33%	3.50%	3.90%
55		0.21%	0.12%	0.88%	0.61%	3.50%	3.70%
60	0.33%	0.19%	1.36%	0.79%	3.40%	3.20%	
65	0.47%	0.28%	1.36%	0.79%	2.70%	2.50%	
Ref:						1366	1367
		2723 x 1.00	2724 x 1.00	1219 x 1	1220 x 1	1576	1577

\* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

## Individual Pay Increases

Education				Support			
Years of Service	Pay Increase Assumptions for an Individual Member			Years of Service	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year		Merit & Seniority	Base (Economic)	Increase Next Year
1	2.50%	2.75%	5.25%	1	3.00%	2.75%	5.75%
2	2.20%	2.75%	4.95%	2	2.60%	2.75%	5.35%
3	1.90%	2.75%	4.65%	3	1.60%	2.75%	4.35%
4	1.80%	2.75%	4.55%	4	1.45%	2.75%	4.20%
5	1.70%	2.75%	4.45%	5	1.35%	2.75%	4.10%
6	1.60%	2.75%	4.35%	6	1.25%	2.75%	4.00%
7	1.50%	2.75%	4.25%	7	1.20%	2.75%	3.95%
8	1.40%	2.75%	4.15%	8	1.15%	2.75%	3.90%
9	1.30%	2.75%	4.05%	9	1.10%	2.75%	3.85%
10	1.25%	2.75%	4.00%	10	1.05%	2.75%	3.80%
11	1.20%	2.75%	3.95%	11	1.00%	2.75%	3.75%
12	1.15%	2.75%	3.90%	12	0.95%	2.75%	3.70%
13	1.10%	2.75%	3.85%	13	0.90%	2.75%	3.65%
14	1.05%	2.75%	3.80%	14	0.80%	2.75%	3.55%
15	1.00%	2.75%	3.75%	15	0.75%	2.75%	3.50%
16	0.95%	2.75%	3.70%	16	0.70%	2.75%	3.45%
17	0.85%	2.75%	3.60%	17	0.65%	2.75%	3.40%
18	0.75%	2.75%	3.50%	18	0.60%	2.75%	3.35%
19	0.65%	2.75%	3.40%	19	0.50%	2.75%	3.25%
20	0.55%	2.75%	3.30%	20	0.45%	2.75%	3.20%
21	0.50%	2.75%	3.25%	21	0.40%	2.75%	3.15%
22	0.45%	2.75%	3.20%	22	0.35%	2.75%	3.10%
23	0.40%	2.75%	3.15%	23	0.30%	2.75%	3.05%
24	0.30%	2.75%	3.05%	24	0.25%	2.75%	3.00%
25	0.20%	2.75%	2.95%	25	0.25%	2.75%	3.00%
26	0.15%	2.75%	2.90%	26	0.25%	2.75%	3.00%
27	0.10%	2.75%	2.85%	27	0.25%	2.75%	3.00%
28	0.25%	2.75%	3.00%	28	0.40%	2.75%	3.15%
29+	0.00%	2.75%	2.75%	29+	0.00%	2.75%	2.75%
Ref:	931			Ref:	932		



## Miscellaneous and Technical Assumptions

### June 30, 2023

<b>Marriage Assumption:</b>	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male members are assumed to have a beneficiary three years younger and female members are assumed to have a beneficiary two years older.
<b>Pay Increase Timing:</b>	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
<b>Decrement Timing:</b>	Decrements are assumed to occur mid-year, with the exception of normal and early retirement, which are assumed to occur at the beginning of the year. This implies that people who worked the entire school year are reported as active members even if they retired at the end of the year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and the service nearest whole year on the date of the valuation.
<b>Decrement Relativity:</b>	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
<b>Decrement Operation:</b>	Disability does not operate during the first 5 years of service. Disability and turnover do not operate during retirement eligibility.
<b>Normal Form of Benefit:</b>	The assumed normal form of benefit is the straight life form.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. The payroll used for this purpose is payroll for all active members plus payroll for members in the T-DROP and retirees who returned to work.
<b>Liability Adjustments:</b>	The liability calculations assume that the non-contributory and contributory multipliers for the first ten years of service are at the standard rate at the time the service is earned.
<b>Data Adjustments:</b>	Members whose dates of birth were not supplied were assumed to be 40 years old on the valuation date.  Members whose salaries were not supplied and that entered the T-DROP were assumed to have the group average pay of those with salary data as of the valuation that entered the T-DROP.

## **SECTION H**

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### **GLOSSARY**

## Glossary

**Accrued Service.** The service credited under the plan which was rendered before the date of the actuarial valuation.

**Accumulated Benefit Obligation.** The actuarial present value of vested and non-vested benefits based on service to date and past and current salary levels.

**Actuarial Accrued Liability.** The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

**Actuarial Assumptions.** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method.** A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

**Actuarial Equivalent.** A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value.** The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Actuarial Present Value of Credited Projected Benefits or Pension Benefit Obligation.** The present value of future benefits based on service to date and the effect projected salary increases.

**Actuary.** A person who is trained in the applications of probability and compound interest to solve problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events. Most actuaries in the United States are Members of the American Academy of Actuaries. The Society of Actuaries is an international research, education and membership organization for actuaries in the life and health insurance, employee benefits, and pension fields. It administers a series of examinations leading initially to Associateship and the designation A.S.A. and ultimately to Fellowship with the designation F.S.A. The federal government certifies actuaries to practice under ERISA with the designation of E.A.

**Amortization.** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

## Glossary

**Experience Gain (Loss).** A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

**Immunize.** Immunization is a risk-mitigation strategy that matches asset and liability duration so portfolio values are protected against interest rate changes.

**LDROM.** The Low-Default-Risk Obligation Measure (LDROM) is meant to approximately represent the lump sum cost to secure benefits by purchasing low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa.

**Normal Cost.** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Plan Termination Liability.** The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a “going concern” basis and is not normally determined in a routine actuarial valuation.

**Reserve Account.** An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

**Unfunded Actuarial Accrued Liability.** The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

**Valuation Assets.** The value of current plan assets recognized for valuation purposes. Generally based on book value plus a portion of unrealized appreciation or depreciation.



November 28, 2023

Mr. Mark White  
Executive Director  
Arkansas Teacher Retirement System  
1400 West Third  
Little Rock, Arkansas 72201

**Re: Report of June 30, 2023 Actuarial Valuation of Active and Inactive Members**

Dear Mr. White:

Enclosed are 15 copies of the report. If you need anything else, please call.

Sincerely,  
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink that reads "Judith A. Kermans". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Judith A. Kermans, EA, FCA, MAAA

JAK:ah  
Enclosures

# Arkansas Teacher Retirement System

Annual Actuarial Valuation of Annuities Being Paid to  
Retirees and Beneficiaries  
June 30, 2023



# OUTLINE OF CONTENTS

## Report of Actuarial Valuation of ATRS Retirees and Beneficiaries

Pages	Items
	Cover letter
3	Comments
4	Other observations
	<b><i>Financial Principles</i></b>
5	Financial principles and operational techniques
6-7	Financing diagram and actuarial valuation process
8	Risks Associated with measuring the accrued liability and actuarially determined contribution
9-11	Plan maturity measures
12-15	<b><i>Benefit Provisions</i></b>
16-18	<b><i>Changes in Purchasing Power</i></b>
	<b><i>Valuation Data</i></b>
19	By gender
20	By source of financing
21	By type of annuity being paid
22	Age & service attained ages
23	Disability attained ages
24	Act 793 attained ages
25	Survivor beneficiaries (death before retirement) attained ages
26	Act 808 attained ages
27	Retiree and beneficiary data
28	<b><i>Reported Assets</i></b>
	<b><i>Valuation Results</i></b>
29	Total liabilities
30	Annual reserve transfers
31	Retirement reserve account
32	Survivors' benefit account
33	Annual allowances
	<b><i>Appendix</i></b>
34	Summary of assumptions used in retired life valuations



November 30, 2023

Board of Trustees  
Arkansas Teacher Retirement System  
Little Rock, Arkansas

Dear Board Members:

Presented in this report are the results of the **Annual Actuarial Valuation of annuities being paid to retirees and beneficiaries** of the Arkansas Teacher Retirement System (ATRS).

**The date of the valuation** was June 30, 2023 (using amounts payable as of July 1, 2023).

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the Retirement System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The valuation was based upon census data and financial information provided by the System's administrative staff. Preparation of this data requires considerable staff time. The helpful cooperation of the Arkansas Teacher Retirement System staff in furnishing the data is acknowledged with appreciation. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the data provided by ATRS.

This report was prepared using certain assumptions approved by the Board. The actuarial assumptions used for valuation purposes are summarized in the Appendix. These assumptions reflect experience during the period July 1, 2015 to June 30, 2020 and expectations for the future.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. The scope of an actuarial valuation does not contain an analysis of the potential range of such future measurements.



This is one of multiple documents comprising the actuarial results. The other documents include the active and inactive valuation dated November 28, 2023, and the presentation dated December 4, 2023.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Arkansas Teacher Retirement System as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable. The combined effect of the assumptions, excluding prescribed assumptions or methods set by law, is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. Judith A. Kermans, Heidi G. Barry and Derek Henning are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The actuaries submitting this report are independent of the plan sponsor.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, FCA, MAAA



Heidi G. Barry, ASA, FCA, MAAA



Derek Henning, ASA, EA, FCA, MAAA

JAK/HGB/DH:rmn

## Comments

As expected, during the year ended June 30, 2023 the number of retired lives increased, as did the total amount being paid monthly to retired lives.

**The financing diagram** on page 6 shows the general pattern in which cash benefits increase (the green line). The schedule below shows how ATRS history illustrates the general pattern.

June 30	Retired Lives Receiving Benefits		
	No.	Annual Amounts (Millions)	% of Active Payroll
1967	3,846	\$ 6.27	
1972	5,453	11.08	
1977	7,524	23.96	
1982	8,828	36.64	
1987	10,526	66.45	10.0%
1992	12,033	115.50	10.7%
1997	14,233	194.90	15.0%
1998	14,802	220.38	16.1%
1999	15,887	248.75	17.4%
2000	16,657	280.14	18.9%
2001	17,778	309.03	19.8%
2002	19,199	334.15	20.5%
2003	20,271	359.98	21.4%
2004	21,428	386.23	22.1%
2005	22,680	415.04	21.1%
2006	24,153	449.77	21.6%
2007	25,611	484.55	22.1%
2008	26,801	515.56	22.7%
2009	28,818	564.59	23.5%
2010	30,587	612.77	24.8%
2011	32,099	657.08	23.3%
2012	34,160	709.17	25.3%
2013	36,254	763.76	27.1%
2014	38,478	822.19	28.8%
2015	40,748	916.62	31.9%
2016	43,095	983.87	34.1%
2017	45,092	1,044.74	35.8%
2018	46,824	1,099.35	36.8%
2019	48,677	1,146.74	37.9%
2020	50,133	1,194.82	38.8%
2021	51,405	1,242.70	38.8%
2022	52,748	1,293.75	39.0%
2023	54,646	1,346.62	38.6%

**A significant financial goal** for the Arkansas Teacher Retirement System was to reach a point in time where System assets fully covered the liabilities for future benefit payments to retirees and beneficiaries then on rolls. This goal was achieved in 1980 and retired life liabilities continue to be 100% funded.

## Other Observations

### General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the actuarial value of assets), it is expected that:

- 1) The unfunded actuarial accrued liabilities will be fully amortized after 26 years;
- 2) The funded status of the plan will increase gradually towards a 100% funded ratio; and
- 3) The unfunded accrued liability will increase for several years before beginning to decline.

### Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

- 1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, in other words of transferring the obligations to an unrelated third party in an arm's length market value type transaction.
- 2) The measurement is dependent upon the actuarial cost method which, in combination with the plan's amortization policy, affects the timing and amounts of future contributions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit).
- 3) The measurement would produce a different result if the market value of assets were used instead of the actuarial value of assets, unless the market value of assets is used in the measurement.

### Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.

## **FINANCIAL PRINCIPLES**

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# Financial Principles and Operational Techniques

**Promises Made and To Be Paid For.** As each year is completed, the System in effect hands an “IOU” to each member then acquiring a year of service credit. The “IOU” says: “The Arkansas Teacher Retirement System owes you one year’s worth of retirement benefits, payments in cash commencing when you qualify for retirement.”

The related *key financial questions* are:

**Which generation of taxpayers contributes the money to cover the IOU?**

**The present taxpayers**, who receive the benefit of the member’s present year of service?

**Or the future taxpayers**, who happen to be in Arkansas at the time the IOU becomes a cash demand?

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The financial objective of the ATRS is that this year’s taxpayers contribute the money to cover the IOUs being handed out this year so that **the employer contribution rate will remain approximately level from generation to generation** -- our children and our grandchildren will not have to contribute greater percents of pay than we contribute now. This objective was set forth in Act 793 of 1977.

(There are systems which have **a design for deferring contributions to future taxpayers**, lured by a lower contribution rate now and putting aside the fact that the contribution rate must then relentlessly grow much greater over decades of time -- consume now, and let your children face higher contribution rates after you retire.)

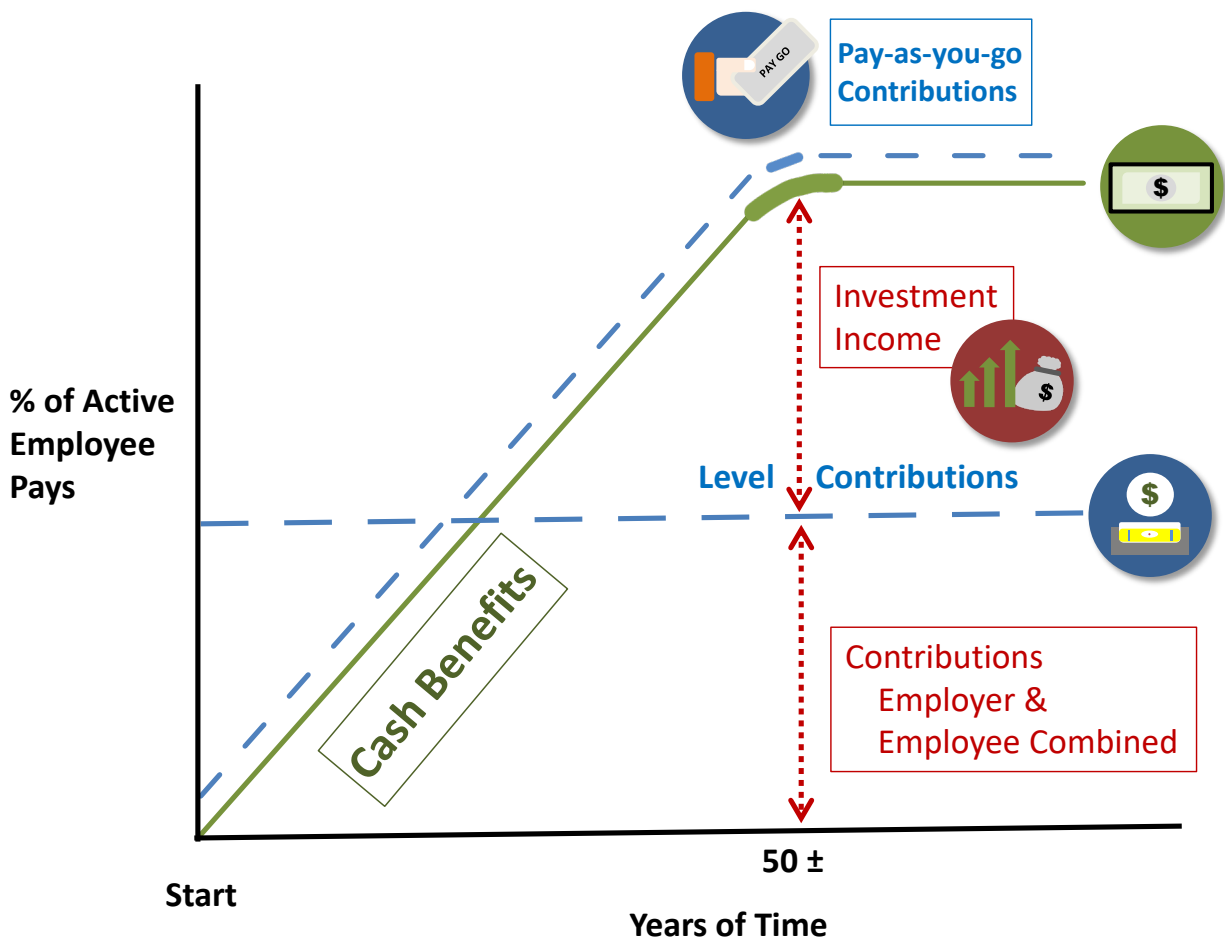
An inevitable byproduct of the level-cost design is the accumulation of reserve assets for decades and the income produced when the assets are invested. **Investment income** becomes the **third and largest contributor** for benefits to employees, and is interlocked with the contribution amounts required from employees and employers.

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

- Normal Cost (the cost of members’ service being rendered this year)
- ... plus ...
- Interest on Unfunded Actuarial Accrued Liabilities (unfunded accrued liabilities are the difference between (i) liabilities for service already rendered and (ii) the accrued assets of the plan).

**Computing Contributions to Support System Benefits.** From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of **an actuarial valuation**. An actuarial valuation has a number of ingredients such as: the rate of investment income which plan assets will earn; the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit; the rates of mortality; the rates of disability; the rates of pay increases; and the assumed age or ages at actual retirement. In an actuarial valuation, assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the System can indicate the degree of accuracy of the assumptions.

**Reconciling Differences Between Assumed Experience and Actual Experience.** Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the accuracy of the assumptions or the skill of the actuary and the precision of the calculations made. The future can be predicted with considerable but not complete precision. ATRS copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in financial position.



**CASH BENEFITS LINE.** This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

**LEVEL CONTRIBUTION LINE.** Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- **Economic Risk Areas**
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size
- **Non-Economic Risk Areas**
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability

## Actuarial Valuation Process

*The financing diagram* on the preceding page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program), and is thus an *increasing contribution method*; and the *level contribution method* which equalizes contributions between the generations.

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*The actuarial valuation* is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

- A. **Census data**, furnished by plan administrator
  - Retired lives now receiving benefits
  - Former employees with vested benefits not yet payable
  - Active employees
- B. + **Asset data** (cash & investments), furnished by plan administrator
- C. + **Benefit provisions** that establish eligibility and amounts of payments to members
- D. + **Assumptions concerning future financial experience in various risk areas**, which assumptions are established by the Board of Trustees after consulting with the actuary
- E. + **The funding method** for employer contributions (the long-term planned pattern for employer contributions)
- F. + **Mathematically combining the assumptions, the funding method, and the data**
- G. = Determination of:
  - Plan financial position**, and/or
  - New Employer Contribution Rate**

## Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base. In a fixed rate plan with unfunded liabilities, a reduction in covered payroll can have a negative effect on the system as actual employer contributions are based on a lower than expected payroll;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected. Teacher shortages and reductions in school age populations may have an effect on the System other than expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.



## Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures are discussed below and on the following pages. An additional historical summary of plan maturity measures can be found on page 11.

	2023	2022	2021	2020	2019
Ratio of the Market Value of Assets to Total Payroll	5.9	5.9	6.7	5.7	6.1
Ratio of Actuarial Accrued Liability to Payroll	7.3	7.4	7.5	7.6	7.5
Ratio of Actives to Retirees and Beneficiaries	1.3	1.4	1.4	1.4	1.5
Ratio of Net Cash Flow to Market Value of Assets	-3.3%	-1.0%*	-3.2%	-3.9%	-3.6%
Duration of the Present Value of Future Benefits	14.16	14.03	14.02	13.83	13.82

\* The net cash flow for 2022 includes \$507.4 million from the settlement of a lawsuit.

### Ratio of the Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. The market value of assets is currently 5.9 times the payroll indicating that a return on assets 2% different from assumed would equal approximately 12% of payroll. Such a change could affect the amortization period by approximately five years based on 2023 results. While asset smoothing would reduce the effect, asset gains and losses much larger than 2% are common. An increasing level of this maturity measure generally indicates an increasing volatility in the amortization period.

### Ratio of Actuarial Accrued Liability to Payroll

As the ratio of actuarial accrued liability to payroll increases, the amortization period becomes increasingly sensitive to the effects of demographic gains and losses, and assumption changes. For example, a 1% demographic gain or loss would correspond to 7.3% of payroll and would affect the amortization period by three years based on the 2023 results.

### Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

### Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefits and expenses exceed contributions, and existing funds may be used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

## Plan Maturity Measures (Concluded)

### Duration of Present Value of Future Benefits

The modified duration of the present value of future benefits may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, the current duration of 14.2 (which is based on a 7.25% discount rate) indicates that the present value of future benefits would increase approximately 14.2% if the assumed rate of return were lowered 1%. Such a change could affect the amortization period by 20 years or more.

### Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

## Plan Maturity Measures (Based on Market Value of Assets)

Valuation Date June 30	(1) Accrued Liabilities (AAL)	(2) Market Value of Assets	(3) Unfunded AAL (1)-(2)	(4) Valuation Payroll	(5) % Change in Payroll	(6) Funded Ratio (2)/(1)	(7) Annuitant Liabilities (AnnLiab)	(8) AnnLiab/AAL (7)/(1)	(9) Liability/Payroll (1)/(4)	(10) Assets/Payroll (2)/(4)	(11) Est. Portfolio Std. Dev.	(12) Std. Dev. % of Pay (10)x(11)	(13) Unfunded/Payroll (3)/(4)	(14) Net External Cash Flow (NECF)	(15) NECF/Assets (14)/(2)	(16) Portfolio Rate of Return	(17) 10-year Trailing Average
2012	\$ 16,139	\$ 11,484	\$ 4,655	\$ 2,803		71.2%	\$ 7,649	47.4%	575.8%	409.7%			166.1%	\$ (285)	-2.5%	-1.1%	6.6%
2013#	16,718	12,830	3,888	2,819	0.6%	76.7%	8,181	48.9%	593.0%	455.1%			137.9%	(337)	-2.6%	14.9%	8.0%
2014	17,310	14,856	2,454	2,851	1.1%	85.8%	8,777	50.7%	607.2%	521.1%			86.1%	(395)	-2.7%	19.2%	8.2%
2015	18,136	15,036	3,100	2,874	0.8%	82.9%	9,778	53.9%	631.0%	523.1%			107.9%	(445)	-3.0%	4.3%	7.7%
2016	18,812	14,559	4,253	2,888	0.5%	77.4%	10,430	55.4%	651.3%	504.0%			147.3%	(505)	-3.5%	0.2%	6.3%
2017**	20,298	16,285	4,013	2,922	1.2%	80.2%	11,337	55.9%	694.7%	557.4%			137.3%	(556)	-3.4%	16.0%	6.0%
2018	20,935	17,493	3,442	2,986	2.2%	83.6%	11,851	56.6%	701.1%	585.8%	12.7%	77.3%	115.3%	(607)	-3.5%	11.4%	7.6%
2019	21,709	17,742	3,967	3,027	1.4%	81.7%	12,460	57.4%	717.2%	586.1%	12.5%	76.3%	131.1%	(642)	-3.6%	5.2%	10.4%
2020	22,352	16,902	5,450	3,078	1.7%	75.6%	12,890	57.7%	726.2%	549.1%	12.5%	71.5%	177.1%	(665)	-3.9%	-1.0%	8.8%
2021*	23,987	21,469	2,518	3,205	4.1%	89.5%	13,596	56.7%	748.4%	669.8%	13.8%	92.1%	78.6%	(677)	-3.2%	31.7%	9.6%
2022	24,697	19,679	5,018	3,320	3.6%	79.7%	14,044	56.9%	743.8%	592.7%	13.7%	81.1%	151.1%	(192)	-1.0%	-7.5%	8.9%
2023	25,592	20,675	4,917	3,492	5.2%	80.8%	14,511	56.7%	732.9%	592.1%	13.9%	82.3%	140.8%	(689)	-3.3%	8.7%	8.3%

(\*) ATRS had experience studies in these years leading to a change or "true up" in actuarial assumptions. A pattern of periodic studies is a sign of a well-run system and suggests the extent to which the liability measures the actuary provides are likely to be realistic.

(#) ATRS had benefit changes in these years. Benefit increases cause liabilities to rise; benefit decreases cause liabilities to fall. In either case benefit changes affect the year by year comparability of the measures on this page.

(6) The Funded ratio is the most widely known measure of a plan's financial strength, but the trend in the funded ratio is much more important than the absolute ratio. The funded ratio should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.

(9) and (10) The ratios of liabilities and assets to payroll gives an indication of both maturity and volatility. Many systems have values between 500% and 700%. Values significantly above that range may indicate difficulty in supporting the benefit level as a level % of payroll.

(13) The ratio of unfunded liability to payroll gives an indication of the plan sponsor's ability to actually pay off the unfunded liability. A value above approximately 300% or 400% may indicate difficulty in discharging the unfunded liability within a reasonable time frame.

(14) and (15) The ratio of Net External Cash Flow to assets is an important measure of sustainability. Negative ratios are common and expected for a maturing system. In the longer term, this ratio should be on the order of approximately -4%. A ratio that is significantly more negative than that for an extended period could be a leading indicator of potential exhaustion of assets.

(16) and (17) Investment return is probably the largest single risk that most systems face. The year by year return and the 10-year geometric average give an indicator of the past performance of the investment program. Of course, past performance is not a guarantee of future results. Some of the trailing averaged are distorted by the extraordinary events of 2008.

# **BENEFIT PROVISIONS**

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# Summary of Benefit Provisions

## June 30, 2023

- 1. Post-Retirement Increases – A.C.A. §§ 24-7-713, 24-7-727 (compound COLA).** Each July 1, annuities are adjusted to be equal to the base annuity times 100% plus 3% for each full year in the period from the effective date of the base annuity to the current July 1. The base annuity is the amount of the member's annuity on the later of July 1, 2001 or the effective date of retirement. The July 1, 2009 cost of living adjustment for retirees was compounded. The annuity was set to 103% of the June 30, 2009 retirement benefit amount. After it was calculated on July 1, 2009, the base amount was reset to be the July 1, 2009 benefit amount. Future cost of living raises will be established by the new updated base amount. Future cost of living adjustments will be evaluated on an annual basis to determine if a simple or compound cost of living increase will be given, depending on the financial condition of the System.
- 2. Lump Sum Death Benefit – A.C.A. § 24-7-720.** Beneficiaries of deceased active members or retirees with 10 or more years of ATRS credited service are eligible to receive a lump sum death benefit of up to \$10,000. Resolution 2020-27 on September 28, 2021 set the minimum amount of the lump sum death benefit for all eligible members to six thousand six hundred sixty-seven dollars (\$6,667); retired members who retired on or before July 1, 2007 will receive an additional six hundred sixty-six dollars and sixty cents (\$666.60) for each contributory year of service credit up to the maximum amount of ten thousand dollars (\$10,000); and all other members will receive an additional three hundred thirty-three dollars and thirty cents (\$333.30) for each contributory year of service credit up to the maximum amount of ten thousand dollars (\$10,000).
- 3. Act 808 Retirement – A.C.A. § 24-4-732.** Any employee of a state agency who was an active member of the Arkansas Teacher Retirement System on April 8, 1987, and who qualified for retirement before January 1, 1988, could become a member of the Arkansas Public Employees Retirement System and retire from that system. All credited service was transferred to that system but the member's contributions were retained by the Arkansas Teacher Retirement System and the benefit amount is transferred monthly to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).
- 4. Act 793 Retirement – A.C.A. § 24-4-522.** Any employee who was a member of the rehabilitation services in 1977 was permitted to become a member of the Arkansas Public Employees Retirement System. Liabilities associated with prior service earned through June 30, 1978 remain in the Arkansas Teacher Retirement System. Future service is allocated to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).

## Summary of Benefit Provisions

### June 30, 2023

5. **Retiree Benefit Stipend – A.C.A. § 24-7-713.** Each retired member as of June 30, 2008, with 5 or more years of ATRS credited service receives a \$75 per month stipend. Members in T-DROP do not receive the \$75 per month stipend until actual retirement. For all members retiring on or after July 1, 2008, a minimum of 10 years of ATRS credited service is required to receive the \$75 per month stipend. The ATRS Board is allowed to set the stipend to a minimum of \$1 per month and a maximum of \$75 per month. By Board Resolution 2017-34 on November 13, 2017 the benefit stipend is removed from the base amount for all retirees and beneficiaries beginning in fiscal year 2019 and the benefit stipend will be reduced to \$50.00 for fiscal year 2020 and beyond. The Resolution contains a "hold harmless" provision that prevents the lowering of the stipend if it would actually reduce the total monthly benefit. This would only affect retirees when the COLA is less than \$25 per month.
6. **T-DROP Cash Balance Account.** Effective July 1, 2012, a T-DROP cash balance account was established that allows members exiting (retiring) from T-DROP to place all or a portion of their T-DROP proceeds into a Cash Balance Account (CBA) at ATRS. On November 13, 2017, by Resolution 2017-38 the Board set the CBA interest rate schedule based on years of participation as follows: 2.50% for year one, 2.75% for year two, 3.00% for year three, 3.25% for year four, 3.50% for year five, and 4.00% for year six and beyond. Each fiscal year, the Board can grant an incentive interest rate to encourage continued participation in the CBA program. For fiscal year 2022, the Board granted CBA participants an incentive rate of 1.0%, by Resolution 2021-36 on September 27, 2021.

7. **Optional Forms of Benefits – A.C.A. § 24-7-706:**

**Option 1 (Straight Life Annuity)**

A member will receive the maximum monthly benefit for which he/she qualifies, throughout his/her lifetime. No monthly benefits will be paid to his/her beneficiary after the member's death. Should a member die before he/she has drawn benefits in an amount equal to his/her contributions plus earned interest, the balance will be paid to a designated beneficiary. The designated beneficiary may be anyone chosen by the member.

**Option A (100% Survivor Annuity)**

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary(ies) will receive (equal shares of) the same annuity for the balance of his/her lifetime.

**Option B (50% Survivor Annuity)**

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary(ies) will receive (equal shares of) one-half (1/2) of this annuity for the balance of his/her lifetime.

# Summary of Benefit Provisions

## June 30, 2023

### **Option C (Annuity for Ten Years Certain and Life Thereafter)**

A reduced monthly benefit payable for 120 months. After that time, or if the beneficiary dies prior to 120 months, a member's monthly allowance will revert to the amount he/she would have received under the regular plan and continue for life. If the member dies before receiving 120 payments, the designated beneficiary will receive a monthly benefit in the same amount until monthly benefits to both the member and the beneficiary equal 120 monthly payments. No further benefits are then payable to the beneficiary.

### **Pop-Up Election**

Following the death of or a divorce from the member's designated beneficiary, his or her benefit reverts (pops-up) to the straight life annuity amount from the elected optional annuity amount. The member may then elect new beneficiaries in accordance with Arkansas Code and rules adopted by the ATRS board.

Option Factors are based upon a 5.0% interest rate and the PUB-2010 General Healthy Retiree/MP-2020 tables (generational projections using retirement year 2025) adjusted with a 50% unisex mix.

## Sample Benefit Computations for a Member Retiring July 1, 2023 with a Simple 3% COLA

Data for an example member is shown below.

Annual retirement benefit as of July 1, 2023 (excluding stipend): \$30,000

Projected benefits, taking into account increases after retirement would be:

Year Ended June 30	Annual Amount		\$ Increase
	Base	Current	
2024	\$30,000	\$30,000	\$ 0
2025	30,000	30,900	900
2026	30,000	31,800	900
2027	30,000	32,700	900
2028	30,000	33,600	900

Thereafter, the amount would increase by \$900 annually for life. Act 793 members and Act 808 members receive compound COLAs.



## **CHANGES IN PURCHASING POWER**

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## Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (1990 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				1990 \$	% of 1990
1990	\$ - - - -	\$ 11,000	- - - -	\$ 11,000	100%
1991	330	11,330	(4.7)%	10,822	98%
1992	1,005	12,335	(3.1)%	11,429	104%
1993	1,045	13,380	(3.0)%	12,036	109%
1994	1,082	14,462	(2.5)%	12,693	115%
1995	400	14,862	(3.0)%	12,660	115%
1996	400	15,262	(2.8)%	12,652	115%
1997	772	16,034	(2.3)%	12,993	118%
1998	481	16,515	(1.7)%	13,161	120%
1999	1,383	17,898	(2.0)%	13,989	127%
2000	1,129	19,027	(3.7)%	14,336	130%
2001	1,406	20,433	(3.2)%	14,911	136%
2002	807	21,240	(1.1)%	15,337	139%
2003	562	21,802	(2.1)%	15,417	140%
2004	562	22,364	(3.3)%	15,314	139%
2005	562	22,926	(2.5)%	15,312	139%
2006	562	23,488	(4.3)%	15,037	137%
2007	562	24,050	(2.7)%	14,994	136%
2008	562	24,612	(5.0)%	14,611	133%
2009	562	25,174	1.4 %	15,161	138%
2010	755	25,929	(1.1)%	15,453	140%
2011	778	26,707	(3.6)%	15,370	140%
2012	778	27,485	(1.7)%	15,558	141%
2013	778	28,263	(1.8)%	15,723	143%
2014	778	29,041	(2.1)%	15,828	144%
2015	778	29,819	(0.1)%	16,232	148%
2016	778	30,597	(1.0)%	16,491	150%
2017	778	31,375	(1.6)%	16,638	151%
2018	778	32,153	(2.9)%	16,575	151%
2019	751	32,904	(1.6)%	16,687	152%
2020+	451	33,355	(0.6)%	16,807	153%
2021	751	34,106	(5.4)%	16,306	148%
2022	751	34,857	(9.1)%	15,281	139%
2023	751	35,608	(3.0)%	15,160	138%
2024	751	36,359			

\* The \$11,000 benefit used to begin this schedule is an arbitrary amount. A different beginning amount could show a different purchasing power amount, but the same in percent loss.

# Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

+ The Retiree Benefit Stipend was reduced by \$300 in FY 2020.

## Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (2000 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				2000 \$	% of 2000
2000	\$ ----	\$ 11,600	----	\$ 11,600	100%
2001	1,003	12,603	(3.2)%	12,207	105%
2002	523	13,126	(1.1)%	12,579	108%
2003	372	13,498	(2.1)%	12,668	109%
2004	372	13,870	(3.3)%	12,605	109%
2005	372	14,242	(2.5)%	12,624	109%
2006	372	14,614	(4.3)%	12,417	107%
2007	372	14,986	(2.7)%	12,400	107%
2008	372	15,358	(5.0)%	12,100	104%
2009	372	15,730	1.4 %	12,573	108%
2010	472	16,202	(1.1)%	12,815	110%
2011	486	16,688	(3.6)%	12,746	110%
2012	486	17,174	(1.7)%	12,902	111%
2013	486	17,660	(1.8)%	13,039	112%
2014	486	18,146	(2.1)%	13,125	113%
2015	486	18,632	(0.1)%	13,460	116%
2016	486	19,118	(1.0)%	13,675	118%
2017	486	19,604	(1.6)%	13,797	119%
2018	486	20,090	(2.9)%	13,745	118%
2019	459	20,549	(1.6)%	13,831	119%
2020+	159	20,708	(0.6)%	13,848	119%
2021	459	21,167	(5.4)%	13,431	116%
2022	459	21,626	(9.1)%	12,582	108%
2023	459	22,085	(3.0)%	12,479	108%
2024	459	22,544			

\* The \$11,600 benefit used to begin this schedule is an arbitrary amount. A different beginning amount could show a different purchasing power amount, but the same in percent loss.

# Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

+ The Retiree Benefit Stipend was reduced by \$300 in FY 2020.

## Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (2010 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				2010 \$	% of 2010
2010	\$ ----	\$ 11,900	----	\$ 11,900	100%
2011	357	12,257	(3.6)%	11,836	99%
2012	357	12,614	(1.7)%	11,981	101%
2013	357	12,971	(1.8)%	12,108	102%
2014	357	13,328	(2.1)%	12,188	102%
2015	357	13,685	(0.1)%	12,499	105%
2016	357	14,042	(1.0)%	12,699	107%
2017	357	14,399	(1.6)%	12,812	108%
2018	357	14,756	(2.9)%	12,764	107%
2019	330	15,086	(1.6)%	12,837	108%
2020+	30	15,116	(0.6)%	12,780	107%
2021	330	15,446	(5.4)%	12,391	104%
2022	330	15,776	(9.1)%	11,605	98%
2023	330	16,106	(3.0)%	11,506	97%
2024	330	16,436			

\* The \$11,900 benefit used to begin this schedule is an arbitrary amount. A different beginning amount could show a different purchasing power amount, but the same in percent loss.

# Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

+ The Retiree Benefit Stipend was reduced by \$300 in FY 2020.

## VALUATION DATA

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## Summary of Annuities Being Paid Retirees and Beneficiaries July 1, 2023 by Disbursing Account and Gender

Disbursing Account	Men		Women		Totals	
	No.	Annual Annuities	No.	Annual Annuities	No.	Annual Annuities
<b>RETIREMENT RESERVE ACCOUNT</b>						
Age & Service Annuities						
Retirees	10,698	\$293,822,439	38,514	\$ 953,127,140	49,212	\$1,246,949,579
Beneficiaries	462	10,187,851	1,057	26,347,376	1,519	36,535,227
Totals	11,160	304,010,290	39,571	979,474,516	50,731	1,283,484,806
Disability						
Retirees	509	8,118,923	2,129	33,802,184	2,638	41,921,107
Beneficiaries	144	2,321,721	138	2,577,888	282	4,899,609
Totals	653	10,440,644	2,267	36,380,072	2,920	46,820,716
Act 793	69	1,076,079	62	540,769	131	1,616,848
Retirement Reserve Account	11,882	315,527,013	41,900	1,016,395,357	53,782	1,331,922,370
Act 808 Retirement Reserve Account	18	1,226,321	9	346,157	27	1,572,478
<b>Total Retirement Reserve Account</b>	<b>11,900</b>	<b>316,753,334</b>	<b>41,909</b>	<b>1,016,741,514</b>	<b>53,809</b>	<b>1,333,494,848</b>
<b>SURVIVOR'S BENEFIT ACCOUNT</b>						
Beneficiaries of Deceased Members	430	6,388,917	407	6,731,949	837	13,120,866
<b>RETIREMENT SYSTEM TOTALS</b>						
<b>Total Annuities Being Paid</b>	<b>12,330</b>	<b>\$323,142,251</b>	<b>42,316</b>	<b>\$1,023,473,463</b>	<b>54,646</b>	<b>\$1,346,615,714</b>
Prior Year Totals	11,976	\$314,427,969	40,772	\$ 979,325,338	52,748	\$1,293,753,307
<b>Average Age</b>	<b>72.1</b>		<b>72.0</b>		<b>72.0</b>	

## Summary of Annuities Being Paid Retirees and Beneficiaries July 1, 2023 by Disbursing Account and Source of Financing

Disbursing Account	Annual Annuities		Total	
	Employee Financed	Employer Financed	No.	Annual Annuities
<b>RETIREMENT RESERVE ACCOUNT</b>				
Age & Service Annuities				
Retirees	\$ 67,110,108	\$ 1,179,839,471	49,212	\$ 1,246,949,579
Beneficiaries	320,526	36,214,701	1,519	36,535,227
Totals	67,430,634	1,216,054,172	50,731	1,283,484,806
Disability				
Retirees	1,322,042	40,599,065	2,638	41,921,107
Beneficiaries	132,960	4,766,649	282	4,899,609
Totals	1,455,002	45,365,714	2,920	46,820,716
Act 793	101,240	1,515,608	131	1,616,848
Retirement Reserve Account	68,986,876	1,262,935,494	53,782	1,331,922,370
Act 808 Retirement Reserve Account	60,981	1,511,497	27	1,572,478
Total Retirement Reserve Account	69,047,857	1,264,446,991	53,809	1,333,494,848
<b>SURVIVOR'S BENEFIT ACCOUNT</b>				
Beneficiaries of Deceased Members	389,416	12,731,450	837	13,120,866
<b>RETIREMENT SYSTEM TOTALS</b>				
<b>Total Annuities Being Paid</b>	<b>\$ 69,437,273</b>	<b>\$ 1,277,178,441</b>	<b>54,646</b>	<b>\$ 1,346,615,714</b>
Prior Year Totals	\$ 70,466,779	\$ 1,223,286,528	52,748	\$ 1,293,753,307

## Annuities Being Paid Retirees and Beneficiaries July 1, 2023 by Type of Annuity Being Paid

Type of Annuity	No.	Annual Amounts		
		Original Annuities	Base Annuities	Current Annuities
<b>RETIREMENT RESERVE ACCOUNT</b>				
Age & Service				
Option 1 (Basic single life)	40,060	\$ 645,738,331	\$ 726,676,861	\$ 982,437,433
Option A (Joint & 100% Survivor)	5,595	95,988,271	107,765,649	147,170,803
Option B (Joint & 50% Survivor)	2,783	63,486,737	73,460,832	100,348,785
Option C (10-year certain)	774	13,739,084	13,755,337	16,992,558
Beneficiaries	1,519	29,199,569	25,668,859	36,535,227
Totals	50,731	848,151,992	947,327,538	1,283,484,806
Disability				
Option 1	2,202	23,971,617	25,491,149	34,783,736
Option A	356	3,990,596	4,001,425	5,373,331
Option B	80	1,246,966	1,313,808	1,764,040
Option C	0	-	-	-
Beneficiaries	282	3,503,010	3,394,184	4,899,609
Totals	2,920	32,712,189	34,200,566	46,820,716
Act 793	131	750,736	1,616,848	1,616,848
Retirement Reserve Account	53,782	881,614,917	983,144,952	1,331,922,370
Act 808 Retirement Reserve Account	27	503,922	1,572,478	1,572,478
Total Retirement Reserve Account	53,809	882,118,839	984,717,430	1,333,494,848
<b>SURVIVOR'S BENEFIT ACCOUNT</b>				
Beneficiaries of Deceased Members				
Age 0-17	143	1,274,975	1,273,464	1,409,056
Age 18-23	68	656,668	654,960	743,071
Other	626	7,310,354	8,089,863	10,968,739
Totals	837	9,241,997	10,018,287	13,120,866
<b>RETIREMENT SYSTEM TOTALS</b>				
Total Annuities Being Paid	54,646	\$ 891,360,836	\$ 994,735,717	\$ 1,346,615,714

**The Original Annuity** is the annuity at the date of retirement (includes stipend).

**The Base Annuity** is the amount from which the 3.0% COLA is calculated.

**The Current Annuity** is the annuity payable at July 1, 2023 including the COLA granted on July 1.



**Annuities Being Paid July 1, 2023  
from the Retirement Reserve Account to  
AGE AND SERVICE Retirees and Beneficiaries  
by Attained Ages**

Attained Age	Annual Amounts			
	No.	Original Annuities	Base Annuities	Current Annuities
Under 40	10	\$ 201,072	\$ 167,144	\$ 225,613
40-44	7	135,270	113,885	147,928
45-49	16	254,319	244,014	266,113
50-54	395	11,523,862	11,269,975	12,312,477
55-59	1,265	34,481,611	34,116,765	40,192,553
60-64	6,719	126,833,374	127,691,076	156,578,801
65-69	11,805	207,980,139	216,547,931	280,520,472
70-74	12,589	211,568,500	232,793,322	322,200,635
75-79	9,343	144,520,919	170,752,946	246,256,251
80-84	5,164	70,687,336	91,491,529	133,808,225
85-89	2,292	28,305,466	41,046,004	60,107,234
90-94	888	9,395,251	16,191,879	23,715,174
95 & Up	238	2,264,873	4,901,068	7,153,330
<b>Totals</b>	<b>50,731</b>	<b>\$848,151,992</b>	<b>\$947,327,538</b>	<b>\$1,283,484,806</b>
<b>Avg. Age</b>	<b>72.0</b>			

Amounts in the Original Annuities column include the original \$900 Retiree Benefit Stipend. Amounts in the Base Annuities column exclude this amount for purposes of determining the COLA. Amounts in the Current Annuities column include the current \$600 Retiree Benefit Stipend.

**Annuities Being Paid July 1, 2023  
from the Retirement Reserve Account to  
DISABILITY Retirees and Beneficiaries by Attained Ages**

Attained Age	Annual Amounts			
	No.	Original Annuities	Base Annuities	Current Annuities
Under 40	9	\$ 93,541	\$ 88,229	\$ 102,592
40-44	22	255,408	244,008	269,558
45-49	103	1,297,673	1,237,824	1,456,609
50-54	196	2,708,245	2,582,570	3,022,651
55-59	357	4,655,261	4,420,847	5,428,789
60-64	556	6,199,159	5,889,709	7,792,817
65-69	579	6,233,158	6,089,390	8,591,459
70-74	502	5,215,739	5,543,024	8,182,468
75-79	353	3,800,521	4,608,254	6,812,078
80-84	168	1,683,861	2,402,416	3,547,404
85-89	54	455,900	789,221	1,163,946
90-94	13	77,190	189,876	280,234
95 & Up	8	36,533	115,198	170,111
<b>Totals</b>	<b>2,920</b>	<b>\$32,712,189</b>	<b>\$34,200,566</b>	<b>\$46,820,716</b>
<b>Avg. Age</b>	<b>66.3</b>			

Amounts in the Original Annuities column include the original \$900 Retiree Benefit Stipend. Amounts in the Base Annuities column exclude this amount for purposes of determining the COLA. Amounts in the Current Annuities column include the current \$600 Retiree Benefit Stipend.

**Annuities Being Paid July 1, 2023  
from the Retirement Reserve Account to  
ACT 793 Retirees and Beneficiaries by Attained Ages**

Attained Age	Annual Amounts		
	No.	Original Annuities	Current Annuities
Under 40	-	\$ -	\$ -
40-44	-	-	-
45-49	-	-	-
50-54	-	-	-
55-59	-	-	-
60-64	-	-	-
65-69	7	15,016	26,971
70-74	27	93,097	170,738
75-79	37	189,443	378,565
80-84	36	255,626	549,058
85-89	17	129,694	306,695
90-94	7	67,860	184,821
95 & Up	-	-	-
<b>Totals</b>	<b>131</b>	<b>\$750,736</b>	<b>\$1,616,848</b>
<b>Avg. Age</b>	<b>78.8</b>		

Base annuities are equal to current annuities since the COLA is compounded.

**Annuities Being Paid July 1, 2023  
from the Retirement Reserve Account to  
SURVIVOR BENEFICIARIES by Attained Ages**

Attained Age	Annual Amounts			
	No.	Original Annuities	Base Annuities	Current Annuities
Under 40	220	\$1,983,066	\$ 1,978,194	\$ 2,217,748
40-44	6	37,014	36,264	45,677
45-49	4	36,965	37,944	49,539
50-54	22	340,174	329,891	402,065
55-59	37	448,003	429,402	509,748
60-64	101	1,203,589	1,160,562	1,452,078
65-69	138	1,864,070	1,869,465	2,460,103
70-74	126	1,384,310	1,492,293	2,099,017
75-79	92	1,133,480	1,322,380	1,891,020
80-84	52	465,510	692,360	1,014,626
85-89	25	246,538	415,393	606,936
90-94	12	94,704	232,661	340,171
95 & Up	2	4,574	21,478	32,138
<b>Totals</b>	<b>837</b>	<b>\$9,241,997</b>	<b>\$10,018,287</b>	<b>\$13,120,866</b>
<b>Avg. Age</b>	<b>55.6</b>			

Amounts in the Original Annuities column include the original \$900 Retiree Benefit Stipend. Amounts in the Base Annuities column exclude this amount for purposes of determining the COLA. Amounts in the Current Annuities column include the current \$600 Retiree Benefit Stipend.

**Annuities Being Paid July 1, 2023  
from the ACT 808 Retirement Reserve Account to  
ACT 808 Retirees and Beneficiaries by Attained Ages**

Attained Age	Annual Amounts		
	No.	Original Annuities	Current Annuities
Under 40	-	\$ -	\$ -
40-44	-	-	-
45-49	-	-	-
50-54	-	-	-
55-59	-	-	-
60-64	-	-	-
65-69	-	-	-
70-74	-	-	-
75-79	-	-	-
80-84	1	16,262	56,593
85-89	8	165,649	561,733
90-94	14	258,464	807,756
95 & Up	4	63,547	146,396
<b>Totals</b>	<b>27</b>	<b>\$503,922</b>	<b>\$1,572,478</b>
<b>Avg. Age</b>	<b>90.7</b>		

Base annuities are the same as current annuities since the COLA is compounded.

## Retiree and Beneficiary Data as of June 30

Year	Estimated Number		Total Retirees*	Annual Allowances (Millions)	% Increase in Annual Allowances@	Average Annual Allowances
	Added	Removed				
1992	455	312	12,033	\$ 115.50	10.4%	\$ 9,599
1993	589	316	12,306	129.71	12.3%	10,540
1994	846	512	12,640	141.87	9.4%	11,224
1995	908	342	13,206	156.59	10.4%	11,857
1996	1,107	654	13,659	170.59	8.9%	12,489
1997	1,049	475	14,233	194.90	14.3%	13,694
1998	809	240	14,802	220.38	13.1%	14,888
1999	1,582	497	15,887	248.75	12.9%	15,658
2000	1,249	479	16,657	280.14	12.6%	16,818
2001	1,571	450	17,778	309.03	10.3%	17,383
2002	1,989	568	19,199	334.15	8.1%	17,404
2003	1,621	549	20,271	359.98	7.7%	17,758
2004	1,685	528	21,428	386.23	7.3%	18,025
2005	1,822	570	22,680	415.04	7.5%	18,300
2006	1,958	485	24,153	449.77	8.4%	18,622
2007	2,017	559	25,611	484.55	7.7%	18,920
2008	1,703	513	26,801	515.56	6.4%	19,237
2009	2,721	704	28,818	564.59	9.5%	19,591
2010	2,588	819	30,587	612.77	8.5%	20,034
2011	2,394	882	32,099	657.08	7.2%	20,470
2012	2,932	871	34,160	709.17	7.9%	20,760
2013	3,039	945	36,254	763.76	7.7%	21,067
2014	3,156	932	38,478	822.19	7.7%	21,368
2015	3,326	1,056	40,748	916.62	11.5%	22,495
2016	3,272	925	43,095	983.87	7.3%	22,830
2017	2,996	999	45,092	1,044.74	6.2%	23,169
2018	2,927	1,195	46,824	1,099.35	5.2%	23,478
2019	2,849	996	48,677	1,146.74	4.3%	23,558
2020	2,811	1,355	50,133	1,194.82	4.2%	23,833
2021	2,852	1,580	51,405	1,242.70	4.0%	24,175
2022	2,788	1,445	52,748	1,293.75	4.1%	24,527
2023	3,389	1,491	54,646	1,346.62	4.1%	24,643

\* T-DROP participants are classified as active members for purposes of the valuation and are not included in this schedule.

@ Upon actual retirement, T-DROP account balances may be paid in the form of an additional annuity – a “T-DROP Annuity.” Annual annuities shown include T-DROP annuities beginning in 2015.



## **REPORTED ASSETS**

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## Reported Assets

**The assets** of the Retirement System, as of June 30, 2023, were reported to your actuary to be \$20,675,051,918. This amount, increased by a funding value adjustment of \$339,856,905 this year, is used to finance the Retirement System liability.

Accounts	Assets as of June 30	
	2023	2022
Regular Accounts		
Members' Deposit Accounts		
Contributions	\$ 1,718,903,627	\$ 1,619,234,265
Interest	11,599,922,370	10,879,135,880
Total	13,318,825,997	12,498,370,145
T-DROP Member Deposit Accounts		
Contributions	32,472,783	28,418,105
Interest	18,548,379	19,012,373
Total	51,021,162	47,430,478
Cash Balance Account	226,279,957	207,565,576
Employer's Accumulation Account	(7,256,480,855)	(7,008,787,923)
Retirement Reserve Account	13,886,819,183	13,468,111,609
Act 808 Retirement Reserve Account	6,235,877	6,840,591
T-Lump Sum Payable	320,171,587	339,803,043
Survivors Benefit Account	112,186,981	110,412,603
Total Regular Accounts	20,665,059,889	19,669,746,122
Other Accounts		
Income Expense Account	9,992,029	9,721,130
Other Special Reserves	-	-
Miscellaneous	-	-
Total Other Accounts	9,992,029	9,721,130
Total Accounting Value of Assets	20,675,051,918	19,679,467,252
Funding Value Adjustment	339,856,905	648,814,232
Funding Value of Assets	\$ 21,014,908,823	\$ 20,328,281,484



## VALUATION RESULTS

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## Liabilities for Annuities Being Paid July 1, 2023 Tabulated by Type of Annuity Being Paid

Type of Annuity	Liabilities July 1, 2023		
	Men	Women	Totals
<b>RETIREMENT RESERVE ACCOUNT</b>			
Age & Service Annuities			
Option 1 (Straight Life)	\$ 1,689,414,444	\$ 8,297,371,626	\$ 9,986,786,070
Option A (100% Joint & Survivor)	873,027,296	1,002,061,590	1,875,088,886
Option B (50% Joint & Survivor)	424,790,992	709,644,492	1,134,435,484
Option C (10 Years Certain & Life)	49,130,959	174,265,413	223,396,372
Beneficiaries	79,661,361	218,926,252	298,587,613
Total Age & Service	3,116,025,052	10,402,269,373	13,518,294,425
Disability Annuities			
Option 1	51,727,061	290,258,569	341,985,630
Option A	25,650,567	48,545,604	74,196,171
Option B	7,427,623	12,651,982	20,079,605
Option C	-	-	-
Beneficiaries	21,825,654	25,300,416	47,126,070
Total Disability	106,630,905	376,756,571	483,387,476
Act 793	7,172,197	4,650,082	11,822,279
Retirement Reserve Account	3,229,828,154	10,783,676,026	14,013,504,180
Act 808 Retirement Reserve Account	4,977,143	1,252,213	6,229,356
Total Retirement Reserve Account	3,234,805,297	10,784,928,239	14,019,733,536
<b>SURVIVORS' BENEFIT ACCOUNT</b>			
Beneficiaries of Deceased Members	57,386,933	62,567,136	119,954,069
<b>RETIREMENT SYSTEM TOTALS</b>			
Total Annuity Liabilities	3,292,192,230	10,847,495,375	14,139,687,605
Cash Benefit Account Liabilities			226,279,957
Liabilities for Lump Sum Death Benefits			144,857,018
Total	\$ 3,292,192,230	\$ 10,847,495,375	\$ 14,510,824,580

## Annual Reserve Transfers

The annual accounting transfers listed below are recommended so that retired life accounts will be fully funded as of the valuation date.

Reserve Account	June 30, 2023 Balance Reported	Transfer Amount	June 30, 2023 Balance After Transfer
Retiree Accounts			
RRA	\$ 13,886,819,183	\$ 126,684,997	\$ 14,013,504,180
808 RRA	6,235,877	(6,521)	6,229,356
SBA	112,186,981	7,767,088	119,954,069
Total Retiree Accounts	14,005,242,041	134,445,564	14,139,687,605
EAA	(7,256,480,855)	(134,445,564)	(7,390,926,419)
<b>Total</b>	<b>\$ 6,748,761,186</b>	<b>\$ -</b>	<b>\$ 6,748,761,186</b>

Lump sum death benefits for retirees are paid from the Employer Accumulation Account and are not included in the figures shown in this report. The actuarial accrued liabilities for lump sum death benefits for retirees are currently \$144.9 million. The Cash Balance Account includes an additional \$226.3 million of retiree liabilities and is not included in the schedule above. No reserve transfers are required for this account.

## Retirement Reserve Account

### Comparative Statement of Annuities, Accrued Liabilities and Assets (\$ Millions)

Valuation Date June 30	Annual Annuities Being Paid			Average	Computed Liabilities	Applicable Assets	Unfunded Retired Life Liabilities	Ratio of Assets to Liabilities
	No.	Amount	% Incr.					
1980*#	8,001	\$ 30.10	3.5%	\$ 3,761	\$ 280.70	\$ 280.7	none	100.0%
1985*+	9,331	51.49	13.6%	5,518	479.9	479.9	none	100.0%
1990	11,054	87.84	7.2%	7,946	847.7	847.7	none	100.0%
1995	12,622	150.45	10.8%	11,920	1,428.6	1,428.6	none	100.0%
2000* ##	16,172	275.65	14.6%	17,045	2,828.8	2,828.8	none	100.0%
2005	22,147	409.42	7.5%	18,486	4,148.1	4,148.1	none	100.0%
2006	23,606	443.98	8.4%	18,808	4,483.4	4,483.4	none	100.0%
2007	25,038	478.30	7.7%	19,103	4,816.4	4,816.4	none	100.0%
2008	26,258	509.29	6.5%	19,396	5,391.3	5,391.3	none	100.0%
2009	28,228	557.83	9.5%	19,762	5,891.9	5,891.9	none	100.0%
2010	29,969	605.55	8.6%	20,206	6,358.0	6,358.0	none	100.0%
2011^	31,498	649.47	7.3%	20,619	6,972.6	6,972.6	none	100.0%
2012	33,533	701.09	7.9%	20,907	7,481.0	7,481.0	none	100.0%
2013	35,622	755.26	7.7%	21,202	8,004.8	8,004.8	none	100.0%
2014	37,824	813.33	7.7%	21,503	8,561.9	8,561.9	none	100.0%
2015@	40,070	907.09	11.5%	22,638	9,515.7	9,515.7	none	100.0%
2016	42,395	973.78	7.4%	22,969	10,157.2	10,157.2	none	100.0%
2017* ^	44,394	1,034.17	6.2%	23,295	11,026.4	11,026.4	none	100.0%
2018	46,108	1,088.30	5.2%	23,603	11,515.7	11,515.7	none	100.0%
2019	47,979	1,137.79	4.5%	23,714	12,094.6	12,094.6	none	100.0%
2020	49,365	1,182.98	4.0%	23,964	12,494.4	12,494.4	none	100.0%
2021^	50,633	1,230.58	4.0%	24,304	13,163.2	13,163.2	none	100.0%
2022	51,944	1,281.16	4.1%	24,664	13,580.5	13,580.5	none	100.0%
2023	53,809	1,333.49	4.1%	24,782	14,019.7	14,019.7	none	100.0%

\* After plan amendments.

# After change in interest assumption from 6.0% to 7.0%, change in post-retirement adjustments from 1.5% to 3.0% and recommended reserve transfer.

+ After redetermination of base, retroactive application of new minimum benefit formula and reserve transfers.

## Includes Act 808 and Act 793 retirees beginning in 2000.

^ After changes in assumptions.

@ Upon actual retirement, T-DROP account balances maybe paid in the form of an additional annuity – a “T-DROP Annuity.” Annual annuities shown include T-DROP annuities beginning in 2015.

## Survivors' Benefit Account Accrued Liabilities and Assets Comparative Statement

Valuation Date June 30	Annual Annuities Being Paid		Computed Liabilities	Applicable Assets	Unfunded Accrued Liabilities	Ratio of Assets to Liabilities
	No.	Amount				
1980*#	393	\$ 772,631	\$ 7,042,644	\$ 7,042,644	none	100.0%
1985*+	421	1,240,399	12,411,800	12,411,800	none	100.0%
1990	424	1,830,743	18,117,244	18,117,244	none	100.0%
1995	416	2,723,940	26,220,218	26,220,218	none	100.0%
2000*	485	4,487,519	43,701,138	43,701,138	none	100.0%
2005	533	5,619,675	56,257,745	56,257,745	none	100.0%
2006	547	5,791,974	57,605,939	57,605,939	none	100.0%
2007	573	6,250,603	63,481,565	63,481,565	none	100.0%
2008	543	6,269,551	66,496,539	66,496,539	none	100.0%
2009	590	6,761,034	70,857,161	70,857,161	none	100.0%
2010	618	7,224,585	75,108,334	75,108,334	none	100.0%
2011^	601	7,605,212	81,150,385	81,150,385	none	100.0%
2012	627	8,081,913	84,930,745	84,930,745	none	100.0%
2013	632	8,491,667	88,139,802	88,139,802	none	100.0%
2014	654	8,861,734	89,793,996	89,793,996	none	100.0%
2015	678	9,530,889	95,272,795	95,272,795	none	100.0%
2016	700	10,084,359	98,960,258	98,960,258	none	100.0%
2017* ^	698	10,574,602	104,668,995	104,668,995	none	100.0%
2018	716	11,042,074	107,043,067	107,043,067	none	100.0%
2019	741	11,313,962	106,306,434	106,306,434	none	100.0%
2020	768	11,843,667	108,528,929	108,528,929	none	100.0%
2021^	772	12,116,736	113,740,676	113,740,676	none	100.0%
2022	804	12,596,386	115,961,127	115,961,127	none	100.0%
2023	837	13,120,866	119,954,069	119,954,069	none	100.0%

\* Includes plan amendments.

# After change in interest assumption from 6.0% to 7.0%, change in post-retirement adjustments from 1.5% to 3.0% and recommended reserve transfer.

+ After redetermination of base annuity, retroactive application of new minimum benefit formula and recommended reserve transfer.

^ After changes in assumptions.

## Annual Allowances of Retired Lives by Year of Retirement as of June 30, 2023

Calendar Year of Retirement	No.	Annual Amount Being Paid			Average
		Original	Total Increase	Current	
2023*	685	\$ 8,593,691	\$ 375,417	\$ 8,969,108	\$13,094
2022	3,231	51,165,451	5,880,770	57,046,221	17,656
2021	2,681	47,537,386	8,098,389	55,635,775	20,752
2020	2,700	45,878,812	8,995,090	54,873,902	20,324
2019	2,704	43,937,741	10,310,336	54,248,077	20,062
2018	2,694	44,926,799	11,646,740	56,573,539	21,000
2017	2,710	44,816,152	14,172,094	58,988,246	21,767
2016	2,765	45,423,418	15,960,125	61,383,543	22,200
2015	2,937	48,470,871	18,682,059	67,152,930	22,864
2014	2,885	48,935,718	20,518,174	69,453,892	24,074
2013	2,641	45,088,013	20,850,364	65,938,377	24,967
2012	2,563	42,261,073	21,221,954	63,483,027	24,769
2011	2,301	38,267,164	20,140,493	58,407,657	25,384
2010	1,944	32,218,623	19,190,119	51,408,742	26,445
2009	1,988	33,601,522	21,167,893	54,769,415	27,550
2008	1,922	30,912,314	19,117,725	50,030,039	26,030
2007	1,780	28,497,826	18,104,251	46,602,077	26,181
2006	1,537	24,996,620	17,402,417	42,399,037	27,586
2005	1,509	24,993,376	19,577,175	44,570,551	29,536
2004	1,333	21,151,543	15,988,149	37,139,692	27,862
2003	1,181	18,592,428	14,954,266	33,546,694	28,405
2002	1,114	17,920,428	14,544,427	32,464,855	29,143
2001	1,064	16,230,289	13,438,842	29,669,131	27,885
2000	949	15,747,988	13,881,080	29,629,068	31,221
1999	797	12,323,228	12,312,358	24,635,586	30,910
1998	744	10,706,465	11,220,282	21,926,747	29,471
1997	556	8,951,708	10,219,401	19,171,109	34,480
1996	415	7,093,337	8,318,022	15,411,359	37,136
1995	457	7,420,708	8,894,876	16,315,584	35,701
1994	451	7,410,604	9,760,089	17,170,693	38,072
1993	306	5,219,682	7,218,357	12,438,039	40,647
1992	183	2,469,695	3,763,041	6,232,736	34,059
1991	132	1,657,999	2,518,360	4,176,359	31,639
1990	153	1,590,991	3,067,800	4,658,791	30,450
1989	144	1,678,058	3,127,570	4,805,628	33,372
Before 1988	490	4,673,115	10,616,373	15,289,488	31,203
<b>TOTAL</b>	<b>54,646</b>	<b>\$891,360,836</b>	<b>\$455,254,878</b>	<b>\$1,346,615,714</b>	<b>\$24,643</b>

\* Reporting for calendar year 2023 is not yet complete. The July 1<sup>st</sup> retirees are not included in the schedule.



## APPENDIX

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## APPENDIX

### Single Life Retirement Values Based on PubG-2010 Mortality Amount-Weighted Tables Adjusted Using MP-2020 Projection Scale and 7.25% Interest

Sample Attained Ages in 2023*	Present Value of \$1.00 Monthly for Life		Present Value of \$1 Monthly for Life Increasing 3.0% Annually		Future Life Expectancy (Years)		Percent Dying within Next Year	
	Men	Women	Men	Women	Men	Women	Men	Women
40	\$159.96	\$162.49	\$213.47	\$218.30	45.36	48.37	0.09 %	0.05 %
45	155.57	158.81	205.04	210.97	40.12	43.08	0.12 %	0.07 %
50	149.87	153.98	194.63	201.82	35.02	37.91	0.29 %	0.22 %
55	142.93	148.16	182.42	191.08	30.14	32.96	0.43 %	0.30 %
60	134.14	140.50	167.74	177.74	25.44	28.11	0.66 %	0.42 %
65	123.21	130.50	150.50	161.41	20.97	23.41	0.97 %	0.62 %
70	109.70	117.76	130.52	141.96	16.74	18.90	1.49 %	0.99 %
75	93.73	102.22	108.40	119.79	12.85	14.69	2.51 %	1.75 %
80	76.09	84.50	85.47	96.11	9.43	10.92	4.50 %	3.24 %
85	58.67	66.08	64.10	73.00	6.64	7.75	8.29 %	6.17 %
Base	2705 x 1.05	2706 x 1.05	2705 x 1.05	2706 x 1.05				
Projection	964	965	964	965				

\* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

Age	Benefit Increasing 3.0% Yearly	Portion of Age 60 Lives Still Alive	
		Men	Women
60	\$100.00	100%	100%
65	115.00	96%	98%
70	130.00	91%	94%
75	145.00	84%	89%
80	160.00	73%	81%
Ref		2705 x 1.05	2706 x 1.05

The above chart is an illustration for a member who retires at age 60 in 2023.





November 30, 2023

Mr. Mark White  
Executive Director  
Arkansas Teacher Retirement System  
1400 West Third Street  
Little Rock, Arkansas 72201

**Re: Report of the June 30, 2023 Actuarial Valuation of Retirees and Beneficiaries**

Dear Mr. White:

Attached is a copy of this report. Please let us know if anything else is needed.

Sincerely,  
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink that reads "Judith A. Kermans". The signature is written in a cursive, flowing style.

Judith A. Kermans, EA, FCA, MAAA

JAK:rmn  
Enclosures

**Waiver of Employer Report Penalties 2024**  
**February 5, 2024 Board Meeting**  
A.C.A. Sec. 24-7-411

<b>Employer Penalties Waived</b>	
Midland School District Pleasant Plans, AR 72565	\$450.00
<b>TOTAL PENALTIES WAIVED</b>	<b>\$450.00</b>
<b>Employer Interest Waived</b>	
Guy Fenter Education Service Cooperative Branch, AR 72928	\$81.80
<b>TOTAL INTEREST WAIVED</b>	<b>\$81.80</b>
<b>TOTAL PENALTIES AND INTEREST WAIVED</b>	<b>\$531.80</b>

**BEFORE THE  
BOARD OF TRUSTEES OF THE ARKANSAS TEACHER RETIREMENT SYSTEM**

**IN RE DISABILITY RETIREE – ATRS ID # 391645**

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**ORDER FINDING DISABILITY RETIREE UNQUALIFIED TO RECEIVE DISABILITY  
RETIREMENT BENEFITS**

At its meeting on February 5, 2024, the Board of Trustees of the Arkansas Teacher Retirement System (“Board”) considered the review application filed by disability retiree - ATRS ID # 391645 (“Disability Retiree”) and the Medical Committee’s recommendation concerning the review application. In accordance with the Administrative Procedures Act, Ark. Code Ann. § 25-15-101 et seq., the Board finds as follows:

**I. FINDINGS OF FACT**

1. The Disability Retiree was approved for disability retirement under the Arkansas Teacher Retirement System (“ATRS”) on August 5, 2020.
2. The Disability Retiree was required to provide ATRS with a Social Security Administration determination letter (“SSA determination letter”) finding her unable to perform her work duties within thirty-six (36) months from the effective date of her effective date of disability retirement.
3. The Disability Retiree’s effective date of disability retirement was July 1, 2020.
4. As such, the Disability Retiree was required to provide ATRS with the SSA determination letter by June 30, 2023.
5. On August 6, 2020, August 18, 2020, and June 14, 2021, ATRS notified the Disability Retiree that he was required to provide ATRS with a SSA determination letter finding him unable to perform his former work duties within thirty-six (36) months of the Disability Retiree’s effective date of disability retirement in order to continue receiving disability retirement benefits.
6. On February 8, 2023, and June 14, 2023, ATRS sent a written reminder to the Disability Retiree advising that the SSA determination letter would need to be submitted to ATRS by June 30, 2023, in order for the Disability Retiree to continue receiving disability retirement benefits.

7. On June 26, 2023, the Disability Retiree notified ATRS that he had received a Social Security determination letter. The SSA determination letter denied the Disability Retiree's application for Social Security disability benefits. On June 30, 2023, ATRS received a copy of the Disability Retiree's Social Security determination letter denying his application for Social Security disability benefits. On October 2, 2023, ATRS received a copy of the Disability Retiree's Social Security disability appeal denial letter.
8. On October 2, 2023, the Disability Retiree applied for a review by the Medical Committee of his disability benefits ceasing due to the lack of a SSA determination letter finding the Disability Retiree unable to perform his former work duties.
9. On November 8, 2023, the Medical Committee met and considered the Disability Retiree's application for review.
10. After reviewing the Disability Retiree's application for review, the Medical Committee decided to recommend that the Board:
  - a. Find the Disability Retiree unqualified to receive disability retirement benefits under ATRS; and
  - b. Terminate disability retirement benefit payments to the Disability Retiree.

## **II. CONCLUSIONS OF LAW**

Ark. Code Ann. § 24-7-704 provides as follows:

1. In order to continue receiving disability retirement benefits under ATRS, a disability retiree is required to provide ATRS with a SSA determination letter finding the disability retiree unable to perform his or her work duties;
2. A disability retiree must provide ATRS with a SSA determination letter finding the disability retiree unable to perform his or her work duties within thirty-six (36) months of the applicable time period provided by Ark. Code Ann. § 24-7-704;
3. ATRS is required to terminate disability retirement benefit payments to a disability retiree who does not either:

- a. Provide or receive an extension to provide ATRS with a SSA determination letter finding the disability retiree unable to perform his or her former work duties; or
  - b. Apply for a review by the Medical Committee;
4. The Medical Committee must hear all applications for review concerning the termination of disability retirement benefit payments to a disability retiree due to the lack of a SSA determination letter finding the disability retiree unable to perform his or her former work duties; and
5. The Medical Committee's recommendation to find a disability retiree qualified to continue receiving disability retirement benefits must be consistent with finding that the:
  - a. Disability retiree is physically or mentally incapacitated;
  - b. Disability retiree exhibits symptoms of physical or mental incapacitation while he or she was employed by a system employer as an active member;
  - c. Disability retiree is unable to perform his or her work duties;
  - d. Disability retiree's incapacity will most likely be permanent; and
  - e. Disability retiree should be retired.

### **III. ORDER**

1. Upon consideration of Ark. Code Ann. § 24-7-701 et seq., applicable ATRS rules, and the evidence presented at the meeting, the Board voted to approve the Medical Committee's recommendation concerning the Disability Retiree's application for review.
2. The Board finds the Disability Retiree unqualified to receive disability retirement benefits under ATRS and orders ATRS to terminate disability retirement benefit payments to the Disability Retiree.

IT IS SO ORDERED

---

Danny Knight, Chairman  
February 5, 2024

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 WEST THIRD STREET  
LITTLE ROCK, ARKANSAS 72201**

**RESOLUTION  
No. 2024-09**

**Certification of Ms. Keri Hamilton as Certified Member Trustee – 4<sup>th</sup>  
Congressional District**

**WHEREAS**, Keri Hamilton, ran unopposed for Position #4 – Certified Member Trustee, 4<sup>th</sup> Congressional District, and ATRS Board policy provides that should only one qualified candidate file a timely and verified petition, that person shall be declared by the Board of Trustees as elected to fill the vacant trustee position; and

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby declares and certifies Ms. Keri Hamilton to be winner for Position #4. This position will become effective July 1, 2024 and shall expire on June 30, 2030.

**Adopted this \_\_\_\_ day of February, 2024**

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**Mr. Danny Knight, Chair**  
***Arkansas Teacher Retirement System Board***

**ARKANSAS TEACHER RETIREMENT SYSTEM  
1400 WEST THIRD STREET  
LITTLE ROCK, ARKANSAS 72201**

**RESOLUTION  
No. 2024-10**

**Certification of Mr. Kelsey Bailey as Non-Certified Member Trustee**

**WHEREAS**, Kelsey Bailey, ran unopposed for Position #7 – Non Certified Member Trustee, and ATRS Board policy provides that should only one qualified candidate file a timely and verified petition, that person shall be declared by the Board of Trustees as elected to fill the vacant trustee position; and

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Trustees of the Arkansas Teacher Retirement System hereby declares and certifies Mr. Kelsey Bailey to be winner for Position #7. This position will become effective July 1, 2024 and shall expire on June 30, 2030.

**Adopted this \_\_\_\_ day of February, 2024**

---

**Mr. Danny Knight, Chair**  
***Arkansas Teacher Retirement System Board***

**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2024-12**

**Approving Application of the Arkansas School Band and  
Orchestra Association to Participate as a Covered Employer**

**WHEREAS**, the Board of Trustees of the Arkansas Teacher Retirement System (“Board”) is authorized to review applications by education-related agencies or organizations to become or continue their participation as covered employers; and

**WHEREAS**, employment with an education-related agency or organization may be considered “employment with a school” under certain circumstances as detailed in Ark. Code Ann. § 24-7-202(21)(D); and

**WHEREAS**, vested members of the Arkansas Teacher Retirement System (“ATRS” or “the System”) who become employed in a position with an education-related agency or organization may elect to become or remain a member of ATRS if the employment is: (a) related to either training public school employees or school board members, teaching public school students, or providing adult education programs; and (b) not related in any manner to private schools; and

**WHEREAS**, the education-related agency or organization must apply to ATRS to become eligible as a covered employer and agree to be responsible for all required employer contributions as it relates to the ATRS vested member who wishes to continue membership in ATRS; and

**WHEREAS**, the Board has a fiduciary duty to ensure that the approval of an application of an education-related agency or organization will not in any way impair any legal status of ATRS, its status as a governmental plan pursuant to the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, or have a substantial adverse impact on the actuarial soundness of ATRS; and

**WHEREAS**, a private letter ruling from the Internal Revenue Service is not available according to IRS Rev. Proc. 2021-3, § 3 regarding the potential impact of the approval of an application of an education-related agency or organization to become a covered employer; and



**WHEREAS**, the Board has reviewed and evaluated the application of the Arkansas School Band and Orchestra Association and finds that it should be approved.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board approves the application of the Arkansas School Bands and Orchestra Association to participate as a covered employer under Ark. Code. Ann. § 24-7-202(21)(D) in order for its eligible employees to become or remain members of ATRS; and

**FURTHER, BE IT RESOLVED**, that as a covered employer of the System, the Arkansas School Bands and Orchestra Association shall make all contributions required under the Arkansas Teacher Retirement System Act, Ark. Code Ann. § 24-7-201 et seq., regarding any employee who is a vested member of ATRS and elects to become or remain a member of the System; and

**FURTHER, BE IT RESOLVED**, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this resolution.

**Adopted this 5th day of February, 2024**

---

**Mr. Danny Knight, *Chair***  
**Arkansas Teacher Retirement System**

## ATRS Private Equity Investment Guidelines - 3Q23

### 2024 Commitments

Investment	Strategy	Region	ATRS Board Approval	ATRS Commitment
FP Co-Invest VI	Small/Mid Market Corporate	U.S.	Dec-23	\$60,000,000
FP Venture XV	Early Stage Venture	U.S./non-U.S.	Dec-23	40,000,000
<b>2024 commitments previously approved by ATRS' board</b>				<b>\$100,000,000</b>
n/a	n/a	n/a	n/a	-
<b>2024 commitments being considered during current board meeting</b>				<b>\$0</b>
<b>2024 commitments to be considered in future board meetings</b>				<b>\$285,000,000</b>
<b>Total targeted 2024 commitments (approved by the board in December 2023)</b>				<b>\$385,000,000</b>

Private Equity Allocation	Target	9/30/2023
Private Equity Value		\$2,919,193,875
Total Assets		\$19,999,048,353
<b>Private Equity Value as a % of Total Assets</b>	<b>12.0%</b>	<b>14.6%</b>

### Other Guidelines

The following sub-allocations shall be used as an overall target for commitment levels within the portfolio.

#### ATRS Strategy/Region Guidelines (% of Commitments)

Strategy	Target %	Post-2006 Portfolio Commitments (as of 9/30/23)	% of Total
Corporate Finance (buyout, growth and debt strategies)	80-100%	3,508,323,718	88%
Venture Capital	0-20%	485,000,000	12%
<b>Total (Post-2006 Portfolio)</b>		<b>3,993,323,718</b>	<b>100%</b>

Region	Target %	Post-2006 Portfolio Commitments (as of 9/30/23)	% of Total
U.S. and Western Europe	80-100%	3,706,497,427	93%
Other <sup>1</sup>	0-20%	286,826,291	7%
<b>Total (Post-2006 Portfolio)</b>		<b>3,993,323,718</b>	<b>100%</b>

<sup>1</sup> Other represents ATRS' % of commitments made outside of the U.S. and Western Europe in FP VC and FP International vehicles

**ATRS shall, in general, make commitments of at least \$10 million.**

100% of the commitments made to primary funds since 2006

**In general, ATRS shall not make commitments to primary funds which exceed an amount equal to 15% of the total amount raised for a proposed fund, but in no event shall investments exceed 35% of the amount raised for a primary fund.**

100% of the commitments made to primary funds since 2006

**ATRS shall limit aggregate new commitments to a single investment sponsor to 35% of total Program allocation.**

Manager	Aggregate Commitment	Commitments to Sponsor Notes
FP Co-Invest VI	60,000,000	16%
FP Venture XV	40,000,000	< 2.0% Expected to include 7-10 investment sponsors
Not yet identified	285,000,000	
<b>Total</b>	<b>\$385,000,000</b>	

Note: % of 2024 Commitments for FP Venture XV represents ATRS' % of the estimated commitments to underlying investment sponsors within the portfolio.

As of September 30, 2023	ATRS' Portfolio \$ in Millions
Number of Investments	88
Total Commitments	4,652.8
Unfunded Commitments	848.4
Total Paid-In Capital	4,094.9
Total Distributions	3,640.9
Net Asset Value	2,555.2
Gross Asset Value	3,742.9
DPI	0.9x
TVPI	1.5x
Since Inception IRR	7.0%

*\*Active and Liquidated*

PORTFOLIO COMPOSITION TARGETS (As of September 30, 2023)		
	Target	Actual Funded
<b>Target Real Asset Allocation</b>	15%	12.8%
<b>Portfolio Style Composition</b>		
<b>Real Estate</b>	10%	7.5%
<b>Core*</b>	50%-70%	59.1%
<b>Non-Core</b>	30%-50%	40.9%
<b>Value-Added**</b>	N/A	25.8%
<b>Opportunistic**</b>	N/A	15.0%
<b>Agriculture</b>	1%	1.2%
<b>Timber</b>	2%	1.7%
<b>Infrastructure</b>	2%	2.4%
<b>Leverage</b>	50%	31.7%

RISK MANAGEMENT						
<b>Property Type - Real Estate</b>	<b>NFI-ODCE</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>
Office	17.80	NFI-ODCE +/- 50%	8.90	26.70	19.72	Yes
Retail	10.00	NFI-ODCE +/- 50%	5.00	15.00	7.37	Yes
Industrial	34.40	NFI-ODCE +/- 50%	17.20	51.60	28.75	Yes
Apartment	31.10	NFI-ODCE +/- 50%	15.55	46.65	30.18	Yes
Other	6.80	n/a	0.00	20.00	11.31	Yes
<b>Geography - Real Estate</b>	<b>NFI-ODCE</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>
West	44.30	NFI-ODCE +/- 50%	22.15	66.45	47.67	Yes
East	27.10	NFI-ODCE +/- 50%	13.55	40.65	24.80	Yes
Midwest	6.00	NFI-ODCE +/- 50%	3.00	9.00	6.73	Yes
South	22.60	NFI-ODCE +/- 50%	11.30	33.90	11.63	Yes
Other2,3	0.00	n/a	n/a	n/a	2.92	Yes
Non-U.S.	0.00	n/a	0.00	40.00	6.25	Yes
<b>Geography - Timber</b>	<b>NCREIF Timberland</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>
Lake States	4.01	0%-20%	0.00	20.00	0.00	Yes
Northeast	5.32	0%-20%	0.00	20.00	1.07	Yes
Northwest	26.78	0%-50%	0.00	50.00	16.50	Yes
South	64.12	40%-80%	40.00	80.00	71.45	Yes
Other	0.00	0%-20%	0.00	20.00	10.99	Yes
<b>Geography - Agriculture</b>	<b>NCREIF Farmland</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>
Appalachian	0.67		0.00	50.00	0.00	Yes
Corn Belt	13.46		0.00	50.00	9.85	Yes
Delta States	18.34		0.00	50.00	34.28	Yes
Lake States	4.12		0.00	50.00	18.13	Yes
Mountain	7.49		0.00	50.00	12.52	Yes
Northeast	0.22		0.00	50.00	0.00	Yes
Northern Plains	2.59		0.00	50.00	1.54	Yes
Pacific Northwest	7.42		0.00	50.00	4.34	Yes
Pacific West	38.62		0.00	50.00	8.18	Yes
Southeast	5.25		0.00	50.00	9.00	Yes
Southern Plains	1.97		0.00	50.00	2.16	Yes
Other	0.00		0.00	50.00	0.00	Yes
Non-U.S.	0.00		0.00	50.00	0.00	Yes
<b>Geography - Infrastructure</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>	
U.S.		n/a	n/a	50.77	Yes	
Non-U.S.		0.00	50.00	49.23	Yes	
<b>Asset Type - Infrastructure</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>	
Energy/Utilities		0.00	70.00	48.90	Yes	
Transportation		0.00	70.00	32.00	Yes	
Social		0.00	70.00	4.16	Yes	
Communications		0.00	70.00	12.56	Yes	
Other		0.00	70.00	2.38	Yes	
<b>Manager</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Max</b>	<b>Compliant?</b>	
		0.00	30.00	13.27	Yes	
<b>Style - Real Estate</b>	<b>Target/Constraint</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Actual</b>	<b>Compliant?</b>	
Core		50.00	70.00	59.11	Yes	
Non-Core		30.00	50.00	40.89	Yes	

As of 12/31/2023 (9/30/23 for Illiquid Asset Classes)

	Actual	Benchmark Policy**	Difference (Actual vs. Benchmark)	Long-Term Target	Difference* (Actual vs. Long-Term)	Range***
<b>Total Equity</b>	54.9%	55.3%	-0.4%	53.0%	1.9%	48 - 58%
<b>Fixed Income</b>	13.9%	15.0%	-1.1%	15.0%	-1.1%	13 - 17%
<b>Opportunistic/Alternatives</b>	5.1%	5.2%	-0.1%	5.0%	0.1%	NA
<b>Real Assets</b>	12.0%	12.5%	-0.5%	15.0%	-3.0%	NA
<i>Real Estate</i>	7.1%	8.3%	-1.2%	10.0%	-2.9%	NA
<i>Core RE</i>	4.6%	5.0%	-0.4%	6.0%	-1.4%	5 - 7%
<i>Non-Core</i>	2.5%	3.3%	-0.8%	4.0%	-1.5%	3 - 5%
<i>Agriculture</i>	1.1%	1.7%	-0.6%	1.0%	0.1%	NA
<i>Timber</i>	1.6%	0.8%	0.8%	2.0%	-0.4%	NA
<i>Infrastructure</i>	2.3%	1.7%	0.6%	2.0%	0.3%	NA
<b>Private Equity</b>	13.7%	12.0%	1.7%	12.0%	1.7%	NA
<b>Cash</b>	0.4%	0.0%	0.4%	0.0%	0.4%	0 - 5%
	100.0%	100.0%	--	100.0%	--	--

\* Uninvested assets/commitments for the Opportunistic, Real Assets and Private Equity asset classes are invested in public equities.

\*\* The interim target reflects the beginning period actual allocation to this asset class

\*\*\* The actual allocation to equity may exceed the range to account for uninvested assets/commitments for the Opportunistic, Real Assets and Private Equity Asset Classes

Real Assets Breakdown	Absolute	%	2023 Pacing Commitment	Commitment Progress (\$M)
			(\$M)	As of 12/31/2023
Real Estate	10%	66.7%	\$400	\$150
<i>Core</i>	5-7%	50-70%	\$200	\$0
<i>Non-Core</i>	3-5%	30-50%	\$200	\$150
Ag	1%	6.7%	\$0	\$0
Timber	2%	13.3%	\$0	\$0
Infrastructure	2%	13.3%	\$75	\$50
<b>Total Real Assets</b>	<b>15%</b>	<b>100.0%</b>	<b>\$ 475</b>	<b>\$ 200</b>

South Harbor GP 1 LLC  
36 Maplewood Avenue  
Portsmouth, NH 03801

## **Update provided for Arkansas Capital**

### **Current Statement of Operations**

Highland LP (the “**Fund**”) commenced operation on February 23, 2021, and owns, directly or through subsidiaries, Highland LLC, Highland Pellets Holdco LLC, Highland Pellets Subholdco LLC, Highland Pellets, LLC, Highland Port LLC, Highland Pellets South LLC, HP Finance LLC and Highland FR LLC.

Highland Pellets, LLC is the main operational asset of the Fund. It owns a wood pellet plant in Pine Bluff, Arkansas, that produces wood pellets for Drax, a major UK utility customer, under an offtake agreement that runs through 2026. Highland Port LLC owns approximately 54 acres of development property at the Port of Pine Bluff. Highland Pellets South LLC owns approximately 350 acres of development property in Ogemaw, Arkansas. A number of new investments were acquired at the end of the prior quarter and were further integrated into the portfolio in the current quarter, and no dispositions were realized, during this reporting period.

### **Highland Pellets, LLC Update**

During calendar year 2023 Q4, approximately 136,973 metric tonnes of pellets were shipped to its customer Drax, an increase of approximately 16.7% over its Q1 shipments of approximately 114,103 tonnes. The higher production level was primarily the result of resolving issues with uptime on the pellet mills driven by availability of spare parts from the OEM, Andritz. In early October the North American head of Andritz and his team visited the plant with the entire team to review all operational issues and align around a path forward. The operational team at the plant implemented changes that have had a positive result. The plant produced 50,500 tonnes of pellets in December which was a record production month.

Management still projects the plant to continue its ramp up to 675,000 annual tonnes nameplate production in calendar year 2024. Increasing pellet mill throughput and a reduction of R&M capex are the principal focus for the company for calendar year 2024.

In calendar year 2023 Q4, Highland Pellets, LLC agreed with its senior term lender to a partial payment in kind for the debt service obligation for the quarter given the lower-than-expected production volumes. The challenges presented by the extended commissioning period for the plant have required support from the senior term lender in managing the repayment of the senior loan. The senior term lender has been supportive in the past and continues to be supportive in adapting to the challenges presented by operational realities. As a derisking measure for the senior term lender, a second lien on the assets of Highland FR LLC was

granted to the Highland Pellets, LLC senior term lender as inducement for the senior term lender to extend certain support for the continued operational improvements of Highland Pellets, LLC.

The General Partner continued the strategy of engaging with market participants for the potential extension of the Highland Pellets, LLC existing offtake agreement. Highland Pellets, LLC remains fully contracted through 2026 with favorable price curves for 2027. Contract negotiations continue with both Drax and another Biomass power station in the UK.

**Highland FR LLC**, a wholly owned subsidiary of Highland LLC, was acquired in the September 2023. As anticipated, the facility is undertaking a number of operational and equipment upgrades. The facility is on track to achieve or exceed the production levels required to satisfy the Orsted offtake requirements. The first vessel is scheduled to be loaded around the end of February 2024. Most of the employees that worked for Fiber Resources, Inc. have continued to stay on with Highland FR LLC. Highland FR LLC also closed a senior lending facility to finance the balance of the upgrade costs, provide working capital and reduce certain group liabilities. The lender for this senior facility is the same lender as the working capital lender for Highland Pellets, LLC.

**Highland Grenada LLC**, a wholly owned subsidiary of Highland LLC, was acquired by Highland LLC in September 2023 and details of that acquisition were set forth in our prior report. The potential for the site has been actively marketed to a number of potential counterparties with early but positive feedback. Management is working diligently to evaluate the relative strengths of the potential counterparties and is engaged in bilateral negotiations with each one to improve the terms of the trade for the company. While it is not possible to guarantee when final commercial terms may be agreed with the preferred counterparty, management is actively pushing to achieve such milestone by the end of Q1 2024. The counterparty considering the pilot plant for industrial applications in Maine (see below) has also expressed an interest in potentially developing the Grenada site for such applications. Such potential is being evaluated in parallel to the opportunities presented by the counterparties discussed earlier in this paragraph. .

**Highland Maine LLC**, a wholly owned subsidiary of Highland LLC, was acquired by Highland LLC in September 2023 and details of that acquisition. Due to the government incentives provided in Maine and certain other attractive features for non-thermal wood fiber products, management has focused development of the site for industrial applications as opposed to energy production. Management has advanced negotiations with a certain counterparty for the purchase of products for such non-thermal applications. As negotiations progressed, the counterparty expressed an interest in increasing the volume of the potential trade and to include additional production sites (such as Highland Grenada LLC). Management expects to receive a proposal for the potential offtake and potential equity investment in the following reporting period.

## **Financing Updates**

**EDGE:** Highland FR LLC entered into a \$25m senior facility with Edge Capital Lending, LLC in order to finance capital upgrades, working capital and certain other group liability management measures. Edge is also the working capital lender to Highland Pellets, LLC.

**Mitsubishi UFJ Financial Group (“MUFG”) and Barclays Capital:** Highland Pellets, LLC continued to work with its debt advisor MUFG and equity advisor Barclays Capital, to (i) to refinance the plant’s existing debt, (ii) to repay the \$40m loan from ATRS and, (iii) fund the ongoing development off the Highland LLC asset portfolio.

**AON**

# Preliminary Quarterly Investment Review

Arkansas Teacher Retirement  
System | Fourth Quarter 2023

Investment advice and consulting services provided by Aon Investments USA Inc.

Nothing in this document should be construed as legal or investment advice. Please consult with your independent professional for any such advice. To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon.

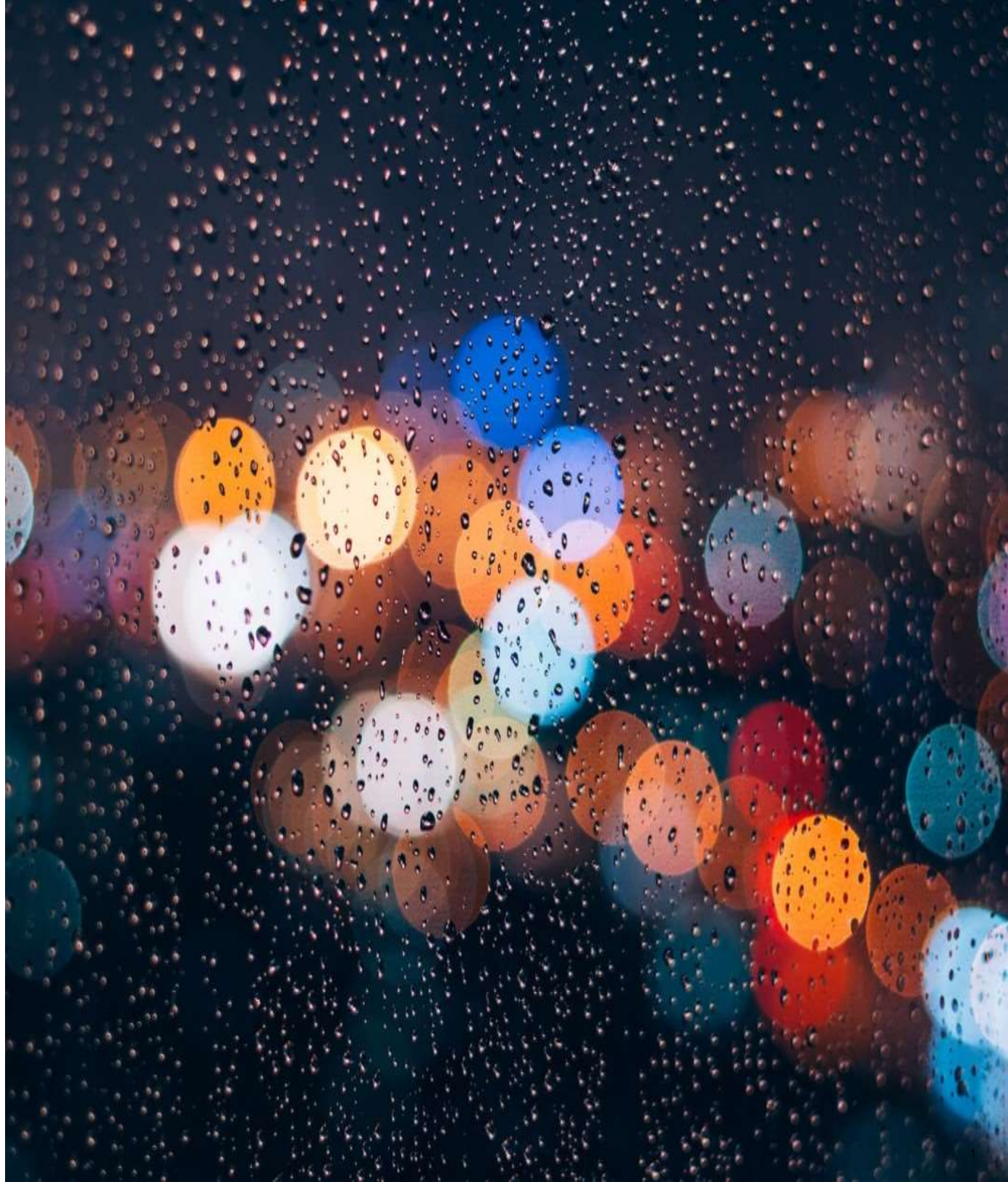




# Table Of Contents

1	Executive Summary	1
2	Total Fund	6
3	Total Equity	28
4	Fixed Income	76
5	Opportunistic.Alternatives	95
6	Private Equity	125
7	Real Assets	127
8	Fee Schedule	129
9	Disclaimers and Notes	133

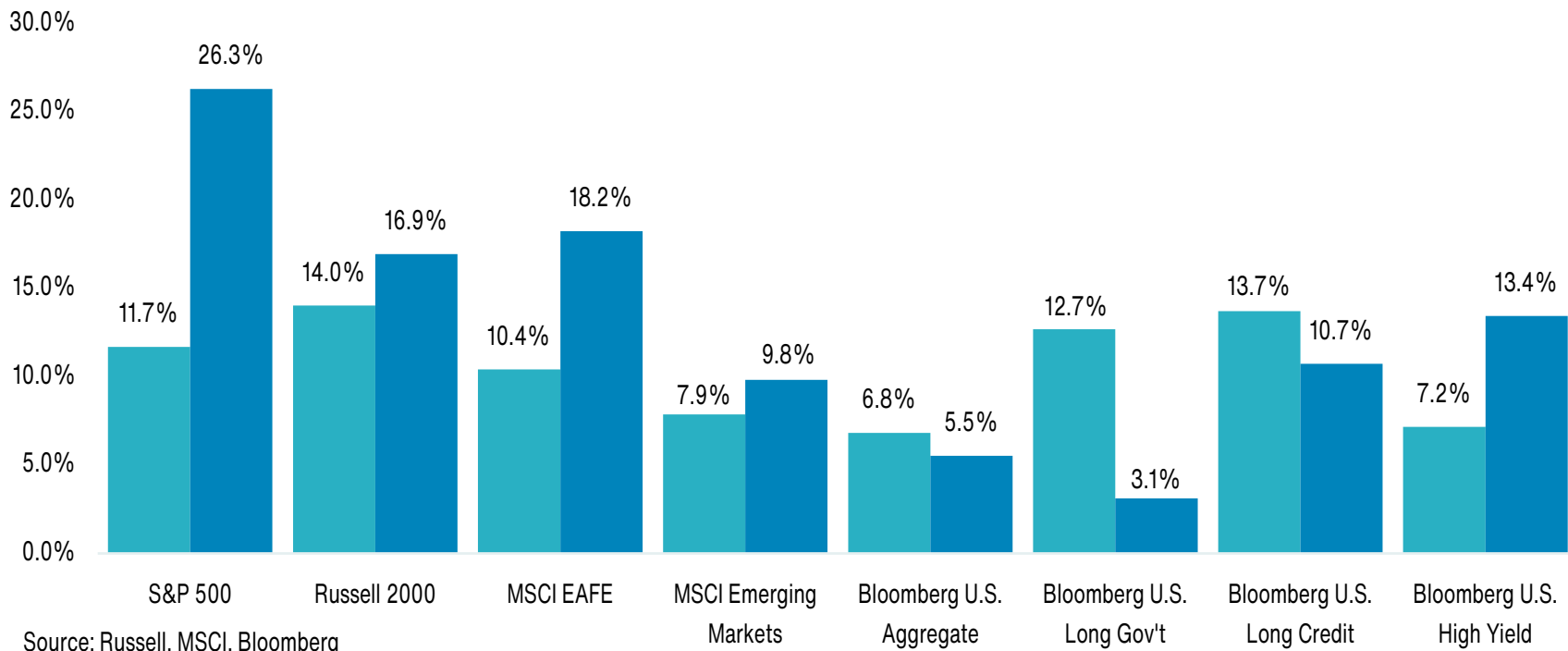
# Executive Summary



# Market Highlights

## SHORT TERM RETURNS AS OF 12/31/2023

■ Fourth Quarter 2023 ■ YTD



Source: Russell, MSCI, Bloomberg

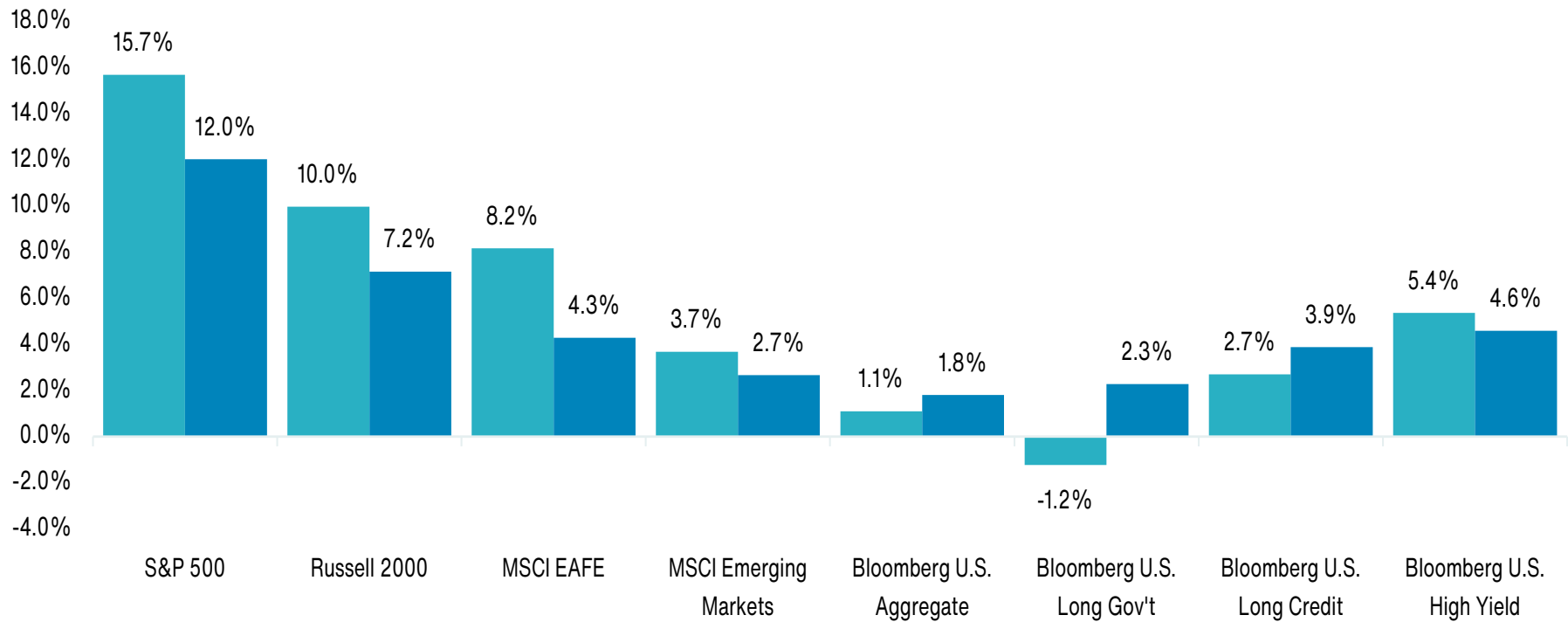
MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

# Market Highlights

## LONG TERM ANNUALIZED RETURNS AS OF 12/31/2023

■ Five-Year ■ Ten-Year



Source: Russell, MSCI, Bloomberg

**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

# Market Highlights

## Returns of the Major Capital Markets

	Period Ending 12/31/2023					
	Fourth Quarter	YTD	1-Year	3-Year <sup>1</sup>	5-Year <sup>1</sup>	10-Year <sup>1</sup>
<b>Equity</b>						
MSCI All Country World IMI	11.14%	21.58%	21.58%	5.46%	11.49%	7.77%
MSCI All Country World	11.03%	22.20%	22.20%	5.75%	11.72%	7.93%
Dow Jones U.S. Total Stock Market	12.13%	26.06%	26.06%	8.43%	15.05%	11.40%
Russell 3000	12.07%	25.96%	25.96%	8.54%	15.16%	11.48%
S&P 500	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%
Russell 2000	14.03%	16.93%	16.93%	2.22%	9.97%	7.16%
MSCI All Country World ex-U.S. IMI	9.81%	15.62%	15.62%	1.53%	7.18%	3.97%
MSCI All Country World ex-U.S.	9.75%	15.62%	15.62%	1.55%	7.08%	3.83%
MSCI EAFE	10.42%	18.24%	18.24%	4.02%	8.16%	4.28%
MSCI EAFE (Local Currency)	4.96%	16.16%	16.16%	8.64%	9.49%	6.61%
MSCI Emerging Markets	7.86%	9.83%	9.83%	-5.08%	3.68%	2.66%
<b>Equity Factors</b>						
MSCI World Minimum Volatility (USD)	6.84%	8.14%	8.14%	4.05%	7.60%	7.97%
MSCI World High Dividend Yield	7.18%	10.14%	10.14%	7.32%	9.18%	6.73%
MSCI World Quality	12.55%	32.97%	32.97%	9.41%	17.05%	12.18%
MSCI World Momentum	12.17%	12.25%	12.25%	2.17%	11.98%	10.32%
MSCI World Enhanced Value	8.30%	20.27%	20.27%	9.66%	8.84%	6.05%
MSCI World Index Growth	13.40%	37.31%	37.31%	5.75%	16.31%	11.28%
MSCI USA Minimum Volatility (USD)	7.79%	9.79%	9.79%	6.46%	10.30%	10.41%
MSCI USA High Dividend Yield	8.31%	6.83%	6.83%	7.83%	9.32%	9.39%
MSCI USA Quality	12.03%	36.30%	36.30%	10.39%	18.13%	13.81%
MSCI USA Momentum	12.76%	9.50%	9.50%	0.70%	11.13%	11.72%
MSCI USA Enhanced Value	12.30%	14.42%	14.42%	8.34%	10.12%	8.44%
MSCI USA Equal Weighted	12.70%	17.63%	17.63%	7.07%	12.97%	9.80%
MSCI USA Growth	13.68%	46.72%	46.72%	8.01%	19.94%	14.83%

## Returns of the Major Capital Markets

	Period Ending 12/31/2023					
	Fourth Quarter	YTD	1-Year	3-Year <sup>1</sup>	5-Year <sup>1</sup>	10-Year <sup>1</sup>
<b>Fixed Income</b>						
Bloomberg Global Aggregate	8.10%	5.72%	5.72%	-5.51%	-0.32%	0.38%
Bloomberg U.S. Aggregate	6.82%	5.53%	5.53%	-3.31%	-1.10%	1.81%
Bloomberg U.S. Long Gov't	12.69%	3.11%	3.11%	-11.35%	-1.23%	2.27%
Bloomberg U.S. Long Credit	13.71%	10.73%	10.73%	-6.50%	2.70%	3.88%
Bloomberg U.S. Long Gov't/Credit	13.24%	7.13%	7.13%	-8.68%	1.12%	3.22%
Bloomberg U.S. TIPS	4.71%	3.90%	3.90%	-1.00%	3.15%	2.42%
Bloomberg U.S. High Yield	7.16%	13.45%	13.45%	1.98%	5.37%	4.60%
Bloomberg Global Treasury ex U.S.	9.29%	4.24%	4.24%	-8.34%	-2.39%	-0.99%
JP Morgan EMBI Global (Emerging Market)	9.26%	10.45%	10.45%	-3.14%	1.94%	3.06%
<b>Commodities</b>						
Bloomberg Commodity Index	-4.63%	-7.91%	-7.91%	10.76%	7.23%	-1.11%
Goldman Sachs Commodity Index	-10.73%	-4.27%	-4.27%	19.18%	8.72%	-3.60%
<b>Hedge Funds</b>						
HFRF Fund-Weighted Composite <sup>2</sup>	3.59%	7.52%	7.52%	4.32%	7.00%	4.53%
HFRF Fund of Funds <sup>2</sup>	3.41%	6.35%	6.35%	2.25%	5.14%	3.25%
<b>Real Estate</b>						
NAREIT U.S. Equity REITS	16.22%	13.73%	13.73%	7.21%	7.39%	7.65%
FTSE Global Core Infrastructure Index	11.42%	1.58%	1.58%	4.09%	7.18%	7.01%
<b>Private Equity</b>						
Burgiss Private iQ Global Private Equity <sup>3</sup>			2.47%	19.41%	15.14%	14.53%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

<sup>1</sup> Periods are annualized.

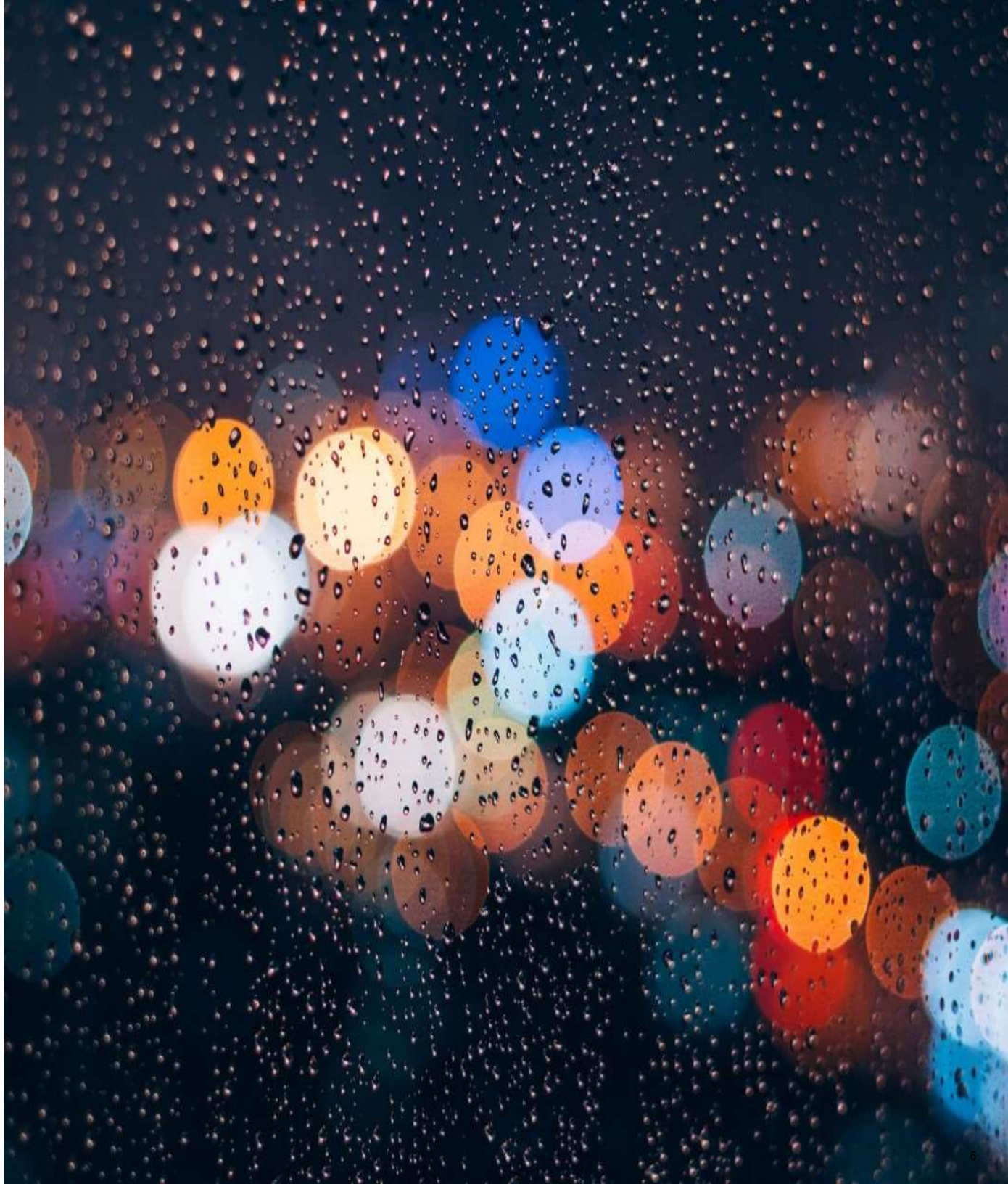
<sup>2</sup> Latest 5 months of HFR data are estimated by HFR and may change in the future.

<sup>3</sup> Burgiss Private iQ Global Private Equity data is as at June 30, 2023

**Past performance is no guarantee of future results.** Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

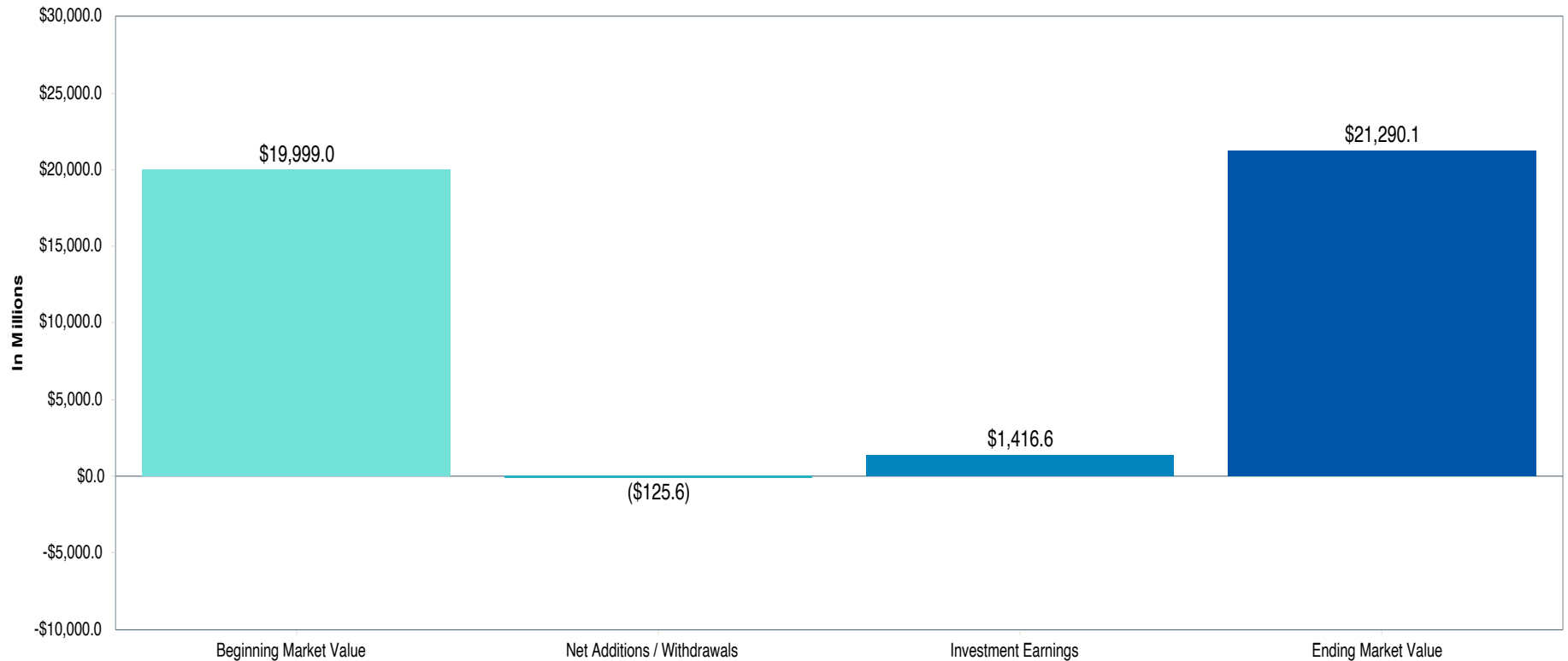
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Total Fund



# Total Plan Asset Summary

As of December 31, 2023



## Summary of Cash Flows

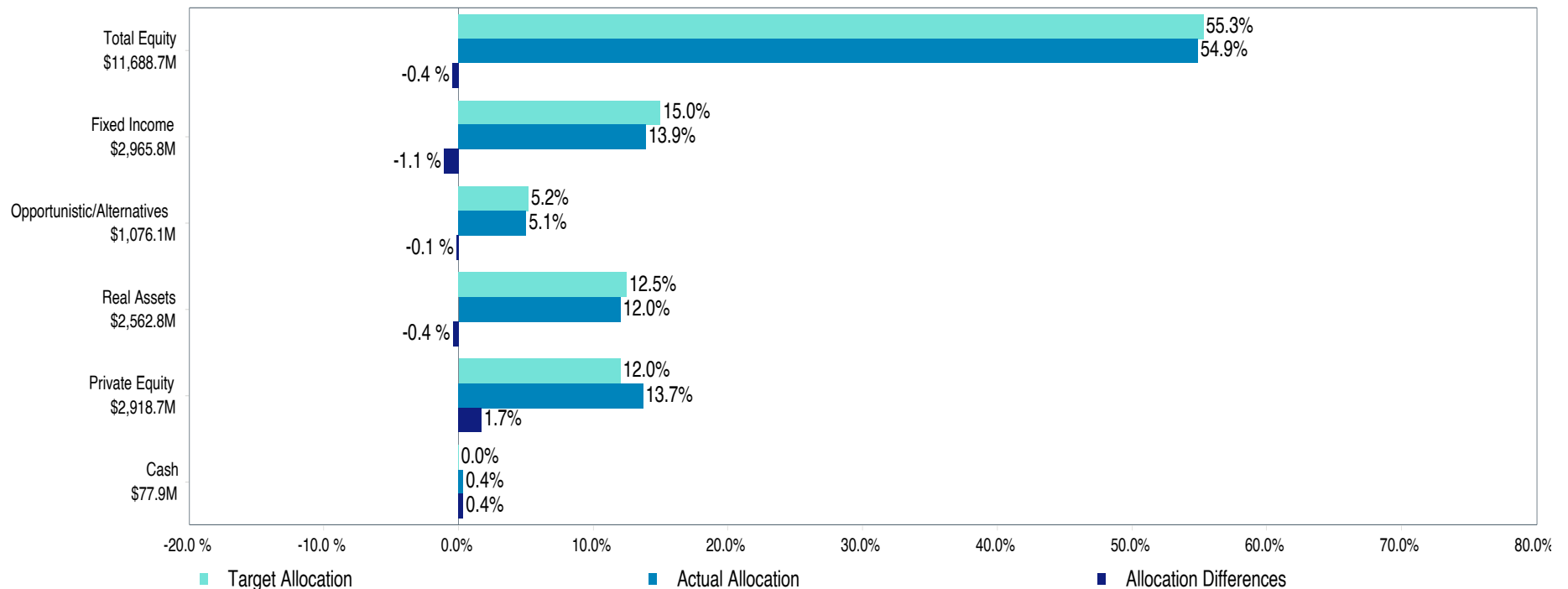
	1 Quarter	Fiscal Year 2024	1 Year
<b>Total Fund</b>			
Beginning Market Value	19,999,048,353	20,745,857,372	19,774,984,699
+ Additions / Withdrawals	-125,568,544	-457,997,454	-842,343,422
+ Investment Earnings	1,416,571,262	1,002,191,153	2,357,409,794
<b>= Ending Market Value</b>	<b>21,290,051,071</b>	<b>21,290,051,071</b>	<b>21,290,051,071</b>



# Asset Allocation Compliance

As of December 31, 2023

	Market Value \$M	ATRS Current Allocation %	ATRS Benchmark Policy %	ATRS Long-Term Target Allocation %	Minimum Allocation %	Maximum Allocation %
<b>Total Fund</b>	<b>21,290.1</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>-</b>	<b>-</b>
Total Equity	11,688.7	54.90	55.34	53.00	48.00	58.00
Fixed Income	2,965.8	13.93	15.00	15.00	13.00	17.00
Opportunistic/Alternatives	1,076.1	5.05	5.20	5.00	0.00	100.00
Real Assets	2,562.8	12.04	12.46	15.00	0.00	100.00
Private Equity	2,918.7	13.71	12.00	12.00	0.00	100.00
Cash	77.9	0.37	0.00	0.00	0.00	5.00

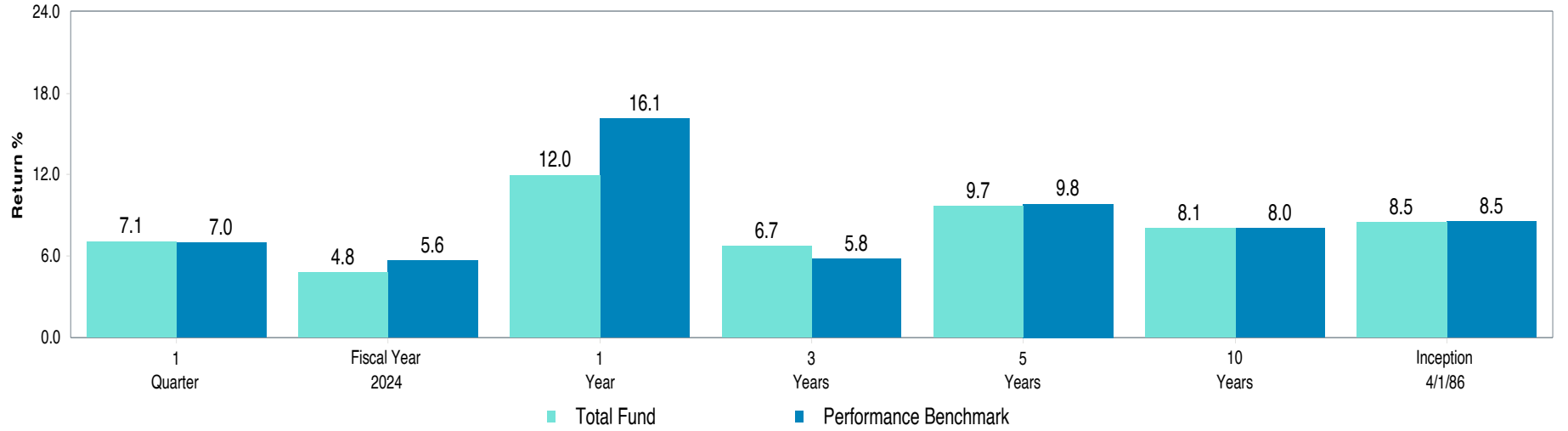


\*Market values and allocation percentages may not add to the sum total due to rounding.

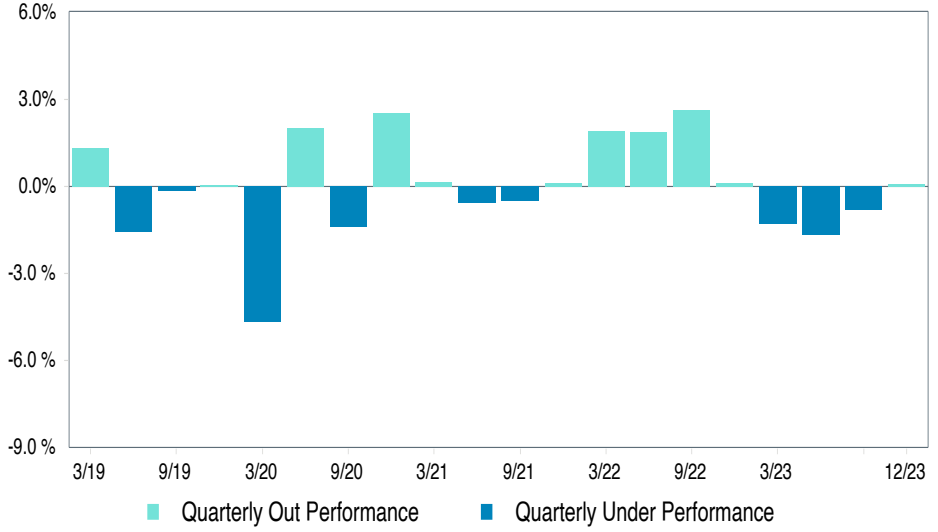
# Total Plan Performance Summary

As of December 31, 2023

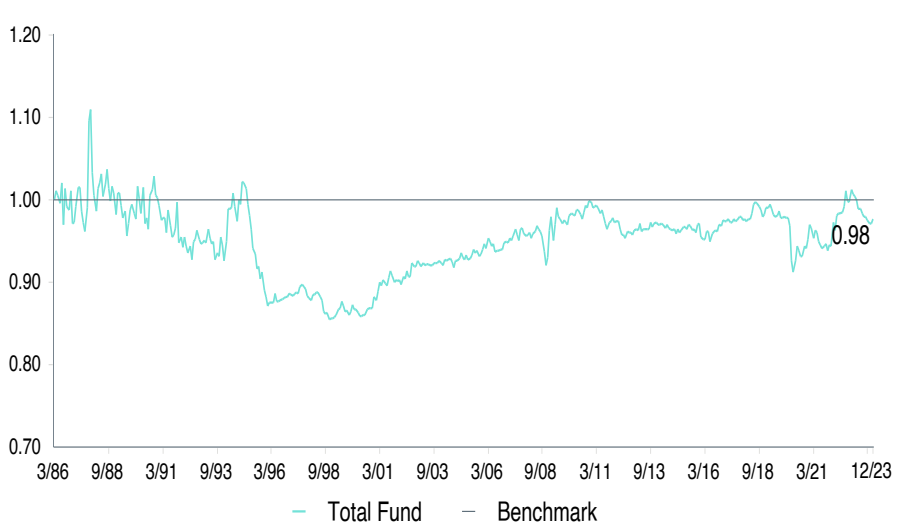
## Return Summary



## Quarterly Excess Performance

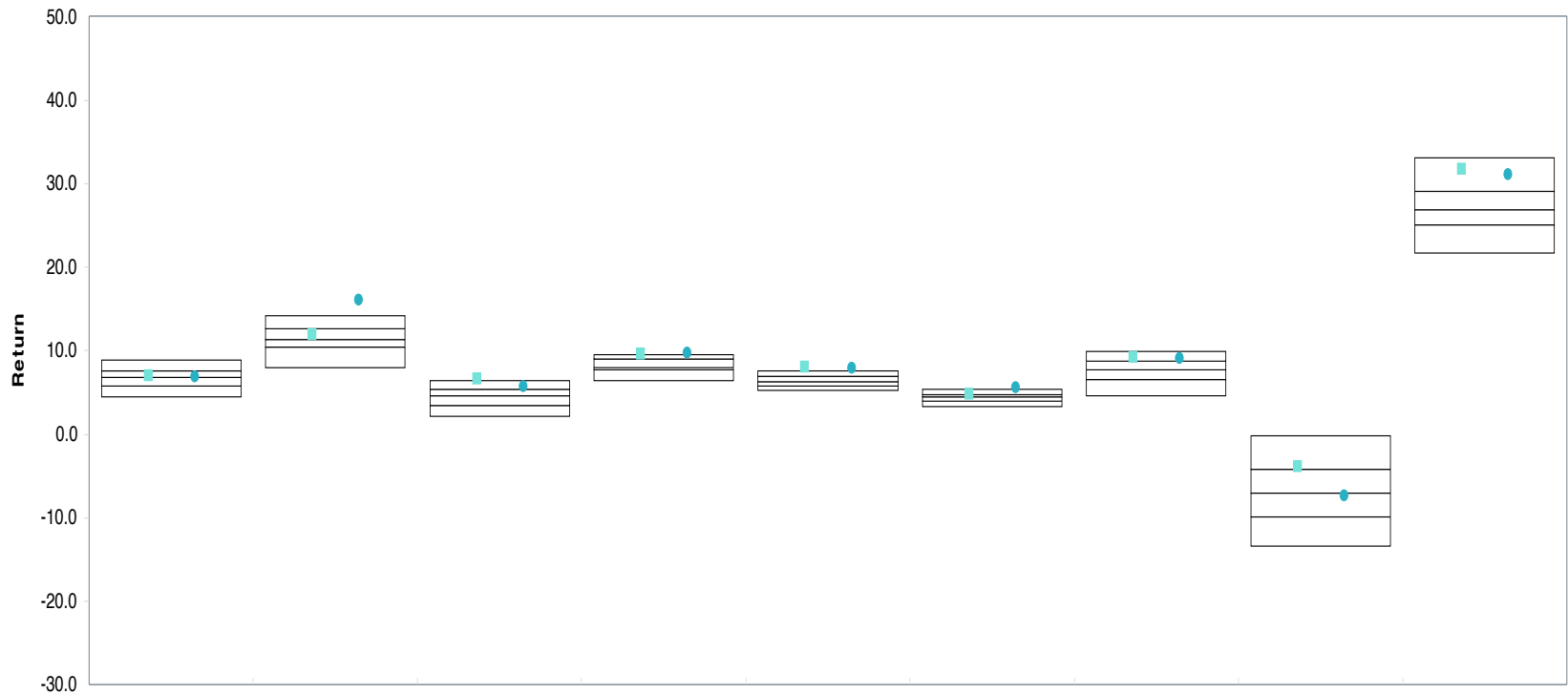


## Ratio of Cumulative Wealth - Since Inception



# Total Fund

As of December 31, 2023



	1 Quarter	1 Year	3 Years	5 Years	10 Years	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
<b>Total Fund</b>	<b>7.1 (41)</b>	<b>12.0 (36)</b>	<b>6.7 (3)</b>	<b>9.7 (3)</b>	<b>8.1 (3)</b>	<b>4.8 (23)</b>	<b>9.2 (18)</b>	<b>-3.9 (23)</b>	<b>31.9 (11)</b>
● Performance Benchmark	7.0 (42)	16.1 (1)	5.8 (9)	9.8 (1)	8.0 (3)	5.6 (3)	9.2 (18)	-7.3 (52)	31.2 (14)
5th Percentile	8.9	14.2	6.4	9.6	7.6	5.4	10.0	-0.2	33.1
1st Quartile	7.6	12.6	5.3	9.0	6.9	4.7	8.7	-4.2	29.1
Median	6.8	11.4	4.6	8.0	6.3	4.5	7.7	-7.1	26.9
3rd Quartile	5.7	10.4	3.5	7.7	5.8	4.0	6.5	-9.9	25.1
95th Percentile	4.5	8.0	2.1	6.4	5.3	3.3	4.6	-13.3	21.7
Population	44	41	38	37	35	44	105	108	153

Parentheses contain percentile rankings.

# Asset Allocation & Performance

As of December 31, 2023

	Allocation			Performance %							
	Market Value \$ (\$)	%	Policy %	1 Quarter	Fiscal Year 2024	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Total Fund</b>	21,290,051,071	100.0	100.0	7.1	4.8	12.0	6.7	9.7	8.1	8.5	04/01/1986
<i>Performance Benchmark</i>				7.0	5.6	16.1	5.8	9.8	8.0	8.5	
<b>Total Equity</b>	11,688,703,743	54.9	55.3	11.7	8.3	21.1	6.9	12.1		8.8	07/01/2015
<i>Total Equity Performance Benchmark</i>				11.5	7.7	23.1	6.4	12.6		9.5	
<b>Fixed Income</b>	2,965,801,595	13.9	15.0	5.1	3.2	5.3	-1.2	2.3	2.8	4.9	07/01/1992
<i>Performance Benchmark</i>				6.8	3.8	6.2	-3.0	1.4	2.1	4.8	
<b>Opportunistic/Alternatives</b>	1,076,071,777	5.1	5.2	3.2	5.6	10.9	6.5	4.3	3.3	3.8	05/01/2011
<i>Custom Alternatives Benchmark</i>				1.5	2.9	6.6	4.3	4.1	2.5	2.4	
<b>Real Assets</b>	2,562,835,371	12.0	12.5	-1.0	-1.7	-3.0	6.6	5.2	7.1	7.3	07/01/2013
<i>Total Real Assets Benchmark</i>				-0.8	-1.8	-4.9	7.2	5.6	7.1	7.3	
<b>Real Estate</b>	1,501,180,281	7.1		-1.8	-3.3	-8.8	5.4	3.7	7.0	8.0	12/01/1998
<i>NFI-ODCE (Net)</i>				-2.1	-4.9	-12.9	5.4	4.3	7.0	8.2	
<b>Timber</b>	339,264,772	1.6		0.3	-1.8	-0.2	7.9	6.6	5.2	7.0	06/01/1998
<i>Timberland Property Benchmark</i>				1.4	3.1	10.0	9.1	6.1	5.6		
<b>Agriculture</b>	243,227,254	1.1		0.1	1.0	8.0	9.1	6.6	5.7	6.2	09/01/2011
<i>Agriculture Benchmark</i>				-0.3	0.5	6.0	7.2	5.9	6.0		
<b>Infrastructure</b>	479,163,064	2.3		0.4	2.3	11.2	13.9	13.1		13.4	07/01/2018
<i>CPI + 5%</i>				0.9	3.0	8.5	10.9	9.3		8.8	
<b>Private Equity</b>	2,918,711,311	13.7	12.0	0.8	-0.9	1.0	10.6	11.2	13.5	12.3	03/01/1997
<i>Private Equity Policy</i>				-2.8	5.9	22.9	11.5	11.2	13.4	10.9	
<b>Cash</b>	77,927,273	0.4	0.0								

\*The Real Assets and Private Equity market values, returns and their benchmark returns are shown on a one-quarter lag. Market values have been adjusted for current quarter cash flows.

\*The inception of the Total Equity asset class was July 1, 2015. Performance prior to July 2015 represents the weighted average of the U.S. Equity and Global Equity asset class monthly returns. For historical performance of the U.S. Equity and Global Equity asset classes please see page 141 of this report.

\*The inception date above for infrastructure reflects the inception date for the calculation and reporting of time-weighted returns. The Infrastructure program began in

July 2014 and the full history of Infrastructure returns are included in Total Real Assets and Total Fund performance.

Total Equity and Total Fund Performance includes investment earnings from Allianz Security Litigation Income received on February 28, 2022

\*Market values and allocation percentages may not add to the sum total due to rounding.

# Asset Allocation & Performance

As of December 31, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Quarter	Fiscal Year 2024	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>21,290,051,071</b>	<b>100.0</b>	<b>7.1 (41)</b>	<b>4.8 (23)</b>	<b>12.0 (36)</b>	<b>6.7 (3)</b>	<b>9.7 (3)</b>	<b>8.1 (3)</b>	<b>8.5</b>	<b>04/01/1986</b>
<i>Performance Benchmark</i>			7.0 (42)	5.6 (3)	16.1 (1)	5.8 (9)	9.8 (1)	8.0 (3)	8.5	
<b>Total Equity</b>	<b>11,688,703,743</b>	<b>54.9</b>	<b>11.7 (33)</b>	<b>8.3 (22)</b>	<b>21.1 (41)</b>	<b>6.9 (33)</b>	<b>12.1 (42)</b>		<b>8.8 (38)</b>	<b>07/01/2015</b>
<i>Total Equity Performance Benchmark</i>			11.5 (36)	7.7 (30)	23.1 (29)	6.4 (37)	12.6 (32)		9.5 (25)	
<b>Jacobs Levy 130/30</b>	<b>1,405,470,376</b>	<b>6.6</b>	<b>13.7 (23)</b>	<b>13.9 (4)</b>	<b>27.6 (19)</b>	<b>22.1 (2)</b>	<b>21.8 (2)</b>	<b>16.7 (1)</b>	<b>12.8 (2)</b>	<b>01/01/2008</b>
<i>Russell 3000 Index</i>			12.1 (43)	8.4 (40)	26.0 (24)	8.5 (42)	15.2 (23)	11.5 (21)	9.7 (34)	
<b>Kennedy Capital Management</b>	<b>640,390,116</b>	<b>3.0</b>	<b>13.2 (40)</b>	<b>8.3 (65)</b>	<b>12.3 (83)</b>	<b>8.8 (66)</b>	<b>11.3 (57)</b>	<b>7.2 (55)</b>	<b>11.6 (28)</b>	<b>01/01/1994</b>
<i>Russell 2000 Value Index</i>			15.3 (12)	11.8 (25)	14.6 (67)	7.9 (72)	10.0 (82)	6.8 (73)	9.3 (100)	
<b>Stephens</b>	<b>604,453,878</b>	<b>2.8</b>	<b>12.5 (26)</b>	<b>7.0 (10)</b>	<b>19.4 (35)</b>	<b>-0.4 (35)</b>	<b>10.9 (61)</b>	<b>7.9 (76)</b>	<b>9.4 (63)</b>	<b>08/01/2006</b>
<i>Russell 2000 Growth Index</i>			12.7 (20)	4.5 (38)	18.7 (40)	-3.5 (59)	9.2 (83)	7.2 (88)	8.4 (88)	
<b>Voya Absolute Return</b>	<b>846,896,587</b>	<b>4.0</b>	<b>11.6 (35)</b>	<b>8.3 (23)</b>	<b>25.1 (19)</b>	<b>6.2 (39)</b>	<b>12.0 (43)</b>	<b>9.5 (14)</b>	<b>10.2 (16)</b>	<b>10/01/2008</b>
<i>Performance Benchmark</i>			11.0 (45)	7.3 (38)	22.2 (35)	5.7 (45)	11.7 (47)	9.3 (18)	10.1 (18)	
<b>Voya U.S. Convertibles</b>	<b>958,129,625</b>	<b>4.5</b>	<b>6.4 (96)</b>	<b>2.2 (95)</b>	<b>8.8 (91)</b>	<b>-1.8 (92)</b>	<b>13.4 (45)</b>	<b>9.7 (42)</b>	<b>10.1 (29)</b>	<b>12/01/1998</b>
<i>Performance Benchmark</i>			6.8 (95)	4.1 (87)	13.0 (76)	-0.8 (90)	11.9 (63)	8.9 (56)	8.1 (73)	
<b>Pershing Square Holdings</b>	<b>331,346,854</b>	<b>1.6</b>	<b>27.9 (1)</b>	<b>29.0 (1)</b>	<b>36.0 (11)</b>	<b>11.1 (17)</b>	<b>31.0 (1)</b>	<b>10.3 (35)</b>	<b>10.2 (74)</b>	<b>01/01/2013</b>
<i>Dow Jones U.S. Total Stock Market Index</i>			12.1 (42)	8.4 (40)	26.1 (23)	8.4 (44)	15.0 (25)	11.4 (22)	13.2 (24)	
<b>Triar Partners</b>	<b>86,956,356</b>	<b>0.4</b>	<b>9.1</b>	<b>3.9</b>	<b>11.2</b>	<b>3.3</b>	<b>9.1</b>		<b>7.0</b>	<b>11/01/2015</b>
<i>S&amp;P 500 Index</i>			11.7	8.0	26.3	10.0	15.7		12.8	
<b>Triar Co-Investments</b>	<b>96,989,881</b>	<b>0.5</b>	<b>9.9</b>	<b>6.4</b>	<b>16.3</b>	<b>7.2</b>	<b>12.3</b>		<b>7.2</b>	<b>01/01/2017</b>
<i>S&amp;P 500 Index</i>			11.7	8.0	26.3	10.0	15.7		13.4	
<b>SSgA Global Index</b>	<b>1,308,616,635</b>	<b>6.1</b>	<b>11.2 (42)</b>	<b>7.4 (36)</b>	<b>21.8 (36)</b>	<b>5.7 (45)</b>	<b>11.8 (46)</b>	<b>8.1 (39)</b>	<b>7.0 (47)</b>	<b>04/01/2008</b>
<i>MSCI AC World IMI (Net)</i>			11.1 (43)	7.4 (36)	21.6 (37)	5.5 (49)	11.5 (50)	7.8 (45)	6.7 (56)	
<b>BlackRock MSCI ACWI IMI Fund</b>	<b>1,052,411,106</b>	<b>4.9</b>	<b>11.3 (41)</b>	<b>7.5 (34)</b>	<b>22.1 (35)</b>	<b>5.8 (44)</b>	<b>11.8 (47)</b>	<b>8.1 (40)</b>	<b>8.5 (46)</b>	<b>07/01/2011</b>
<i>MSCI AC World IMI (Net)</i>			11.1 (43)	7.4 (36)	21.6 (37)	5.5 (49)	11.5 (50)	7.8 (45)	8.2 (54)	
<b>Wellington Global Perspectives</b>	<b>681,084,838</b>	<b>3.2</b>	<b>12.5 (27)</b>	<b>8.1 (26)</b>	<b>14.9 (68)</b>	<b>5.5 (48)</b>	<b>10.3 (63)</b>	<b>7.5 (51)</b>	<b>12.1 (14)</b>	<b>07/01/2009</b>
<i>Performance Benchmark</i>			12.0 (30)	8.2 (24)	16.8 (61)	3.3 (69)	9.9 (71)	6.7 (67)	10.1 (52)	

# Asset Allocation & Performance

As of December 31, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Quarter	Fiscal Year 2024	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>T. Rowe Price Global Equity</b>	1,322,132,141	6.2	12.4 (27)	7.1 (40)	25.8 (17)	0.4 (87)	15.8 (7)	12.5 (3)	12.8 (6)	09/01/2009
<i>MSCI AC World Index (Net)</i>			11.0 (45)	7.3 (38)	22.2 (35)	5.7 (45)	11.7 (47)	7.9 (42)	9.1 (60)	
<i>MSCI AC World Index Growth (net)</i>			12.7 (24)	7.2 (39)	33.2 (5)	3.7 (65)	14.6 (10)	10.1 (11)	11.0 (19)	
<b>Lazard</b>	762,785,157	3.6	12.8 (23)	7.9 (26)	16.4 (62)	-1.4 (92)	9.1 (78)	6.5 (70)	8.3 (77)	09/01/2009
<i>MSCI AC World Index (Net)</i>			11.0 (45)	7.3 (38)	22.2 (35)	5.7 (45)	11.7 (47)	7.9 (42)	9.1 (60)	
<b>Harris Global Equity</b>	677,057,024	3.2	7.5 (88)	4.7 (69)	20.9 (41)	6.6 (36)	11.8 (46)		6.9 (61)	06/01/2014
<i>MSCI World Index (Net)</i>			11.4 (38)	7.6 (34)	23.8 (25)	7.3 (30)	12.8 (29)		8.5 (31)	
<i>MSCI World Value (Net)</i>			9.3 (76)	7.2 (38)	11.5 (80)	8.3 (19)	8.9 (80)		5.6 (79)	
<b>Arrowstreet Global Equity - Alpha Extension Fund</b>	913,923,752	4.3	10.3 (64)	10.0 (15)					17.8 (15)	04/01/2023
<i>MSCI AC World IMI (Net)</i>			11.1 (51)	7.4 (37)					13.7 (33)	
<b>Fixed Income</b>	2,965,801,595	13.9	5.1	3.2	5.3	-1.2	2.3	2.8	4.9	07/01/1992
<i>Performance Benchmark</i>			6.8	3.8	6.2	-3.0	1.4	2.1	4.8	
<b>BlackRock</b>	259,716,620	1.2	7.0 (26)	3.6 (50)	6.3 (45)	-3.2 (81)	1.5 (75)	2.1 (55)	3.6 (41)	10/01/2003
<i>Performance Benchmark</i>			6.8 (32)	3.8 (43)	6.2 (47)	-3.0 (74)	1.4 (77)	2.1 (56)	3.4 (48)	
<b>Loomis Sayles</b>	674,977,968	3.2	7.0 (28)	5.3 (18)	8.5 (25)	-1.2 (52)	3.7 (21)	3.9 (17)	6.6 (8)	09/01/2008
<i>Performance Benchmark</i>			6.8 (33)	4.9 (25)	8.4 (25)	-1.6 (58)	2.9 (32)	2.9 (35)	4.5 (30)	
<b>SSgA Aggregate Bond Index</b>	717,760,028	3.4	6.7 (36)	3.3 (66)	5.7 (58)	-3.4 (85)	1.1 (91)	1.8 (71)	2.2 (68)	06/01/2010
<i>Barclays Aggregate Index</i>			6.8 (33)	3.4 (62)	5.5 (61)	-3.3 (84)	1.1 (90)	1.8 (70)	2.3 (68)	
<b>Wellington Global Total Return</b>	397,560,267	1.9	-0.7 (91)	2.4 (74)	3.6 (77)	4.1 (35)	3.5 (72)		2.7 (51)	05/01/2014
<i>BofA Merrill Lynch 3 Month US T-Bill</i>			1.4 (77)	2.7 (73)	5.0 (65)	2.2 (61)	1.9 (89)		1.3 (72)	
<b>Reams Core Plus Bond Fund</b>	580,635,338	2.7	7.4 (19)	3.1 (74)	6.7 (39)	-2.5 (67)	3.4 (24)		2.8 (32)	05/01/2014
<i>Barclays Aggregate Index</i>			6.8 (33)	3.4 (62)	5.5 (61)	-3.3 (84)	1.1 (90)		1.6 (74)	
<b>BRS Recycling Tax Credit</b>	176,000,000	0.8								
<b>BRS Recycling Tax Credit Phase 2</b>	77,031,608	0.4								
<b>BRS Recycling Tax Credit Phase 3</b>	82,119,766	0.4								

# Asset Allocation & Performance

As of December 31, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Quarter	Fiscal Year 2024	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Opportunistic/Alternatives</b>	1,076,071,777	5.1	3.2	5.6	10.9	6.5	4.3	3.3	3.8	05/01/2011
<i>Custom Alternatives Benchmark</i>			1.5	2.9	6.6	4.3	4.1	2.5	2.4	
<b>Anchorage</b>	29,149,676	0.1	2.5	3.8	6.1	9.3	5.9	4.9	5.7	05/01/2011
<i>Credit Suisse Event Driven</i>			3.4	4.9	9.3	4.8	5.9	2.9	3.2	
<b>York</b>	7,237,459	0.0	-3.7	-24.4	2.6	4.3	-11.3	-5.1	-2.4	05/01/2011
<i>Credit Suisse Event Driven</i>			3.4	4.9	9.3	4.8	5.9	2.9	3.2	
<b>Capula</b>	101,084,927	0.5	2.5	5.6	10.5	8.4	8.0	7.3	6.7	05/01/2011
<i>HFRI Macro (Total) Index</i>			-1.1	0.2	-0.6	5.3	5.5	3.1	1.9	
<b>Graham</b>	96,443,040	0.5	-4.4	3.4	2.9	13.0	12.1	6.9	5.2	05/01/2011
<i>HFRI Macro (Total) Index</i>			-1.1	0.2	-0.6	5.3	5.5	3.1	1.9	
<b>Circumference Group Core Value</b>	41,258,201	0.2	5.6	3.6	16.0	7.7	9.2		8.9	08/01/2015
<i>Russell 2000 Index</i>			14.0	8.2	16.9	2.2	10.0		7.5	
<b>Aeolus Keystone Fund</b>	27,127,796	0.1	1.8	-0.5	7.6	-0.6	1.2		-0.6	12/01/2015
<i>FTSE 3 Month T-Bill</i>			1.4	2.8	5.3	2.2	1.9		1.5	
<i>Eureka hedge ILS Advisers Index</i>			2.9	6.7	14.2	4.1	3.3		1.5	
<b>Parametric Global Defensive Equity Fund</b>	215,673,071	1.0	5.4	4.2	14.5	6.3	7.1		5.6	05/01/2017
<i>Performance Benchmark</i>			6.2	5.2	13.7	4.3	7.1		5.6	
<i>MSCI AC World Index</i>			11.1	7.5	22.8	6.2	12.3		9.8	
<b>Man Alternative Risk Premia</b>	117,867,275	0.6	2.3	3.5	5.4	10.1	4.4		3.1	06/01/2018
<i>SG Multi Alternative Risk Premia Index</i>			-1.4	2.7	6.4	6.3	1.2		0.6	
<b>CFM Systematic Global Macro Fund</b>	105,149,612	0.5	5.2	7.4	1.3				8.6	12/01/2021
<i>HFRI Macro: Systematic Diversified Index</i>			-4.3	-3.3	-3.9				3.8	
<b>Pillar Opportunity</b>	105,785,221	0.5	4.4	12.1	20.3				5.3	12/01/2021
<i>FTSE 3 Month T-Bill</i>			1.4	2.8	5.3				3.2	
<i>Eureka hedge ILS Advisers Index</i>			2.9	6.7	14.2				5.5	
<b>Chatham PDSC III</b>	69,160,738	0.3	4.9	8.4	14.7				16.3	11/01/2021
<i>HFRI Event-Driven (Total) Index</i>			5.4	7.7	10.4				2.2	
<b>Silver Point Capital Fund</b>	52,728,557	0.2	2.5	2.6	6.9				3.6	04/01/2022
<i>HFRI ED: Distressed/Restructuring Index</i>			3.2	4.4	6.7				0.5	
<b>Prophet Mtg. Servicing Opportunities</b>	44,842,536	0.2	3.4	11.3					13.5	05/01/2023
<i>Credit Suisse Hedge Fund Index</i>			2.0	3.9					5.3	
<b>Chatham PDSC IV</b>	62,563,668	0.3	6.0	13.6					25.1	06/01/2023
<i>HFRI Event-Driven (Total) Index</i>			5.4	7.7					10.2	

# Asset Allocation & Performance

As of December 31, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Quarter	Fiscal Year 2024	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
<b>Real Assets</b>	2,562,835,371	12.0	-1.0	-1.7	-3.0	6.6	5.2	7.1	7.3	07/01/2013
<i>Total Real Assets Benchmark</i>			-0.8	-1.8	-4.9	7.2	5.6	7.1	7.3	
<b>Real Estate</b>	1,501,180,281	7.1	-1.8	-3.3	-8.8	5.4	3.7	7.0	8.0	12/01/1998
<i>NFI-ODCE (Net)</i>			-2.1	-4.9	-12.9	5.4	4.3	7.0	8.2	
<b>Timber</b>	339,264,772	1.6	0.3	-1.8	-0.2	7.9	6.6	5.2	7.0	06/01/1998
<i>Timberland Property Benchmark</i>			1.4	3.1	10.0	9.1	6.1	5.6		
<b>BTG Timber Separate Account</b>	101,350,860	0.5								
<b>BTG U.S. Timberland Fund, L.P.</b>	237,913,912	1.1								
<b>Agriculture</b>	243,227,254	1.1	0.1	1.0	8.0	9.1	6.6	5.7	6.2	09/01/2011
<i>Agriculture Benchmark</i>			-0.3	0.5	6.0	7.2	5.9	6.0		
<b>HFMS Farmland</b>	180,471,814	0.8	-0.1	8.2	11.2	10.9	7.6	6.2	6.6	09/01/2011
<i>HFMS custom NCREIF Farmland Index</i>			-0.3	0.5	6.0	7.2	6.2	5.9		
<b>UBS Agrivest Core Farmland Fund</b>	62,755,440	0.3	0.7	-14.8	4.6	6.2	5.0		5.1	07/01/2015
<i>UBS Agrivest custom NCREIF Farmland Index</i>			-0.3	0.5	6.0	7.2	6.3		6.2	
<b>Infrastructure</b>	479,163,064	2.3	0.4	2.3	11.2	13.9	13.1		13.4	07/01/2018
<i>CPI + 5%</i>			0.9	3.0	8.5	10.9	9.3		8.8	
<b>Private Equity</b>	2,918,711,311	13.7	0.8	-0.9	1.0	10.6	11.2	13.5	12.3	04/01/1997
<i>Private Equity Policy</i>			-2.8	5.9	22.9	11.5	11.2	13.4	10.9	
<b>Cash</b>	77,927,273	0.4								

\*The Real Assets and Private Equity market values, returns and their benchmark returns are shown on a one-quarter lag. Market values have been adjusted for current quarter cash flows.

\*The inception of the Total Equity asset class was July 1, 2015. Performance prior to July 2015 represents the weighted average of the U.S. Equity and Global Equity asset class monthly returns. For historical performance of the U.S. Equity and Global Equity asset classes please see page 141 of this report.

\*The inception date above for infrastructure reflects the inception date for the calculation and reporting of time-weighted returns. The Infrastructure program began in July 2014 and the full history of Infrastructure returns are included in Total Real Assets and Total Fund performance.

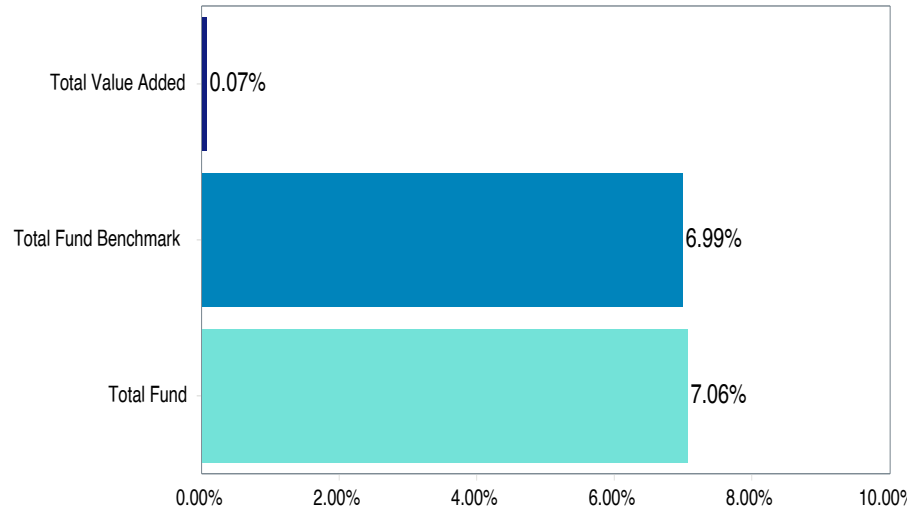
\*The BRS Recycling Tax Credit represents an annual income stream of \$16 million dollars over the next 14 years, which ATRS purchased for approximately \$162 million. This represents an approximate 9.9% yield for the 2017 fiscal year. The value shown above represents the year-end market value in accordance with GASB Statement 72, representing the 14 years of annual income, and has been incorporated into Total Fixed Income and Total Fund performance.



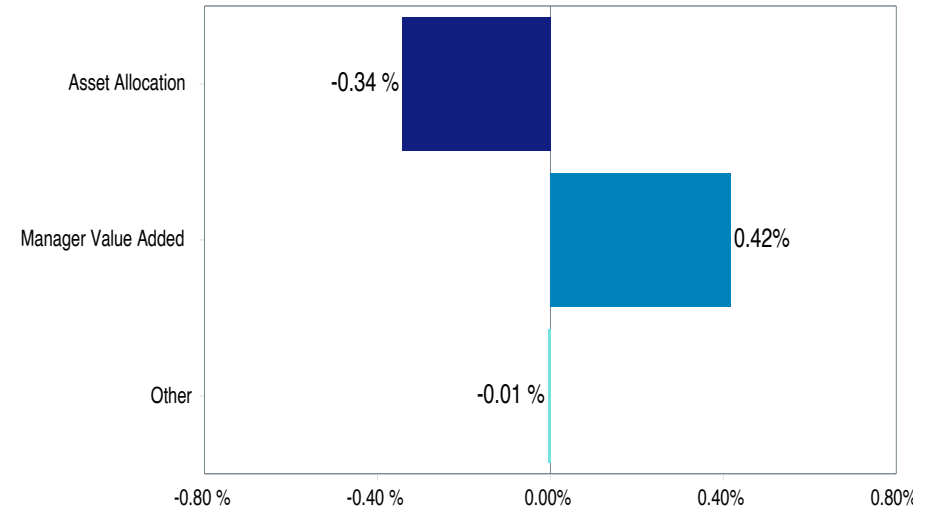
# Total Fund Attribution

1 Quarter Ending December 31, 2023

## Total Fund Performance

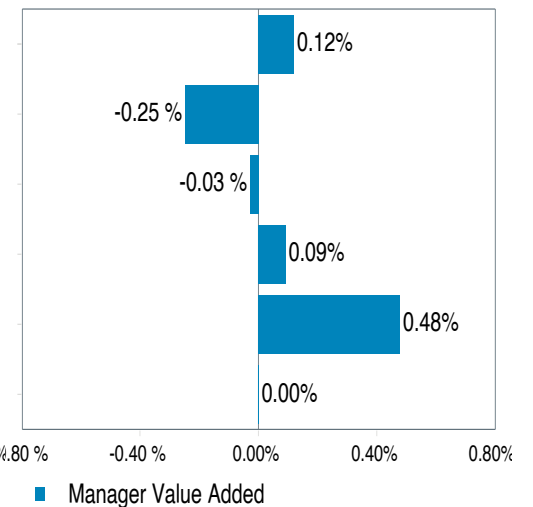
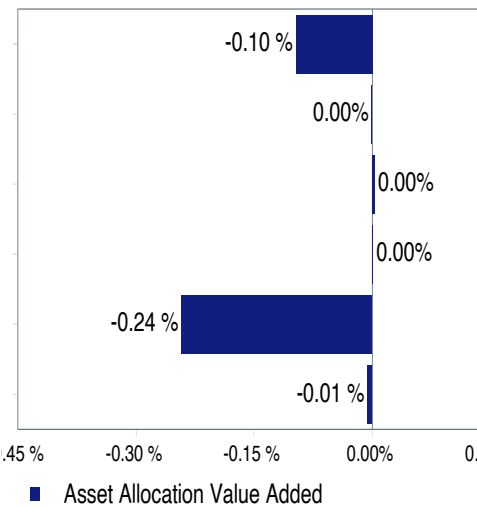
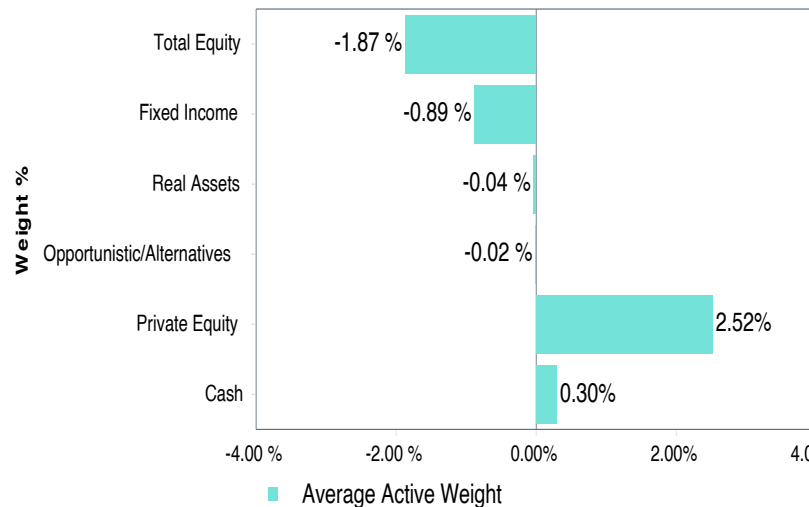


## Total Value Added: 0.07%



## Total Asset Allocation: -0.34 %

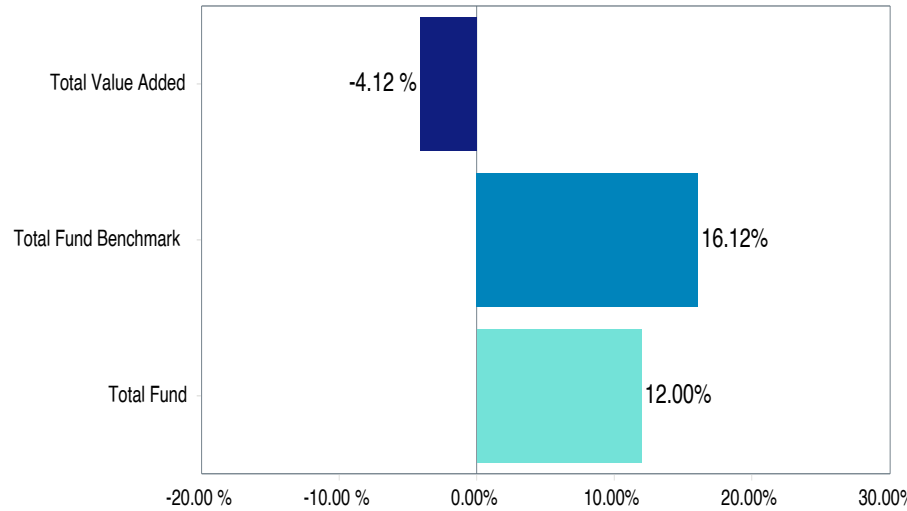
## Total Manager Value Added: 0.42%



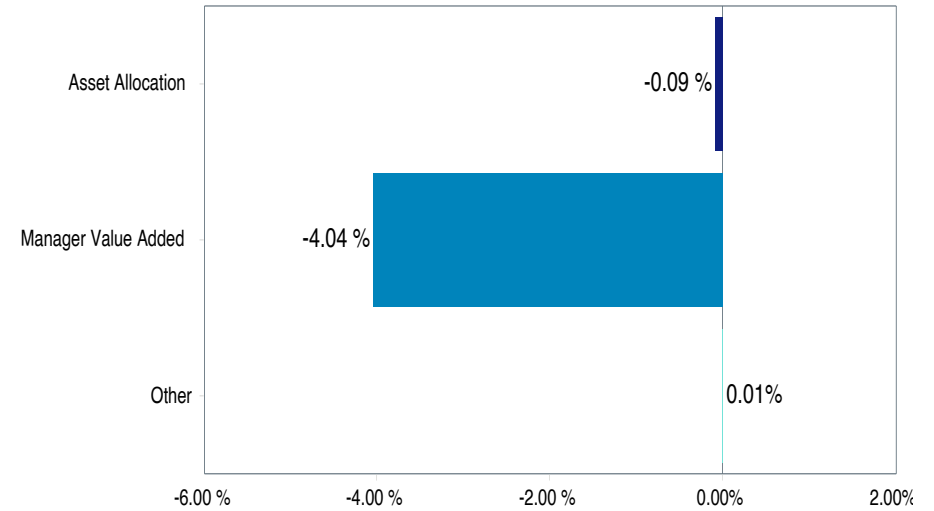
# Total Fund Attribution

1 Year Ending December 31, 2023

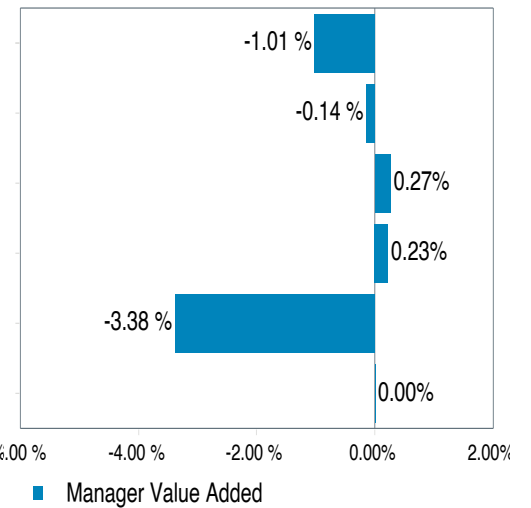
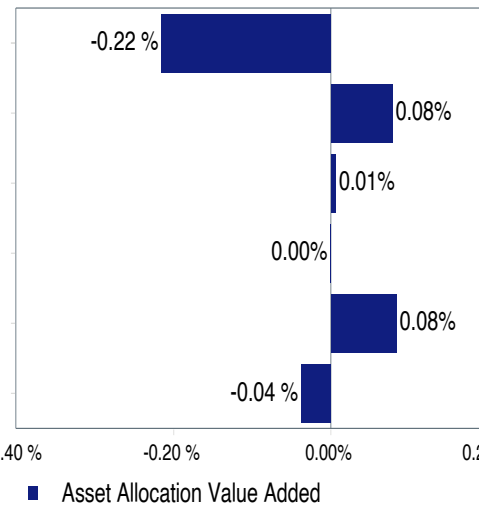
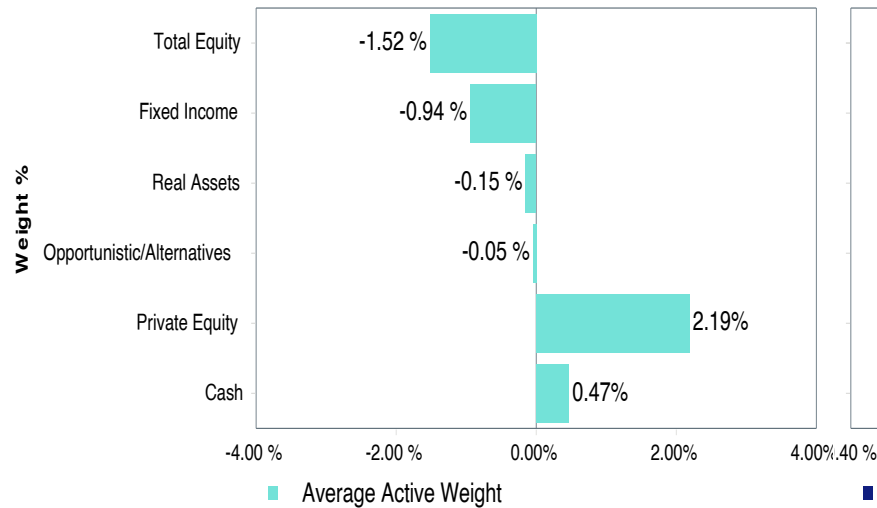
## Total Fund Performance



## Total Value Added: -4.12 %



## Total Asset Allocation: -0.09 % Total Manager Value Added: -4.04 %



# Asset Allocation & Performance

## Calendar Year Performance

	Performance %										
	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<b>Total Fund</b>	4.8 (23)	9.2 (18)	-3.9 (23)	31.9 (11)	-1.4 (92)	5.3 (63)	11.7 (1)	16.1 (1)	-0.5 (72)	5.2 (9)	19.0 (5)
<i>Performance Benchmark</i>	5.6 (3)	9.2 (18)	-7.3 (52)	31.2 (14)	2.3 (34)	7.1 (9)	9.2 (21)	13.2 (30)	1.8 (8)	5.2 (9)	18.3 (15)
<b>Total Equity</b>	8.3 (22)	15.7 (53)	-13.4 (38)	47.4 (23)	-6.4 (78)	4.1 (59)	13.4 (29)	22.1 (27)	-4.8 (57)		
<i>Total Equity Performance Benchmark</i>	7.7 (30)	17.0 (42)	-15.8 (50)	42.0 (41)	2.7 (44)	5.9 (48)	12.2 (35)	19.0 (46)	-1.5 (38)		
<b>Jacobs Levy 130/30</b>	13.9 (4)	18.0 (38)	12.1 (1)	50.3 (41)	0.2 (47)	5.5 (51)	19.9 (23)	24.6 (18)	8.3 (4)	14.2 (7)	24.3 (54)
<i>Russell 3000 Index</i>	8.4 (40)	19.0 (32)	-13.9 (52)	44.2 (57)	6.5 (32)	9.0 (32)	14.8 (45)	18.5 (56)	2.1 (23)	7.3 (44)	25.2 (44)
<b>Kennedy Capital Management</b>	8.3 (65)	6.6 (87)	-11.9 (55)	72.4 (29)	-16.2 (51)	-7.8 (68)	12.2 (49)	24.2 (36)	-4.9 (66)	2.7 (54)	29.4 (10)
<i>Russell 2000 Value Index</i>	11.8 (25)	6.0 (88)	-16.3 (83)	73.3 (28)	-17.5 (59)	-6.2 (59)	13.1 (40)	24.9 (31)	-2.6 (43)	0.8 (67)	22.5 (74)
<b>Stephens</b>	7.0 (10)	13.6 (71)	-25.8 (32)	40.2 (87)	7.8 (53)	8.4 (37)	29.5 (26)	18.3 (83)	-7.8 (43)	5.1 (89)	18.4 (79)
<i>Russell 2000 Growth Index</i>	4.5 (38)	18.5 (37)	-33.4 (64)	51.4 (58)	3.5 (63)	-0.5 (79)	21.9 (64)	24.4 (44)	-10.8 (60)	12.3 (40)	24.7 (38)
<b>Voya Absolute Return</b>	8.3 (23)	15.6 (53)	-14.1 (42)	41.9 (41)	0.1 (55)	4.0 (59)	9.9 (53)	20.3 (37)	1.9 (21)	7.8 (10)	26.9 (26)
<i>Performance Benchmark</i>	7.3 (38)	16.5 (45)	-15.8 (49)	39.3 (53)	2.1 (46)	5.7 (50)	10.7 (47)	18.8 (48)	1.1 (23)	7.4 (11)	24.6 (40)
<b>Voya U.S. Convertibles</b>	2.2 (95)	9.5 (84)	-19.8 (70)	47.3 (48)	20.1 (10)	12.5 (15)	16.4 (36)	15.9 (75)	-7.1 (79)	4.4 (68)	23.1 (66)
<i>Performance Benchmark</i>	4.1 (87)	10.6 (80)	-20.6 (71)	45.7 (52)	15.3 (16)	7.8 (39)	12.0 (64)	16.8 (69)	-4.7 (66)	3.5 (74)	24.4 (53)
<b>Pershing Square Holdings</b>	29.0 (1)	23.5 (14)	-17.9 (66)	57.0 (26)	36.5 (2)	21.7 (1)	-2.7 (100)	8.3 (96)	-49.1 (100)	15.2 (4)	30.4 (10)
<i>Dow Jones U.S. Total Stock Market Index</i>	8.4 (40)	18.9 (32)	-14.2 (54)	44.3 (56)	6.4 (32)	8.9 (33)	14.8 (45)	18.5 (56)	2.0 (24)	7.2 (46)	25.0 (47)
<b>Trihan Partners</b>	3.9	18.5	-19.0	33.4	-2.3	13.1	2.8	9.5			
<i>S&amp;P 500 Index</i>	8.0	19.6	-10.6	40.8	7.5	10.4	14.4	17.9			
<b>Trihan Co-Investments</b>	6.4	22.6	-10.9	34.5	-3.4	14.4	-5.6				
<i>S&amp;P 500 Index</i>	8.0	19.6	-10.6	40.8	7.5	10.4	14.4	17.9			
<b>SSgA Global Index</b>	7.4 (36)	16.5 (46)	-16.2 (52)	41.3 (44)	1.6 (48)	4.8 (54)	11.4 (41)	19.4 (42)	-3.4 (48)	1.2 (54)	23.8 (49)
<i>MSCI AC World IMI (Net)</i>	7.4 (36)	16.1 (48)	-16.5 (53)	40.9 (46)	1.2 (51)	4.6 (56)	11.1 (44)	19.0 (45)	-3.9 (50)	0.8 (57)	23.4 (52)
<b>BlackRock MSCI ACWI IMI Fund</b>	7.5 (34)	16.6 (44)	-16.2 (52)	41.4 (44)	1.5 (49)	4.5 (56)	11.4 (41)	19.1 (45)	-3.4 (48)	1.2 (54)	23.9 (49)
<i>MSCI AC World IMI (Net)</i>	7.4 (36)	16.1 (48)	-16.5 (53)	40.9 (46)	1.2 (51)	4.6 (56)	11.1 (44)	19.0 (45)	-3.9 (50)	0.8 (57)	23.4 (52)
<b>Wellington Global Perspectives</b>	8.1 (26)	13.4 (68)	-17.1 (57)	60.0 (8)	-11.7 (91)	-3.8 (90)	15.7 (20)	24.8 (15)	-4.2 (52)	-1.4 (70)	33.1 (5)
<i>Performance Benchmark</i>	8.2 (24)	13.0 (70)	-21.8 (78)	54.1 (13)	-5.5 (76)	-3.0 (88)	13.8 (27)	20.5 (36)	-4.7 (56)	1.5 (52)	26.0 (31)

# Asset Allocation & Performance

## Calendar Year Performance

	Performance %										
	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<b>T. Rowe Price Global Equity</b>	7.1 (40)	20.0 (21)	-28.7 (91)	52.0 (15)	22.8 (6)	8.0 (35)	21.3 (8)	28.8 (8)	-0.6 (33)	7.5 (10)	32.0 (7)
MSCI AC World Index (Net)	7.3 (38)	16.5 (45)	-15.8 (49)	39.3 (53)	2.1 (46)	5.7 (50)	10.7 (47)	18.8 (48)	-3.7 (49)	0.7 (57)	22.9 (55)
MSCI AC World Index Growth (net)	7.2 (39)	23.1 (10)	-23.5 (82)	39.7 (51)	16.6 (10)	7.2 (41)	16.1 (19)	18.6 (50)	-2.7 (44)	4.9 (25)	23.1 (54)
<b>Lazard</b>	7.9 (26)	10.4 (79)	-25.6 (86)	47.5 (23)	1.6 (48)	2.7 (69)	9.8 (53)	26.2 (12)	-10.7 (89)	7.3 (11)	23.3 (52)
MSCI AC World Index (Net)	7.3 (38)	16.5 (45)	-15.8 (49)	39.3 (53)	2.1 (46)	5.7 (50)	10.7 (47)	18.8 (48)	-3.7 (49)	0.7 (57)	22.9 (55)
<b>Harris Global Equity</b>	4.7	18.4	-17.0	56.6	-6.6	-2.0	5.0	38.9	-12.8	0.7	
MSCI World Index (Net)	7.6	18.5	-14.3	39.0	2.8	6.3	11.1	18.2	-2.8	1.4	
MSCI World Value (Net)	7.2	10.7	-6.6	37.9	-11.3	4.2	5.6	18.7	-3.7	-2.9	
<b>Arrowstreet Global Equity - Alpha Extension Fund</b>	10.0 (15)										
MSCI AC World IMI (Net)	7.4 (37)										
<b>Fixed Income</b>	3.2	1.4	-7.5	3.1	6.4	6.4	1.3	5.2	3.5	1.0	6.1
Performance Benchmark	3.8	0.0	-10.9	1.1	7.9	8.1	-0.3	0.9	5.8	1.6	5.2
<b>BlackRock</b>	3.6 (50)	-0.4 (75)	-10.9 (69)	0.9 (73)	9.0 (18)	8.0 (26)	-0.3 (76)	0.3 (69)	6.0 (23)	2.4 (15)	5.2 (50)
Performance Benchmark	3.8 (43)	0.0 (69)	-10.9 (69)	1.1 (69)	7.9 (29)	8.1 (24)	-0.3 (74)	0.9 (55)	5.8 (25)	1.6 (37)	5.2 (49)
<b>Loomis Sayles</b>	5.3 (18)	3.3 (26)	-12.5 (82)	9.3 (21)	7.6 (31)	7.4 (38)	1.8 (26)	8.1 (16)	1.9 (69)	1.1 (56)	12.0 (9)
Performance Benchmark	4.9 (25)	2.7 (31)	-11.5 (75)	4.9 (33)	6.6 (40)	8.2 (21)	0.5 (49)	4.0 (26)	5.0 (36)	1.0 (61)	6.8 (35)
<b>Putnam</b>		2.4 (70)	-5.1 (41)	4.0 (84)	0.1 (63)	3.7 (42)	4.1 (54)	7.9 (30)	-3.6 (78)	-0.7 (60)	3.7 (85)
LIBOR	2.7 (73)	3.6 (62)	0.0 (18)	0.2 (90)	2.1 (43)	2.6 (54)	1.5 (77)	0.8 (86)	0.4 (46)	0.2 (40)	0.3 (94)
<b>SSgA Aggregate Bond Index</b>	3.3 (66)	-1.0 (85)	-10.4 (62)	-0.3 (92)	8.7 (21)	7.9 (28)	-0.4 (77)	-0.3 (83)	6.0 (23)	1.9 (27)	4.3 (62)
Barclays Aggregate Index	3.4 (62)	-0.9 (85)	-10.3 (61)	-0.3 (93)	8.7 (21)	7.9 (28)	-0.4 (77)	-0.3 (84)	6.0 (23)	1.9 (29)	4.4 (60)
<b>Wellington Global Total Return</b>	2.4 (74)	4.8 (50)	3.8 (6)	1.7 (88)	2.1 (43)	5.3 (28)	5.1 (46)	-0.7 (88)	1.3 (41)	0.5 (32)	
BofA Merrill Lynch 3 Month US T-Bill	2.7 (73)	3.6 (62)	0.2 (15)	0.1 (90)	1.6 (47)	2.3 (58)	1.4 (78)	0.5 (86)	0.2 (46)	0.0 (42)	
<b>Reams Core Plus Bond Fund</b>	3.1	2.6	-10.7	2.1	15.3	8.6	0.0	0.0	6.1	1.5	
Barclays Aggregate Index	3.4	-0.9	-10.3	-0.3	8.7	7.9	-0.4	-0.3	6.0	1.9	
<b>BRS Recycling Tax Credit</b>											
<b>BRS Recycling Tax Credit Phase 2</b>											
<b>BRS Recycling Tax Credit Phase 3</b>											

# Asset Allocation & Performance

## Calendar Year Performance

	Performance %										
	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<b>Opportunistic/Alternatives</b>	5.6	7.9	0.2	10.4	-5.3	-0.2	0.6	6.8	-1.7	5.8	10.2
<i>Custom Alternatives Benchmark</i>	2.9	4.9	-0.2	11.5	-2.8	2.4	3.4	2.8	-3.7	1.7	6.3
<b>Anchorage</b>	3.8	6.9	0.1	23.9	-5.4	1.4	6.2	5.9	-3.9	3.8	18.9
<i>Credit Suisse Event Driven</i>	4.9	5.2	-5.4	27.5	-6.9	1.9	3.8	9.3	-10.4	-2.0	14.1
<b>York</b>	-24.4	35.5	-9.1	5.3	-45.2	-5.9	12.2	14.3	-12.9	-7.2	22.4
<i>Credit Suisse Event Driven</i>	4.9	5.2	-5.4	27.5	-6.9	1.9	3.8	9.3	-10.4	-2.0	14.1
<b>Capula</b>	5.6	11.8	6.6	2.5	9.8	6.3	3.8	7.8	6.1	8.9	7.9
<i>HFRI Macro (Total) Index</i>	0.2	-0.4	7.9	15.0	0.8	2.4	1.1	-2.4	1.8	4.2	1.5
<b>Graham</b>	3.4	3.7	23.6	27.4	-5.6	2.1	6.5	-3.2	-1.0	23.9	2.7
<i>HFRI Macro (Total) Index</i>	0.2	-0.4	7.9	15.0	0.8	2.4	1.1	-2.4	1.8	4.2	1.5
<b>Circumference Group Core Value</b>	3.6	16.4	-10.1	27.9	5.0	2.7	15.9	14.0			
<i>Russell 2000 Index</i>	8.2	12.3	-25.2	62.0	-6.6	-3.3	17.6	24.6			
<b>Aeolus Keystone Fund</b>	-0.5	11.3	-8.2	-0.2	5.1	-5.8	-17.9	11.2			
<i>FTSE 3 Month T-Bill</i>	2.8	3.7	0.2	0.1	1.6	2.3	1.3	0.5			
<i>Eurekahedge ILS Advisers Index</i>	6.7	4.2	0.4	3.6	2.9	-5.5	-6.6	5.0			
<b>Nephila Rubik Holdings</b>		2.2	-15.1	-9.6	3.1	-6.9	-7.7	2.2			
<i>FTSE 3 Month T-Bill</i>	2.8	3.7	0.2	0.1	1.6	2.3	1.3	0.5			
<i>Eurekahedge ILS Advisers Index</i>	6.7	4.2	0.4	3.6	2.9	-5.5	-6.6	5.0			
<b>Parametric Global Defensive Equity Fund</b>	4.2	12.6	-5.5	22.6	-4.2	3.9	5.8				
<i>Performance Benchmark</i>	5.2	10.4	-7.8	18.5	2.4	4.4	6.0				
<i>MSCI AC World Index</i>	7.5	17.1	-15.4	39.9	2.6	6.3	11.3				
<b>Man Alternative Risk Premia</b>	3.5	8.5	12.1	2.8	-7.9	1.8					
<i>SG Multi Alternative Risk Premia Index</i>	2.7	6.1	4.0	3.1	-11.6	0.4					
<b>CFM Systematic Global Macro Fund</b>	7.4	-4.8									
<i>HFRI Macro: Systematic Diversified Index</i>	-3.3	-3.4									
<b>Pillar Opportunity</b>	12.1	-3.0									
<i>FTSE 3 Month T-Bill</i>	2.8	3.7									
<i>Eurekahedge ILS Advisers Index</i>	6.7	4.2									
<b>Chatham PDSC III</b>	8.4	18.8									
<i>HFRI Event-Driven (Total) Index</i>	7.7	5.3									
<b>Silver Point Capital Fund</b>	2.6	8.0									
<i>HFRI ED: Distressed/Restructuring Index</i>	4.4	1.6									
<b>Prophet Mtg. Servicing Opportunities</b>	11.3										
<i>Credit Suisse Hedge Fund Index</i>	3.9										
<b>Chatham PDSC IV</b>	13.6										
<i>HFRI Event-Driven (Total) Index</i>	7.7										

# Asset Allocation & Performance

## Calendar Year Performance

	Performance %										
	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<b>Real Assets</b>	-1.7	1.5	16.0	4.7	3.9	5.6	9.4	7.5	9.5	11.7	9.0
<i>Total Real Assets Benchmark</i>	-1.8	1.3	20.6	2.4	4.1	5.7	6.2	6.6	10.0	11.5	11.4
<b>Real Estate</b>	-3.3	-3.5	21.7	0.8	2.0	5.7	11.1	6.9	12.0	13.4	12.1
<i>NFI-ODCE (Net)</i>	-4.9	-3.9	27.3	-0.7	3.9	6.5	7.1	7.4	12.6	12.4	12.7
<b>Timber</b>	-1.8	7.1	13.2	4.9	12.2	-0.3	1.2	8.0	0.4	9.4	-1.1
<i>Timberland Property Benchmark</i>	3.1	11.3	11.8	1.6	3.1	0.1	2.6	3.7	2.5	10.5	7.7
<b>BTG Timber Separate Account</b>											
<b>BTG U.S. Timberland Fund, L.P.</b>											
<b>Agriculture</b>	1.0	10.1	12.8	6.0	1.8	3.5	3.3	4.3	9.8	2.5	11.0
<i>Agriculture Benchmark</i>	0.5	9.1	9.7	4.1	3.3	5.4	3.5	4.5	5.6	6.5	12.8
<b>HFMS Farmland</b>	8.2	5.8	14.1	7.0	1.4	3.4	2.9	3.9	10.7	2.5	11.0
<i>HFMS custom NCREIF Farmland Index</i>	0.5	9.1	9.7	4.4	4.6	4.9	2.0	4.0	4.8	6.5	12.8
<b>UBS Agrivest Core Farmland Fund</b>	-14.8	26.4	9.4	3.5	3.1	4.0	4.5	5.0	6.2		
<i>UBS Agrivest custom NCREIF Farmland Index</i>	0.5	9.1	9.7	4.2	4.7	6.2	5.0	5.5	8.4		
<b>Infrastructure</b>	2.3	12.6	16.3	21.2	7.2	14.6					
<i>CPI + 5%</i>	3.0	8.1	14.5	10.6	5.7	6.7					
<b>Private Equity</b>	-0.9	2.1	16.6	33.3	4.9	12.8	22.3	16.7	7.7	11.9	20.6
<i>Private Equity Policy</i>	5.9	-6.9	13.9	65.9	-7.5	10.8	16.1	20.4	1.6	14.5	25.0
<b>Cash</b>	8.1	7.8	2.1	0.8	3.8	6.5	1.2	5.0	3.2		

\*The Real Assets and Private Equity returns and their benchmark returns are shown on a one-quarter lag.

\*The inception of the Total Equity asset class was July 1, 2015. Performance prior to July 2015 represents the weighted average of the U.S. Equity and Global Equity asset class monthly returns. For historical performance of the U.S. Equity and Global Equity asset classes please see page 141 of this report.

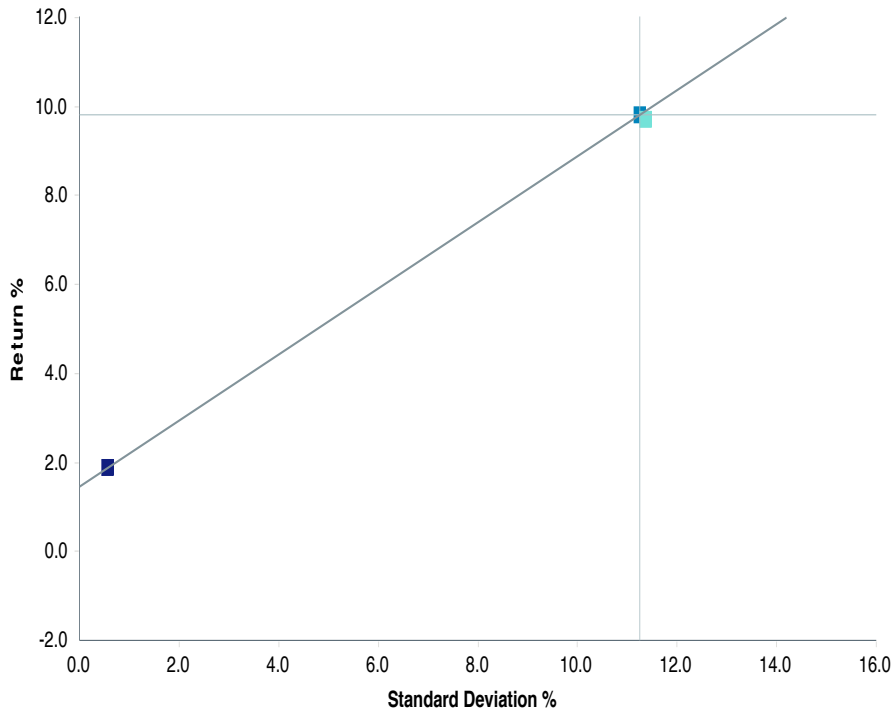
\*The inception date above for infrastructure reflects the inception date for the calculation and reporting of time-weighted returns. The Infrastructure program began in July 2014 and the full history of Infrastructure returns are included in Total Real Assets and Total Fund performance.

\*The BRS Recycling Tax Credit represents an annual income stream of \$16 million dollars over the next 14 years, which ATRS purchased for approximately \$162 million. This represents an approximate 9.9% yield for the 2017 fiscal year. The value shown above represents the year-end market value in accordance with GASB Statement 72, representing the 14 years of annual income, and has been incorporated into Total Fixed Income and Total Fund performance.

# Risk Profile Total Fund

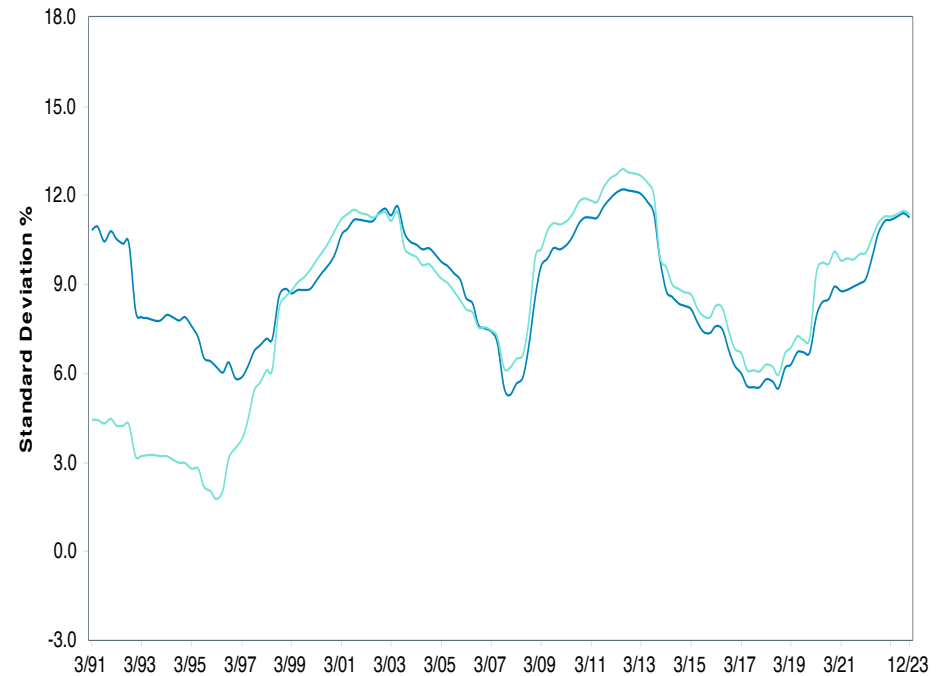
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ Total Fund      ■ Performance Benchmark      ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



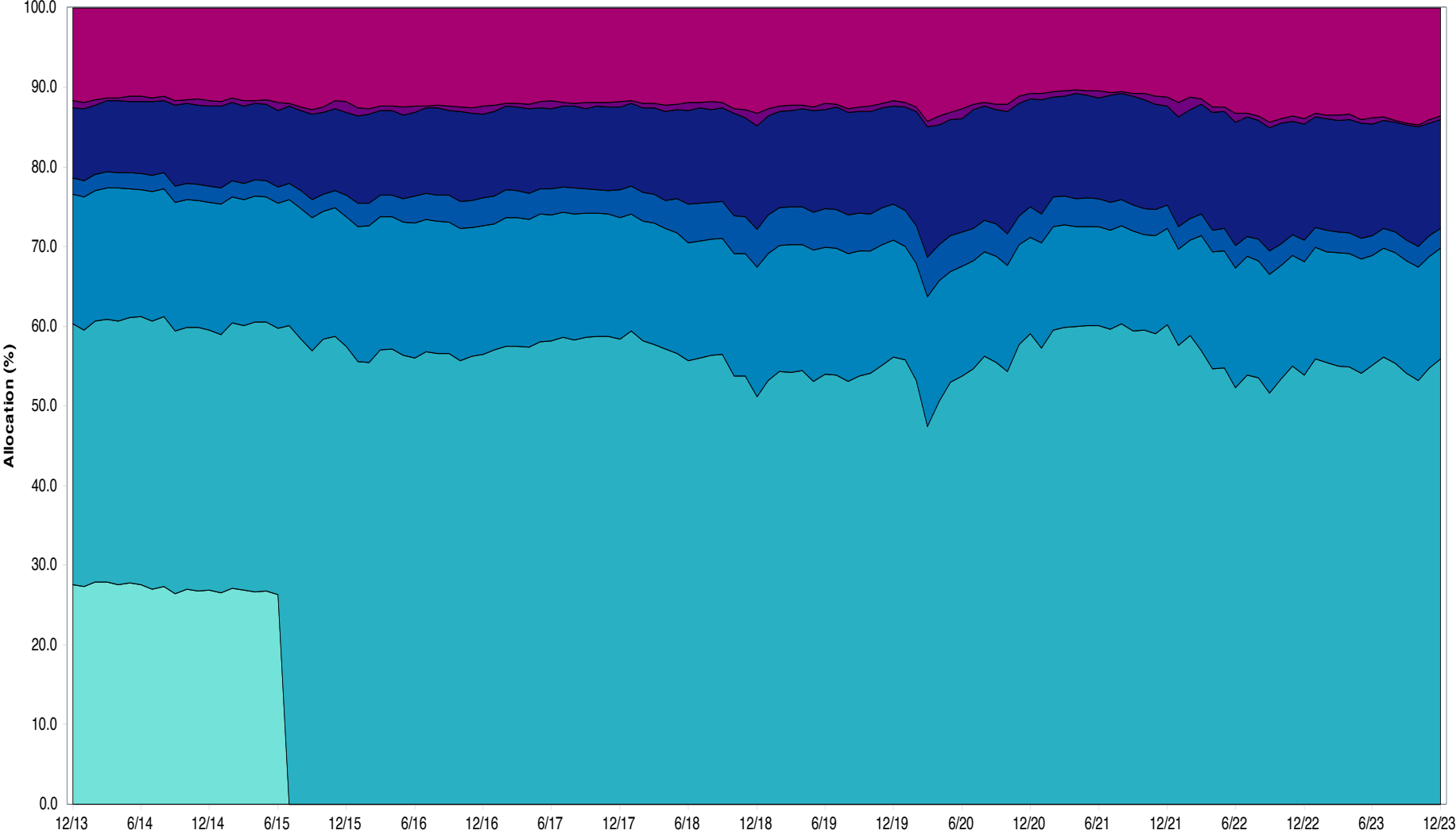
— Total Fund      — Performance Benchmark

5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
<b>Total Fund</b>	<b>-0.09</b>	<b>3.62</b>	<b>-0.02</b>	<b>0.90</b>	<b>0.71</b>	<b>0.33</b>	<b>0.96</b>	<b>9.71</b>	<b>11.37</b>	<b>0.95</b>
Performance Benchmark	0.00	0.00	-	1.00	0.72	0.00	1.00	9.82	11.26	1.00
90 Day U.S. Treasury Bill	-8.17	11.32	-0.72	0.01	-	1.92	0.00	1.88	0.55	-0.08

# Historical Asset Allocation by Segment

10 Years Ending December 31, 2023



- Domestic Equity
- Global Equity
- Fixed Income
- Opportunistic/Alternatives
- Private Equity
- Cash
- Real Assets





# Total Fund Asset Allocation

Asset Allocation as of 12/31/2023										Values in \$1,000		
	Total Equity	U.S. Bond	Real Estate	Private Equity	Cash	Total	Percent of Total	Interim Policy	Long-Term Target			
Jacobs Levy 130/30	\$1,405,470.4	--	--	--	--	\$1,405,470.4	6.60%					
Kennedy Capital Management	\$640,390.1	--	--	--	--	\$640,390.1	3.01%					
Stephens	\$604,453.9	--	--	--	--	\$604,453.9	2.84%					
Voya Absolute Return	\$846,896.6	--	--	--	--	\$846,896.6	3.98%					
Voya U.S. Convertibles	\$958,129.6	--	--	--	--	\$958,129.6	4.50%					
Pershing Square Holdings	\$331,346.9	--	--	--	--	\$331,346.9	1.56%					
SSgA Global Index	\$1,308,616.6	--	--	--	--	\$1,308,616.6	6.15%					
BlackRock MSCI ACWI IMI Fund	\$1,052,411.1	--	--	--	--	\$1,052,411.1	4.94%					
Wellington Global Perspectives	\$681,084.8	--	--	--	--	\$681,084.8	3.20%					
T. Rowe Price Global Equity	\$1,322,132.1	--	--	--	--	\$1,322,132.1	6.21%					
Lazard	\$762,785.2	--	--	--	--	\$762,785.2	3.58%					
Harris Global Equity	\$677,057.0	--	--	--	--	\$677,057.0	3.18%					
Triam Partners	\$86,956.4	--	--	--	--	\$86,956.4	0.41%					
Triam Partners Co-Investments	\$96,989.9	--	--	--	--	\$96,989.9	0.46%					
Capital Guardian & Knight Vinke	\$59.4	--	--	--	--	\$59.4	0.00%					
Global Equity Transition Account	\$0.0	--	--	--	--	\$0.0	0.00%					
Arrowstreet	\$913,923.8	--	--	--	--	\$913,923.8	4.29%					
<b>Total Equity</b>						<b>\$11,688,703.7</b>	<b>54.90%</b>	<b>54.84%</b>	<b>53.00%</b>			
BlackRock	--	\$259,716.6	--	--	--	\$259,716.6	1.22%					
Loomis Sayles	--	\$674,978.0	--	--	--	\$674,978.0	3.17%					
SSgA Aggregate Bond Index	--	\$717,760.0	--	--	--	\$717,760.0	3.37%					
Wellington Global Total Return	--	\$397,560.3	--	--	--	\$397,560.3	1.87%					
Reams Core Plus Bond Fund	--	\$580,635.3	--	--	--	\$580,635.3	2.73%					
BRS Recycling Tax Credit	--	\$176,000.0	--	--	--	\$176,000.0	0.83%					
BRS Recycling Tax Credit Phase 2	--	\$77,031.6	--	--	--	\$77,031.6	0.36%					
BRS Recycling Tax Credit Phase 3	--	\$82,119.8	--	--	--	\$82,119.8	0.39%					
<b>Total Fixed Income</b>						<b>\$2,965,801.6</b>	<b>13.93%</b>	<b>15.00%</b>	<b>15.00%</b>			
Anchorage	--	--	--	\$29,149.7	--	\$29,149.7	0.14%					
Capula	--	--	--	\$101,084.9	--	\$101,084.9	0.47%					
Graham	--	--	--	\$96,443.0	--	\$96,443.0	0.45%					
York	--	--	--	\$7,237.5	--	\$7,237.5	0.03%					
Circumference Group Core Value	--	--	--	\$41,258.2	--	\$41,258.2	0.19%					
Aeolus Keystone Fund	--	--	--	\$27,127.8	--	\$27,127.8	0.13%					
Nephila Rubik Holdings	--	--	--	\$0.0	--	\$0.0	0.00%					
Parametric Global Defensive Equity	--	--	--	\$215,673.1	--	\$215,673.1	1.01%					
Man Alternative Risk Premia	--	--	--	\$117,867.3	--	\$117,867.3	0.55%					
CFM Systematic Global Macro	--	--	--	\$105,149.6	--	\$105,149.6	0.49%					
Juniperus	--	--	--	\$105,785.2	--	\$105,785.2	0.50%					
Chatham PDSC III	--	--	--	\$69,160.7	--	\$69,160.7	0.32%					
Silver Point Capital	--	--	--	\$52,728.6	--	\$52,728.6	0.25%					
Chatham PDSC IV	--	--	--	\$62,563.7	--	\$62,563.7	0.29%					
Prophet	--	--	--	\$44,842.5	--	\$44,842.5	0.21%					
<b>Total Opportunistic/Alternatives</b>						<b>\$1,076,071.8</b>	<b>5.05%</b>	<b>5.23%</b>	<b>5.00%</b>			
<b>Real Estate</b>			\$1,501,180.3			\$1,501,180.3	7.05%					
<b>Timber</b>			\$339,264.8			\$339,264.8	1.59%					
<b>Agriculture</b>			\$243,227.3			\$243,227.3	1.14%					
<b>Infrastructure</b>			\$479,163.1			\$479,163.1	2.25%					
<b>Total Real Assets</b>						<b>\$2,562,835.4</b>	<b>12.04%</b>	<b>12.92%</b>	<b>15.00%</b>			
<b>Total Private Equity</b>				\$3,994,783.1		\$3,994,783.1	13.71%	12.00%	12.00%			
<b>Total Cash</b>					\$77,927.3	\$77,927.3	0.37%	0.00%	0.00%			
<b>Total Fund</b>	<b>\$11,688,703.7</b>	<b>\$2,965,801.6</b>	<b>\$2,562,835.4</b>	<b>\$3,994,783.1</b>	<b>\$77,927.3</b>	<b>\$21,290,051.1</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>			

\*Note: The market values for the Real Assets and Private Equity investments shown above are lagged one quarter and adjusted for the current quarter's cash flows. Market values and allocation percentages may not add to the total due to rounding.

# Real Estate Asset Allocation

Asset Allocation as of 12/31/2023				Values in \$1,000			
	Real Estate	Percent of Real Estate	Percent of Total Fund		Real Estate	Percent of Real Estate	Percent of Total Fund
Almanac Realty Securities Fund V	\$69.9	0.00%	0.00%	LaSalle Income & Growth Fund VI	\$3,628.9	0.24%	0.02%
Almanac Realty Securities Fund VI	\$3,436.2	0.23%	0.02%	LaSalle Income & Growth Fund VII	\$7,141.2	0.48%	0.03%
Almanac Realty Securities Fund VII	\$17,089.4	1.14%	0.08%	LaSalle Income & Growth Fund VIII	\$33,646.9	2.24%	0.16%
Almanac Realty Securities Fund VIII	\$19,162.1	1.28%	0.09%	LaSalle US Value Partners IX	-\$1,873.1	-0.12%	-0.01%
Almanac Realty Securities Fund IX	\$6,878.1	0.46%	0.03%	LBA Logistics Value Fund	\$29,709.3	1.98%	0.14%
American Center	\$27,354.2	1.82%	0.13%	Lone Star Real Estate Fund IV	\$5,438.5	0.36%	0.03%
AR Insurance	\$2,367.3	0.16%	0.01%	Lone Star Real Estate Fund VII	-\$433.9	-0.03%	0.00%
AR Teachers Retirement Building	\$4,827.3	0.32%	0.02%	Long Wharf Real Estate Partners V	\$17,532.1	1.17%	0.08%
Blackstone Real Estate Partners VII	\$8,447.6	0.56%	0.04%	Long Wharf Real Estate Partners VI	\$34,107.8	2.27%	0.16%
Blackstone RE Europe VI	\$35,841.3	2.39%	0.17%	Mesa West Income Fund V	\$12,271.5	0.82%	0.06%
Blackston RE X	\$3,400.8	0.23%	0.02%	Metropolitan RE Co-Investments	\$8,415.1	0.56%	0.04%
Carlyle Realty Partners VII	\$6,935.8	0.46%	0.03%	Met Life Commercial Mtg Inc Fund	\$45,670.9	3.04%	0.21%
Carlyle Realty VIII	\$12,754.7	0.85%	0.06%	Morgan Stanley Prime Property Fund	\$61,425.3	4.09%	0.29%
Carlyle Realty IX	\$7,843.8	0.52%	0.04%	New Boston Fund VII	\$12,803.4	0.85%	0.06%
CBREI SP U.S. Opportunity V	\$295.1	0.02%	0.00%	O'Connor NAPP II	\$4,473.6	0.30%	0.02%
CBREI SP VIII	\$17,289.9	1.15%	0.08%	PRISA	\$294,798.7	19.64%	1.38%
CBREI SP IX	\$26,855.5	1.79%	0.13%	Recoveries Land	\$70.0	0.00%	0.00%
Cerberus Institutional RE Partners III	\$10,046.8	0.67%	0.05%	Rockwood Capital RE Partners IX	\$2,832.0	0.19%	0.01%
Calmwater	\$11,063.0	0.74%	0.05%	Rockwood Capital RE XI	\$30,736.8	2.05%	0.14%
Fletcher Properties	\$1,065.2	0.07%	0.01%	Rose Law Firm	\$4,194.3	0.28%	0.02%
FPA Core Plus IV	\$34,676.9	2.31%	0.16%	RREEF Core Plus Industrial Fund	\$54,720.4	3.65%	0.26%
GCP GLP IV	\$40,337.5	2.69%	0.19%	Texarkana DHS	\$0.0	0.00%	0.00%
Harbert European Real Estate	\$1,875.7	0.12%	0.01%	Torchlight Debt Opportunity Fund IV	\$1,615.9	0.11%	0.01%
Heitman European Property IV	\$277.2	0.02%	0.00%	Torchlight Debt Opportunity Fund V	\$2,437.5	0.16%	0.01%
JP Morgan Strategic Property Fund	\$169,758.2	11.31%	0.80%	Torchlight Debt Opportunity Fund VI	\$18,760.2	1.25%	0.09%
Kayne Anderson V	\$19,547.0	1.30%	0.09%	Torchlight Debt Opportunity Fund VII	\$26,839.3	1.79%	0.13%
Kayne Anderson VI	\$27,869.2	1.86%	0.13%	UBS Trumbull Property Fund	\$126,462.0	8.42%	0.59%
Landmark Fund VI	\$120.5	0.01%	0.00%	UBS Trumbull Property Income Fund	\$52,957.3	3.53%	0.25%
Landmark Real Estate IX	-\$602.2	-0.04%	0.00%	Victory	\$33,155.0	2.21%	0.16%
Landmark Real Estate VIII	\$13,320.0	0.89%	0.06%	Walton Street Real Estate Debt II	\$15,189.1	1.01%	0.07%
LaSalle Asia Opportunity Fund IV	\$1,552.9	0.10%	0.01%	West Mphs. DHS	\$0.0	0.00%	0.00%
LaSalle Asia Opportunity Fund V	\$15,350.9	1.02%	0.07%	Westbrook IX	\$6,701.1	0.45%	0.03%
LaSalle Asia Opportunity Fund VI	\$1,028.7	0.07%	0.00%	Westbrook Real Estate Fund X	\$7,616.6	0.51%	0.04%
				<b>Total Real Estate</b>	<b>\$1,501,180.3</b>	<b>100.00%</b>	<b>7.05%</b>

\*Note: The market values for the Real Assets and Private Equity investments shown above are lagged one quarter and adjusted for the current quarter's cash flows. Market values and allocation percentages may not add to the total due to rounding.

Private and Confidential | Investment advice and consulting services provided by Aon Investment USA Inc.

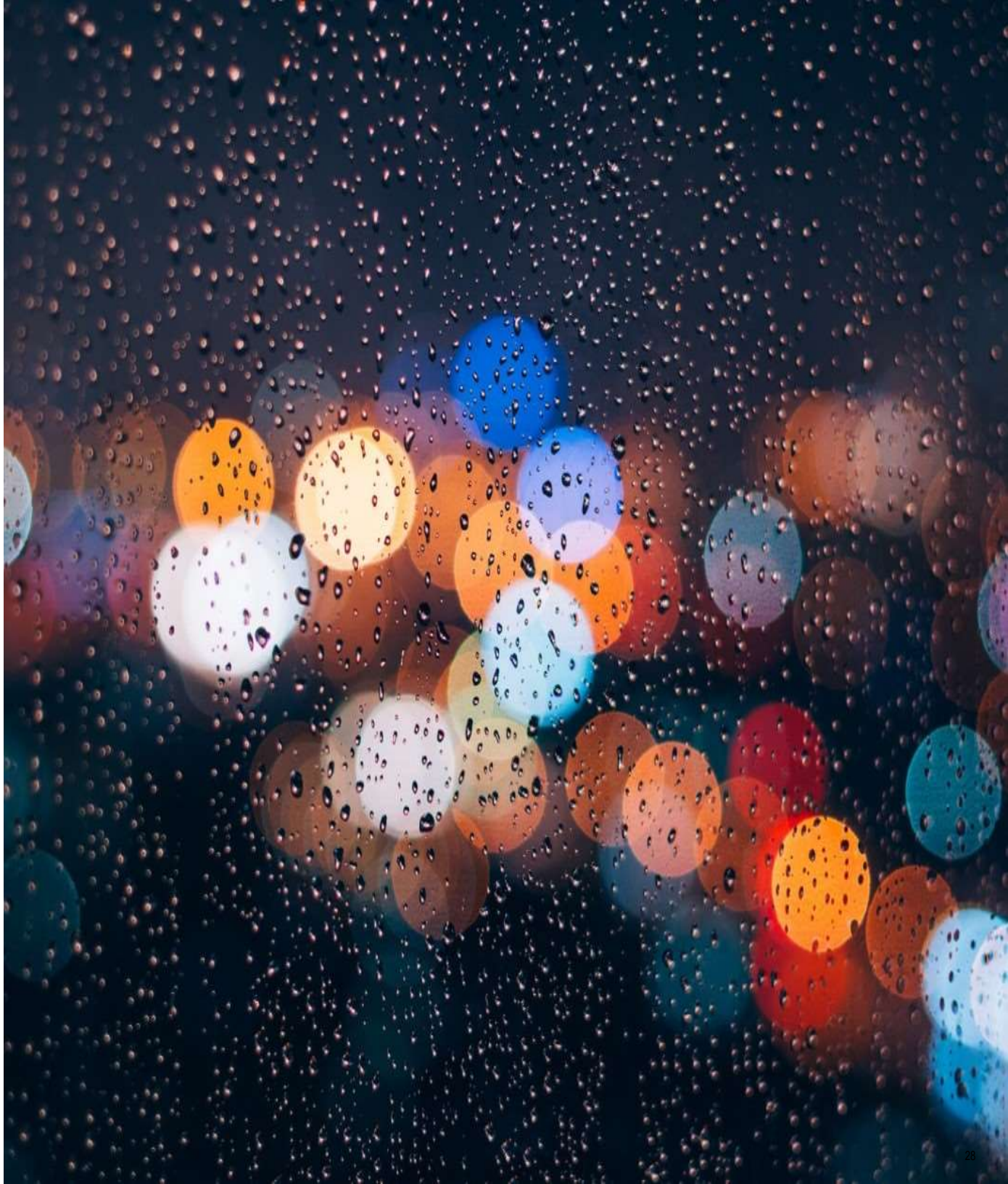
# Private Equity Asset Allocation

Asset Allocation as of 12/31/2023					Values in \$1,000			
	Private Equity	Percent of Private Equity	Percent of Total Fund		Private Equity	Percent of Private Equity	Percent of Total Fund	
Alpine IX	\$2,814.0	0.10%	0.01%	JF Lehman III	\$24,829.5	0.85%	0.12%	
Alpine VIII	\$23,007.2	0.79%	0.11%	JF Lehman IV	\$14,080.6	0.48%	0.07%	
Arlington Capital IV	\$33,791.9	1.16%	0.16%	JF Lehman V	\$38,799.1	1.33%	0.18%	
Arlington Capital V	\$39,465.3	1.35%	0.19%	JF Lehman VI	\$4,232.6	0.15%	0.02%	
Arlington Capital VI	\$12,567.0	0.43%	0.06%	KPS III	\$0.0	0.00%	0.00%	
Advent GPE VI	\$3,109.9	0.11%	0.01%	KPS IV	\$10,714.6	0.37%	0.05%	
Altus Capital II	\$3,736.2	0.13%	0.02%	KPS V	\$20,968.1	0.72%	0.10%	
American Industrial Partners VI	\$34,601.1	1.19%	0.16%	KPS Mid-Cap	\$15,229.2	0.52%	0.07%	
American Industrial Partners VII	\$36,135.2	1.24%	0.17%	Levine Leichtman V	\$623.5	0.02%	0.00%	
Altaris Constellation Partners	\$20,544.9	0.70%	0.10%	Lime Rock III	\$21,239.5	0.73%	0.10%	
Altaris Health Partners IV	\$22,506.6	0.77%	0.11%	LLR III	\$1,042.8	0.04%	0.00%	
Atlas Capital II	\$12,634.4	0.43%	0.06%	LLR VI	\$24,505.7	0.84%	0.12%	
Audax Mezzanine III	\$1,302.4	0.04%	0.01%	LLR VII	-\$79.0	0.00%	0.00%	
Big River - Equity	\$1,770.4	0.06%	0.01%	Mason Wells III	-\$83.8	0.00%	0.00%	
Big River - Holdings Note 2023	\$0.0	0.00%	0.00%	NGP IX	\$78.4	0.00%	0.00%	
Big River - Holdings Note 3/16/23	\$0.0	0.00%	0.00%	NGP X	\$3,033.0	0.10%	0.01%	
Bison V	\$22,770.8	0.78%	0.11%	NGP XI	\$18,338.4	0.63%	0.09%	
Bison VI	\$8,152.8	0.28%	0.04%	NGP XII	\$17,039.5	0.58%	0.08%	
Boston Ventures VII	\$1,398.4	0.05%	0.01%	One Rock Capital Partners II	\$35,288.8	1.21%	0.17%	
Boston Ventures IX	\$38,607.2	1.32%	0.18%	PineBridge	\$8,645.6	0.30%	0.04%	
Boston Ventures X	\$36,305.9	1.24%	0.17%	Revelstoke	\$7,648.3	0.26%	0.04%	
Boston Ventures XI	\$7,910.9	0.27%	0.04%	Post Road	\$15,371.6	0.53%	0.07%	
BV VIII	\$14,966.8	0.51%	0.07%	Riverside Value Fund I	\$17,393.6	0.60%	0.08%	
Castelake II	\$8,198.5	0.28%	0.04%	Riverside V	\$23,009.4	0.79%	0.11%	
Castelake III	\$9,702.2	0.33%	0.05%	Riverside VI	\$30,569.2	1.05%	0.14%	
Clearlake V	\$33,524.1	1.15%	0.16%	Siris III	\$21,333.8	0.73%	0.10%	
Clearlake VI	\$45,016.0	1.54%	0.21%	Siris IV	\$35,326.6	1.21%	0.17%	
Clearlake VII	\$18,091.1	0.62%	0.08%	SK Capital V	\$33,339.2	1.14%	0.16%	
Court Square III	\$31,404.7	1.08%	0.15%	Sk Capital VI	\$24,246.2	0.83%	0.11%	
CSFB-ATRS 2005-1 Series	\$16,588.7	0.57%	0.08%	Sycamore Partners II	\$14,338.6	0.49%	0.07%	
CSFB-ATRS 2006-1 Series	\$25,926.3	0.89%	0.12%	Sycamore Partners III	\$20,692.4	0.71%	0.10%	
Diamond State Ventures II	\$1,522.5	0.05%	0.01%	TA XI	\$6,653.7	0.23%	0.03%	
DW Healthcare III	\$5,786.3	0.20%	0.03%	Tennenbaum VI	\$162.6	0.01%	0.00%	
DW Healthcare IV	\$24,625.9	0.84%	0.12%	Thoma Bravo Discover	\$5,860.3	0.20%	0.03%	
DW Healthcare V	\$33,901.0	1.16%	0.16%	Thoma Bravo Discover II	\$22,295.6	0.76%	0.10%	
EnCap IX	\$8,599.4	0.29%	0.04%	Thoma Bravo Discover III	\$22,538.9	0.77%	0.11%	
EnCap VIII	\$18,377.8	0.63%	0.09%	Thomas Bravo Discover IV	\$9,043.5	0.31%	0.04%	
EnCap X	\$17,574.3	0.60%	0.08%	Thoma Bravo Explore I	\$22,563.1	0.77%	0.11%	
EnCap XI	\$36,847.3	1.26%	0.17%	Thoma Bravo XI	\$17,993.4	0.62%	0.08%	
Franklin Park Series	\$1,153,991.7	39.54%	5.42%	Thoma Bravo XII	\$33,516.6	1.15%	0.16%	
Greenbriar V	\$34,234.8	1.17%	0.16%	Thoma Bravo XIII	\$42,486.0	1.46%	0.20%	
Greenbriar VI	\$4,005.4	0.14%	0.02%	Thoma Bravo XIV	\$19,331.9	0.66%	0.09%	
GCG IV	\$11,840.6	0.41%	0.06%	Thoma Bravo XV	\$11,217.2	0.38%	0.05%	
GCG V	\$30,519.8	1.05%	0.14%	Vista Equity III	\$2,224.6	0.08%	0.01%	
GCG VI	\$3,496.4	0.12%	0.02%	Vista Foundation II	\$7,221.5	0.25%	0.03%	
GTLA Holdings	\$70,700.0	2.42%	0.33%	Vista Foundation III	\$31,665.4	1.08%	0.15%	
Highland	\$82,775.0	2.84%	0.39%	Wellspring V	\$13,636.4	0.47%	0.06%	
Hybar LLC	\$147.0	0.01%	0.00%	Wicks IV	\$8,174.2	0.28%	0.04%	
Insight Equity II	\$6,673.6	0.23%	0.03%	WNG II	\$26,210.2	0.90%	0.12%	
Insight Mezzanine I	\$1,951.4	0.07%	0.01%					
<b>Total Private Equity</b>					<b>\$2,918,711.3</b>	<b>100.00%</b>	<b>13.71%</b>	

\*Note: The market values for the Real Assets and Private Equity investments shown above are lagged one quarter and adjusted for the current quarter's cash flows.  
Market values and allocation percentages may not add to the total due to rounding.

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# Total Equity

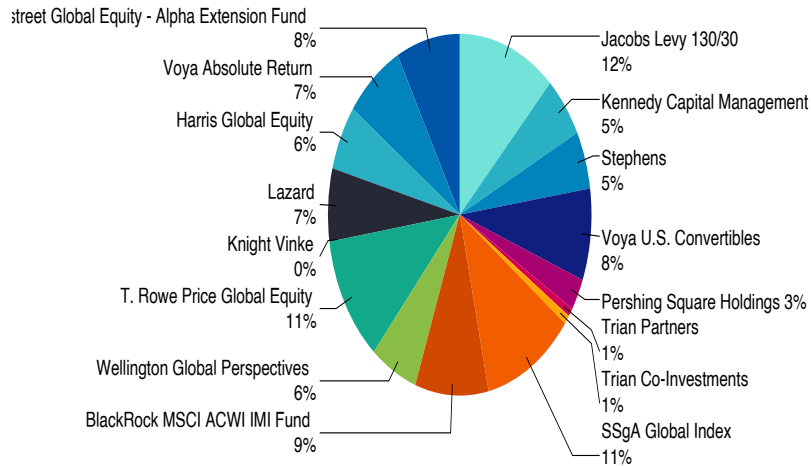


# Composite Portfolio Overview Total Equity

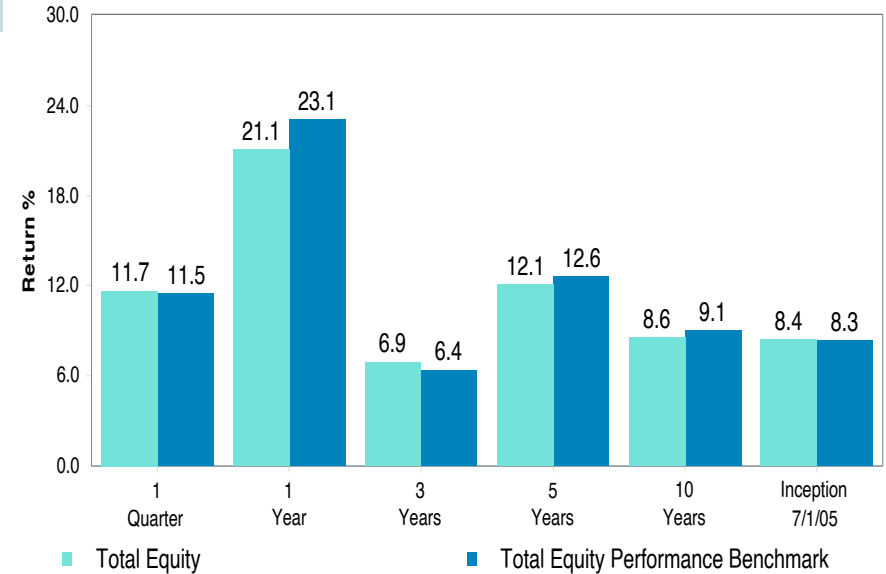
As of December 31, 2023

## Current Allocation

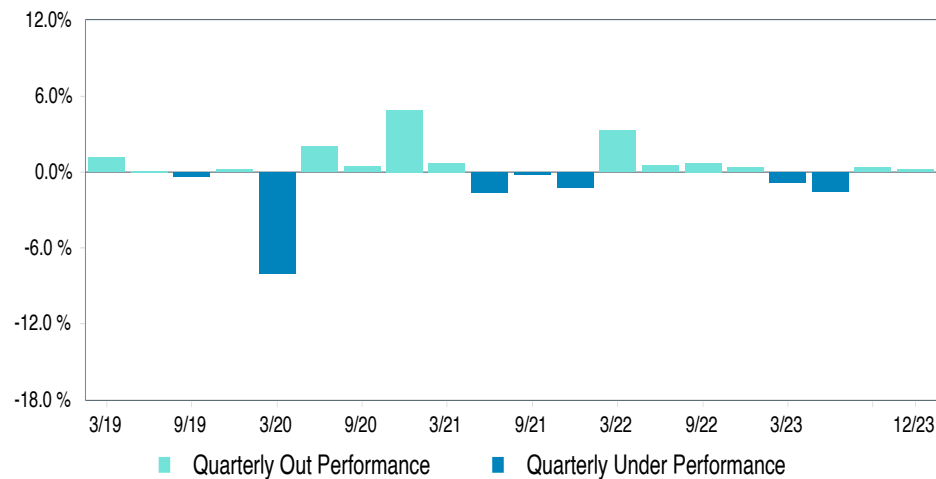
December 31, 2023 : \$11,688,703,743



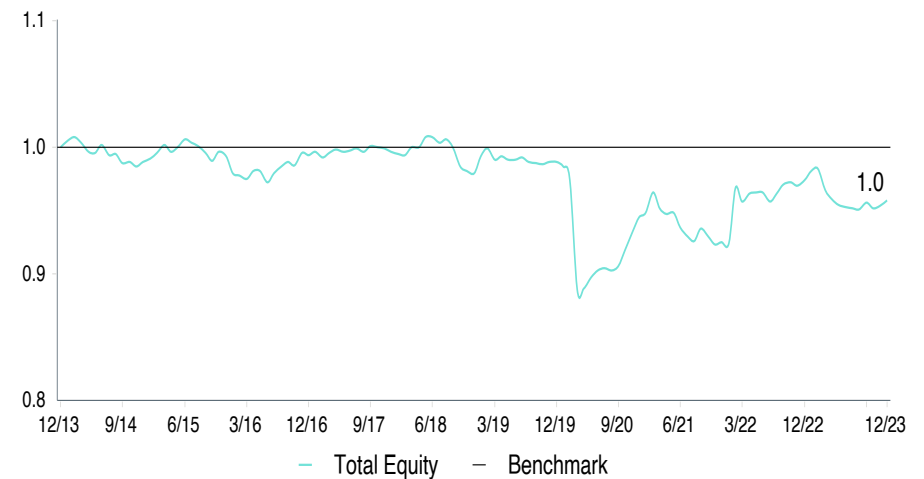
## Return Summary



## Quarterly Excess Performance



## Ratio of Cumulative Wealth - 10 Years

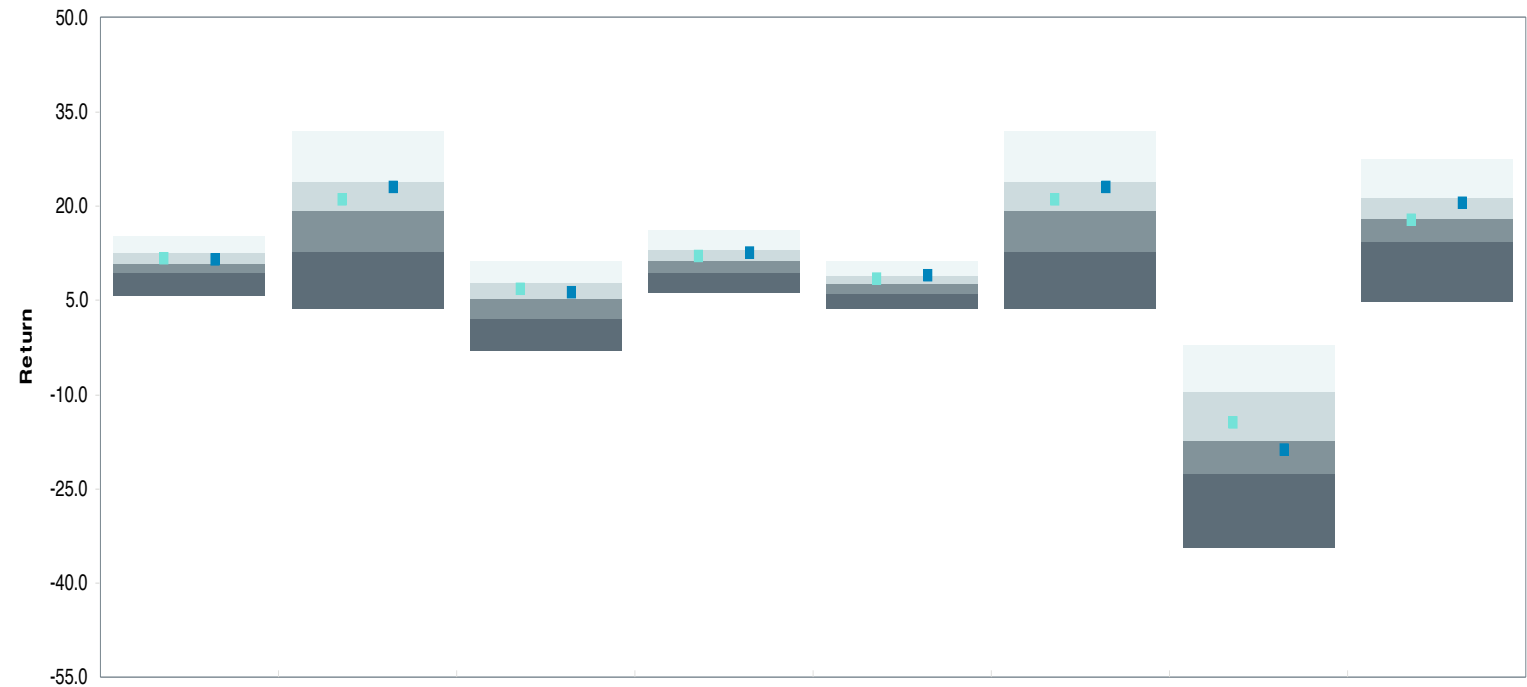


Note: April 1, 2004 represents the inception of the Global Equity Custom Benchmark as the primary performance objective for the Global Equity portfolio.

# Peer Group Analysis

As of December 31, 2023

IM Global Equity (SA+CF)



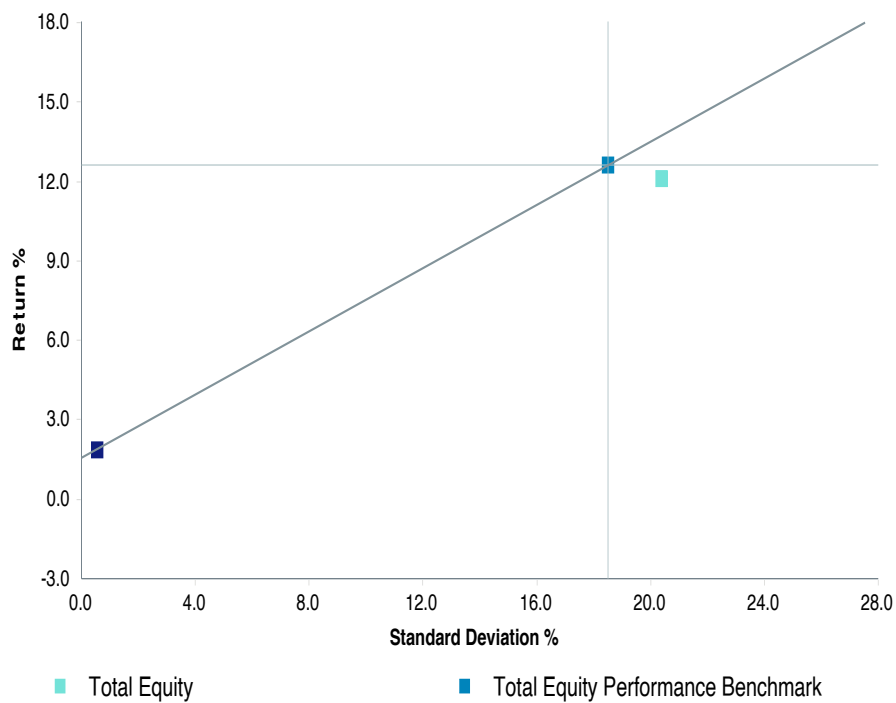
	1 Quarter	1 Year	3 Years	5 Years	10 Years	2023	2022	2021
<span style="color: cyan;">■</span> Total Equity	11.7 (33)	21.1 (41)	6.9 (33)	12.1 (42)	8.6 (32)	21.1 (41)	-14.4 (38)	17.9 (52)
<span style="color: blue;">■</span> Total Equity Performance Benchmark	11.5 (36)	23.1 (29)	6.4 (37)	12.6 (32)	9.1 (22)	23.1 (29)	-18.7 (58)	20.5 (30)
5th Percentile	15.3	32.0	11.2	16.2	11.1	32.0	-2.1	27.4
1st Quartile	12.6	23.8	7.8	13.2	8.9	23.8	-9.5	21.3
Median	10.8	19.4	5.3	11.5	7.5	19.4	-17.2	18.1
3rd Quartile	9.3	12.9	2.3	9.4	6.2	12.9	-22.7	14.2
95th Percentile	5.7	3.7	-3.0	6.3	3.6	3.7	-34.4	4.7
Population	446	443	416	385	280	443	503	512

Parentheses contain percentile rankings.

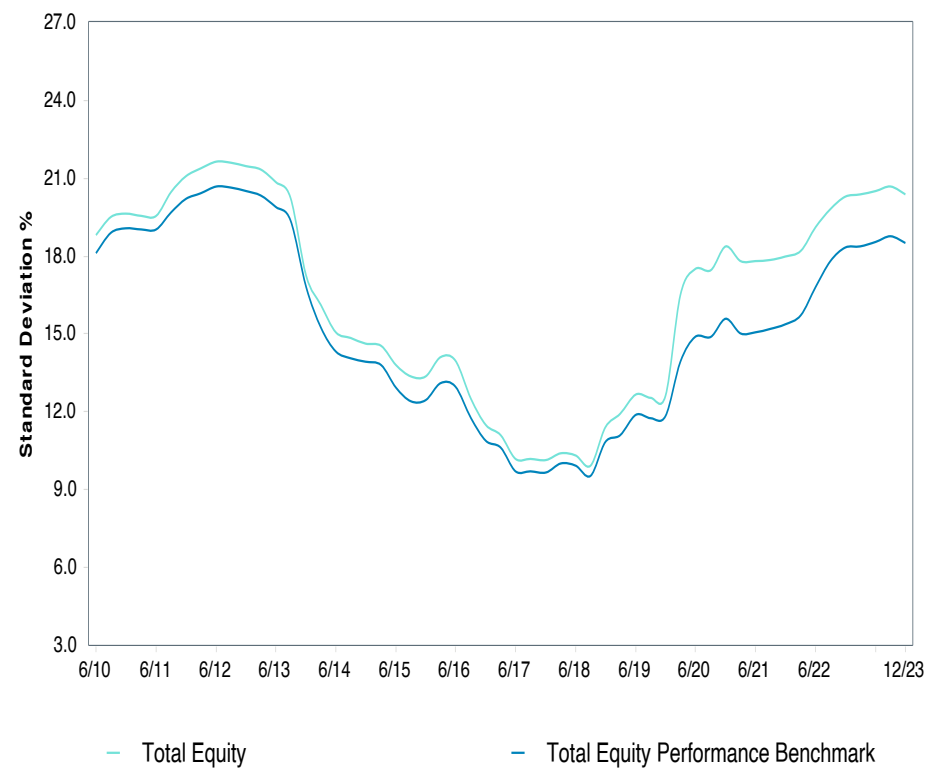
# Risk Profile Total Equity

As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



**Standard Deviation  
Rolling 5 Years**



**5 Years Historical Statistics**

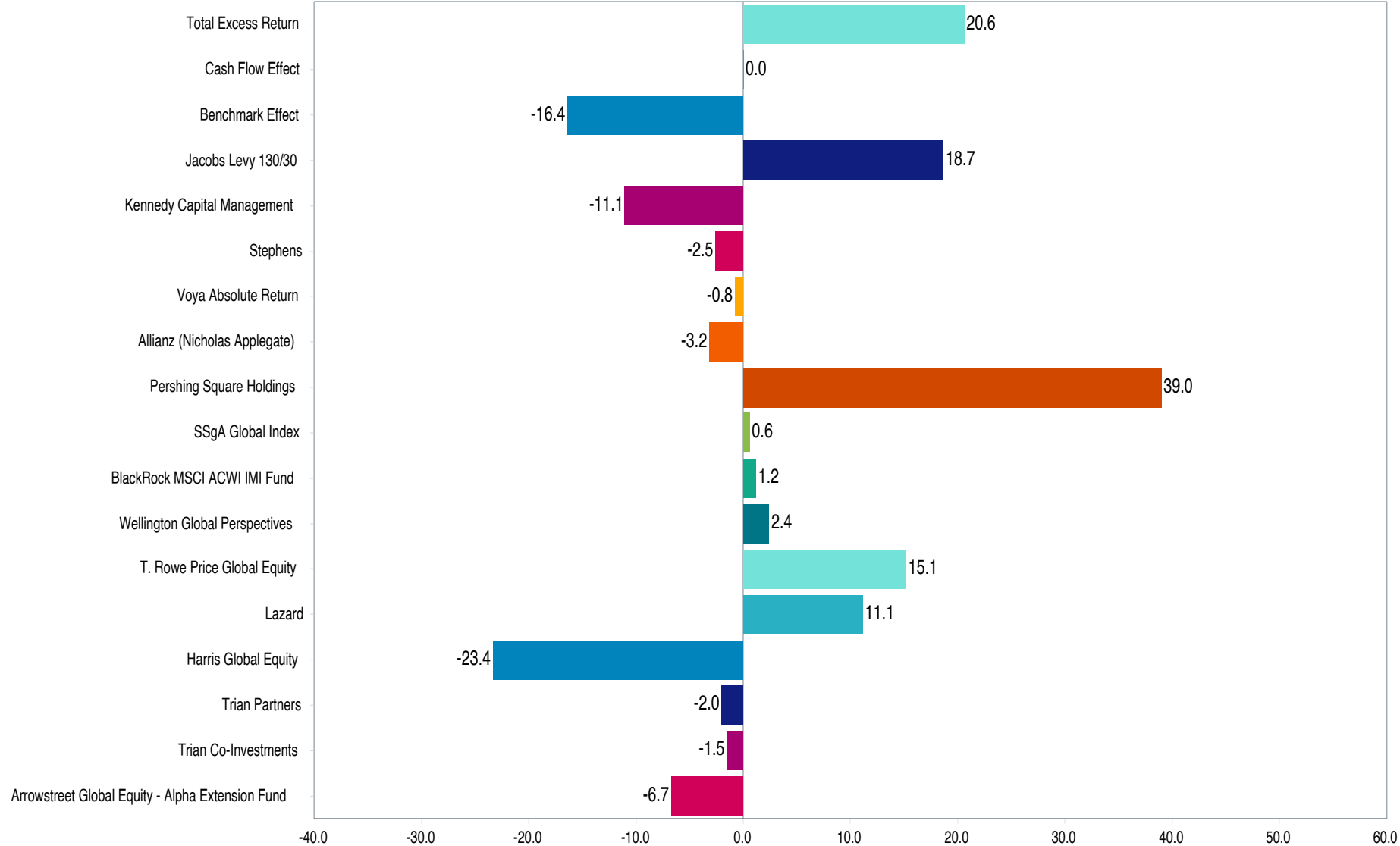
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
<b>Total Equity</b>	<b>-0.04</b>	<b>4.75</b>	<b>-0.01</b>	<b>0.95</b>	<b>0.57</b>	<b>-1.02</b>	<b>1.07</b>	<b>12.11</b>	<b>20.37</b>	<b>0.97</b>
Total Equity Performance Benchmark	0.00	0.00	-	1.00	0.63	0.00	1.00	12.61	18.51	1.00
90 Day U.S. Treasury Bill	-11.77	18.56	-0.63	0.00	-	1.91	0.00	1.88	0.55	-0.07



# Asset Class Attribution

1 Quarter Ending December 31, 2023

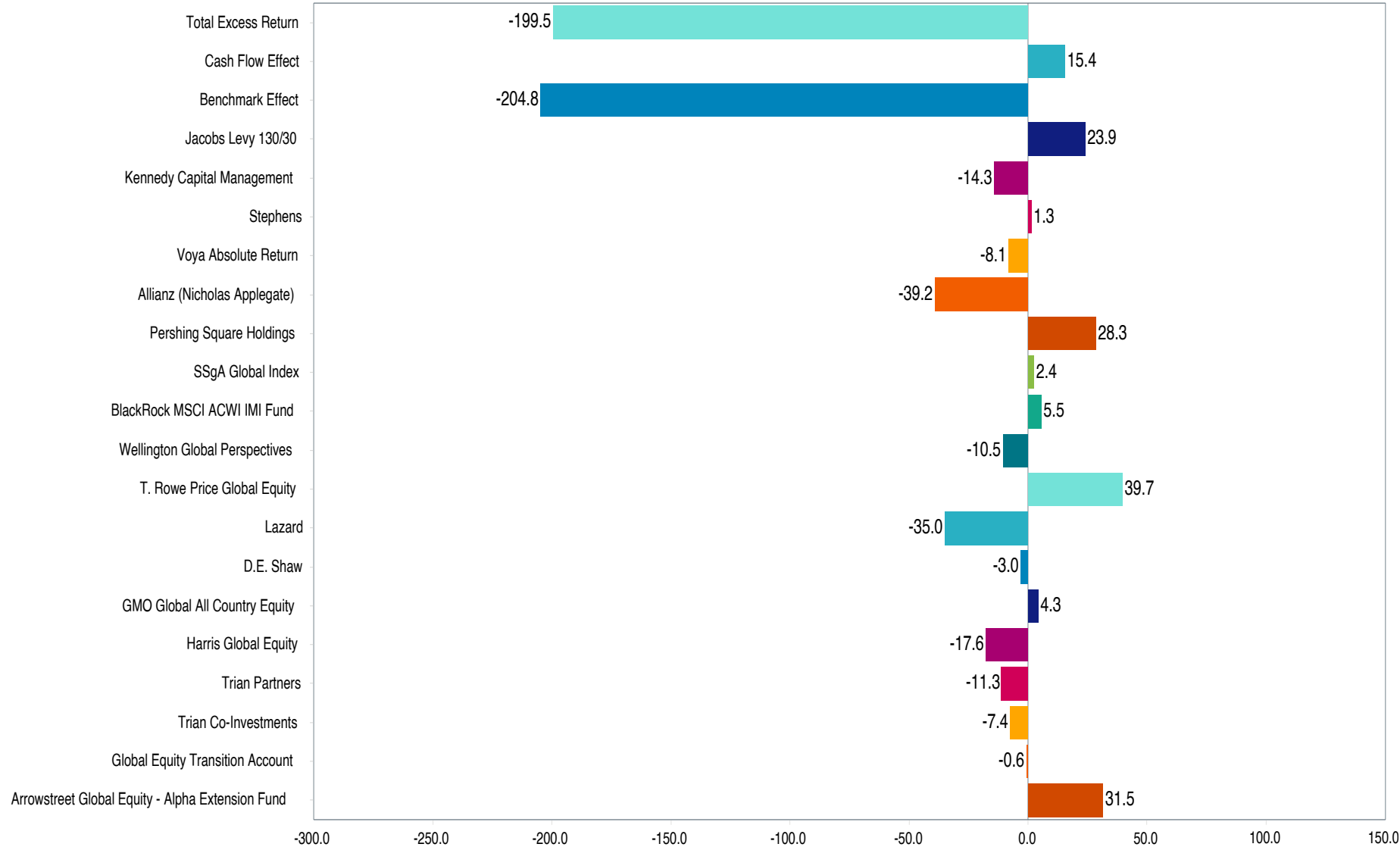
1 Quarter



# Asset Class Attribution

1 Year Ending December 31, 2023

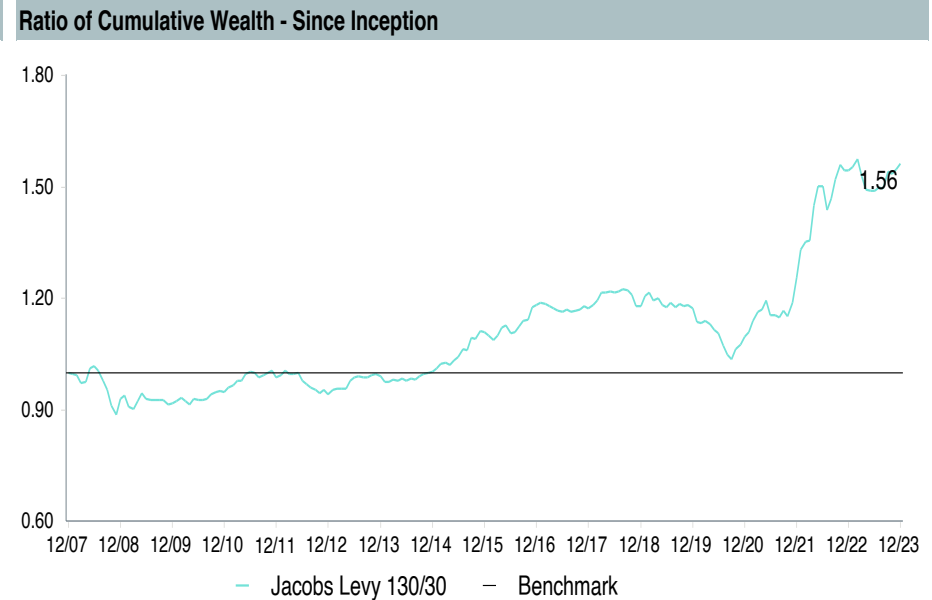
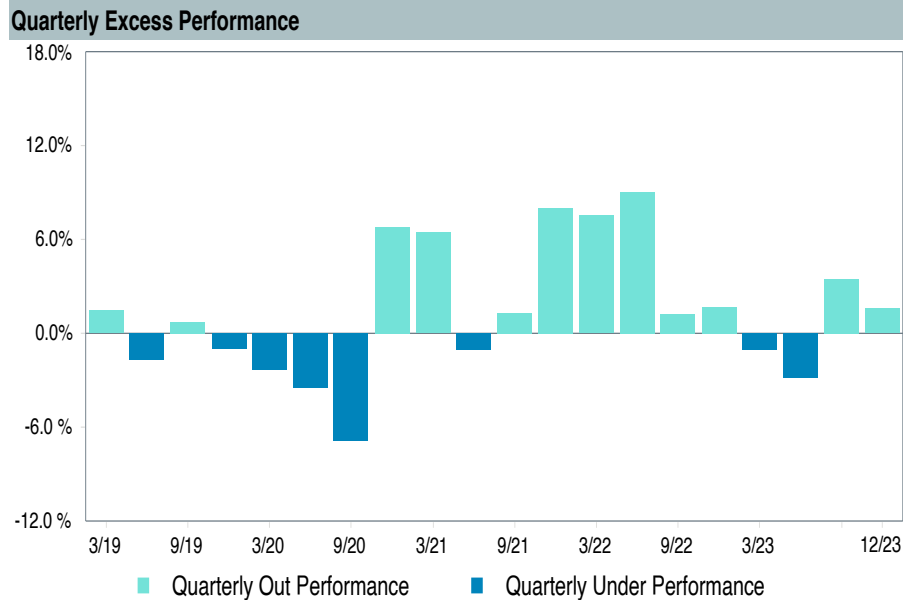
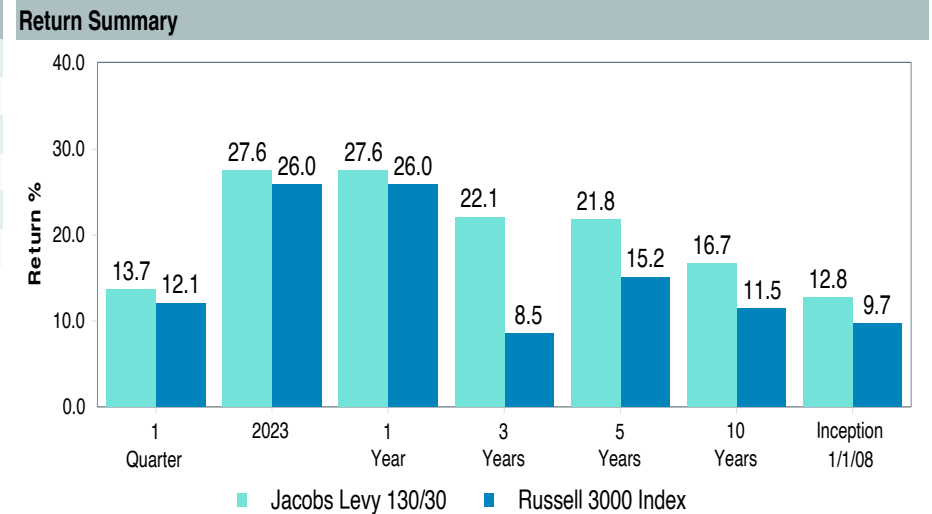
1 Year



# Manager Performance Summary Jacobs Levy 130/30

As of December 31, 2023

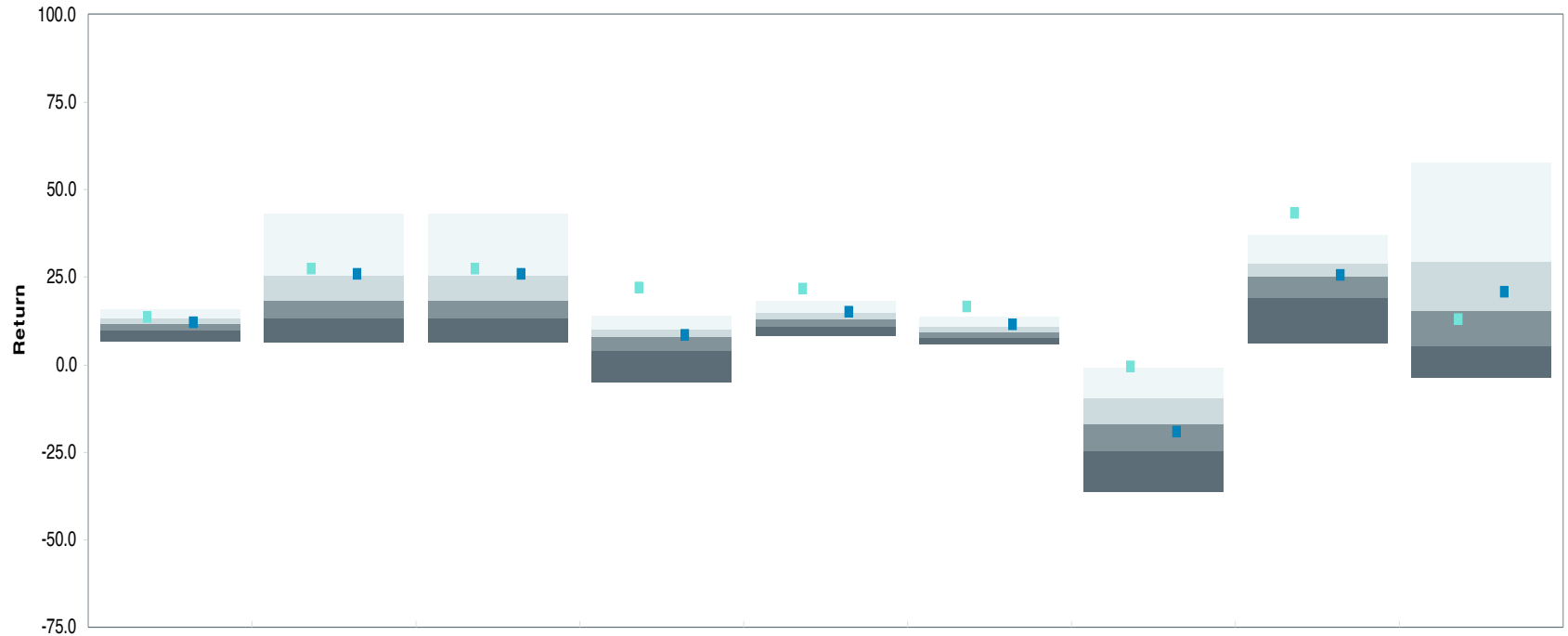
Account Information	
Account Name	Jacobs Levy 130/30
Inception Date	12/31/2007
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	Russell 3000 Index
Peer Group	IM U.S. Equity (SA+CF)



# Jacobs Levy 130/30

As of December 31, 2023

## IM U.S. Equity (SA+CF)



	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Jacobs Levy 130/30	13.7 (23)	27.6 (19)	27.6 (19)	22.1 (2)	21.8 (2)	16.7 (1)	-0.5 (5)	43.5 (2)	13.2 (56)
Russell 3000 Index	12.1 (43)	26.0 (24)	26.0 (24)	8.5 (42)	15.2 (23)	11.5 (21)	-19.2 (62)	25.7 (46)	20.9 (37)
5th Percentile	15.9	43.3	43.3	14.1	18.3	13.6	-0.7	37.3	58.0
1st Quartile	13.4	25.5	25.5	10.0	15.0	11.1	-9.5	29.0	29.5
Median	11.7	18.6	18.6	7.9	13.0	9.2	-17.0	25.0	15.6
3rd Quartile	9.9	13.3	13.3	4.0	10.9	7.8	-24.4	19.2	5.4
95th Percentile	6.7	6.5	6.5	-4.8	8.2	5.8	-36.2	6.1	-3.6

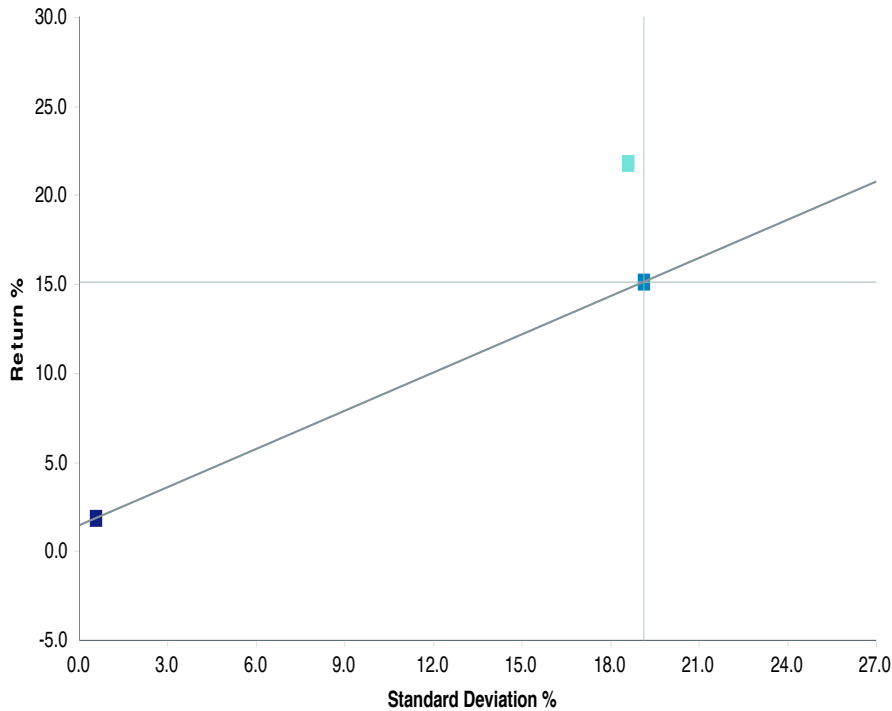
Population	1,702	1,681	1,681	1,635	1,570	1,283	2,008	2,063	2,158
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Parentheses contain percentile rankings.

# Risk Profile Jacobs Levy 130/30

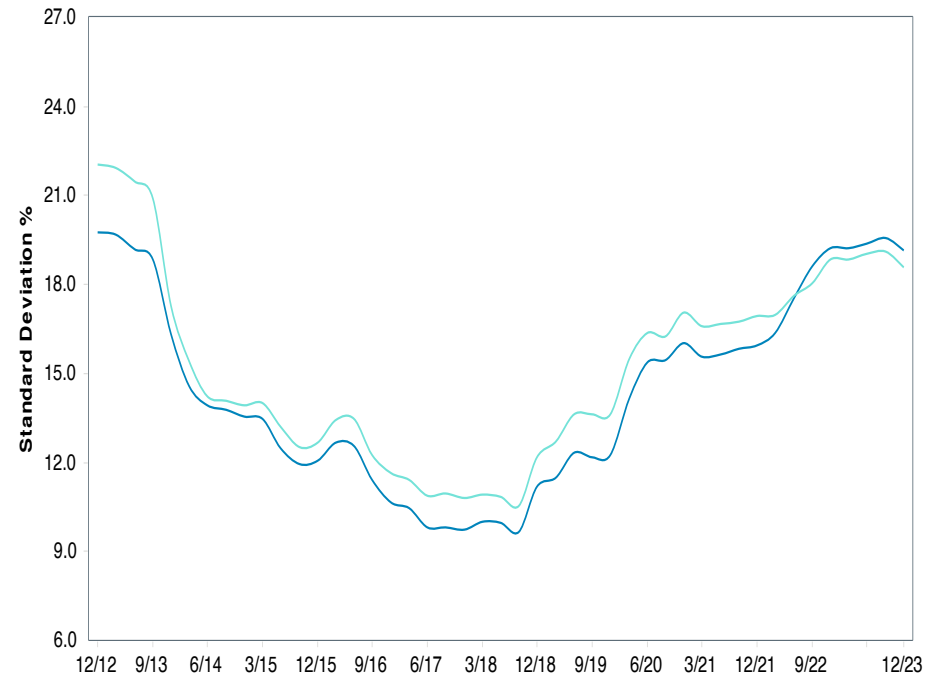
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ Jacobs Levy 130/30   ■ Russell 3000 Index   ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



— Jacobs Levy 130/30   — Russell 3000 Index

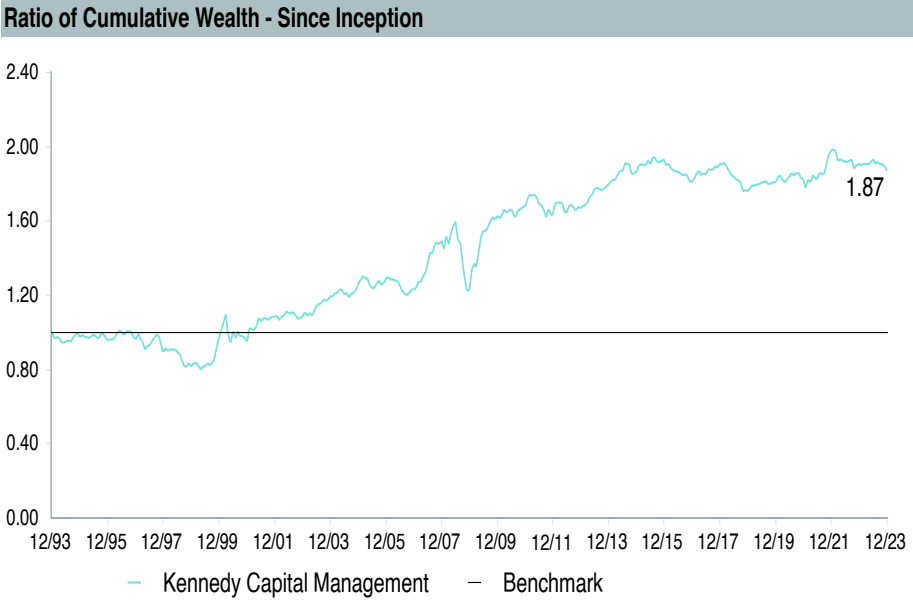
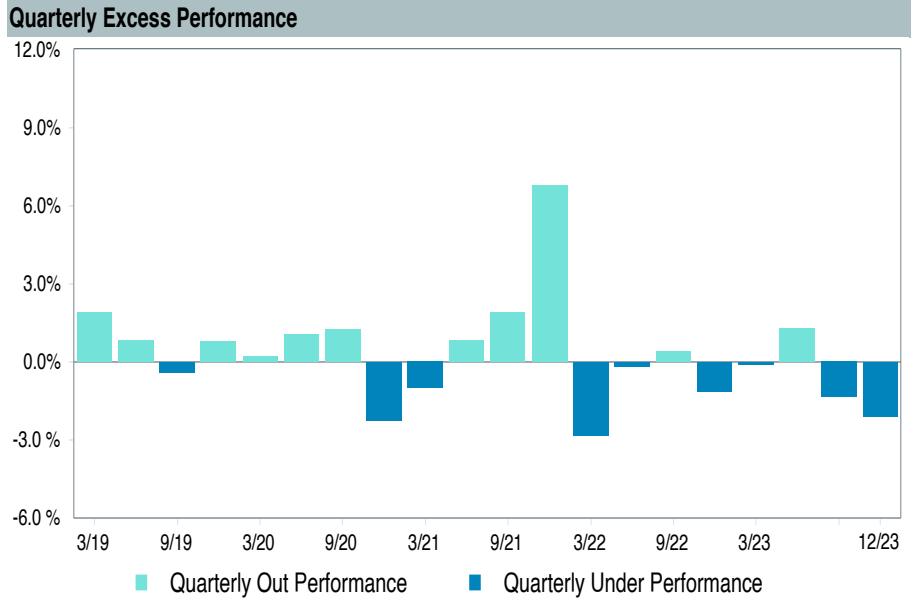
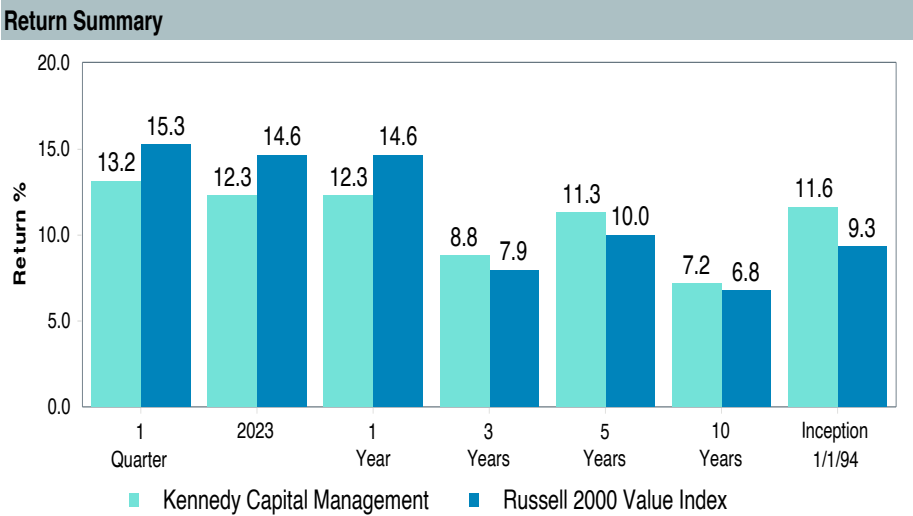
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Jacobs Levy 130/30	5.59	7.69	0.73	0.84	1.06	7.58	0.89	21.83	18.59	0.92
Russell 3000 Index	0.00	0.00	-	1.00	0.74	0.00	1.00	15.16	19.13	1.00
90 Day U.S. Treasury Bill	-14.14	19.19	-0.74	0.01	-	1.92	0.00	1.88	0.55	-0.08

# Manager Performance Summary Kennedy Capital Management

As of December 31, 2023

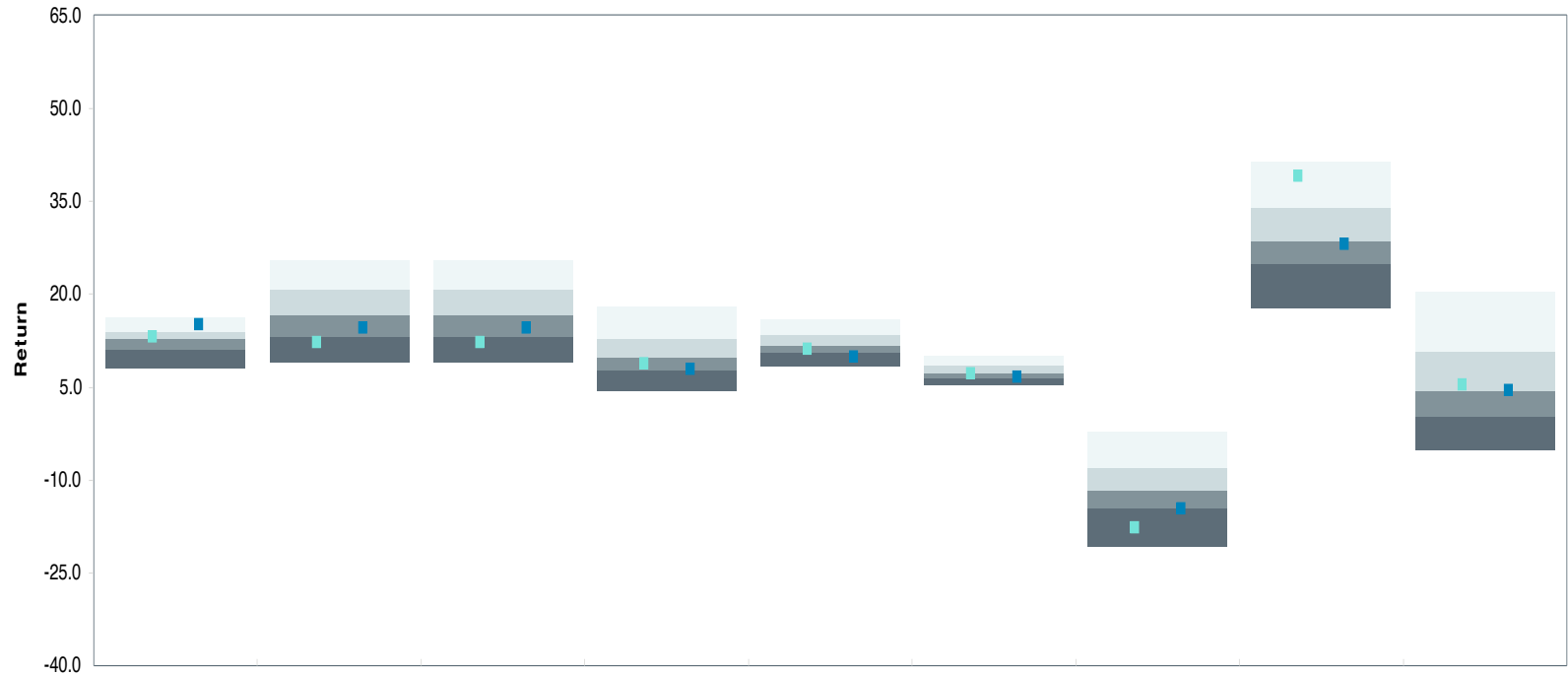
Account Information	
Account Name	Kennedy Capital Management
Inception Date	12/31/1993
Account Structure	Separate Account
Asset Class	US Equity
Benchmark	Russell 2000 Value Index
Peer Group	IM U.S. Small Cap Value Equity (SA+CF)



# Kennedy Capital Management

As of December 31, 2023

## IM U.S. Small Cap Value Equity (SA+CF)



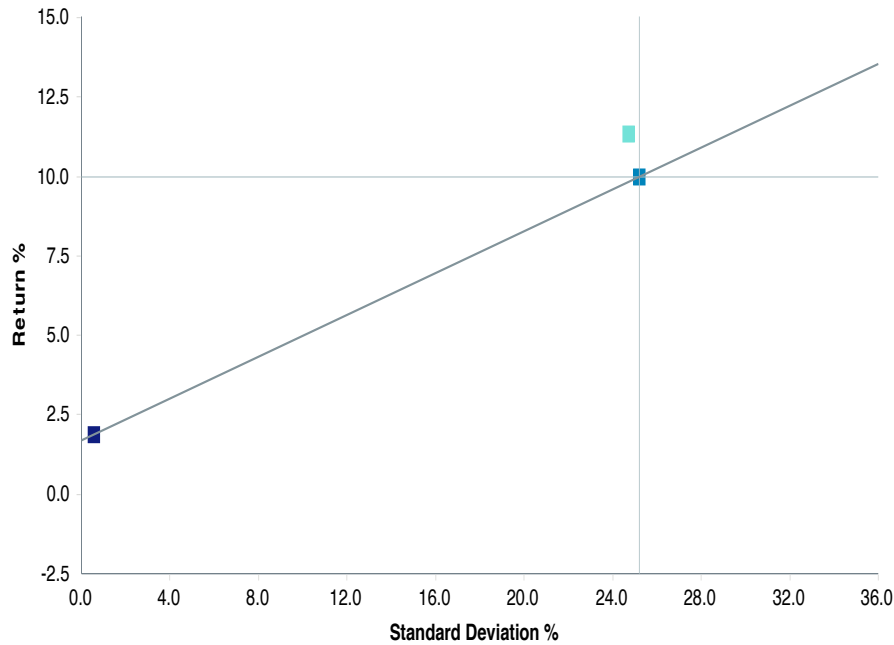
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Kennedy Capital Management	13.2 (40)	12.3 (83)	12.3 (83)	8.8 (66)	11.3 (57)	7.2 (55)	-17.6 (89)	39.2 (10)	5.4 (45)
Russell 2000 Value Index	15.3 (12)	14.6 (67)	14.6 (67)	7.9 (72)	10.0 (82)	6.8 (73)	-14.5 (75)	28.3 (53)	4.6 (49)
5th Percentile	16.3	25.5	25.5	18.1	15.9	10.0	-2.4	41.4	20.4
1st Quartile	14.0	20.7	20.7	12.9	13.4	8.5	-8.0	34.0	11.0
Median	12.8	16.6	16.6	9.9	11.8	7.3	-11.6	28.6	4.3
3rd Quartile	11.1	13.3	13.3	7.7	10.5	6.6	-14.5	24.9	0.1
95th Percentile	8.1	9.1	9.1	4.4	8.4	5.3	-20.7	17.7	-5.3
Population	145	145	145	141	138	123	174	177	187

Parentheses contain percentile rankings.

# Risk Profile Kennedy Capital Management

As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- Kennedy Capital Management
- Russell 2000 Value Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



- Kennedy Capital Management
- Russell 2000 Value Index

5 Years Historical Statistics

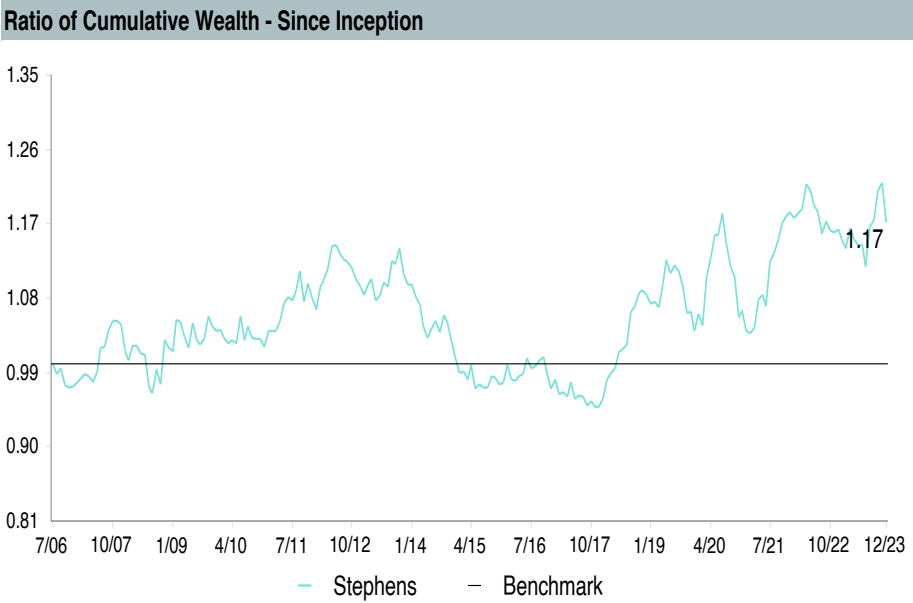
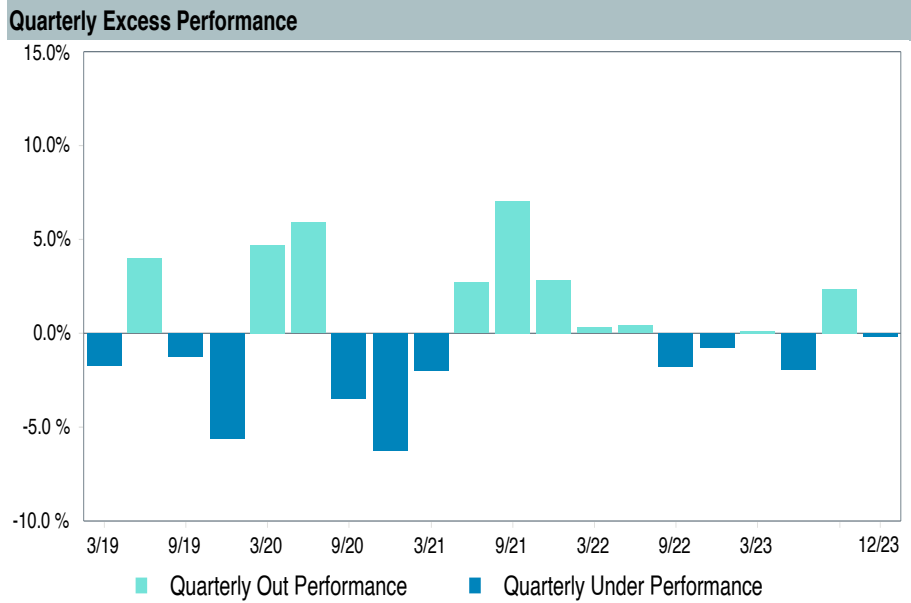
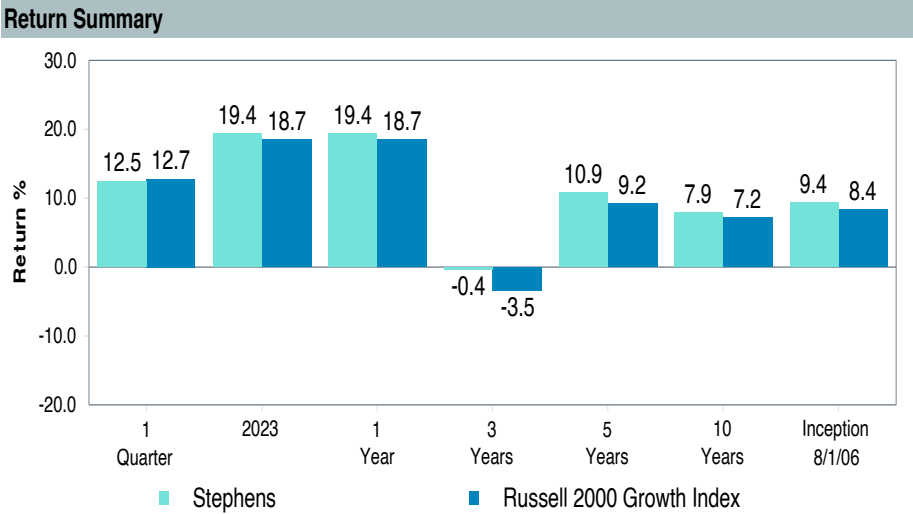
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Kennedy Capital Management	1.12	3.86	0.29	0.98	0.48	1.52	0.97	11.33	24.73	0.99
Russell 2000 Value Index	0.00	0.00	-	1.00	0.43	0.00	1.00	10.00	25.22	1.00
90 Day U.S. Treasury Bill	-10.90	25.31	-0.43	0.02	-	1.92	0.00	1.88	0.55	-0.15



# Manager Performance Summary Stephens

As of December 31, 2023

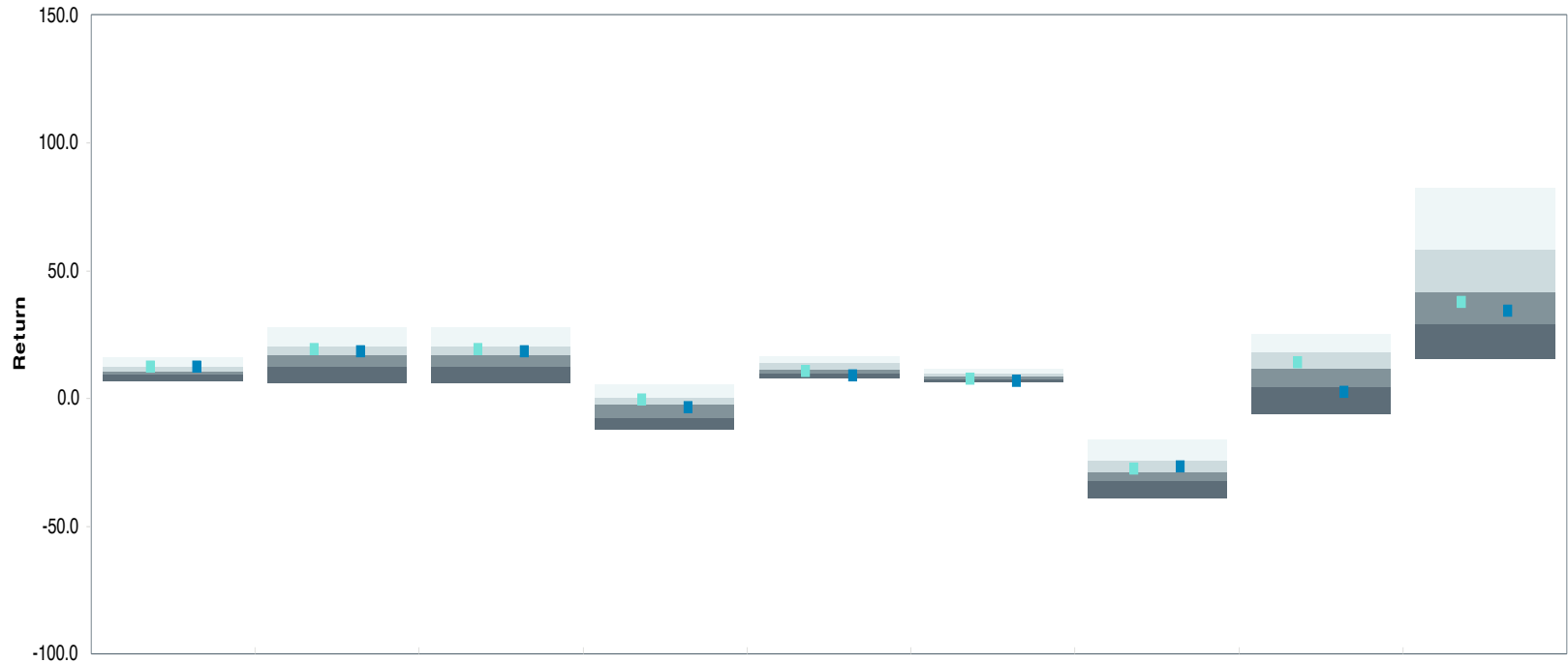
Account Information	
Account Name	Stephens
Inception Date	07/31/2006
Account Structure	Separate Account
Asset Class	US Equity
Benchmark	Russell 2000 Growth Index
Peer Group	IM U.S. Small Cap Growth Equity (SA+CF)



# Stephens

As of December 31, 2023

IM U.S. Small Cap Growth Equity (SA+CF)



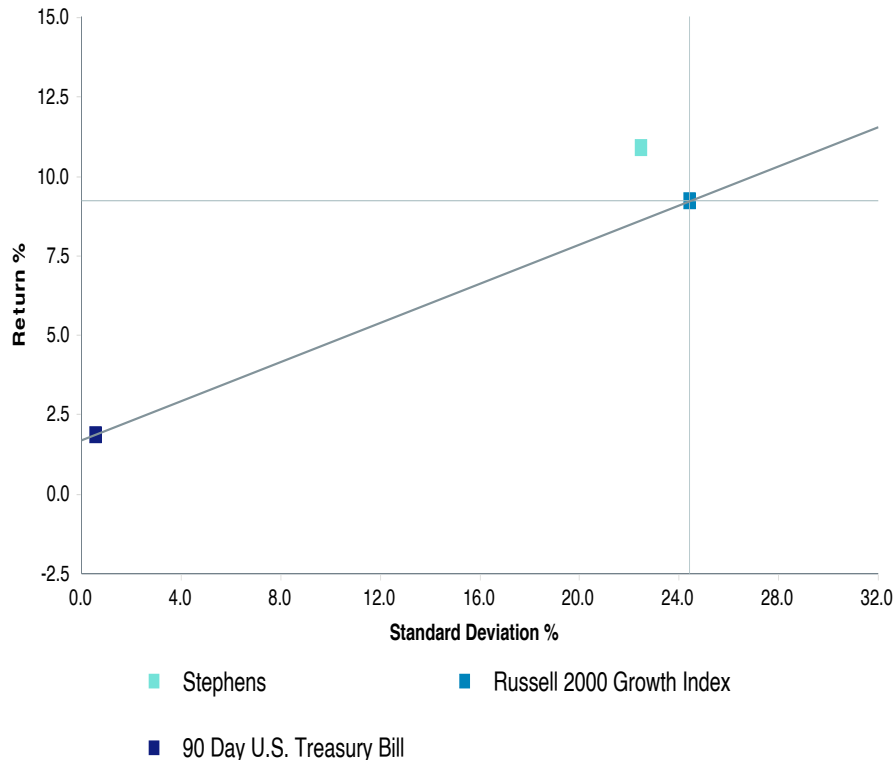
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Stephens	12.5 (26)	19.4 (35)	19.4 (35)	-0.4 (35)	10.9 (61)	7.9 (76)	-27.6 (43)	14.3 (45)	37.8 (61)
Russell 2000 Growth Index	12.7 (20)	18.7 (40)	18.7 (40)	-3.5 (59)	9.2 (83)	7.2 (88)	-26.4 (35)	2.8 (83)	34.6 (66)
5th Percentile	16.2	27.8	27.8	5.5	16.4	11.7	-16.4	25.0	82.8
1st Quartile	12.6	20.6	20.6	0.7	13.6	9.8	-24.3	17.9	58.3
Median	10.8	17.4	17.4	-2.6	11.4	8.7	-28.6	11.7	41.9
3rd Quartile	9.4	12.5	12.5	-7.6	10.0	7.9	-31.9	4.8	29.5
95th Percentile	7.0	6.1	6.1	-11.8	7.6	6.6	-38.9	-6.1	15.3
Population	115	115	115	113	106	93	134	137	139

Parentheses contain percentile rankings.

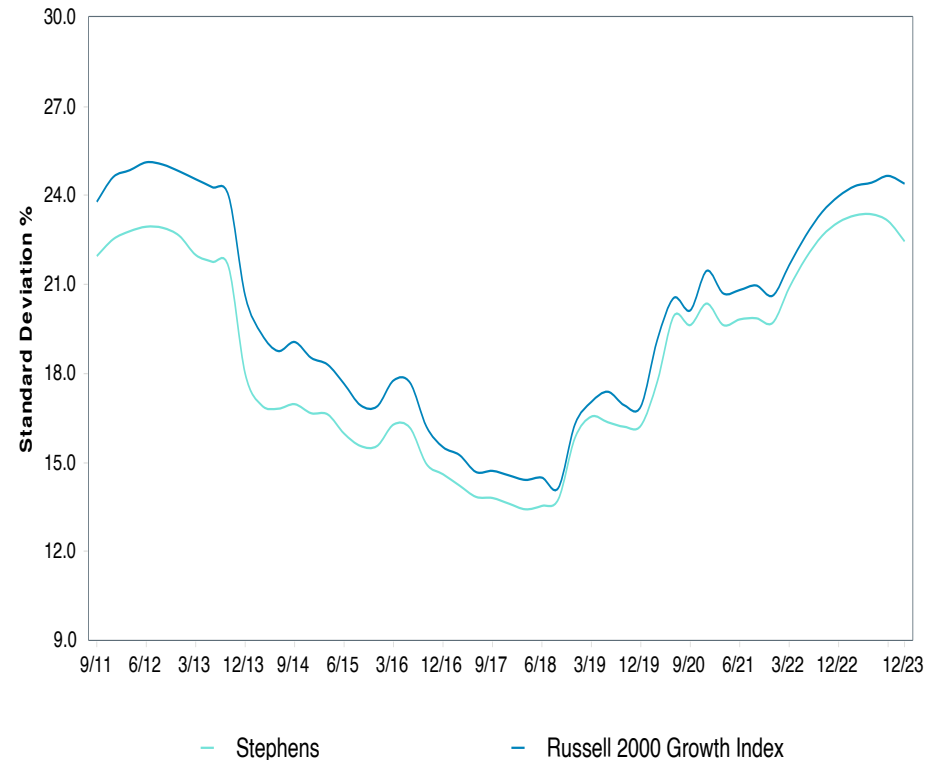
# Risk Profile Stephens

As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



**Standard Deviation  
Rolling 5 Years**



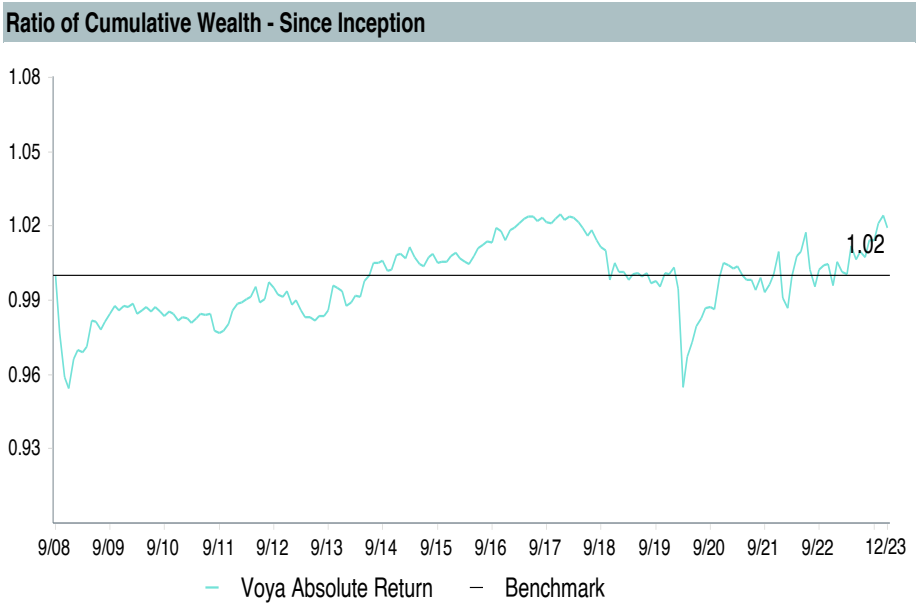
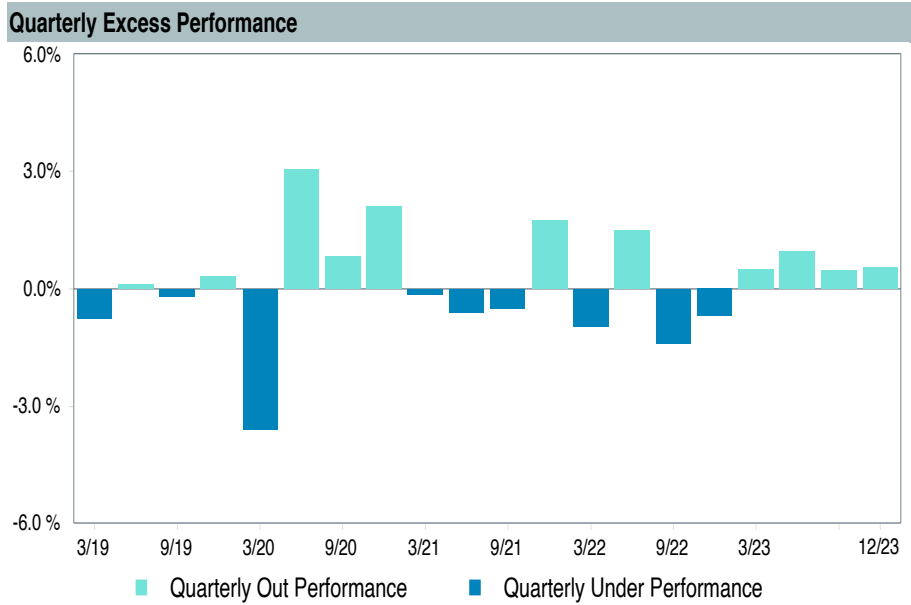
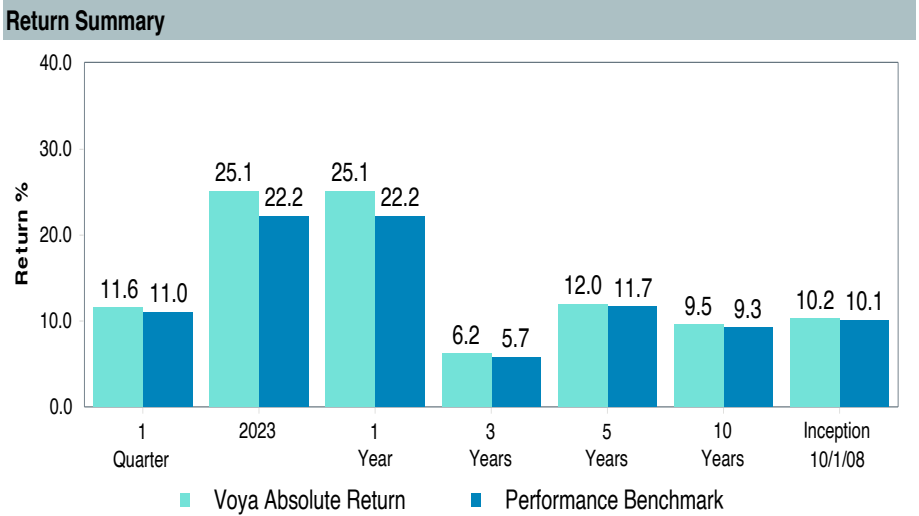
5 Years Historical Statistics										
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Stephens	1.09	7.12	0.15	0.92	0.49	2.52	0.88	10.93	22.46	0.96
Russell 2000 Growth Index	0.00	0.00	-	1.00	0.41	0.00	1.00	9.22	24.41	1.00
90 Day U.S. Treasury Bill	-9.93	24.46	-0.41	0.01	-	1.90	0.00	1.88	0.55	-0.08



# Manager Performance Summary Voya Absolute Return

As of December 31, 2023

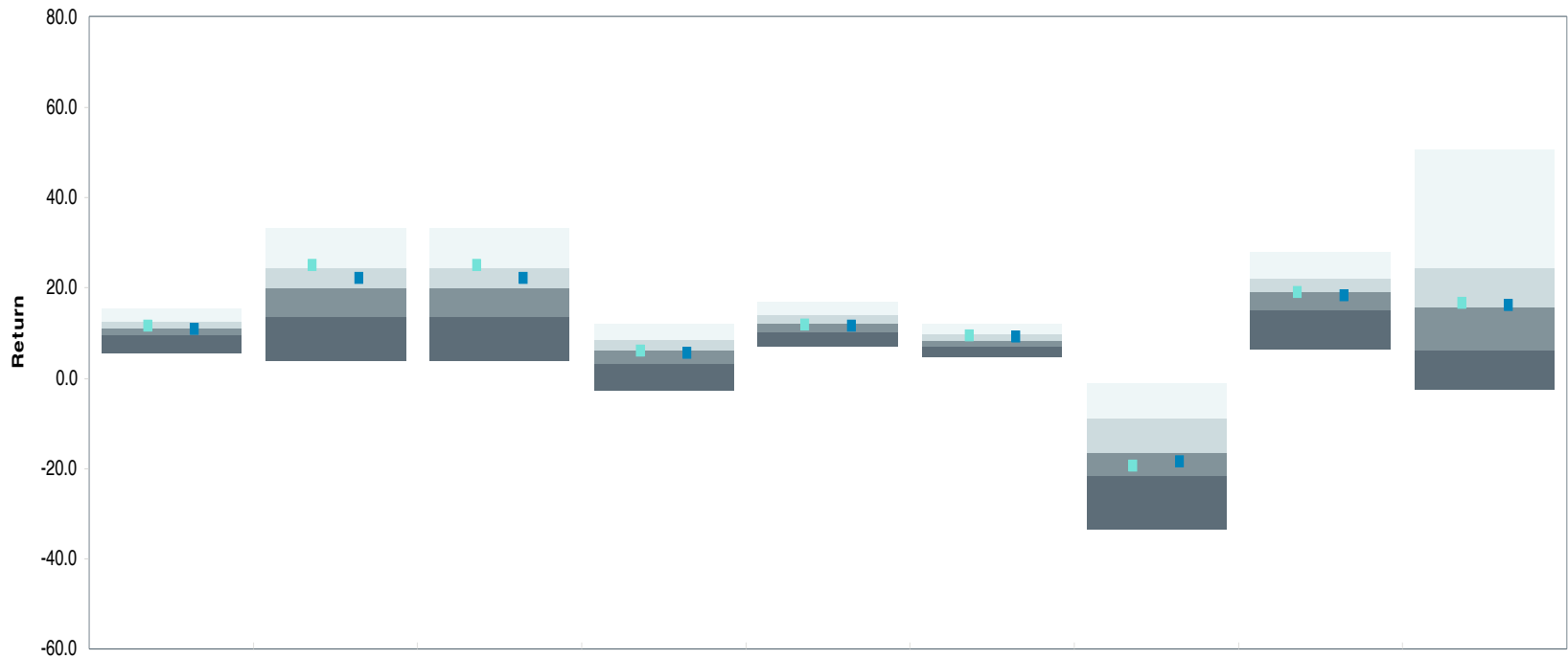
Account Information	
Account Name	Voya Absolute Return
Inception Date	09/30/2008
Account Structure	Commingled Fund
Asset Class	Global Equity
Benchmark	Performance Benchmark
Peer Group	IM Global Equity (MF)



# Voya Absolute Return

As of December 31, 2023

IM Global Equity (SA+CF)



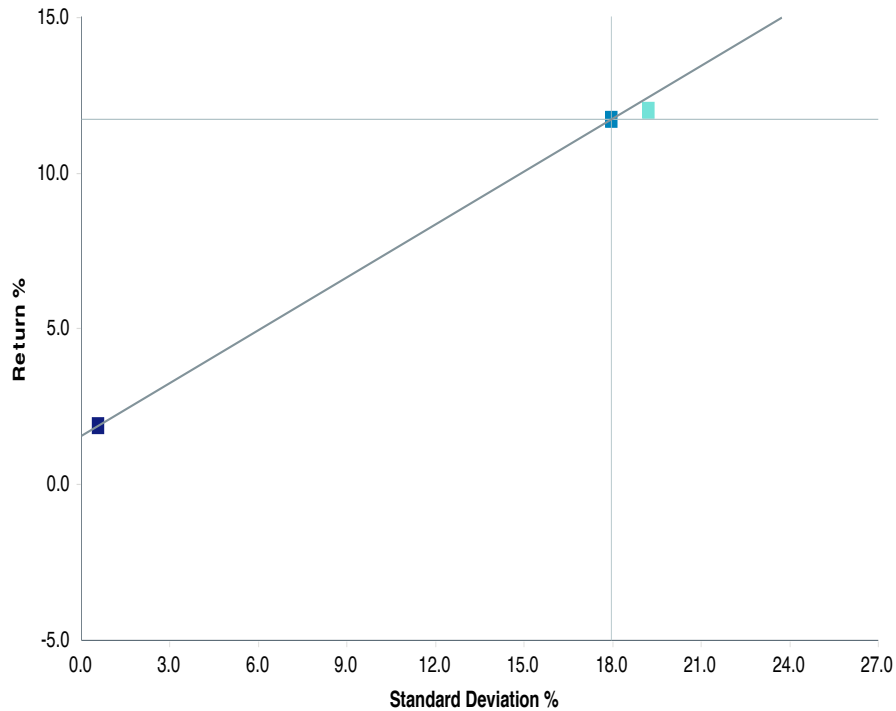
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Voya Absolute Return	11.6 (38)	25.1 (23)	25.1 (23)	6.2 (50)	12.0 (53)	9.5 (30)	-19.5 (66)	19.0 (51)	16.8 (45)
Performance Benchmark	11.0 (50)	22.2 (40)	22.2 (40)	5.7 (55)	11.7 (57)	9.3 (36)	-18.4 (61)	18.5 (55)	16.3 (48)
5th Percentile	15.5	33.4	33.4	12.2	17.0	12.0	-1.0	27.9	50.7
1st Quartile	12.6	24.5	24.5	8.6	14.0	9.7	-8.9	22.4	24.3
Median	11.0	20.2	20.2	6.2	12.2	8.3	-16.4	19.1	15.7
3rd Quartile	9.5	13.6	13.6	3.3	10.3	7.0	-21.8	15.2	6.1
95th Percentile	5.8	4.0	4.0	-2.8	7.1	4.8	-33.7	6.3	-2.5
Population	474	472	472	452	422	324	544	552	588

Parentheses contain percentile rankings.

# Risk Profile Voya Absolute Return

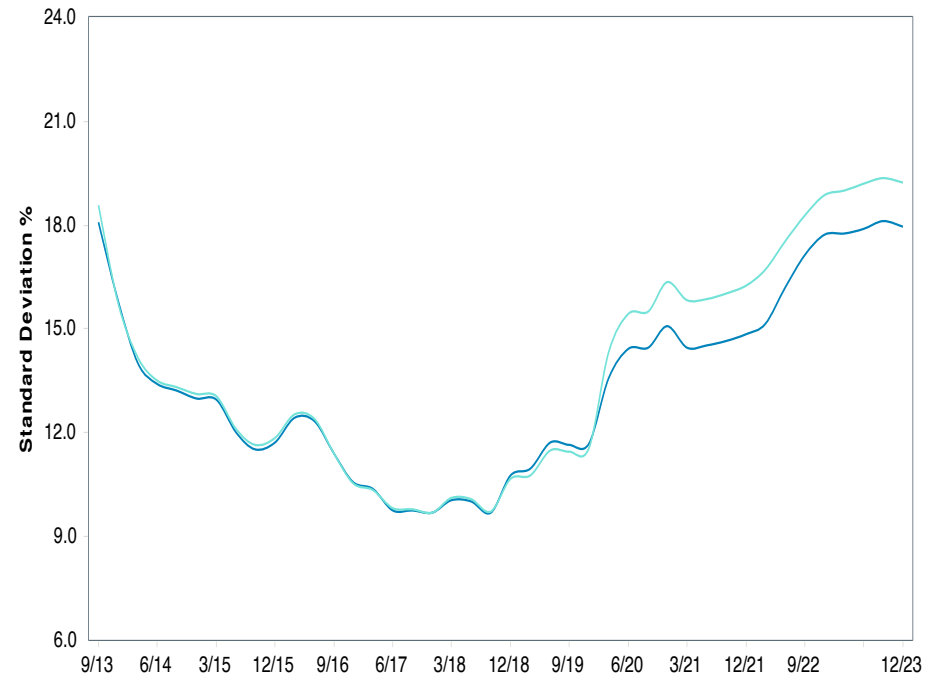
As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



■ Voya Absolute Return   ■ Performance Benchmark   ■ 90 Day U.S. Treasury Bill

**Standard Deviation  
Rolling 5 Years**



— Voya Absolute Return   — Performance Benchmark

**5 Years Historical Statistics**

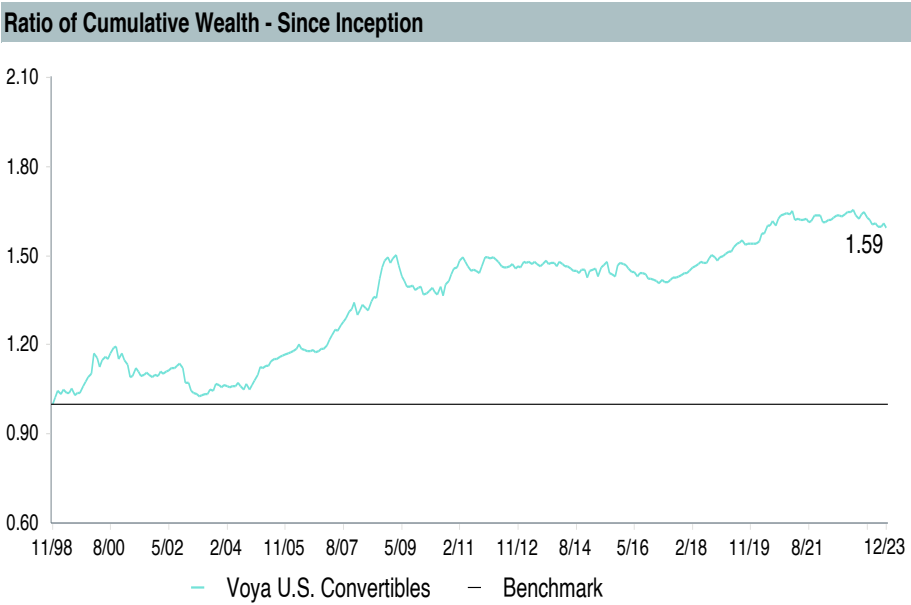
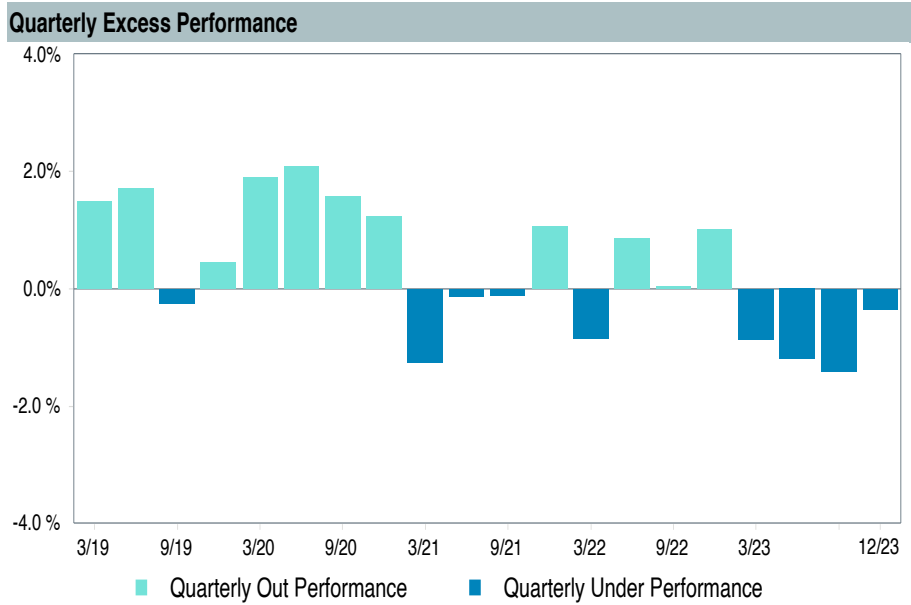
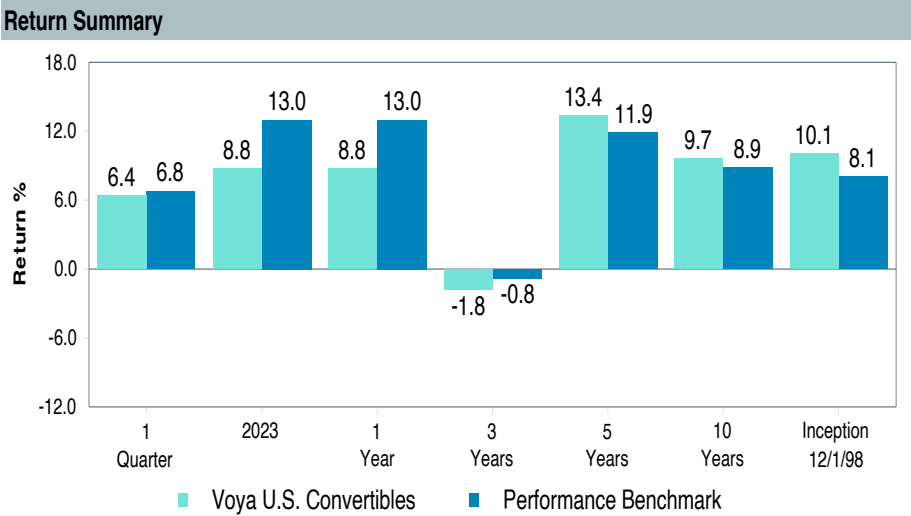
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Voya Absolute Return	0.53	2.69	0.20	0.98	0.59	-0.26	1.06	12.04	19.22	0.99
Performance Benchmark	0.00	0.00	-	1.00	0.60	0.00	1.00	11.72	17.94	1.00
90 Day U.S. Treasury Bill	-10.86	17.98	-0.60	0.00	-	1.90	0.00	1.88	0.55	-0.05



# Manager Performance Summary Voya U.S. Convertibles

As of December 31, 2023

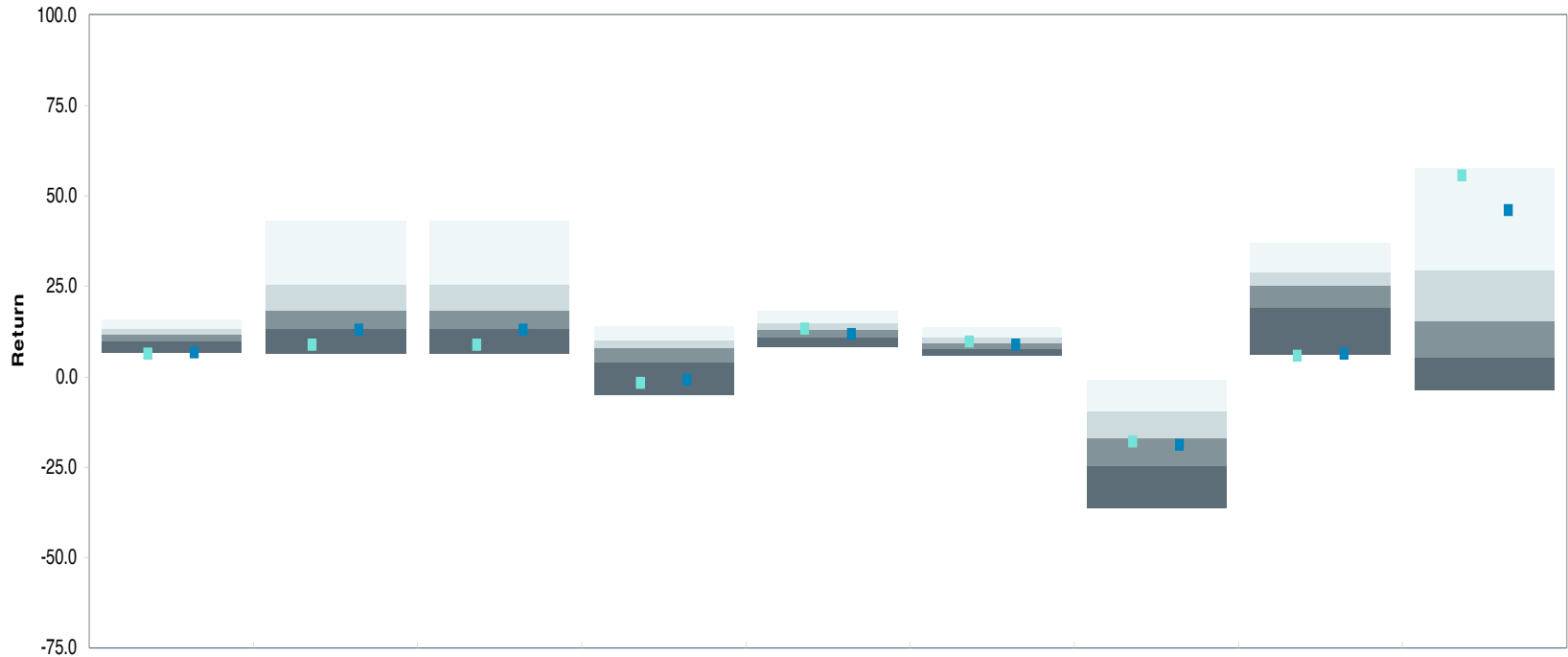
Account Information	
Account Name	Voya U.S. Convertibles
Inception Date	11/30/1998
Account Structure	Separate Account
Asset Class	US Equity
Benchmark	Performance Benchmark
Peer Group	IM U.S. Equity (SA+CF)



# Voya U.S. Convertibles

As of December 31, 2023

IM U.S. Equity (SA+CF)



	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Voya U.S. Convertibles	6.4 (96)	8.8 (91)	8.8 (91)	-1.8 (92)	13.4 (45)	9.7 (42)	-17.7 (54)	5.9 (96)	55.7 (6)
Performance Benchmark	6.8 (95)	13.0 (76)	13.0 (76)	-0.8 (90)	11.9 (63)	8.9 (56)	-18.7 (59)	6.3 (95)	46.2 (10)
5th Percentile	15.9	43.3	43.3	14.1	18.3	13.6	-0.7	37.3	58.0
1st Quartile	13.4	25.5	25.5	10.0	15.0	11.1	-9.5	29.0	29.5
Median	11.7	18.6	18.6	7.9	13.0	9.2	-17.0	25.0	15.6
3rd Quartile	9.9	13.3	13.3	4.0	10.9	7.8	-24.4	19.2	5.4
95th Percentile	6.7	6.5	6.5	-4.8	8.2	5.8	-36.2	6.1	-3.6
Population	1,702	1,681	1,681	1,635	1,570	1,283	2,008	2,063	2,158

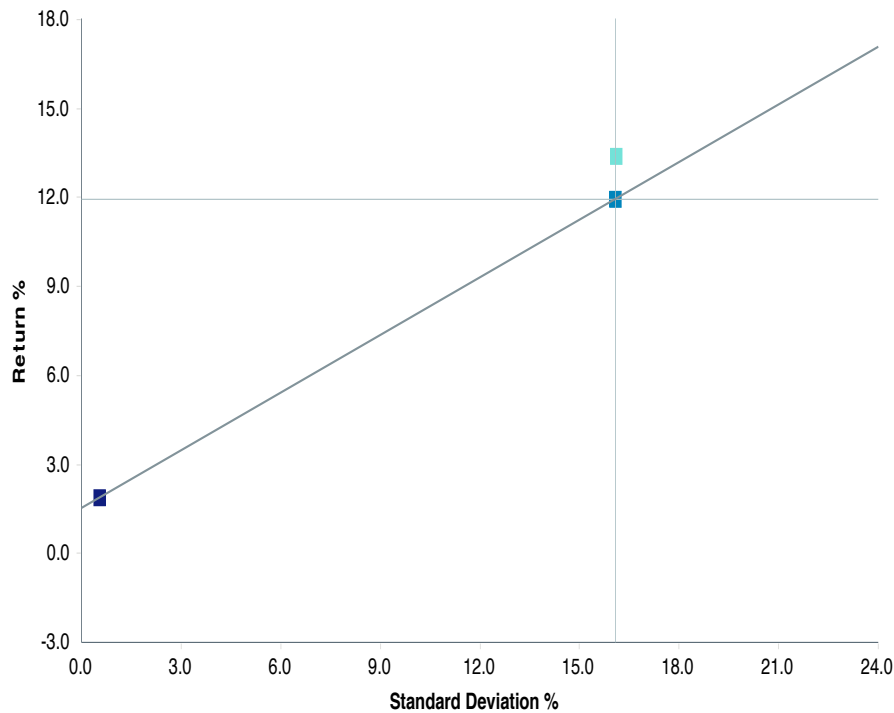
Parentheses contain percentile rankings.



# Risk Profile Voya U.S. Convertibles

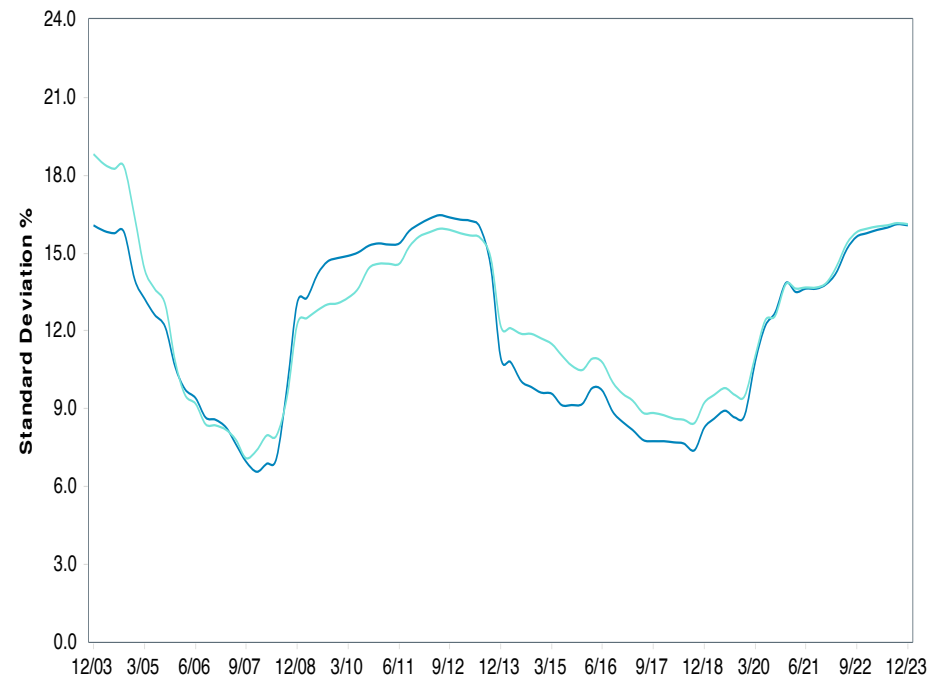
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ Voya U.S. Convertibles   ■ Performance Benchmark   ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



— Voya U.S. Convertibles   — Performance Benchmark

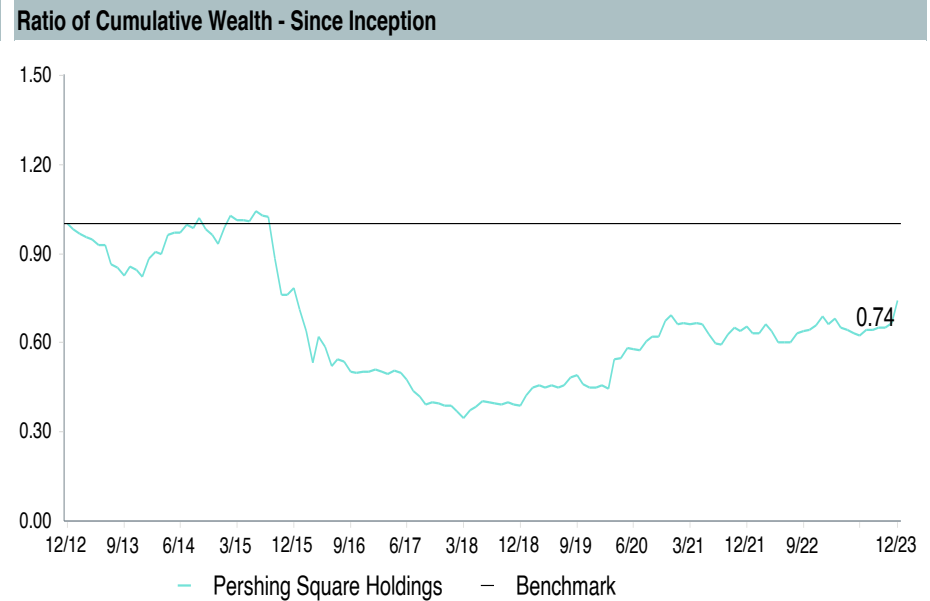
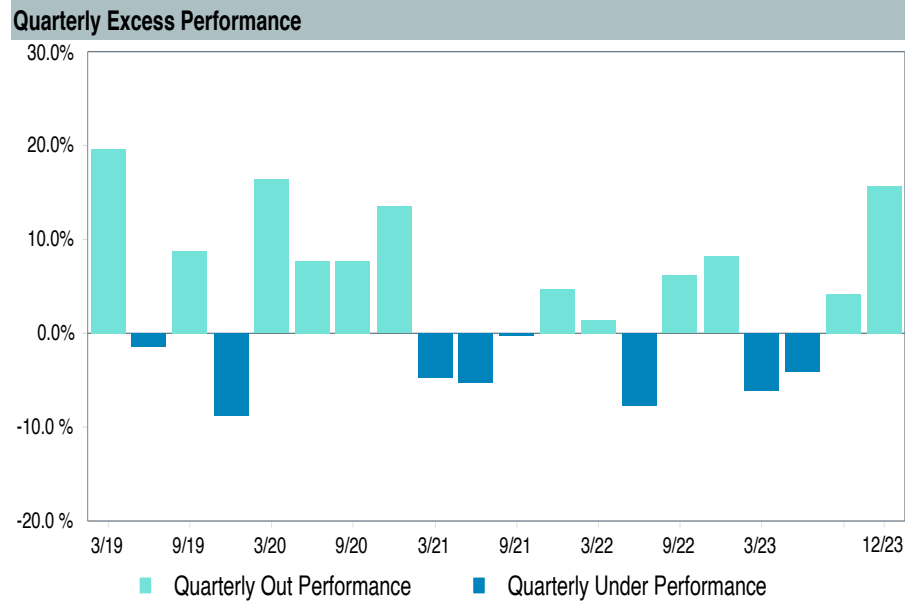
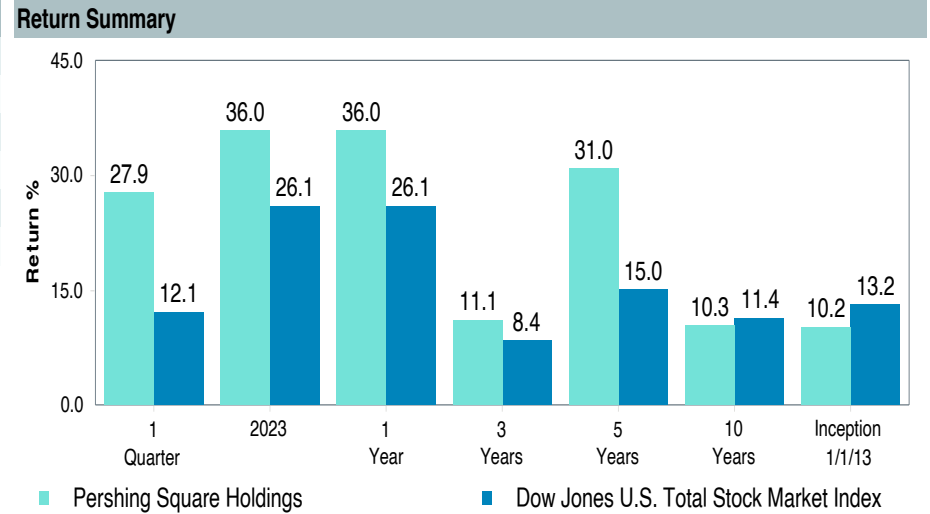
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Voya U.S. Convertibles	1.29	2.45	0.53	0.98	0.74	1.43	0.99	13.38	16.10	0.99
Performance Benchmark	0.00	0.00	-	1.00	0.66	0.00	1.00	11.94	16.08	1.00
90 Day U.S. Treasury Bill	-10.74	16.16	-0.66	0.02	-	1.94	0.00	1.88	0.55	-0.13

# Manager Performance Summary Pershing Square Holdings

As of December 31, 2023

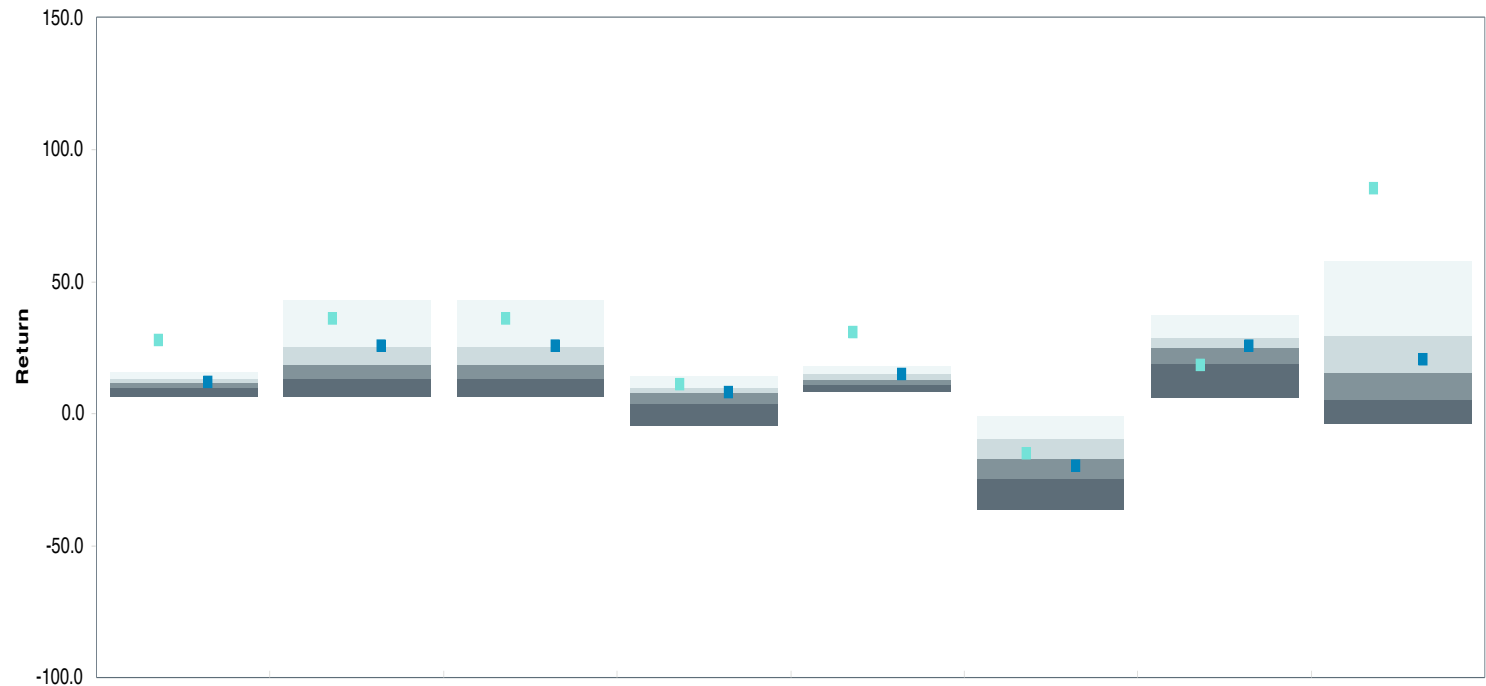
Account Information	
Account Name	Pershing Square Holdings
Inception Date	12/31/2012
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	Dow Jones U.S. Total Stock Market Index
Peer Group	IM U.S. Equity (SA+CF)



# Pershing Square Holdings

As of December 31, 2023

IM U.S. Equity (SA+CF)



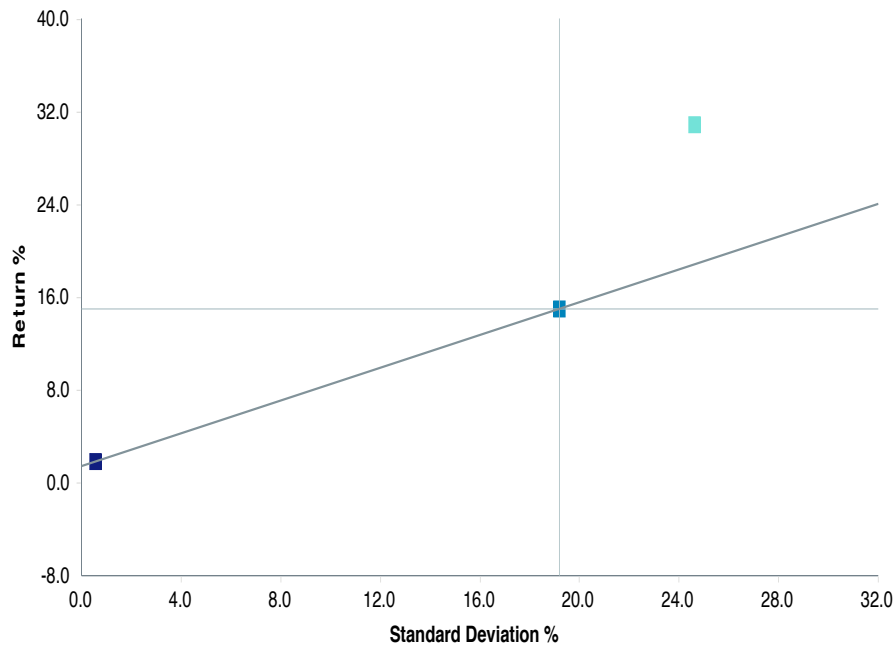
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	2022	2021	2020
Pershing Square Holdings	27.9 (1)	36.0 (11)	36.0 (11)	11.1 (17)	31.0 (1)	-15.1 (44)	18.7 (77)	85.7 (2)
Dow Jones U.S. Total Stock Market Index	12.1 (42)	26.1 (23)	26.1 (23)	8.4 (44)	15.0 (25)	-19.5 (63)	25.7 (46)	20.8 (37)
5th Percentile	15.9	43.3	43.3	14.1	18.3	-0.7	37.3	58.0
1st Quartile	13.4	25.5	25.5	10.0	15.0	-9.5	29.0	29.5
Median	11.7	18.6	18.6	7.9	13.0	-17.0	25.0	15.6
3rd Quartile	9.9	13.3	13.3	4.0	10.9	-24.4	19.2	5.4
95th Percentile	6.7	6.5	6.5	-4.8	8.2	-36.2	6.1	-3.6
Population	1,702	1,681	1,681	1,635	1,570	2,008	2,063	2,158

Parentheses contain percentile rankings.

# Risk Profile Pershing Square Holdings

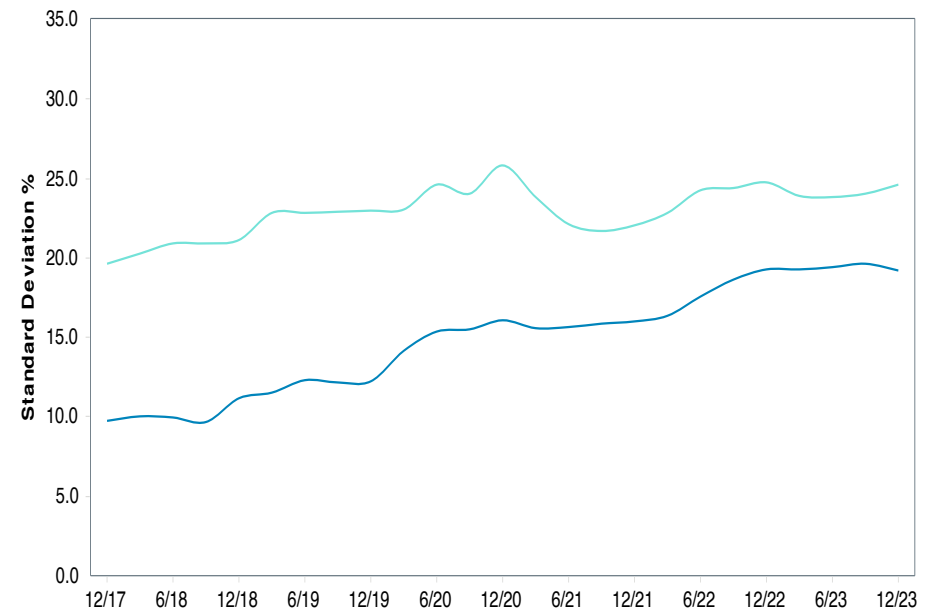
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- Pershing Square Holdings
- Dow Jones U.S. Total Stock Market Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



- Pershing Square Holdings
- Dow Jones U.S. Total Stock Market Index

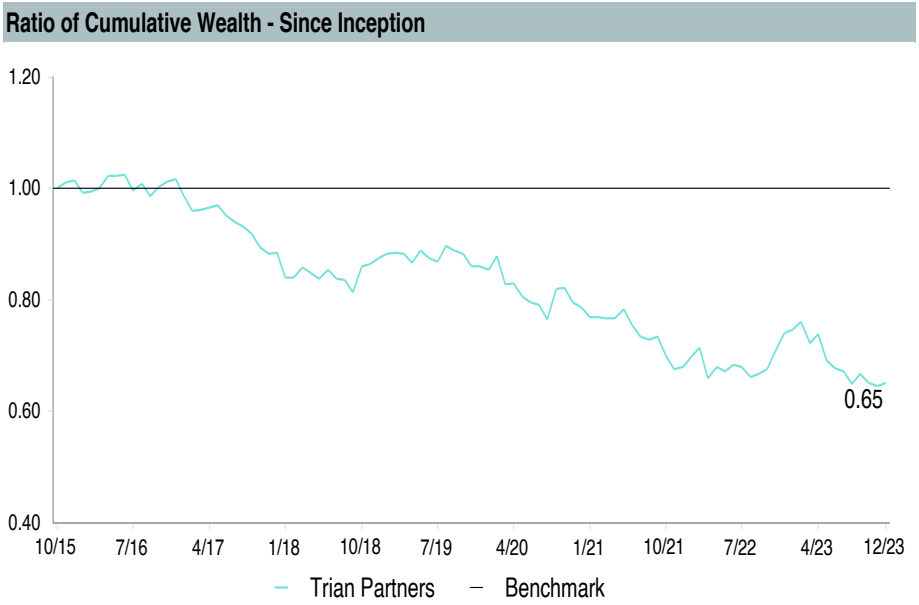
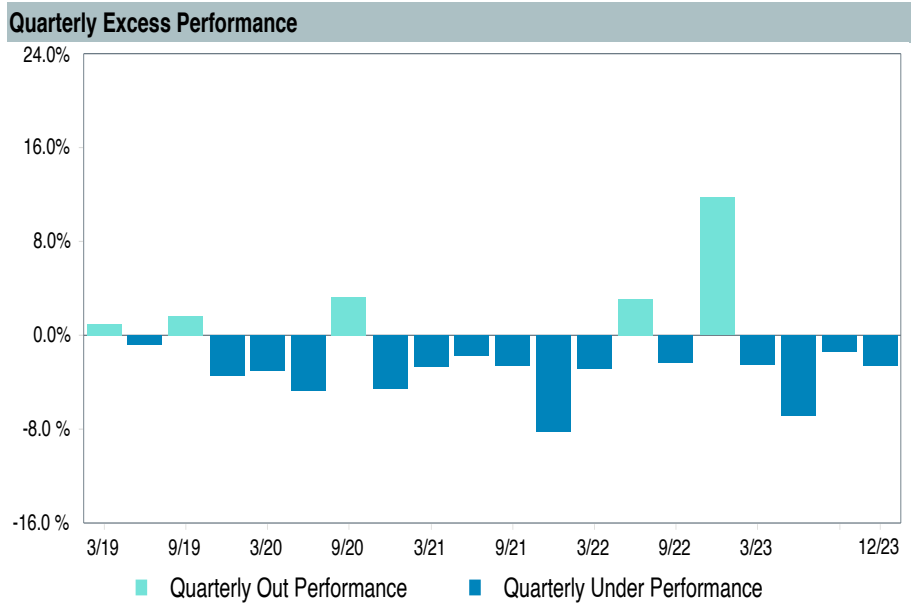
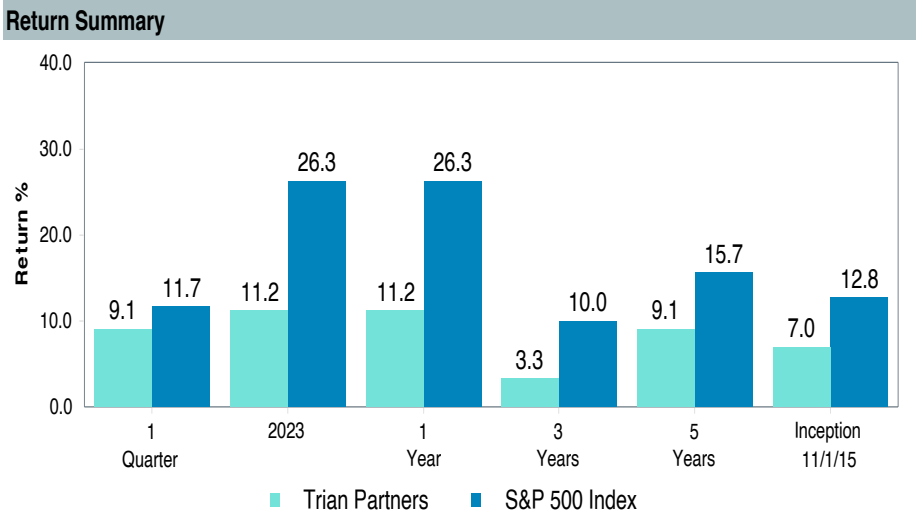
## 5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Pershing Square Holdings	14.23	15.47	0.92	0.61	1.15	15.22	1.00	30.95	24.63	0.78
Dow Jones U.S. Total Stock Market Index	0.00	0.00	-	1.00	0.73	0.00	1.00	15.05	19.18	1.00
90 Day U.S. Treasury Bill	-14.05	19.24	-0.73	0.01	-	1.92	0.00	1.88	0.55	-0.08

# Manager Performance Summary Trian Partners

As of December 31, 2023

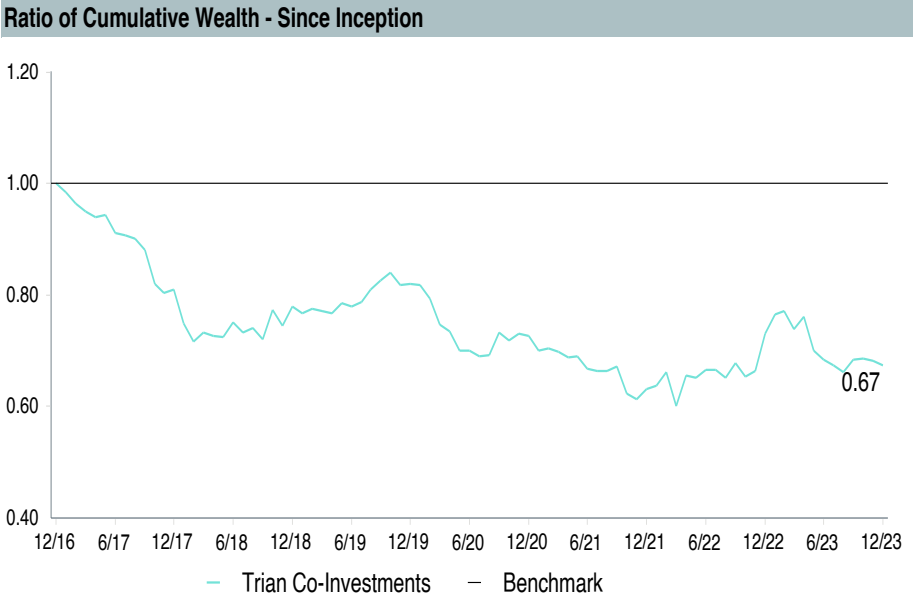
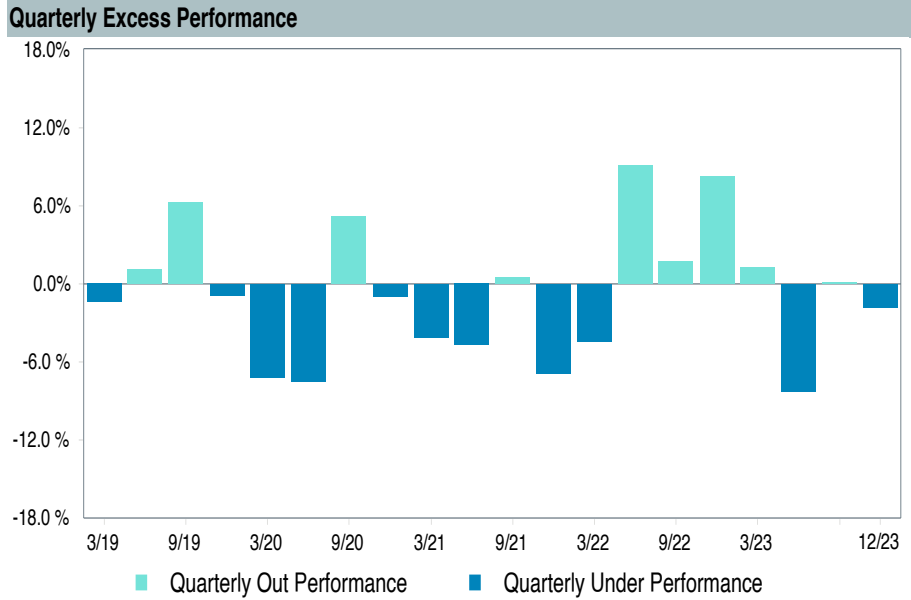
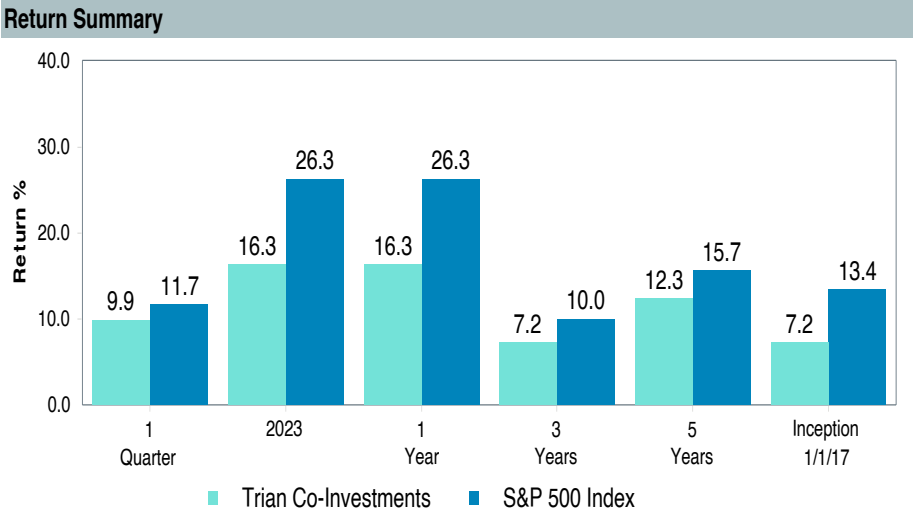
Account Information	
Account Name	Trian Partners
Inception Date	11/01/2015
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	S&P 500 Index
Peer Group	



# Manager Performance Summary Trian Co-Investments

As of December 31, 2023

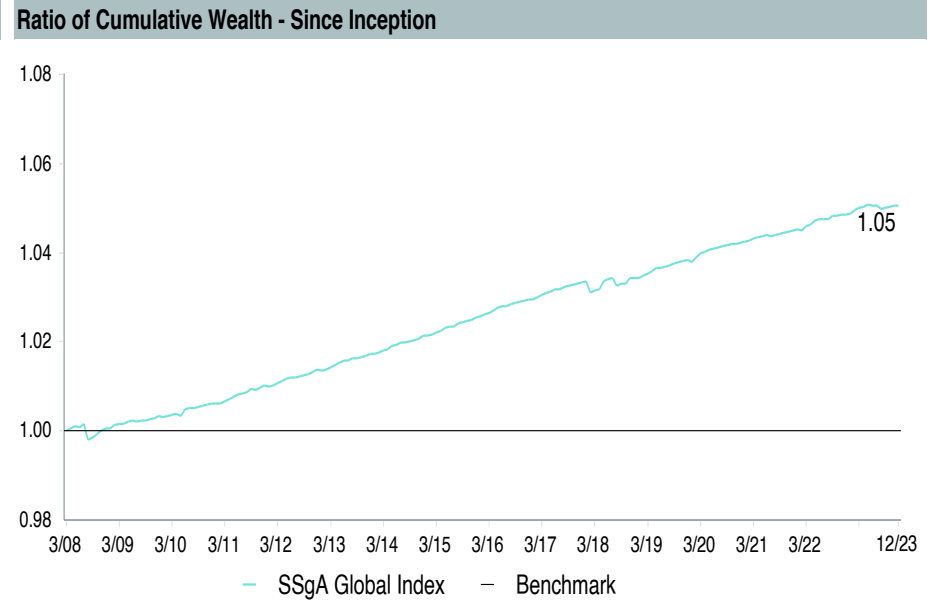
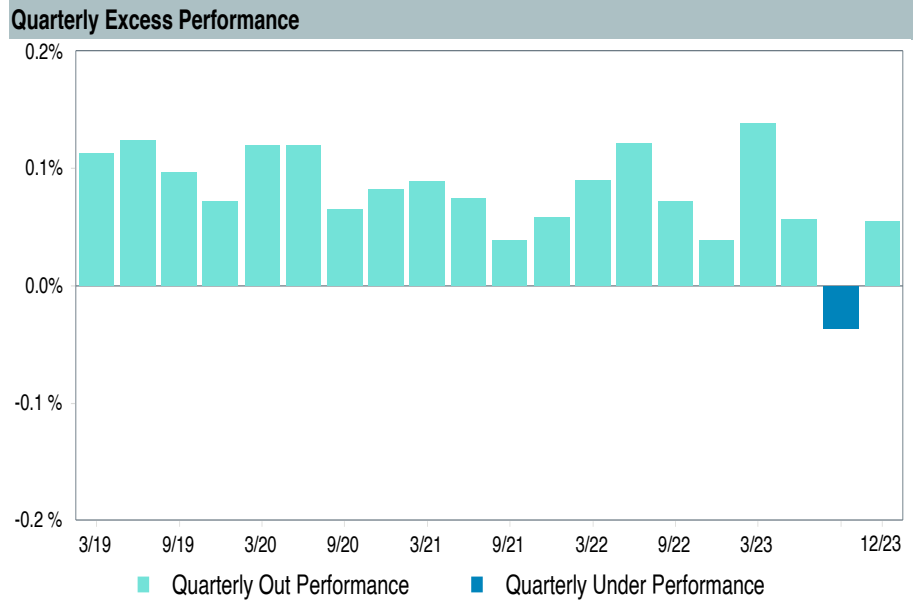
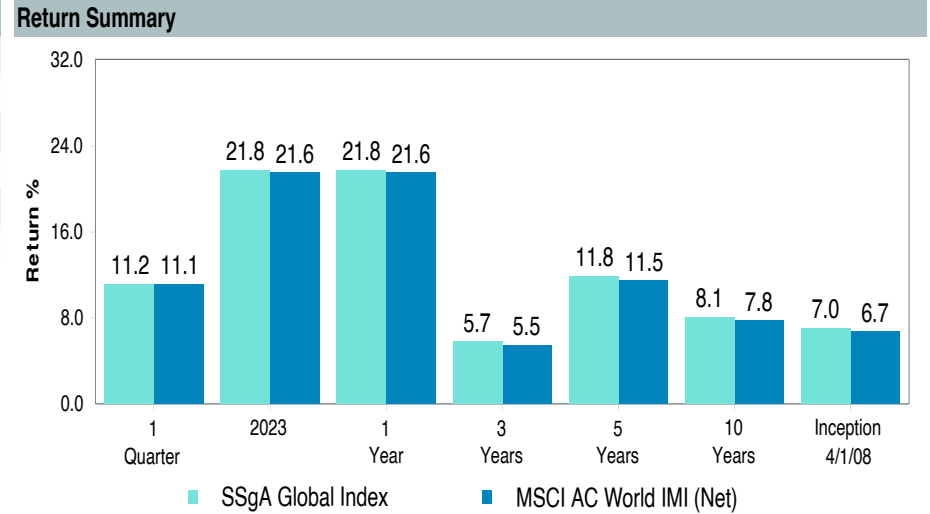
Account Information	
Account Name	Trian Co-Investments
Inception Date	01/01/2017
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	S&P 500 Index
Peer Group	



# Manager Performance Summary SSgA Global Index

As of December 31, 2023

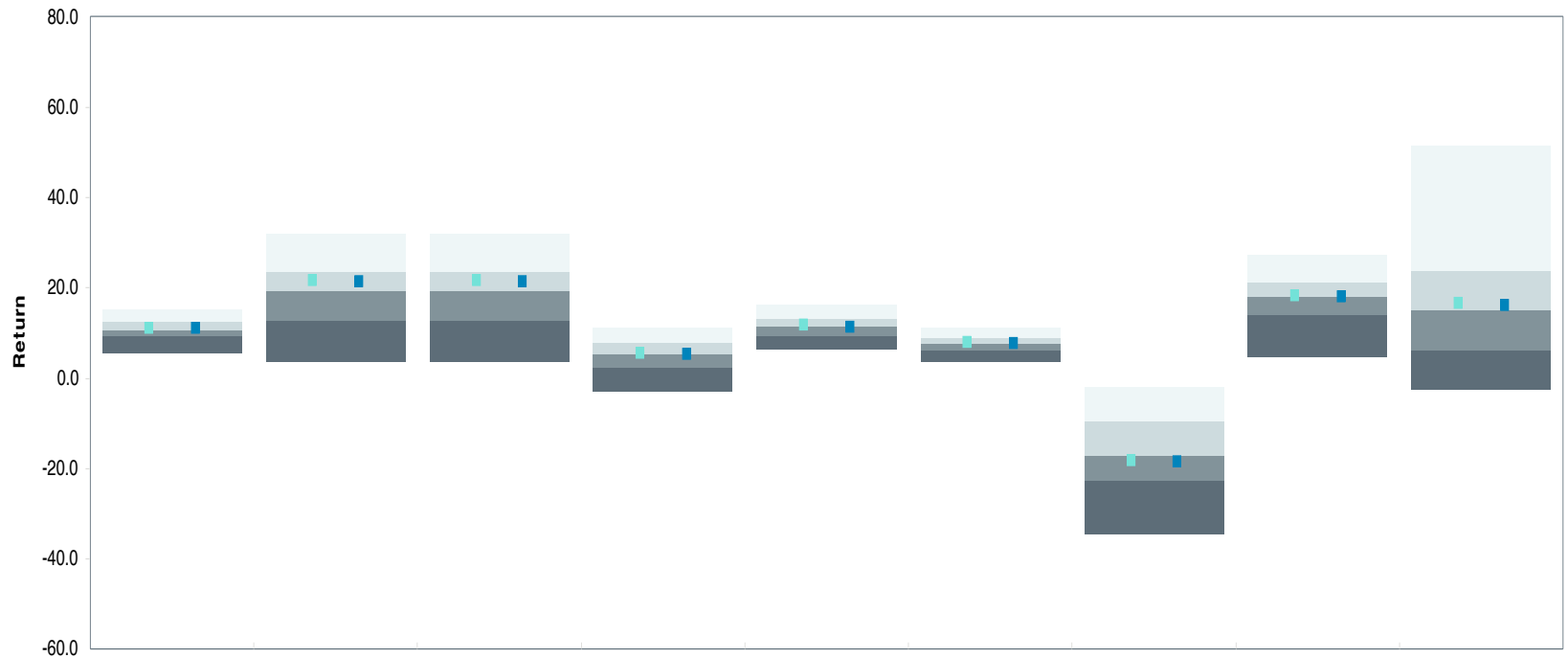
Account Information	
Account Name	SSgA Global Index
Inception Date	03/31/2008
Account Structure	Commingled Fund
Asset Class	Global Equity
Benchmark	MSCI AC World IMI (Net)
Peer Group	IM Global Equity (SA+CF)



# SSgA Global Index

As of December 31, 2023

IM Global Equity (SA+CF)



	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
SSgA Global Index	11.2 (42)	21.8 (36)	21.8 (36)	5.7 (45)	11.8 (46)	8.1 (39)	-18.1 (54)	18.5 (48)	16.7 (44)
MSCI AC World IMI (Net)	11.1 (43)	21.6 (37)	21.6 (37)	5.5 (49)	11.5 (50)	7.8 (45)	-18.4 (55)	18.2 (50)	16.3 (46)
5th Percentile	15.3	32.0	32.0	11.2	16.2	11.1	-2.1	27.4	51.6
1st Quartile	12.6	23.8	23.8	7.8	13.2	8.9	-9.5	21.3	23.9
Median	10.8	19.4	19.4	5.3	11.5	7.5	-17.2	18.1	15.0
3rd Quartile	9.3	12.9	12.9	2.3	9.4	6.2	-22.7	14.2	6.1
95th Percentile	5.7	3.7	3.7	-3.0	6.3	3.6	-34.4	4.7	-2.5
Population	446	443	443	416	385	280	503	512	523

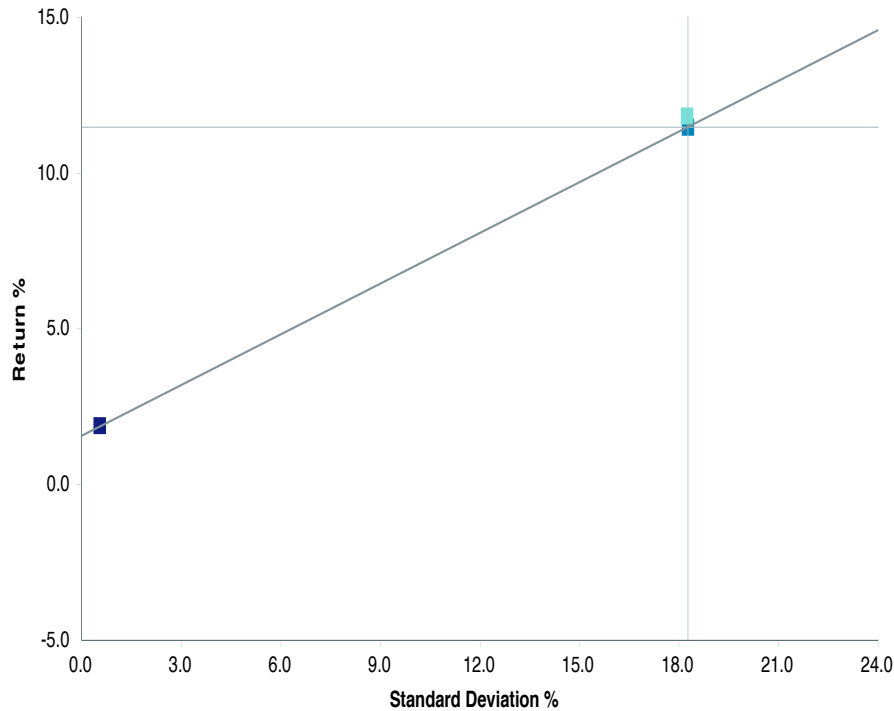
Parentheses contain percentile rankings.



# Risk Profile SSgA Global Index

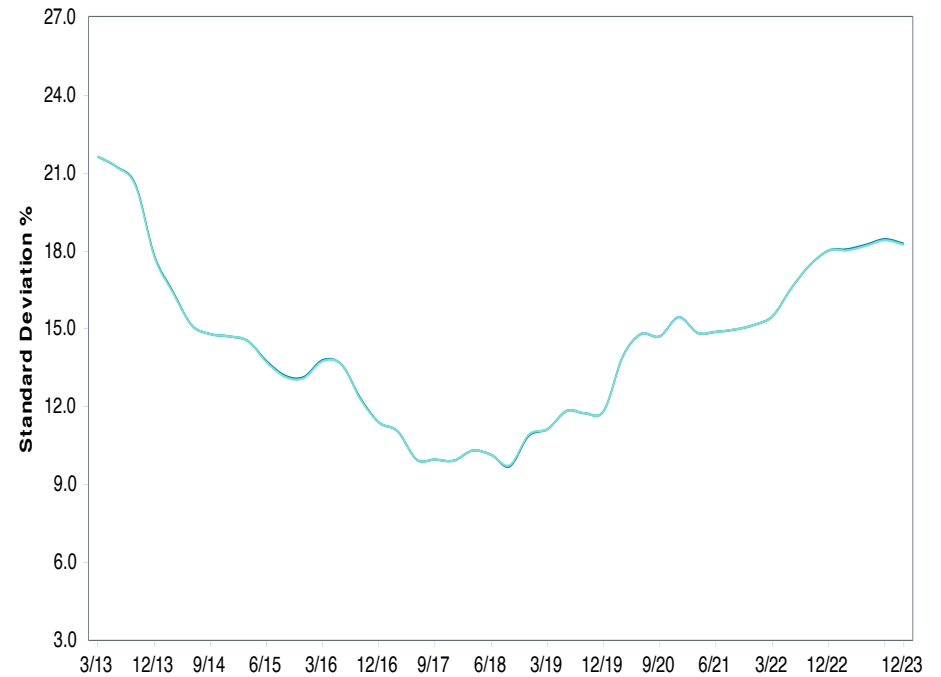
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ SSgA Global Index   ■ MSCI AC World IMI (Net)   ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



— SSgA Global Index   — MSCI AC World IMI (Net)

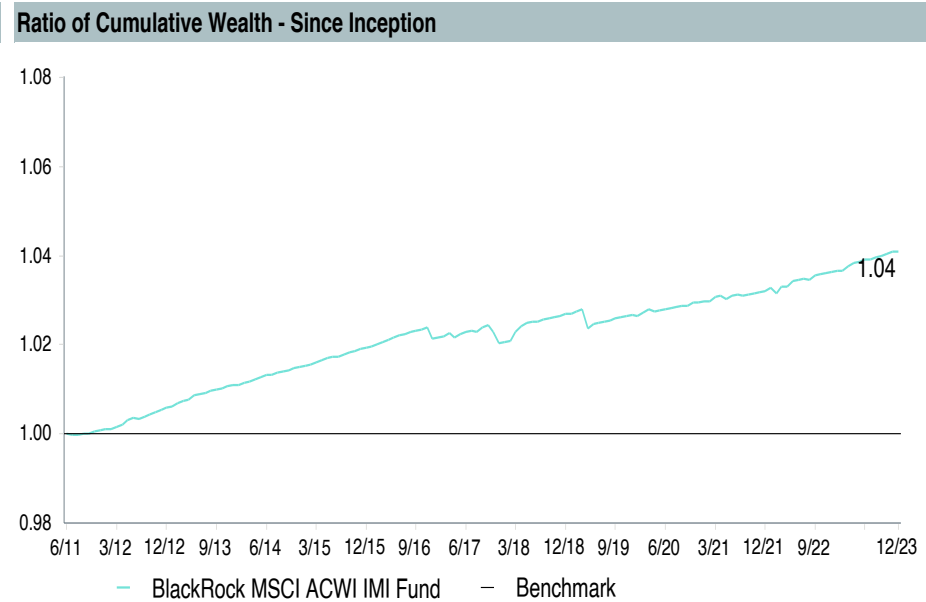
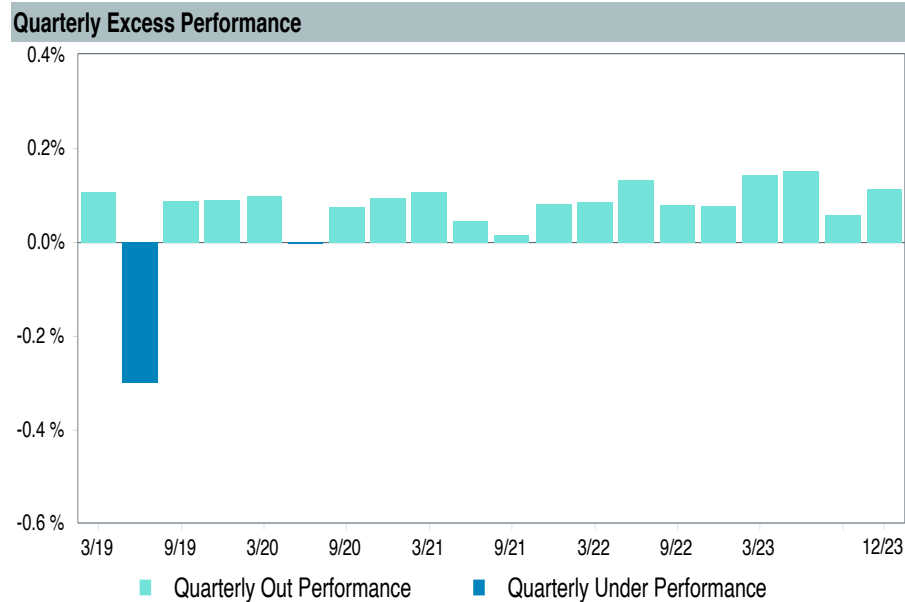
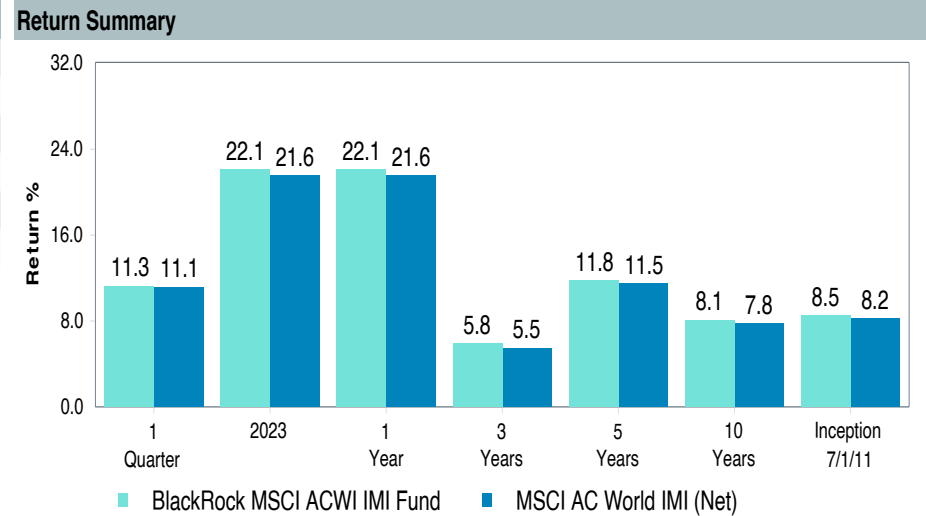
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
SSgA Global Index	0.31	0.09	3.30	1.00	0.60	0.33	1.00	11.84	18.25	1.00
MSCI AC World IMI (Net)	0.00	0.00	-	1.00	0.59	0.00	1.00	11.49	18.27	1.00
90 Day U.S. Treasury Bill	-10.72	18.32	-0.59	0.00	-	1.90	0.00	1.88	0.55	-0.06

# Manager Performance Summary BlackRock MSCI ACWI IMI Fund

As of December 31, 2023

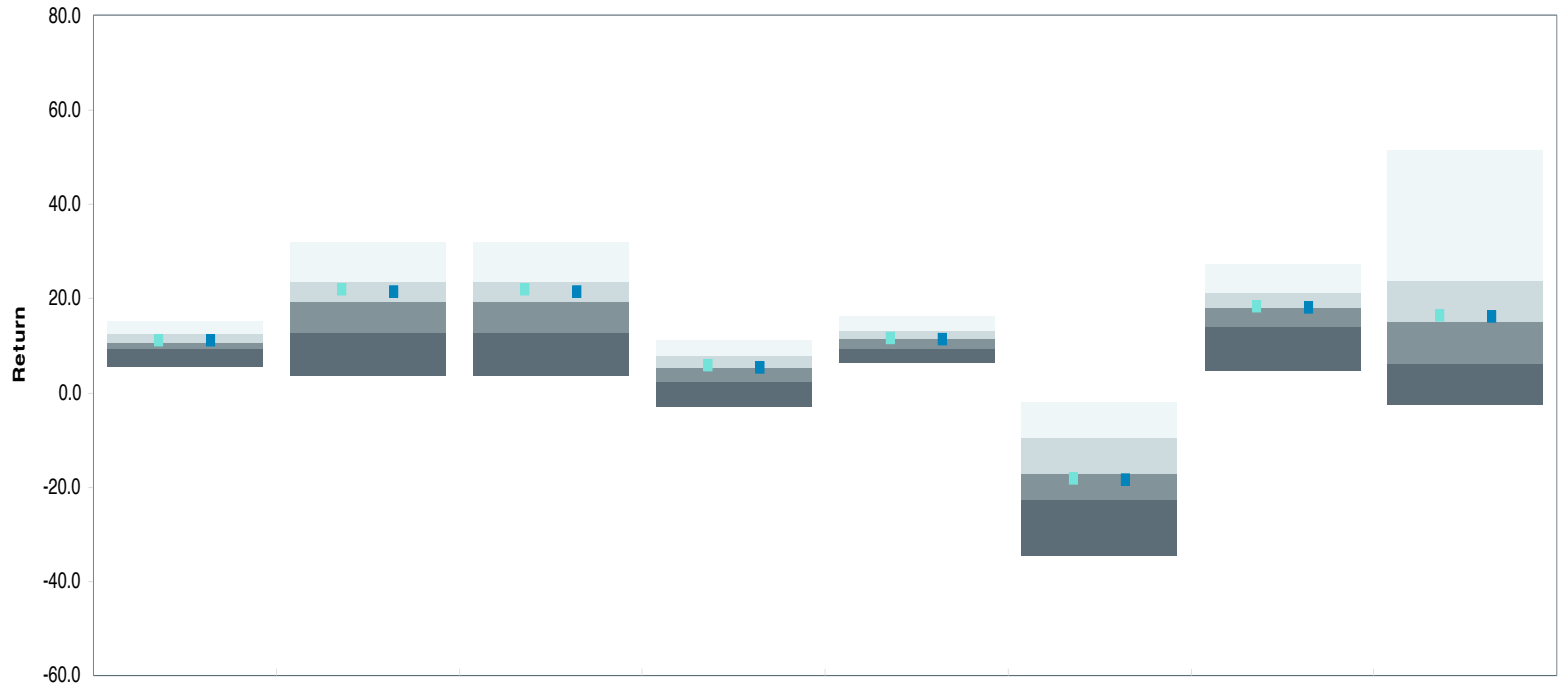
Account Information	
Account Name	BlackRock MSCI ACWI IMI Fund
Inception Date	06/30/2011
Account Structure	Commingled Fund
Asset Class	Global Equity
Benchmark	MSCI AC World IMI (Net)
Peer Group	IM Global Equity (SA+CF)



# BlackRock MSCI ACWI IMI Fund

As of December 31, 2023

IM Global Equity (SA+CF)



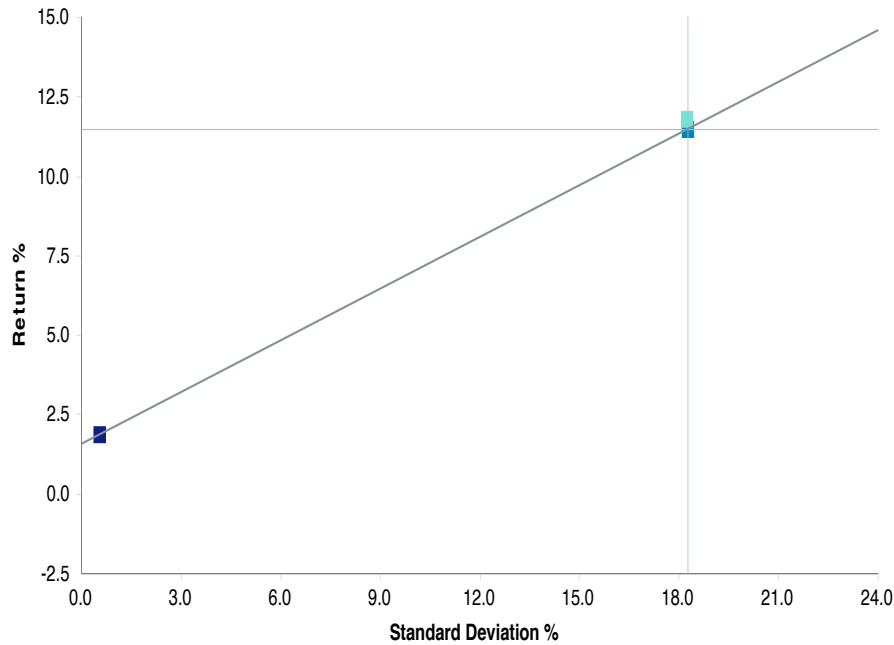
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	2022	2021	2020
BlackRock MSCI ACWI IMI Fund	11.3 (41)	22.1 (35)	22.1 (35)	5.8 (44)	11.8 (47)	-18.1 (54)	18.5 (48)	16.6 (45)
MSCI AC World IMI (Net)	11.1 (43)	21.6 (37)	21.6 (37)	5.5 (49)	11.5 (50)	-18.4 (55)	18.2 (50)	16.3 (46)
5th Percentile	15.3	32.0	32.0	11.2	16.2	-2.1	27.4	51.6
1st Quartile	12.6	23.8	23.8	7.8	13.2	-9.5	21.3	23.9
Median	10.8	19.4	19.4	5.3	11.5	-17.2	18.1	15.0
3rd Quartile	9.3	12.9	12.9	2.3	9.4	-22.7	14.2	6.1
95th Percentile	5.7	3.7	3.7	-3.0	6.3	-34.4	4.7	-2.5
Population	446	443	443	416	385	503	512	523

Parentheses contain percentile rankings.

# Risk Profile BlackRock MSCI ACWI IMI Fund

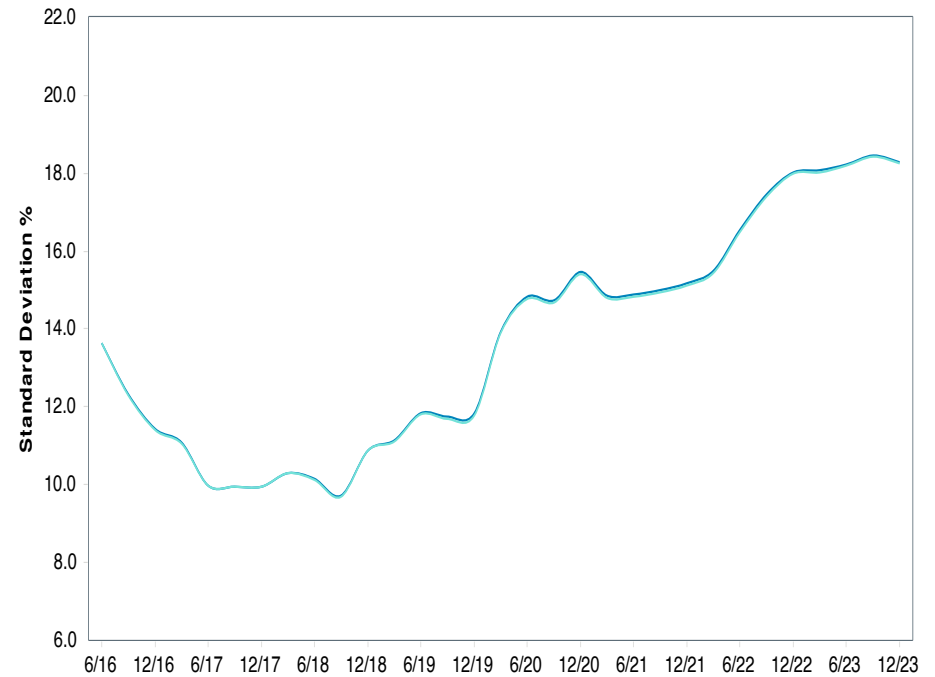
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- BlackRock MSCI ACWI IMI Fund
- MSCI AC World IMI (Net)
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



- BlackRock MSCI ACWI IMI Fund
- MSCI AC World IMI (Net)

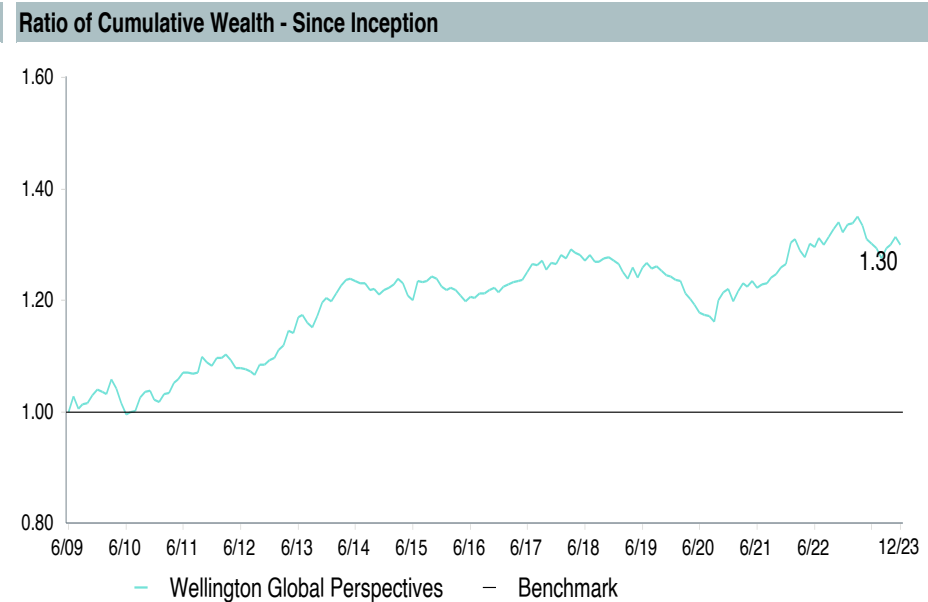
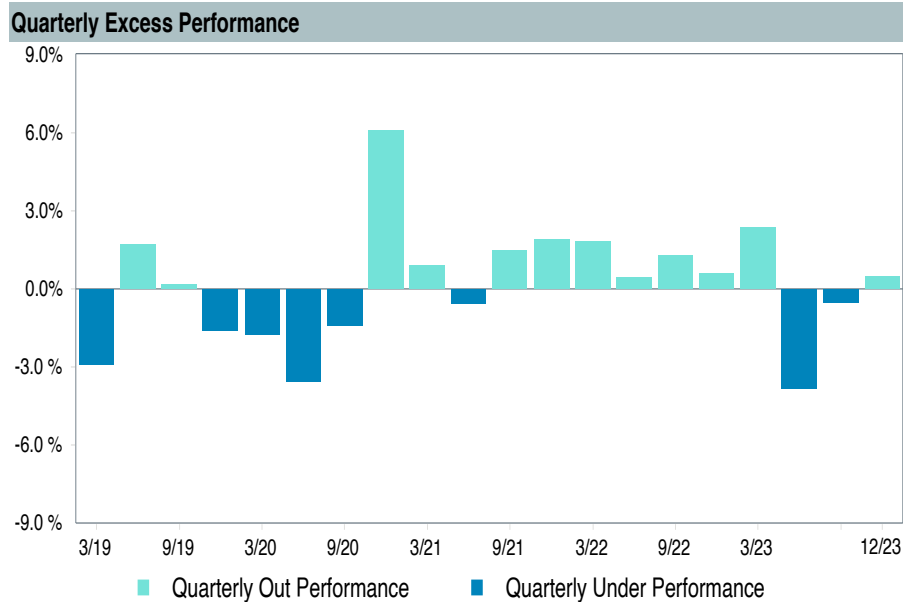
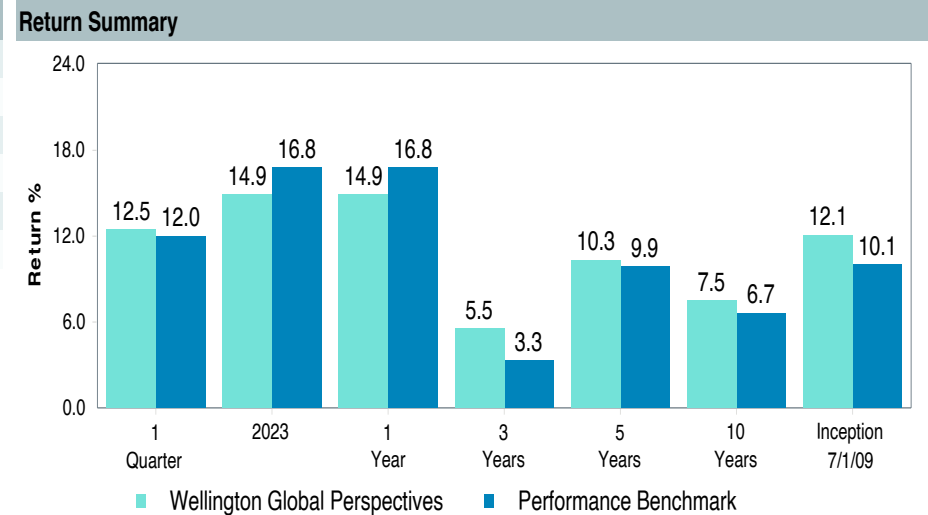
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
BlackRock MSCI ACWI IMI Fund	0.27	0.25	1.07	1.00	0.60	0.29	1.00	11.79	18.25	1.00
MSCI AC World IMI (Net)	0.00	0.00	-	1.00	0.59	0.00	1.00	11.49	18.27	1.00
90 Day U.S. Treasury Bill	-10.72	18.32	-0.59	0.00	-	1.90	0.00	1.88	0.55	-0.06

# Manager Performance Summary Wellington Global Perspectives

As of December 31, 2023

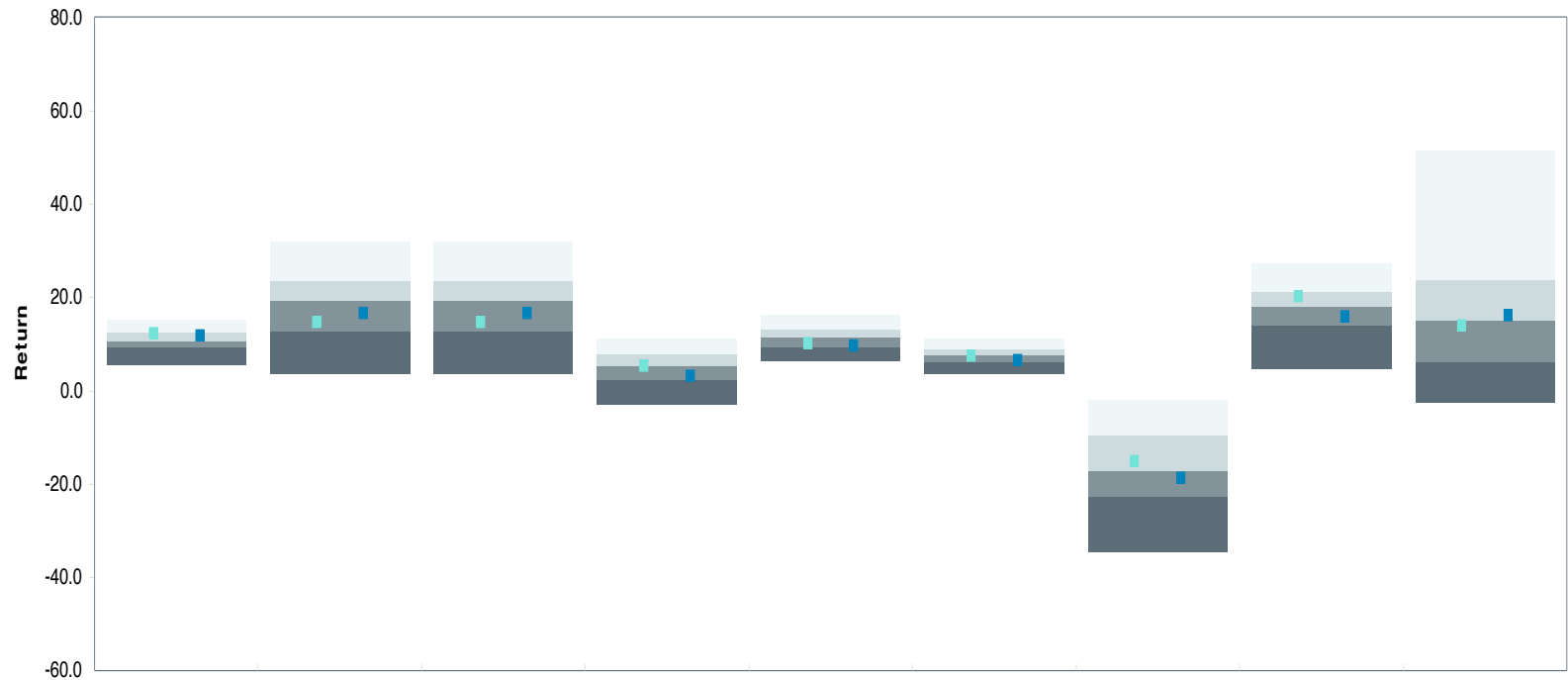
Account Information	
Account Name	Wellington Global Perspectives
Inception Date	06/30/2009
Account Structure	Separate Account
Asset Class	Global Equity
Benchmark	Performance Benchmark
Peer Group	IM Global Equity (SA+CF)



# Wellington Global Perspectives

As of December 31, 2023

## IM Global Equity (SA+CF)



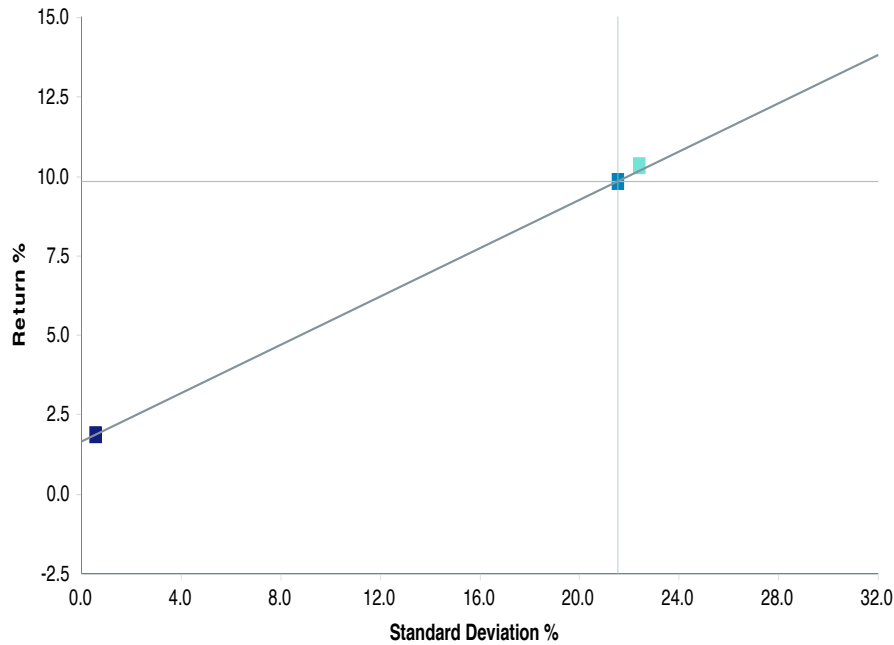
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Wellington Global Perspectives	12.5 (27)	14.9 (68)	14.9 (68)	5.5 (48)	10.3 (63)	7.5 (51)	-15.0 (40)	20.4 (31)	14.1 (53)
Performance Benchmark	12.0 (30)	16.8 (61)	16.8 (61)	3.3 (69)	9.9 (71)	6.7 (67)	-18.7 (57)	16.1 (63)	16.3 (46)
5th Percentile	15.3	32.0	32.0	11.2	16.2	11.1	-2.1	27.4	51.6
1st Quartile	12.6	23.8	23.8	7.8	13.2	8.9	-9.5	21.3	23.9
Median	10.8	19.4	19.4	5.3	11.5	7.5	-17.2	18.1	15.0
3rd Quartile	9.3	12.9	12.9	2.3	9.4	6.2	-22.7	14.2	6.1
95th Percentile	5.7	3.7	3.7	-3.0	6.3	3.6	-34.4	4.7	-2.5
Population	446	443	443	416	385	280	503	512	523

Parentheses contain percentile rankings.

# Risk Profile Wellington Global Perspectives

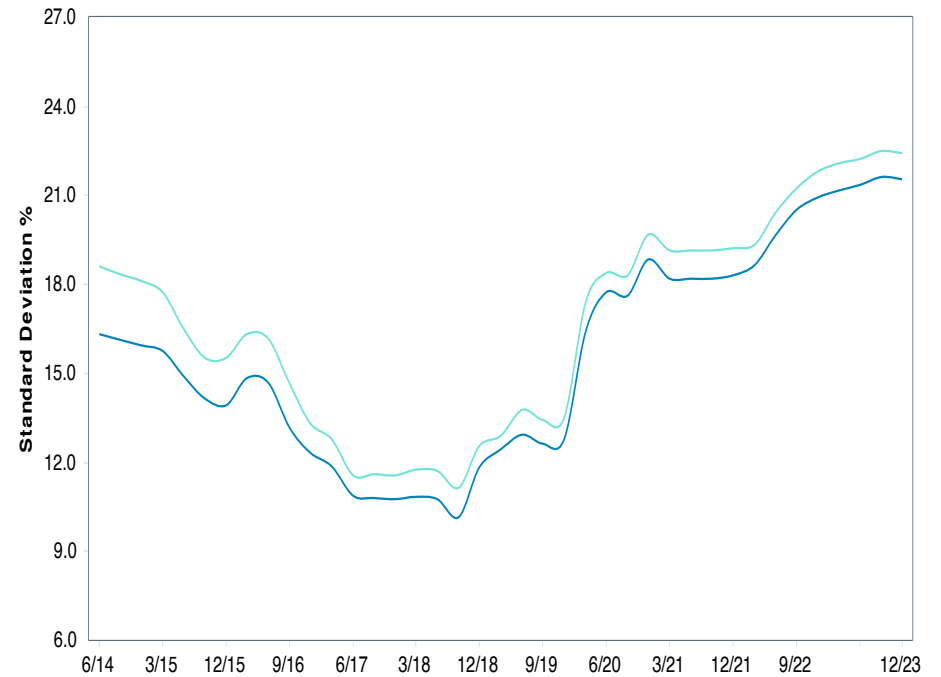
As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



- Wellington Global Perspectives
- Performance Benchmark
- 90 Day U.S. Treasury Bill

**Standard Deviation  
Rolling 5 Years**



- Wellington Global Perspectives
- Performance Benchmark

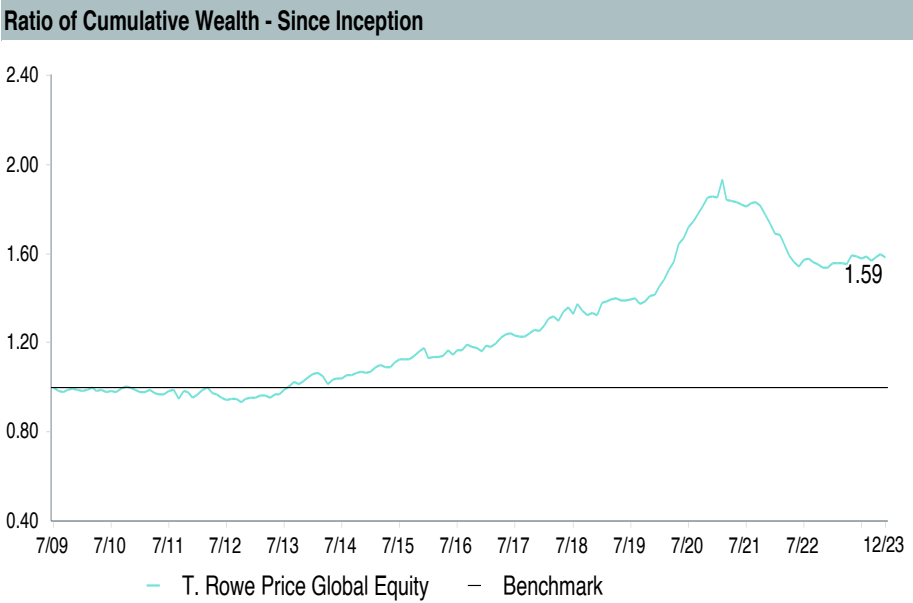
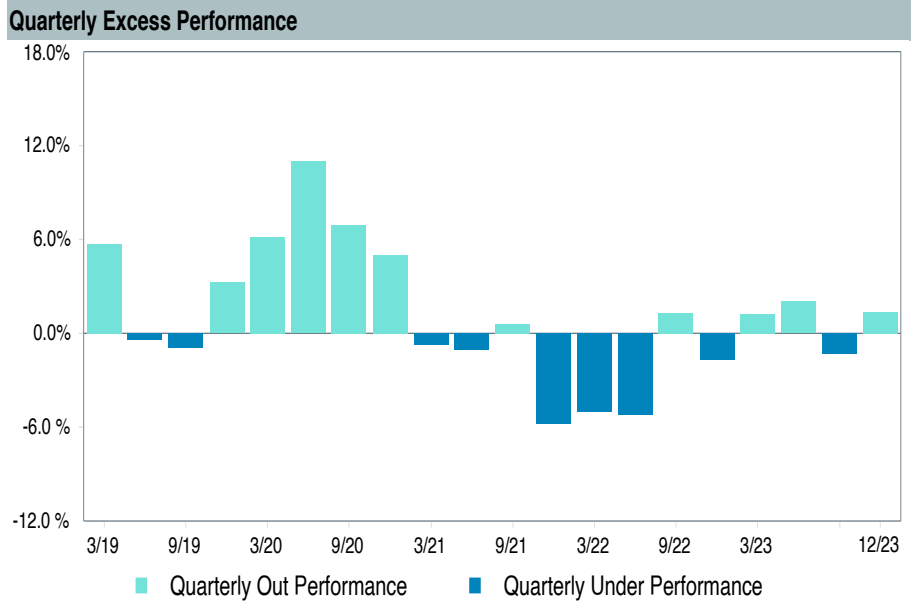
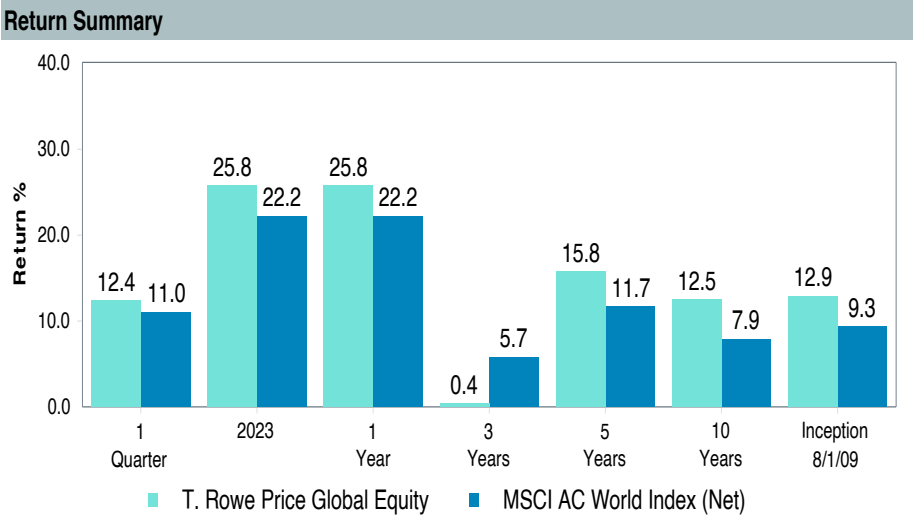
**5 Years Historical Statistics**

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Wellington Global Perspectives	0.64	3.97	0.16	0.97	0.47	0.36	1.02	10.34	22.42	0.98
Performance Benchmark	0.00	0.00	-	1.00	0.46	0.00	1.00	9.85	21.55	1.00
90 Day U.S. Treasury Bill	-9.90	21.62	-0.46	0.01	-	1.91	0.00	1.88	0.55	-0.11

# Manager Performance Summary T. Rowe Price Global Equity

As of December 31, 2023

Account Information	
Account Name	T. Rowe Price Global Equity
Inception Date	08/31/2009
Account Structure	Separate Account
Asset Class	Global Equity
Benchmark	MSCI AC World Index (Net)
Peer Group	IM Global Equity (SA+CF)

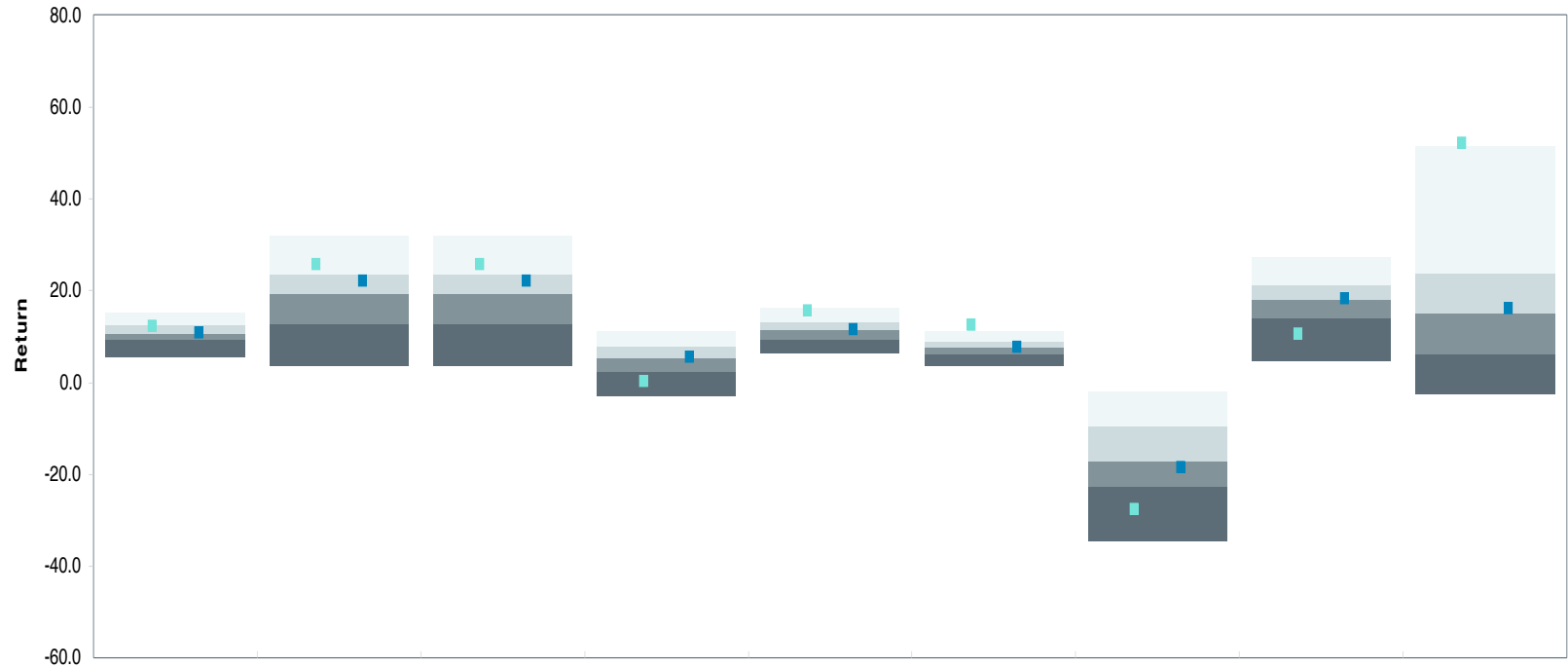




# T. Rowe Price Global Equity

As of December 31, 2023

IM Global Equity (SA+CF)



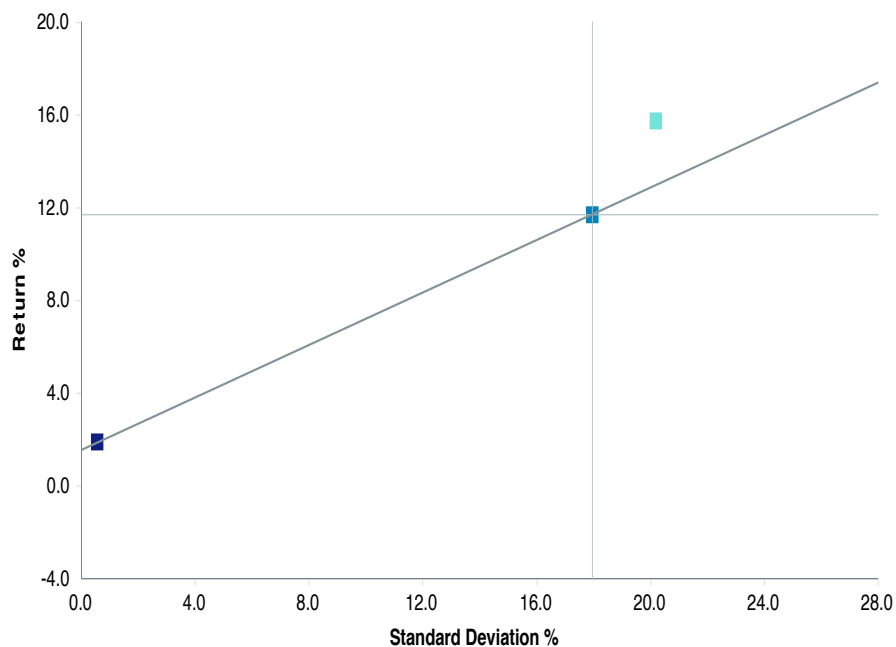
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
T. Rowe Price Global Equity	12.4 (27)	25.8 (18)	25.8 (18)	0.4 (87)	15.8 (7)	12.5 (3)	-27.5 (87)	10.8 (88)	52.2 (5)
MSCI AC World Index (Net)	11.0 (45)	22.2 (35)	22.2 (35)	5.7 (45)	11.7 (47)	7.9 (42)	-18.4 (55)	18.5 (48)	16.3 (46)
5th Percentile	15.3	32.0	32.0	11.2	16.2	11.1	-2.1	27.4	51.6
1st Quartile	12.6	23.8	23.8	7.8	13.2	8.9	-9.5	21.3	23.9
Median	10.8	19.4	19.4	5.3	11.5	7.5	-17.2	18.1	15.0
3rd Quartile	9.3	12.9	12.9	2.3	9.4	6.2	-22.7	14.2	6.1
95th Percentile	5.7	3.7	3.7	-3.0	6.3	3.6	-34.4	4.7	-2.5
Population	446	443	443	416	385	280	503	512	523

Parentheses contain percentile rankings.

# Risk Profile T. Rowe Price Global Equity

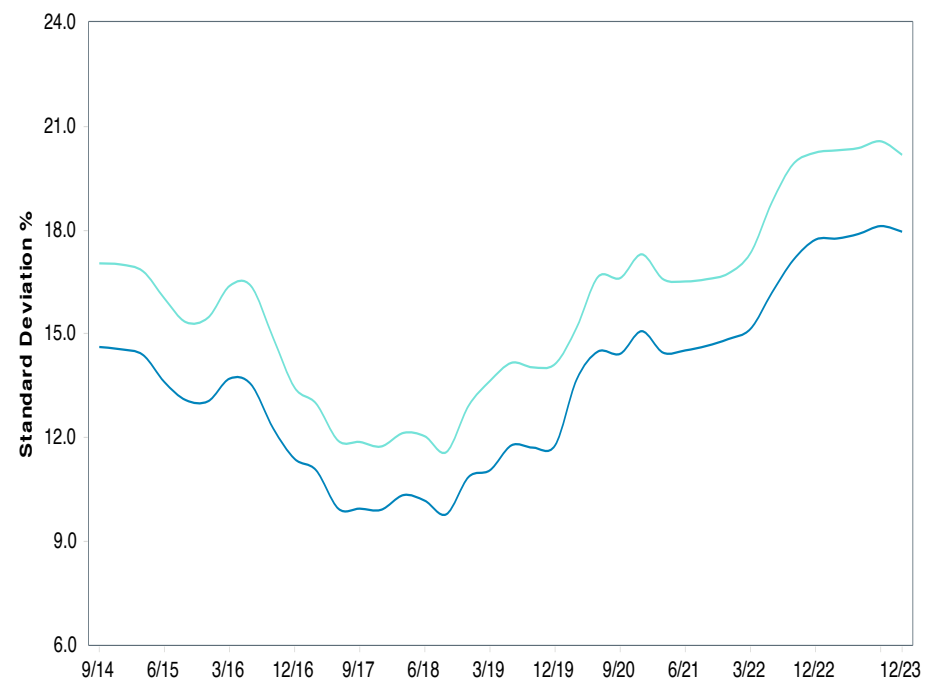
As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



- T. Rowe Price Global Equity
- MSCI AC World Index (Net)
- 90 Day U.S. Treasury Bill

**Standard Deviation  
Rolling 5 Years**



- T. Rowe Price Global Equity
- MSCI AC World Index (Net)

**5 Years Historical Statistics**

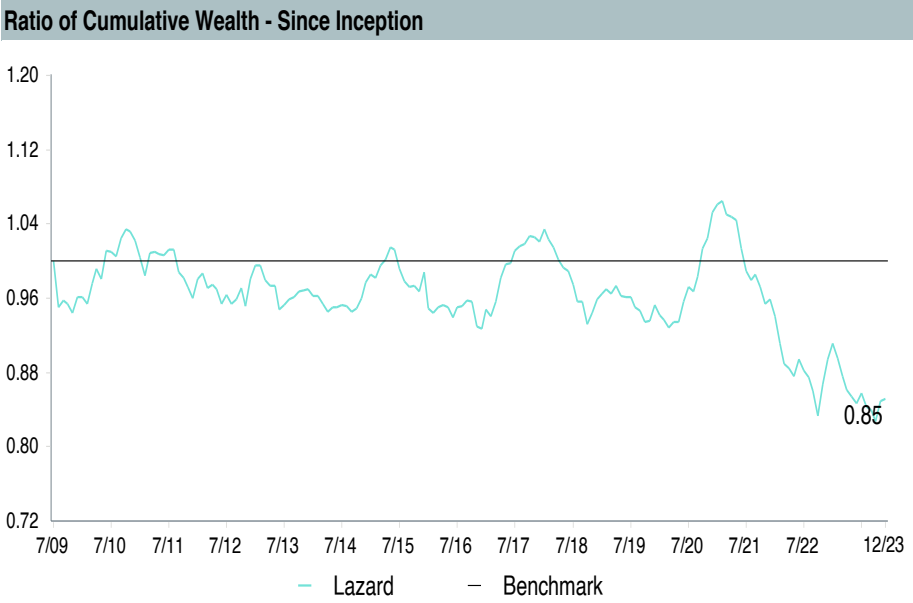
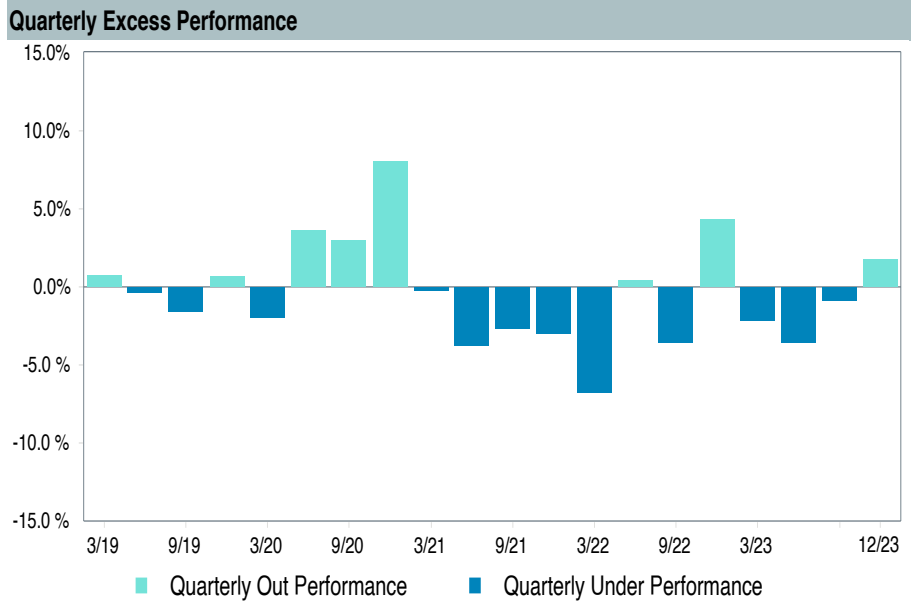
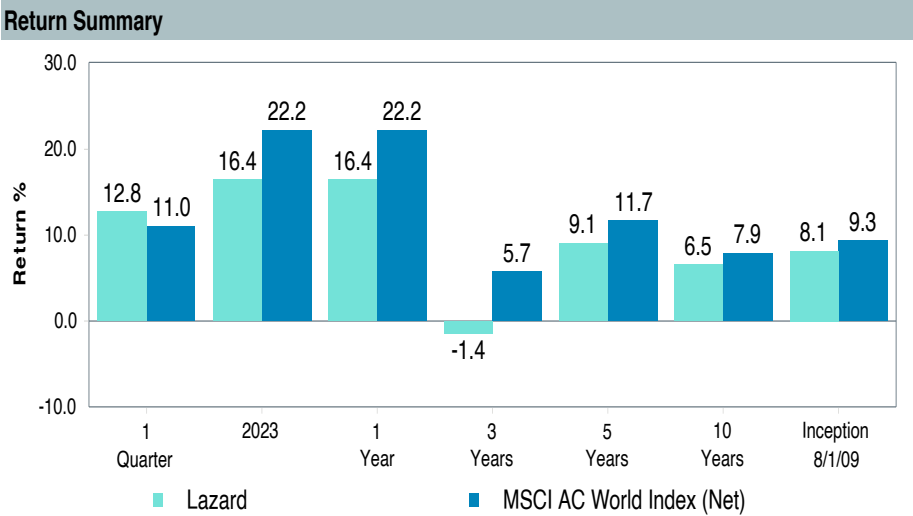
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
T. Rowe Price Global Equity	4.00	6.49	0.62	0.90	0.74	3.19	1.07	15.77	20.17	0.95
MSCI AC World Index (Net)	0.00	0.00	-	1.00	0.60	0.00	1.00	11.72	17.94	1.00
90 Day U.S. Treasury Bill	-10.86	17.98	-0.60	0.00	-	1.90	0.00	1.88	0.55	-0.05



# Manager Performance Summary Lazard

As of December 31, 2023

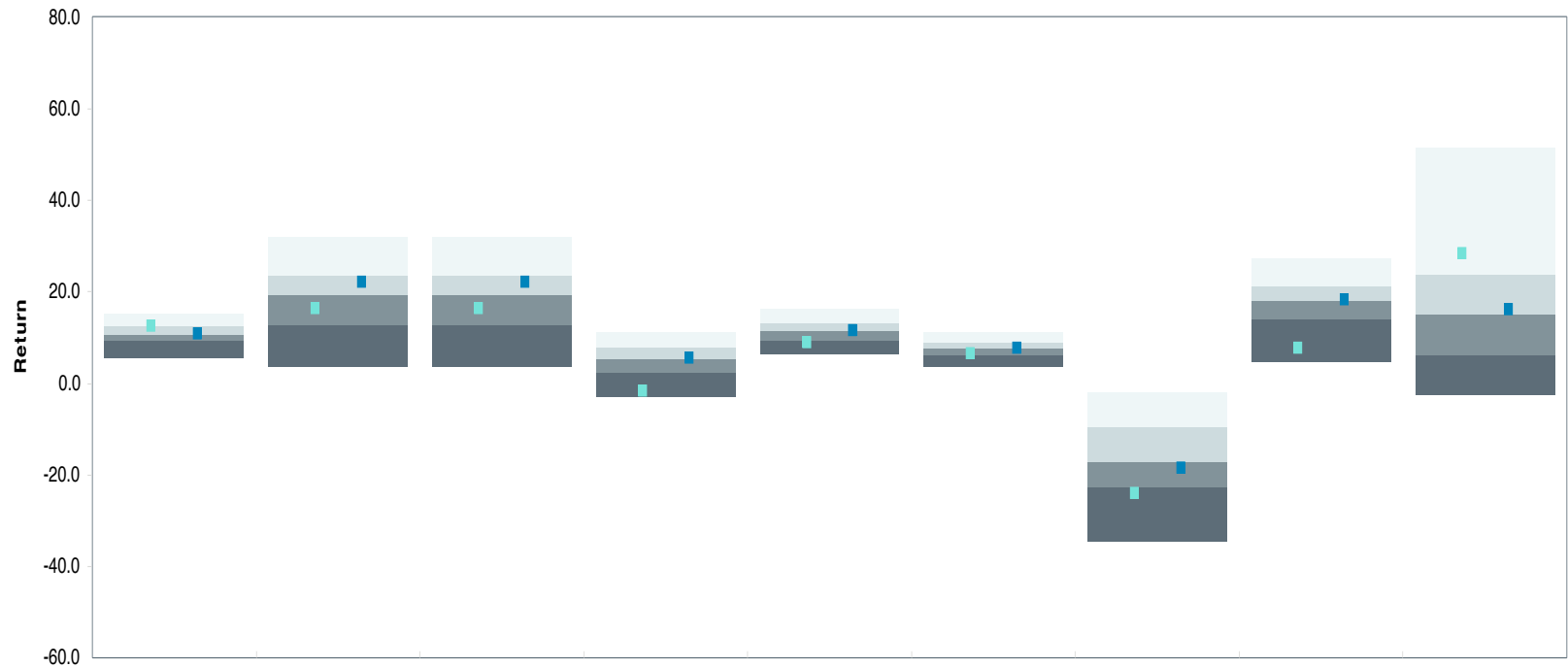
Account Information	
Account Name	Lazard
Inception Date	08/31/2009
Account Structure	Separate Account
Asset Class	Global Equity
Benchmark	MSCI AC World Index (Net)
Peer Group	IM Global Equity (SA+CF)



# Lazard

As of December 31, 2023

## IM Global Equity (SA+CF)



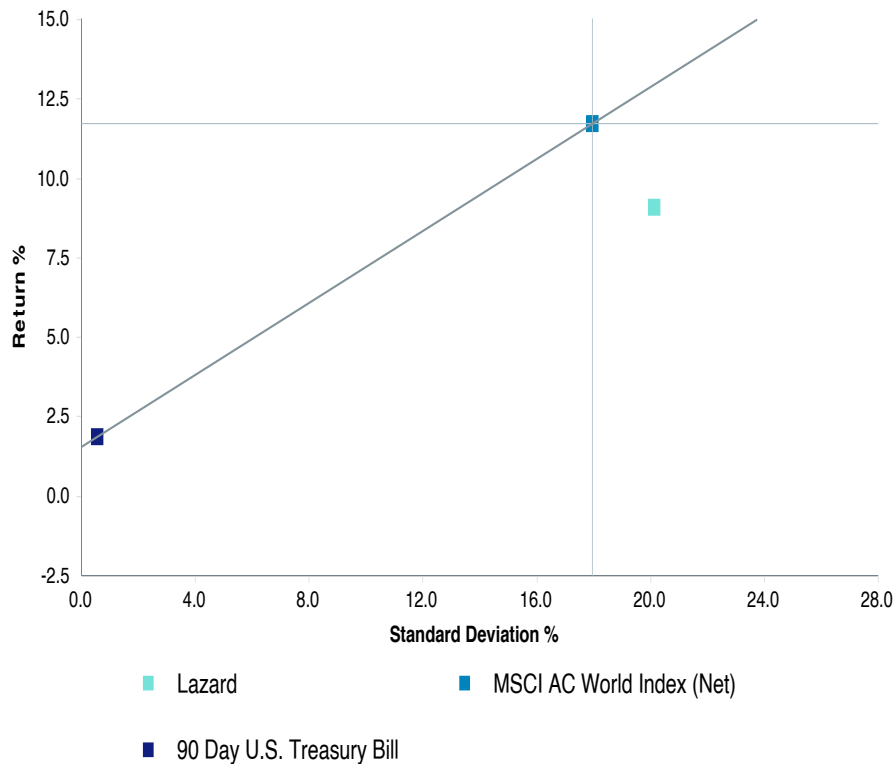
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Lazard	12.8 (24)	16.4 (62)	16.4 (62)	-1.4 (92)	9.1 (78)	6.5 (70)	-23.8 (80)	8.0 (93)	28.4 (21)
MSCI AC World Index (Net)	11.0 (45)	22.2 (35)	22.2 (35)	5.7 (45)	11.7 (47)	7.9 (42)	-18.4 (55)	18.5 (48)	16.3 (46)
5th Percentile	15.3	32.0	32.0	11.2	16.2	11.1	-2.1	27.4	51.6
1st Quartile	12.6	23.8	23.8	7.8	13.2	8.9	-9.5	21.3	23.9
Median	10.8	19.4	19.4	5.3	11.5	7.5	-17.2	18.1	15.0
3rd Quartile	9.3	12.9	12.9	2.3	9.4	6.2	-22.7	14.2	6.1
95th Percentile	5.7	3.7	3.7	-3.0	6.3	3.6	-34.4	4.7	-2.5
Population	446	443	443	416	385	280	503	512	523

Parentheses contain percentile rankings.

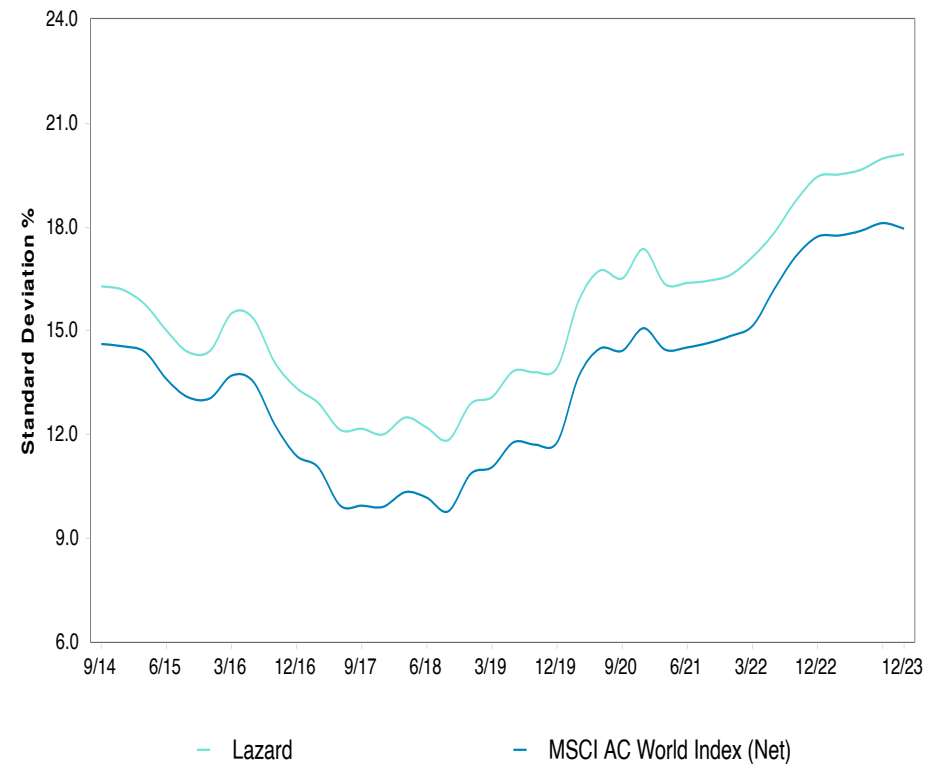
# Risk Profile Lazard

As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



Standard Deviation  
Rolling 5 Years



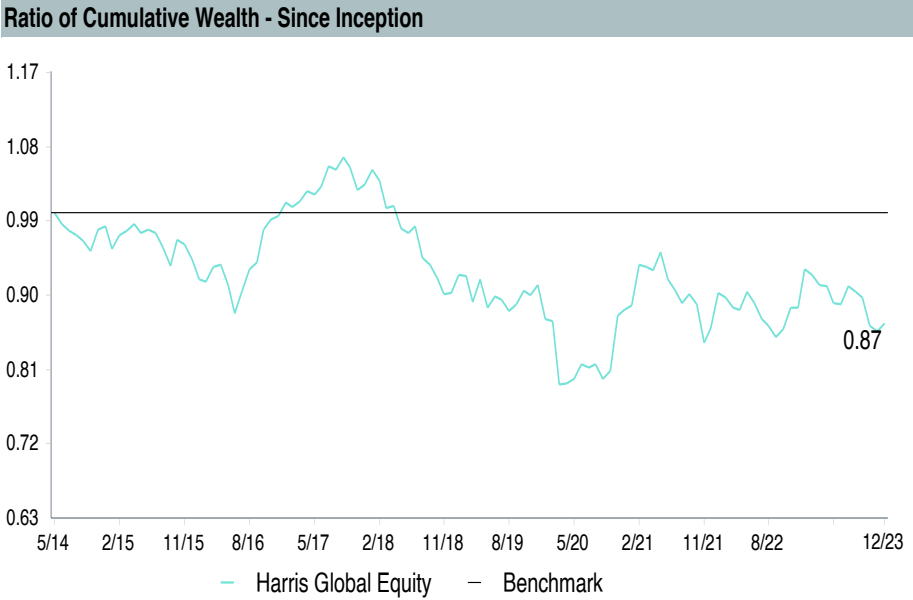
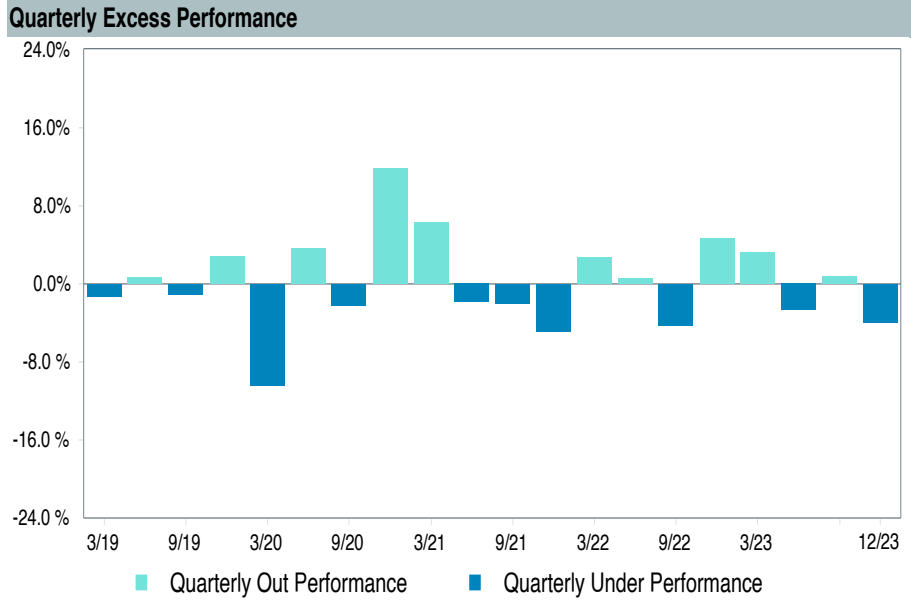
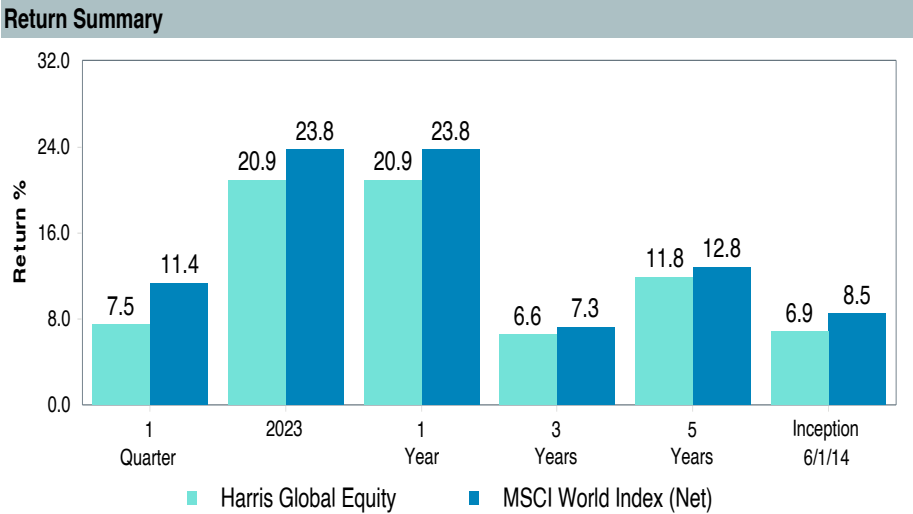
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Lazard	-1.99	5.78	-0.34	0.92	0.44	-2.92	1.08	9.11	20.11	0.96
MSCI AC World Index (Net)	0.00	0.00	-	1.00	0.60	0.00	1.00	11.72	17.94	1.00
90 Day U.S. Treasury Bill	-10.86	17.98	-0.60	0.00	-	1.90	0.00	1.88	0.55	-0.05

# Manager Performance Summary Harris Global Equity

As of December 31, 2023

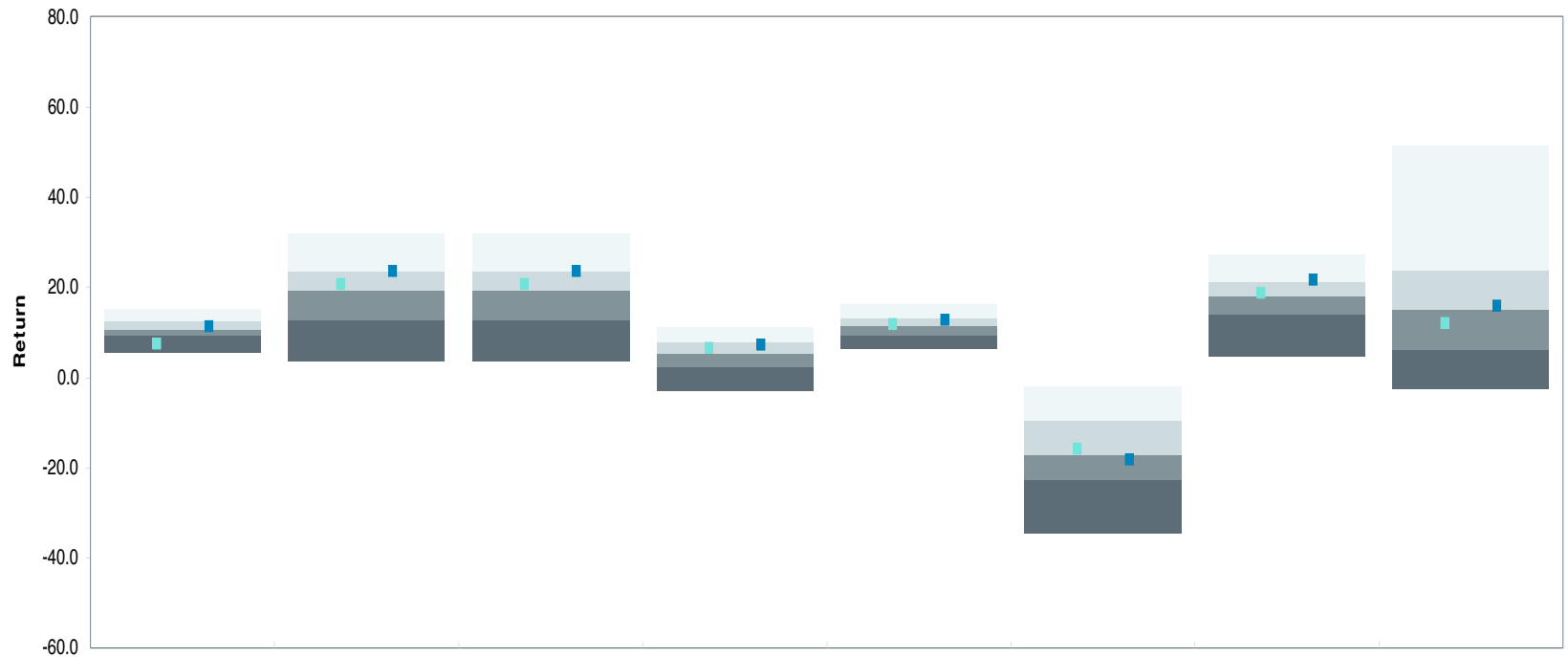
Account Information	
Account Name	Harris Global Equity
Inception Date	06/01/2014
Account Structure	Separate Account
Asset Class	Global Equity
Benchmark	MSCI World Index (Net)
Peer Group	IM Global Equity (SA+CF)



# Harris Global Equity

As of December 31, 2023

IM Global Equity (SA+CF)



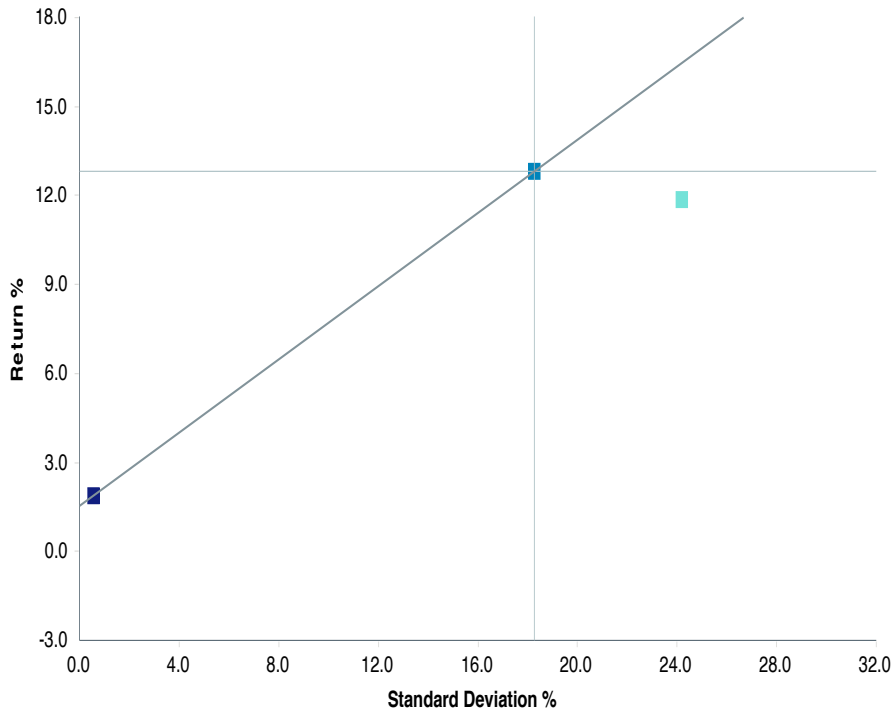
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	2022	2021	2020
Harris Global Equity	7.5 (88)	20.9 (41)	20.9 (41)	6.6 (36)	11.8 (46)	-15.7 (43)	18.8 (45)	12.1 (59)
MSCI World Index (Net)	11.4 (38)	23.8 (25)	23.8 (25)	7.3 (30)	12.8 (29)	-18.1 (55)	21.8 (24)	15.9 (48)
5th Percentile	15.3	32.0	32.0	11.2	16.2	-2.1	27.4	51.6
1st Quartile	12.6	23.8	23.8	7.8	13.2	-9.5	21.3	23.9
Median	10.8	19.4	19.4	5.3	11.5	-17.2	18.1	15.0
3rd Quartile	9.3	12.9	12.9	2.3	9.4	-22.7	14.2	6.1
95th Percentile	5.7	3.7	3.7	-3.0	6.3	-34.4	4.7	-2.5
Population	446	443	443	416	385	503	512	523

Parentheses contain percentile rankings.

# Risk Profile Harris Global Equity

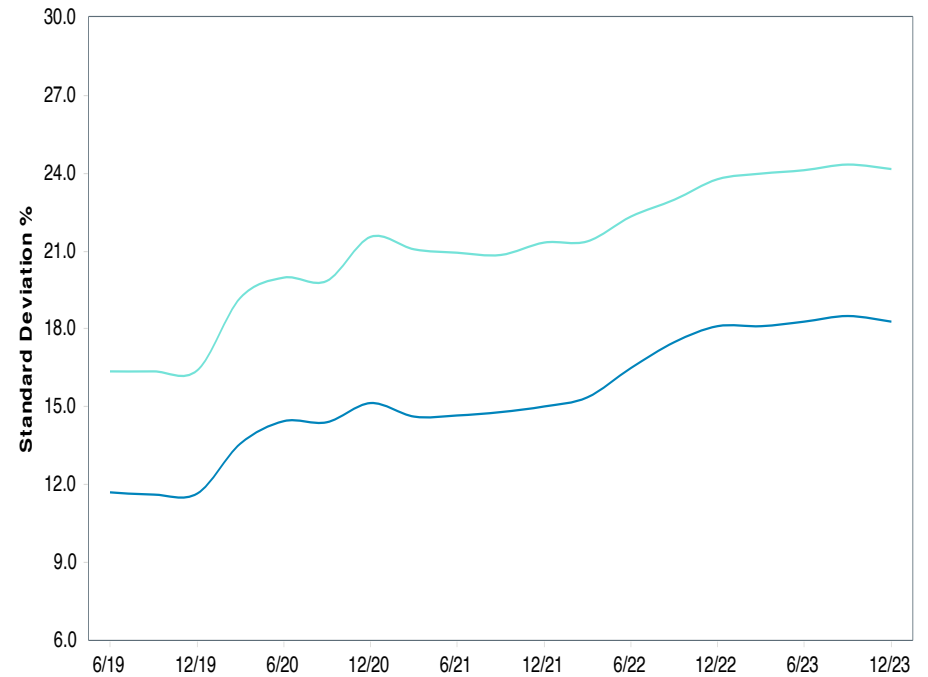
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ Harris Global Equity   ■ MSCI World Index (Net)   ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



— Harris Global Equity   — MSCI World Index (Net)

5 Years Historical Statistics

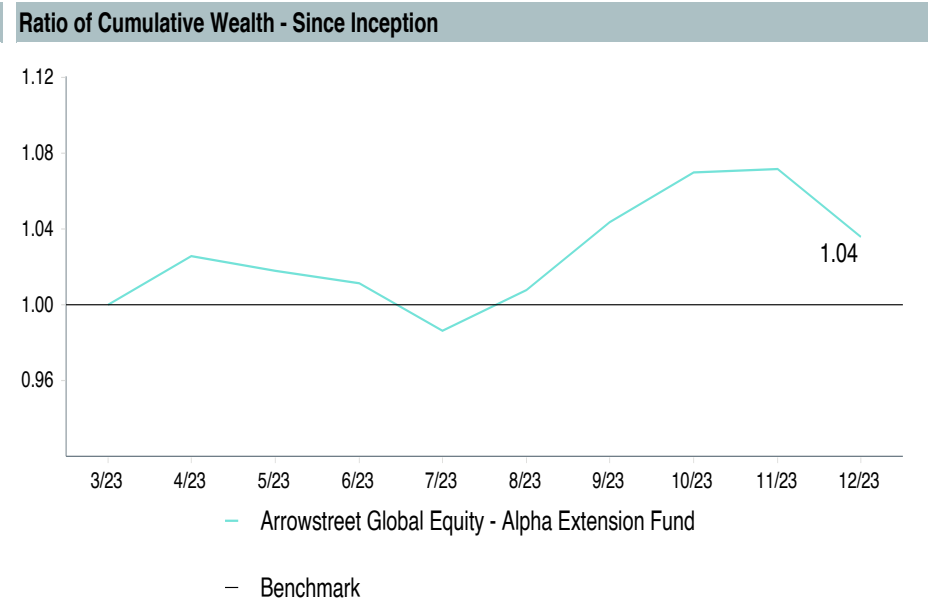
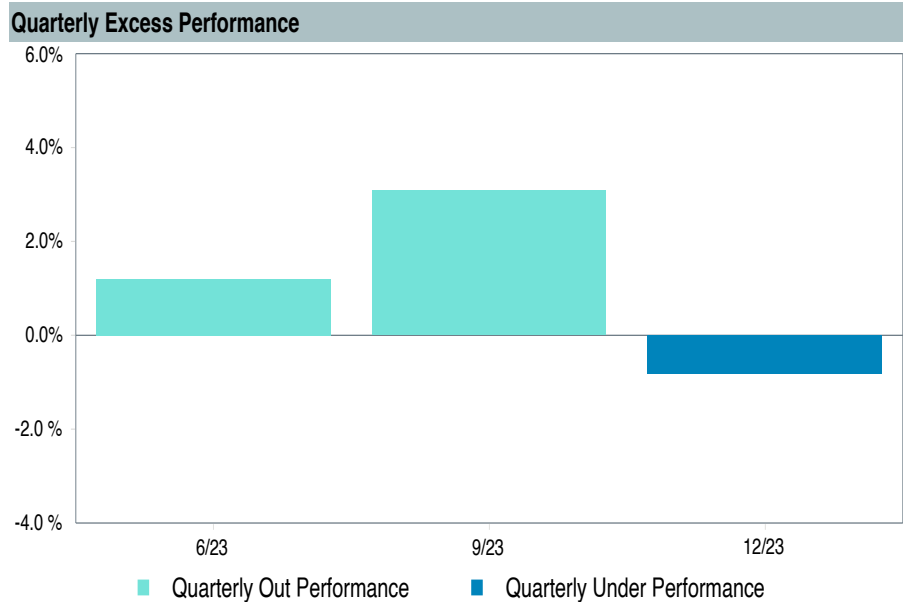
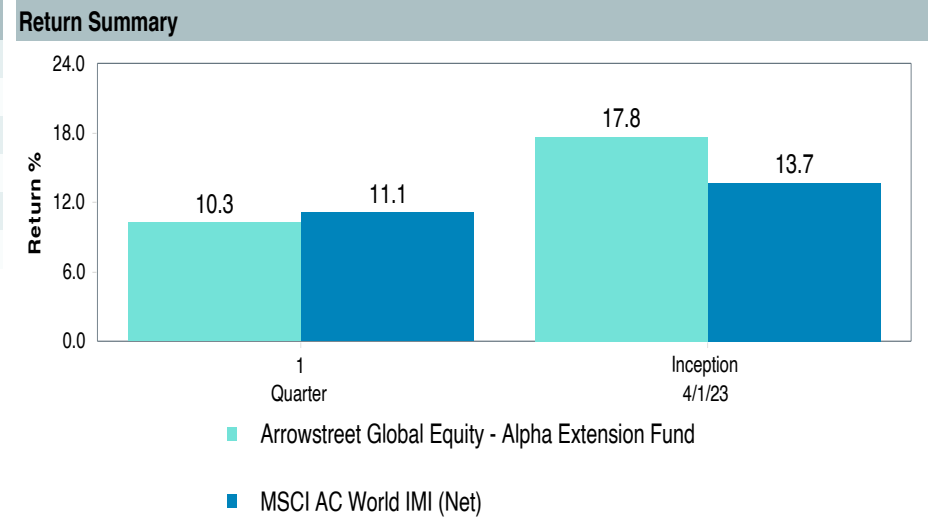
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Harris Global Equity	0.38	9.42	0.04	0.88	0.51	-2.93	1.24	11.85	24.18	0.94
MSCI World Index (Net)	0.00	0.00	-	1.00	0.65	0.00	1.00	12.80	18.26	1.00
90 Day U.S. Treasury Bill	-11.89	18.30	-0.65	0.00	-	1.90	0.00	1.88	0.55	-0.06



# Manager Performance Summary Arrowstreet Global Equity

As of December 31, 2023

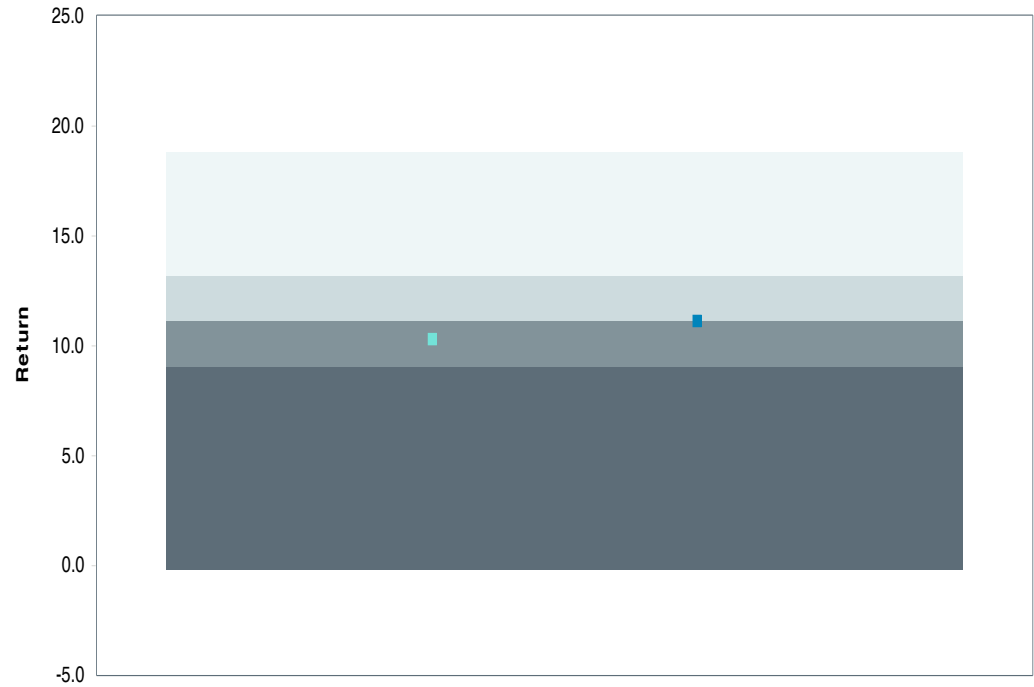
Account Information	
Account Name	Arrowstreet Global Equity - Alpha Extension Fund
Inception Date	03/01/2023
Account Structure	Separate Account
Asset Class	Global Equity
Benchmark	MSCI AC World IMI (Net)
Peer Group	IM Global Equity (MF)



# Arrowstreet Global Equity - Alpha Extension Fund

As of December 31, 2023

IM Global Equity (MF)



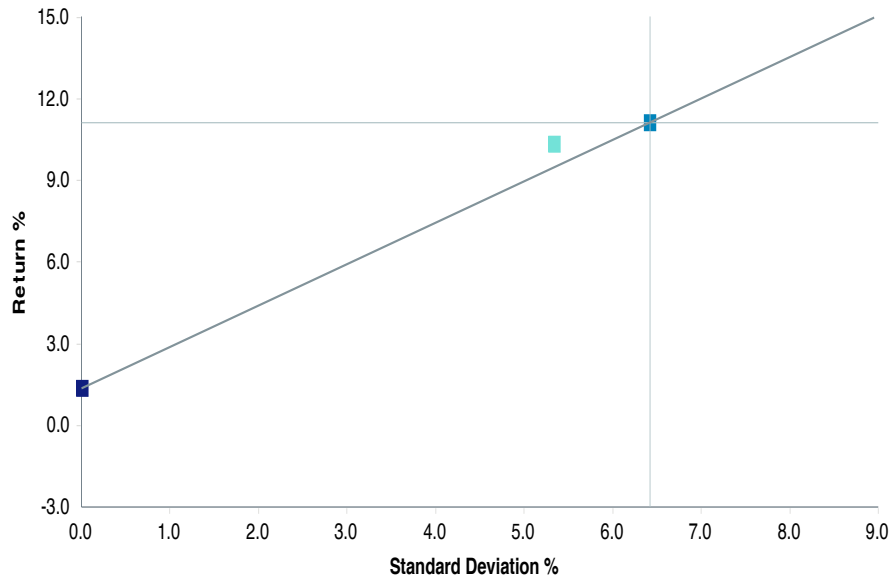
	1 Quarter
Arrowstreet Global Equity - Alpha Extension Fund	10.3 (64)
MSCI AC World IMI (Net)	11.1 (51)
5th Percentile	18.8
1st Quartile	13.2
Median	11.2
3rd Quartile	9.1
95th Percentile	-0.2
Population	500

Parentheses contain percentile rankings.

# Risk Profile Arrowstreet Global Equity - Alpha Extension

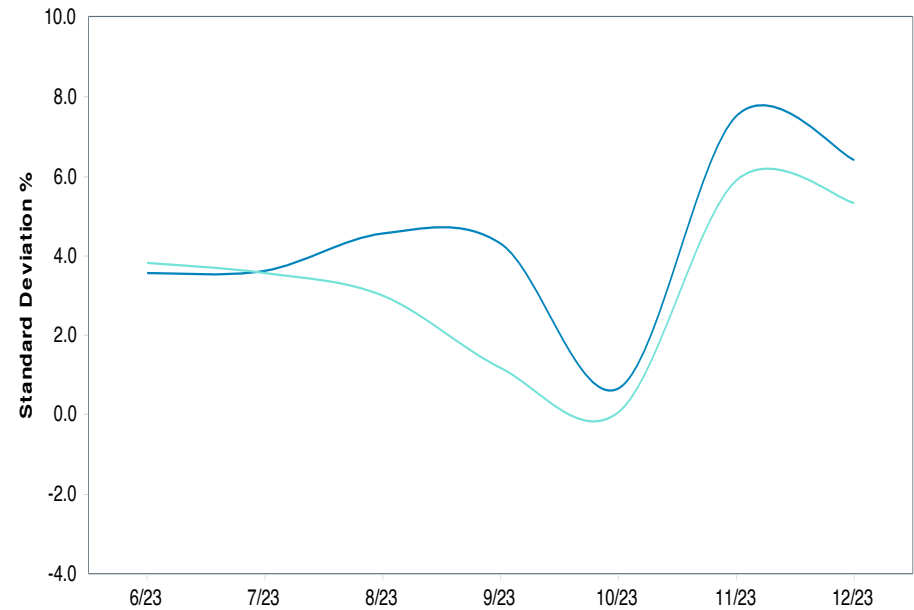
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
1 Quarter



- Arrowstreet Global Equity - Alpha Extension Fund
- MSCI AC World IMI (Net)
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 0.25 Year



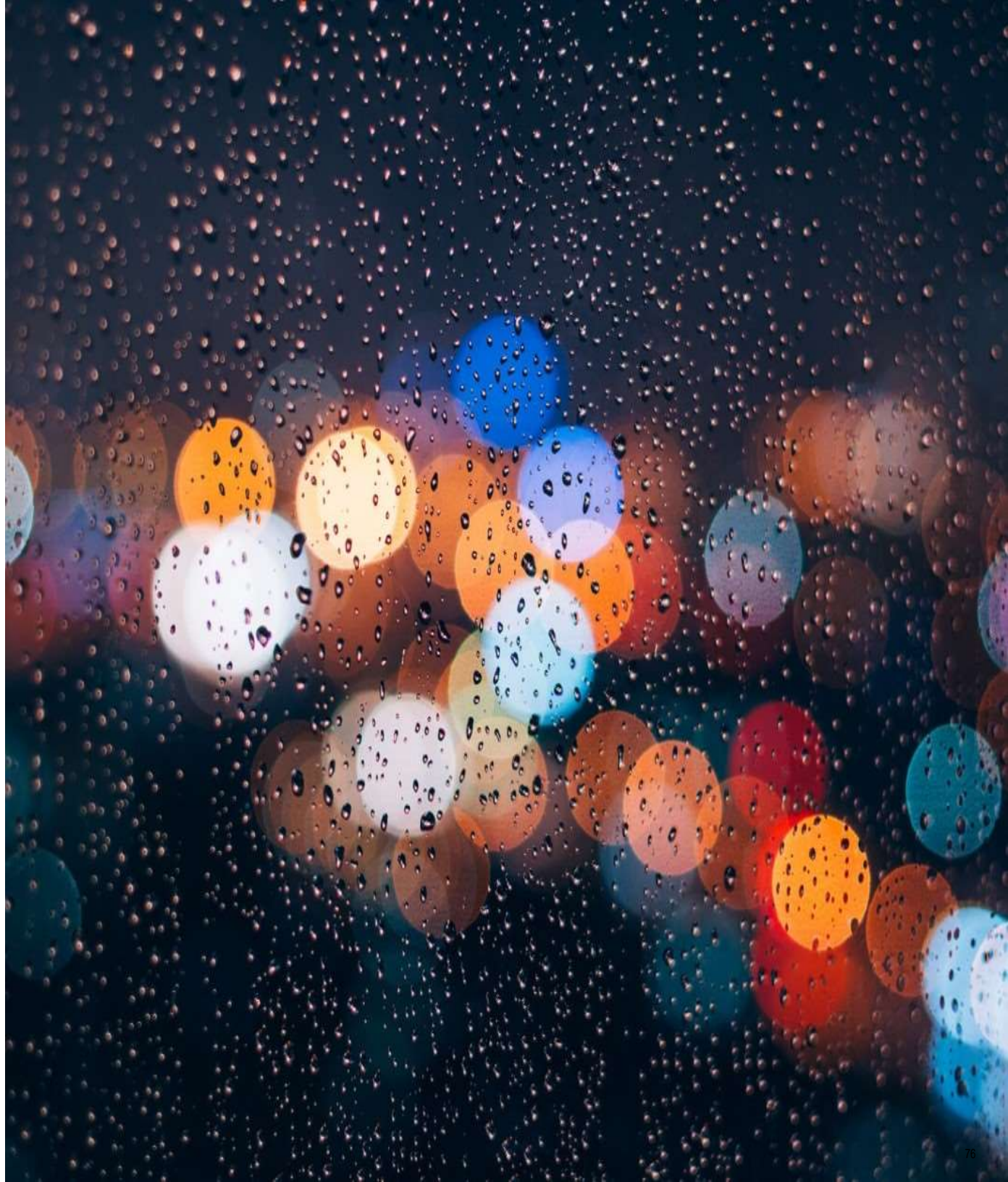
- Arrowstreet Global Equity - Alpha Extension Fund
- MSCI AC World IMI (Net)

1 Quarter Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Arrowstreet Global Equity - Alpha Extension Fund	-0.30	3.01	-0.10	0.78	0.55	0.68	0.74	10.32	5.35	0.89
MSCI AC World IMI (Net)	0.00	0.00	-	1.00	0.51	0.00	1.00	11.14	6.42	1.00
90 Day U.S. Treasury Bill	-3.27	6.42	-0.51	0.09	-	0.45	0.00	1.37	0.01	0.30

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# Fixed Income

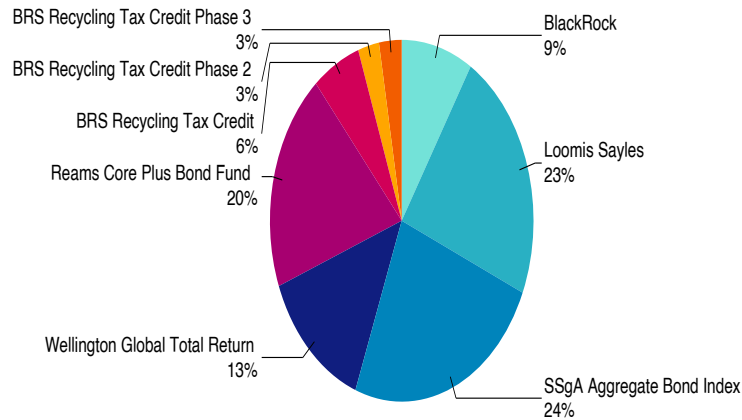


# Composite Portfolio Overview Fixed Income

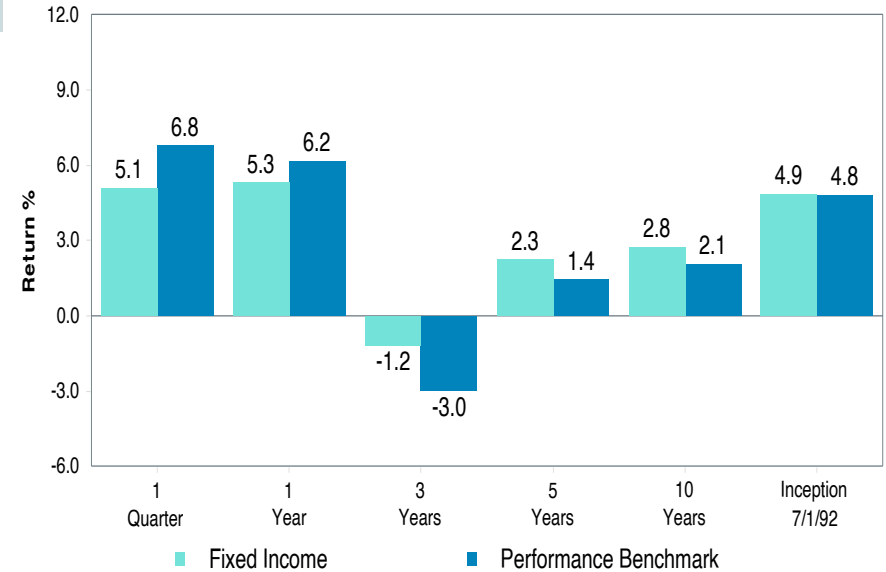
As of December 31, 2023

## Current Allocation

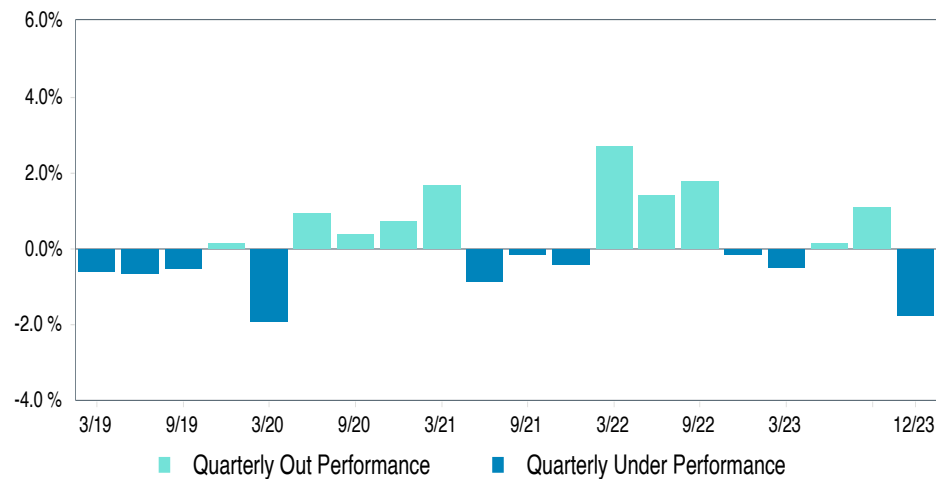
December 31, 2023 : \$2,965,801,595



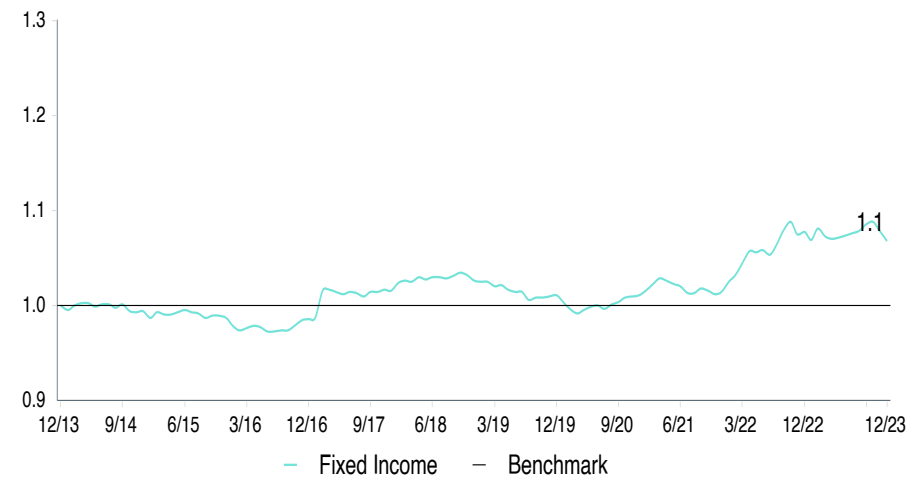
## Return Summary



## Quarterly Excess Performance



## Ratio of Cumulative Wealth - 10 Years

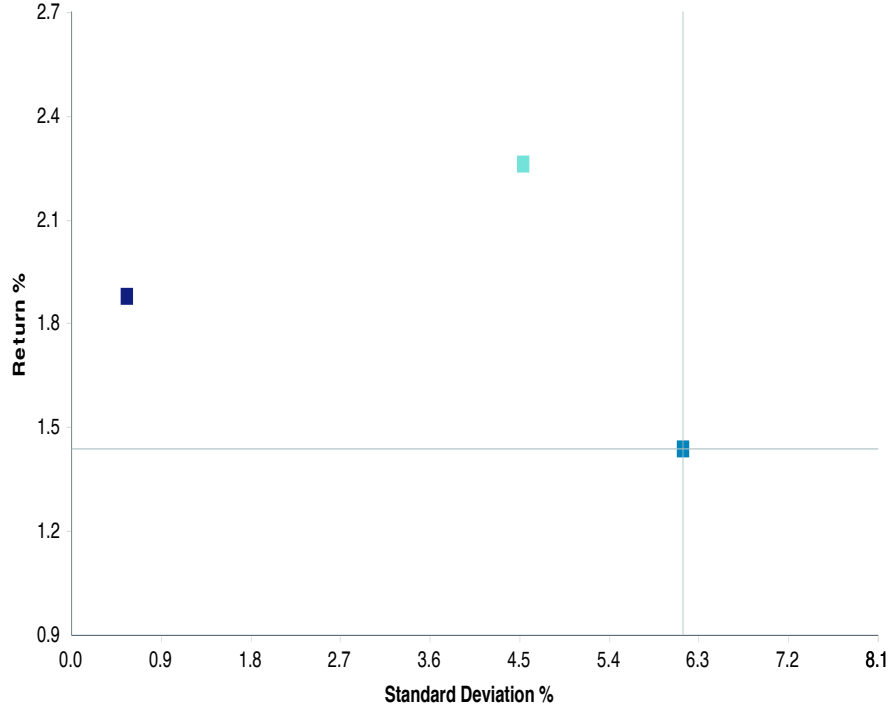


Note: April 1, 2004 represents the inception of the Global Equity Custom Benchmark as the primary performance objective for the Global Equity portfolio.

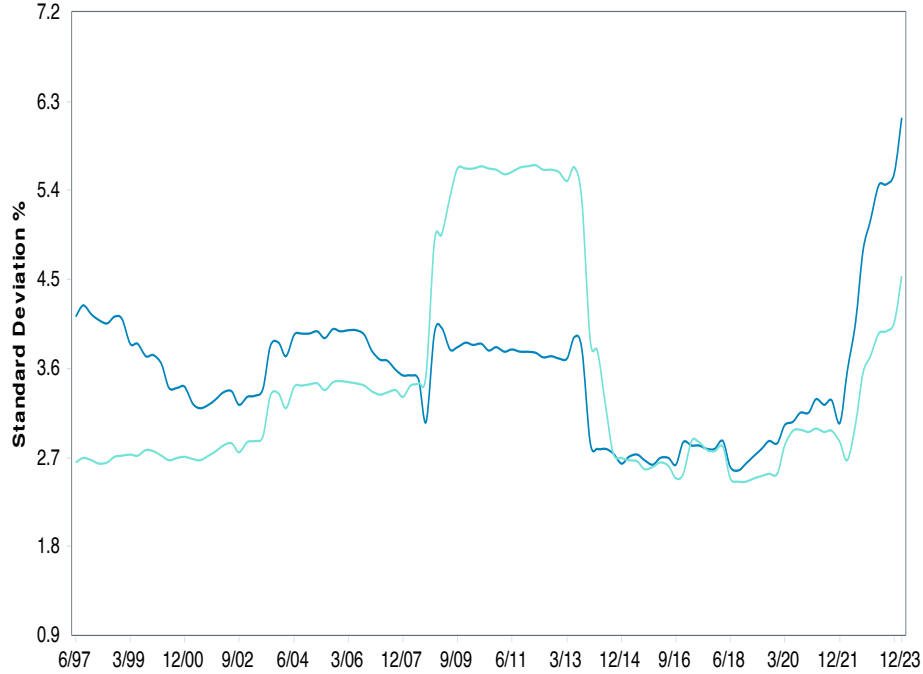
# Risk Profile Fixed Income

As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation 5 Years



Standard Deviation Rolling 5 Years



■ Fixed Income    ■ Performance Benchmark    ■ 90 Day U.S. Treasury Bill      — Fixed Income      — Performance Benchmark

5 Years Historical Statistics

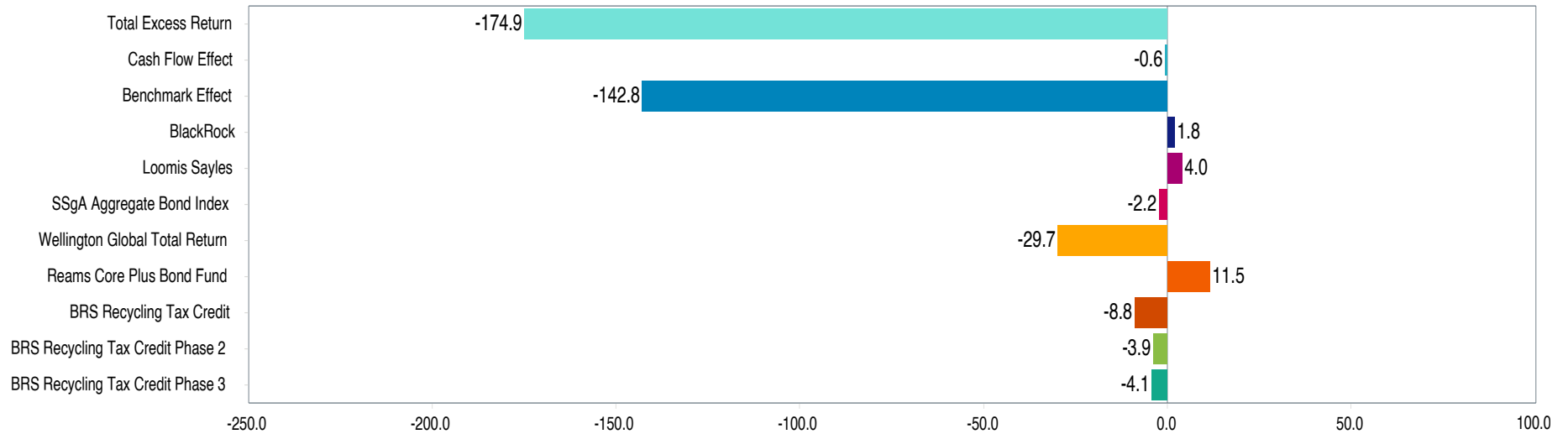
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Fixed Income	0.72	2.00	0.36	0.95	0.11	1.18	0.72	2.26	4.54	0.97
Performance Benchmark	0.00	0.00	-	1.00	-0.04	0.00	1.00	1.44	6.14	1.00
90 Day U.S. Treasury Bill	0.25	6.08	0.04	0.03	-	1.86	0.01	1.88	0.55	0.16



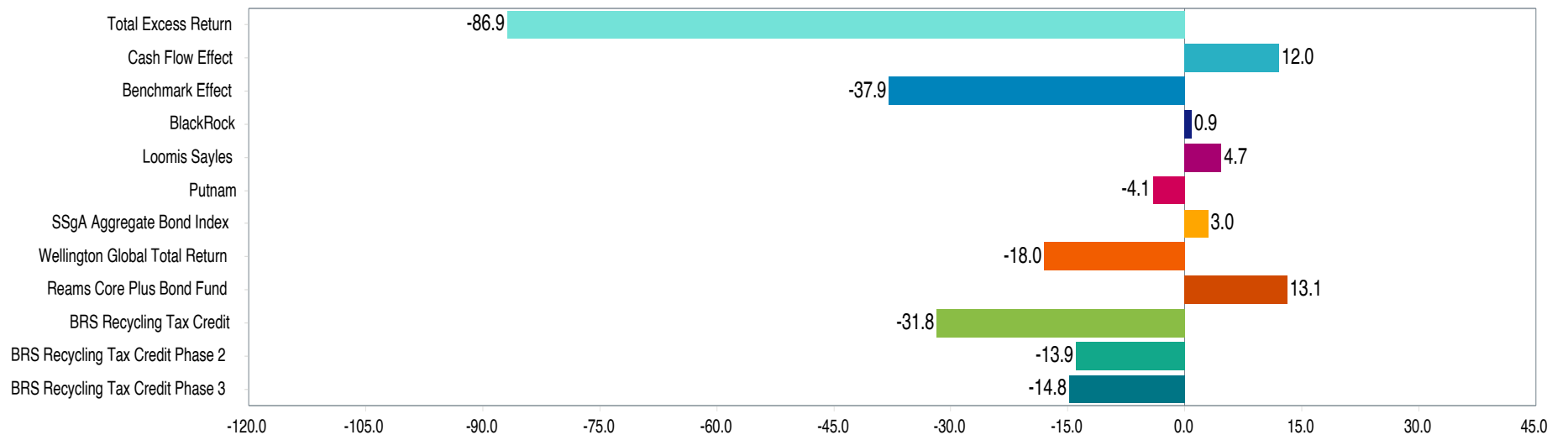
# Asset Class Attribution

## As of December 31, 2023

### 1 Quarter



### 1 Year



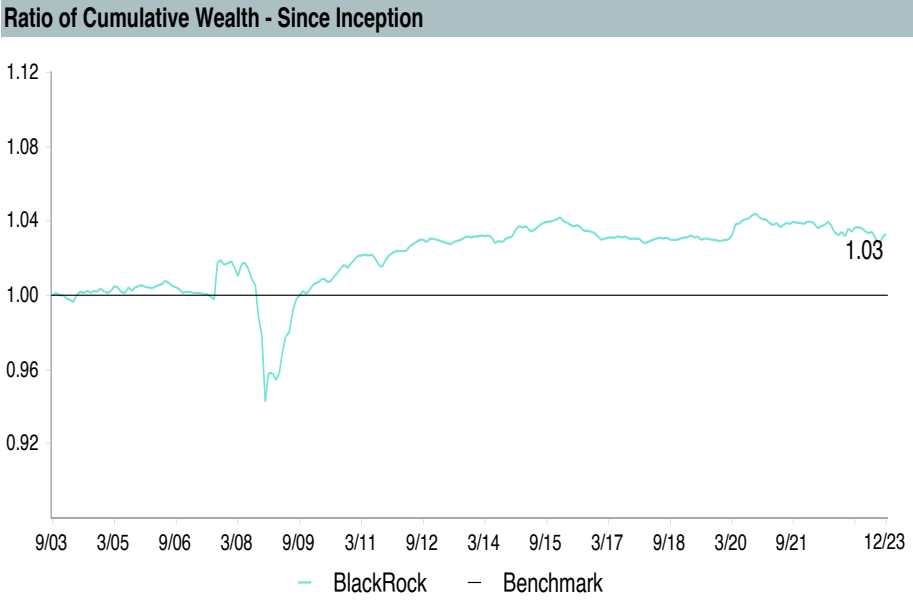
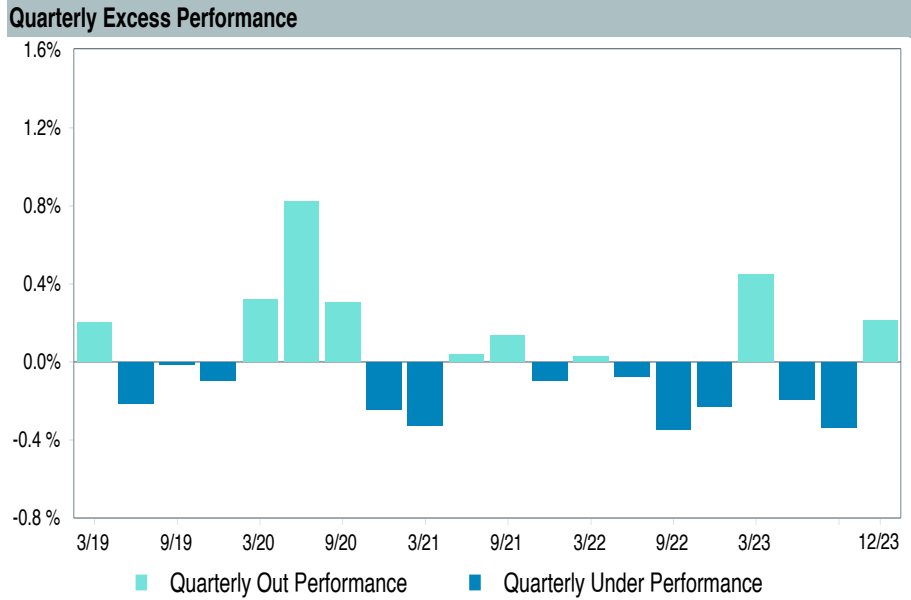
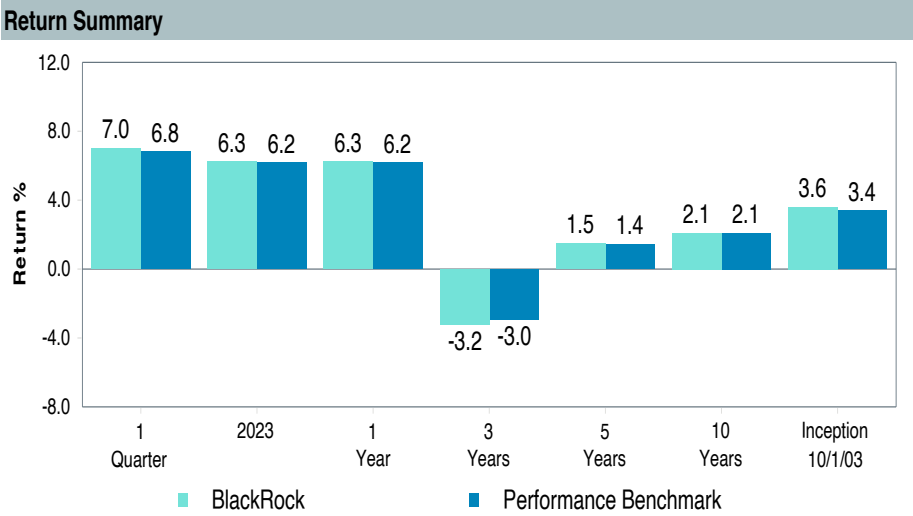
\*The BRS Recycling Tax Credit represents an annual income stream of \$16 million dollars over the next 14 years, which ATRS purchased for approximately \$162 million. This represents an approximate 9.9% yield for the 2017 fiscal year. The value shown above represents the year-end market value in accordance with GASB Statement 72, representing the 14 years of annual income, and has been incorporated into Total Fixed Income and Total Fund performance.



# Manager Performance Summary BlackRock

As of December 31, 2023

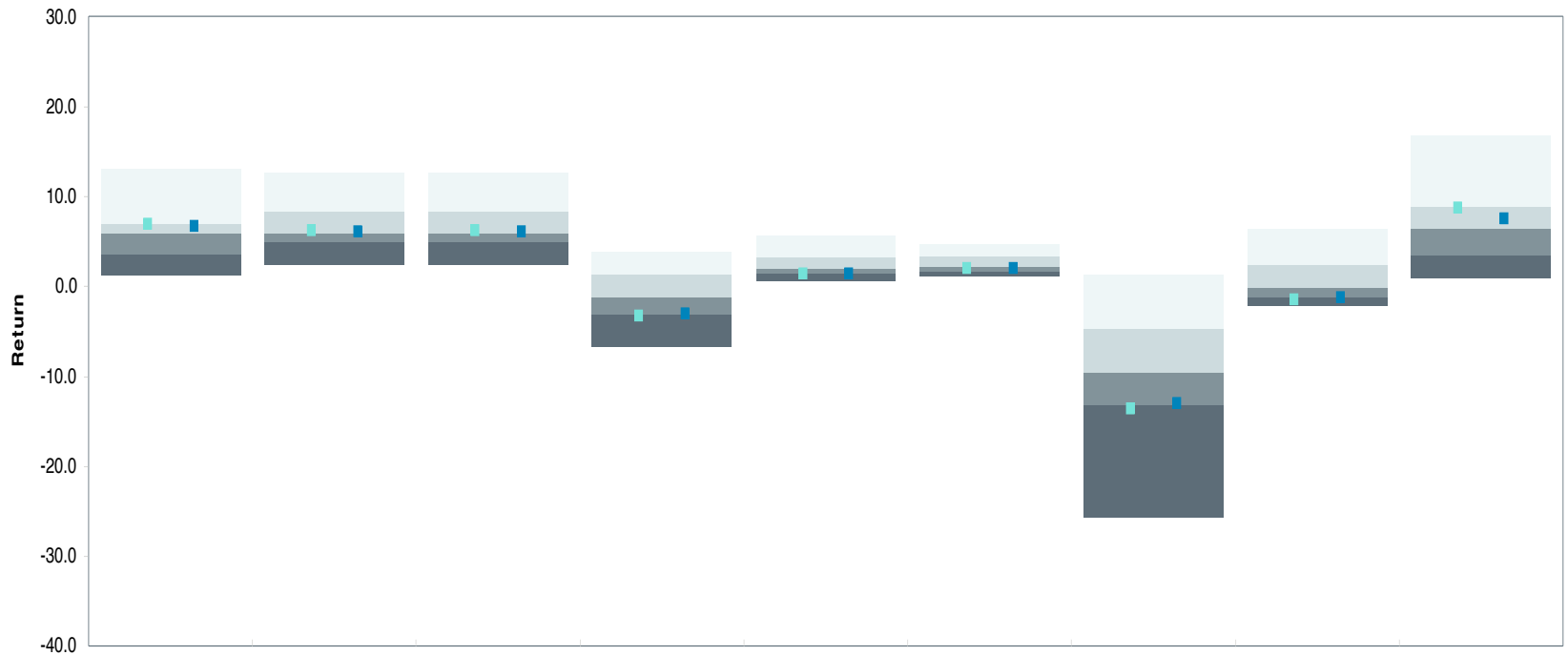
Account Information	
Account Name	BlackRock
Inception Date	09/30/2003
Account Structure	Separate Account
Asset Class	US Fixed Income
Benchmark	Performance Benchmark
Peer Group	IM U.S. Fixed Income (SA+CF)



# BlackRock

As of December 31, 2023

## IM U.S. Fixed Income (SA+CF)



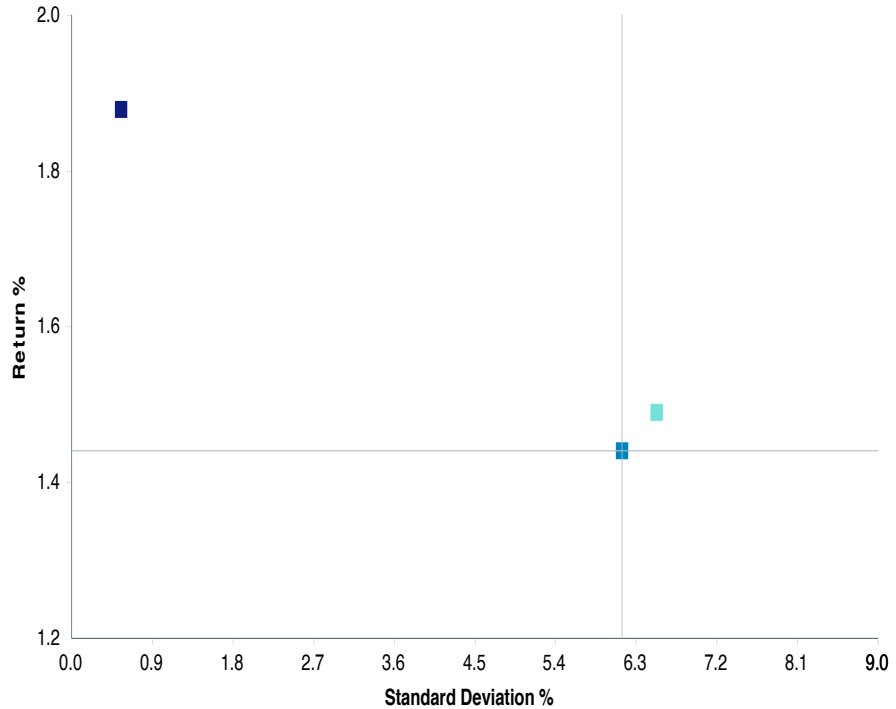
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
BlackRock	7.0 (26)	6.3 (45)	6.3 (45)	-3.2 (81)	1.5 (75)	2.1 (55)	-13.5 (79)	-1.4 (81)	8.8 (27)
Performance Benchmark	6.8 (32)	6.2 (47)	6.2 (47)	-3.0 (74)	1.4 (77)	2.1 (56)	-13.0 (72)	-1.1 (74)	7.6 (39)
5th Percentile	13.1	12.7	12.7	3.9	5.8	4.7	1.4	6.4	16.9
1st Quartile	7.1	8.3	8.3	1.3	3.2	3.4	-4.7	2.5	8.9
Median	6.0	6.0	6.0	-1.1	2.0	2.2	-9.6	-0.1	6.4
3rd Quartile	3.6	5.0	5.0	-3.0	1.5	1.7	-13.2	-1.1	3.5
95th Percentile	1.3	2.5	2.5	-6.6	0.7	1.2	-25.6	-2.1	0.9
Population	1,095	1,087	1,087	1,034	1,007	851	1,305	1,338	1,394

Parentheses contain percentile rankings.

# Risk Profile BlackRock

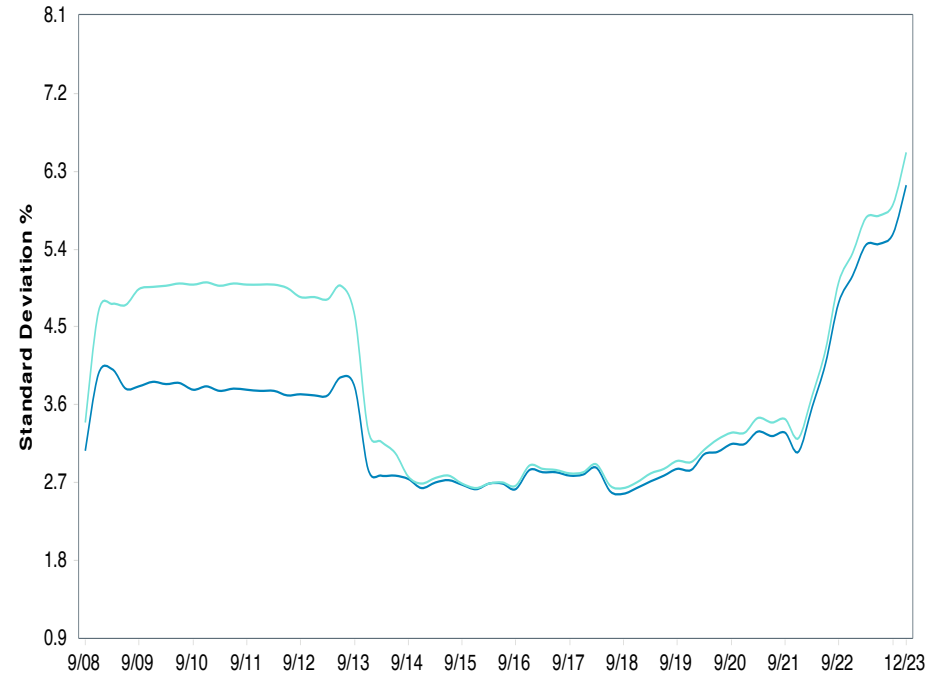
As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



■ BlackRock      ■ Performance Benchmark      ■ 90 Day U.S. Treasury Bill

**Standard Deviation  
Rolling 5 Years**



— BlackRock      — Performance Benchmark

**5 Years Historical Statistics**

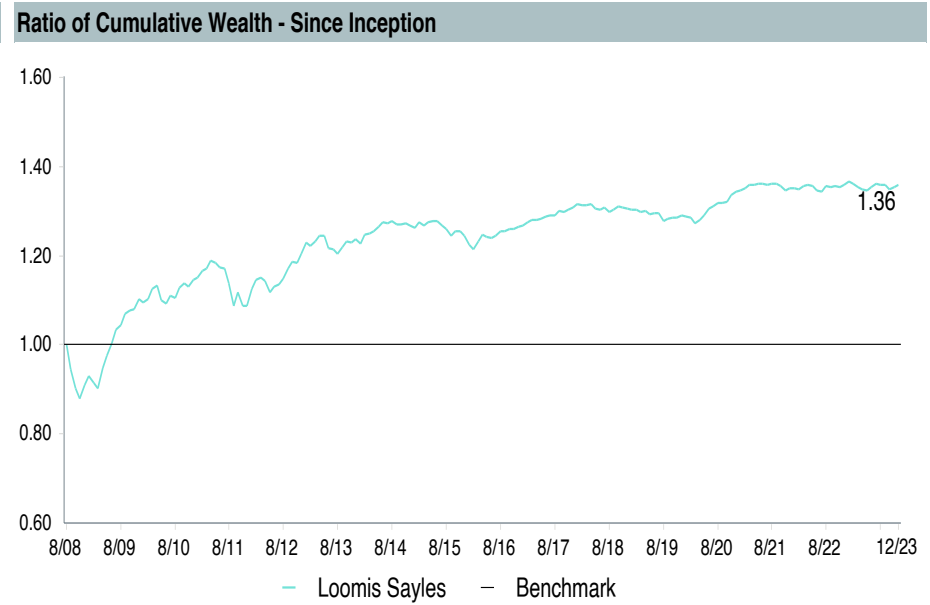
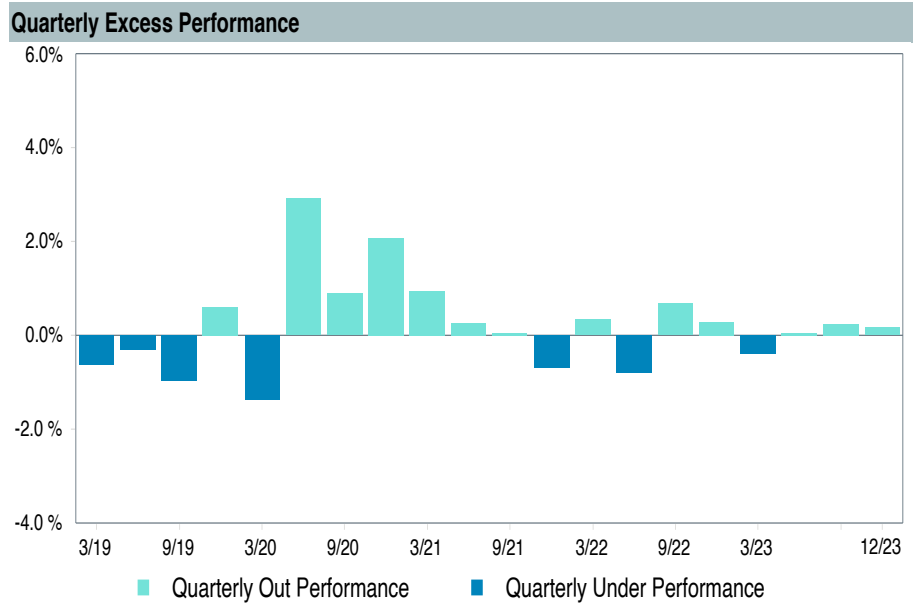
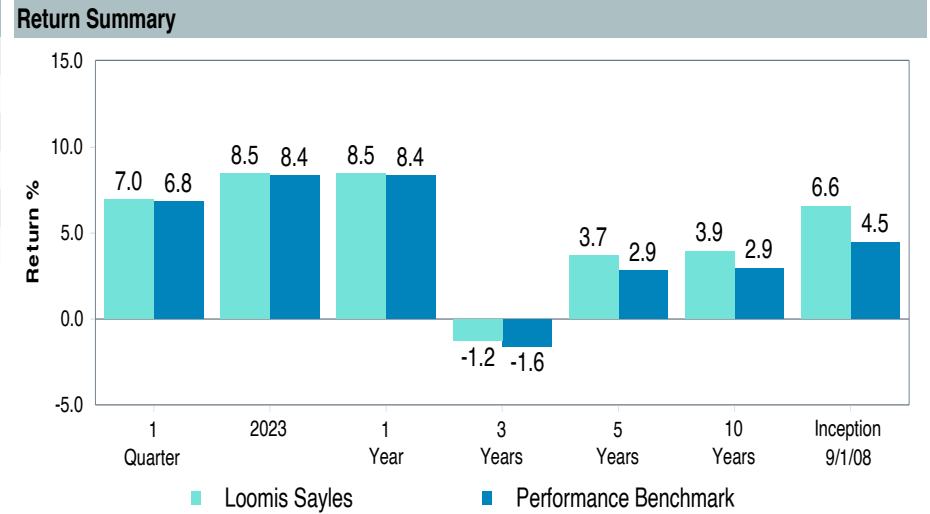
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
BlackRock	0.07	0.59	0.12	0.99	-0.03	-0.02	1.06	1.49	6.52	1.00
Performance Benchmark	0.00	0.00	-	1.00	-0.04	0.00	1.00	1.44	6.14	1.00
90 Day U.S. Treasury Bill	0.25	6.08	0.04	0.03	-	1.86	0.01	1.88	0.55	0.16



# Manager Performance Summary Loomis Sayles

As of December 31, 2023

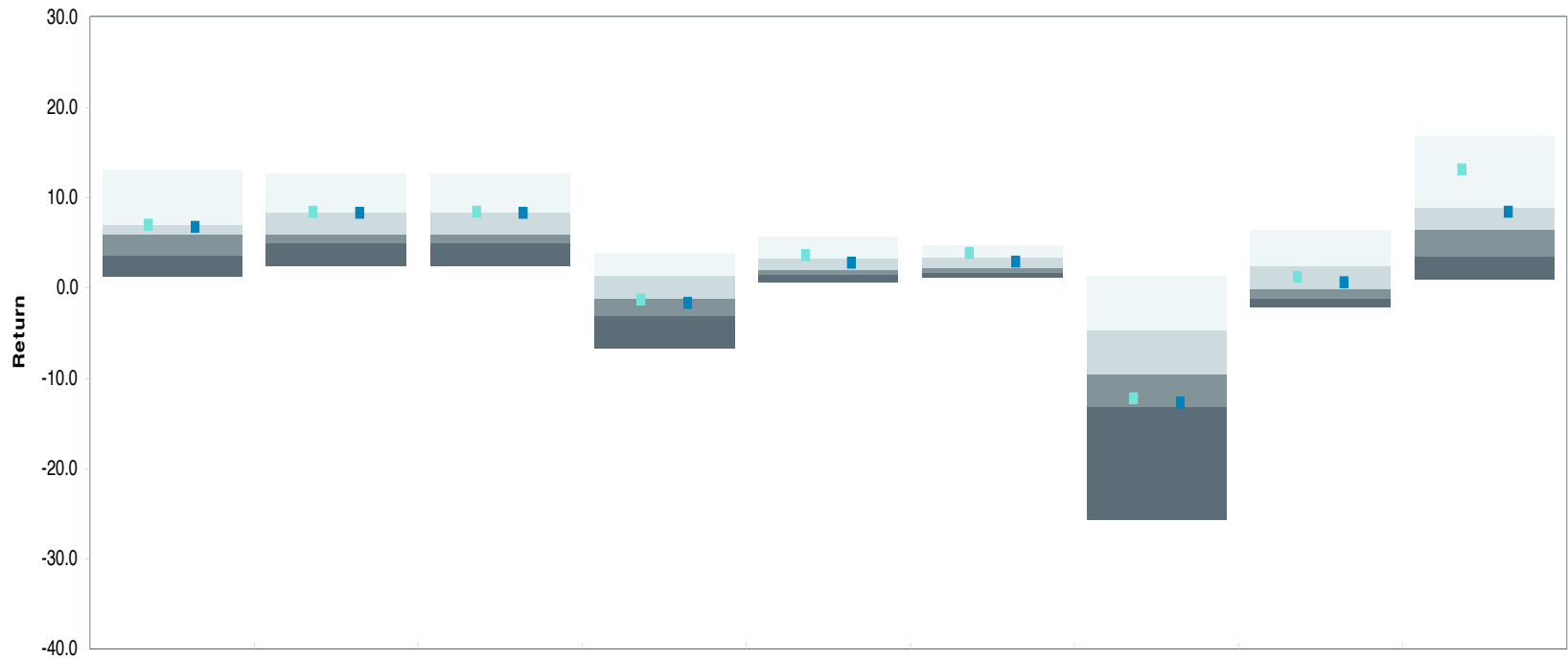
Account Information	
Account Name	Loomis Sayles
Inception Date	06/30/2008
Account Structure	Separate Account
Asset Class	US Fixed Income
Benchmark	Performance Benchmark
Peer Group	IM U.S. Fixed Income (SA+CF)



# Loomis Sayles

As of December 31, 2023

## IM U.S. Fixed Income (SA+CF)



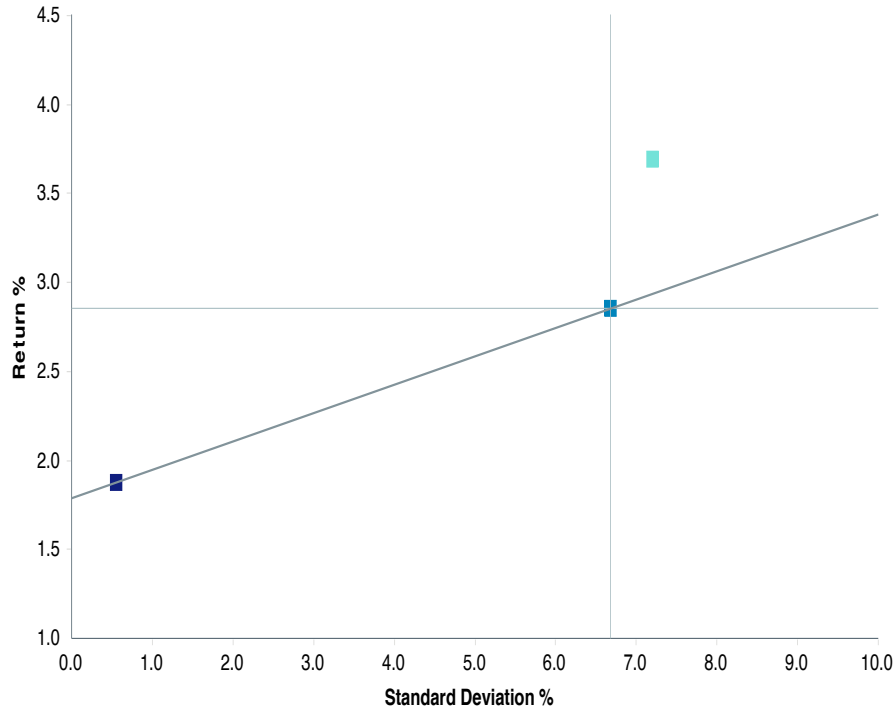
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	10 Years	2022	2021	2020
Loomis Sayles	7.0 (28)	8.5 (25)	8.5 (25)	-1.2 (52)	3.7 (21)	3.9 (17)	-12.3 (65)	1.2 (33)	13.1 (10)
Performance Benchmark	6.8 (33)	8.4 (25)	8.4 (25)	-1.6 (58)	2.9 (32)	2.9 (35)	-12.7 (69)	0.7 (37)	8.5 (28)
5th Percentile	13.1	12.7	12.7	3.9	5.8	4.7	1.4	6.4	16.9
1st Quartile	7.1	8.3	8.3	1.3	3.2	3.4	-4.7	2.5	8.9
Median	6.0	6.0	6.0	-1.1	2.0	2.2	-9.6	-0.1	6.4
3rd Quartile	3.6	5.0	5.0	-3.0	1.5	1.7	-13.2	-1.1	3.5
95th Percentile	1.3	2.5	2.5	-6.6	0.7	1.2	-25.6	-2.1	0.9
Population	1,095	1,087	1,087	1,034	1,007	851	1,305	1,338	1,394

Parentheses contain percentile rankings.

# Risk Profile Loomis Sayles

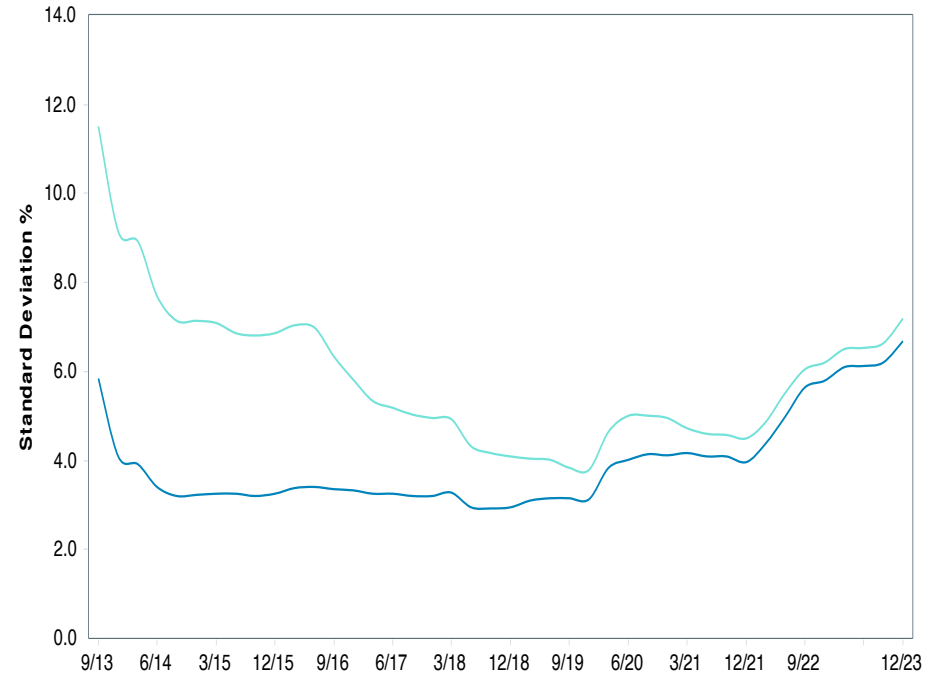
As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



■ Loomis Sayles    ■ Performance Benchmark    ■ 90 Day U.S. Treasury Bill

**Standard Deviation  
Rolling 5 Years**



— Loomis Sayles    — Performance Benchmark

**5 Years Historical Statistics**

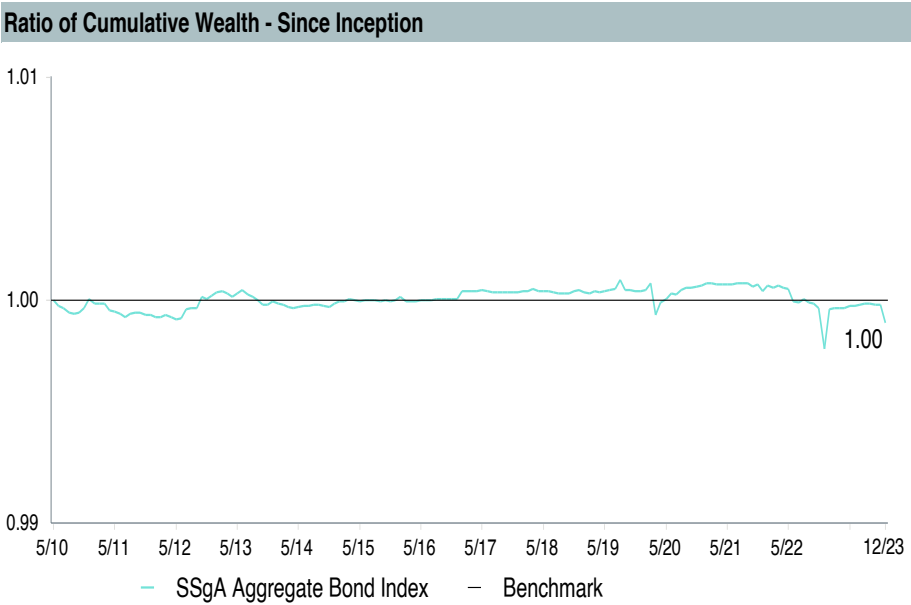
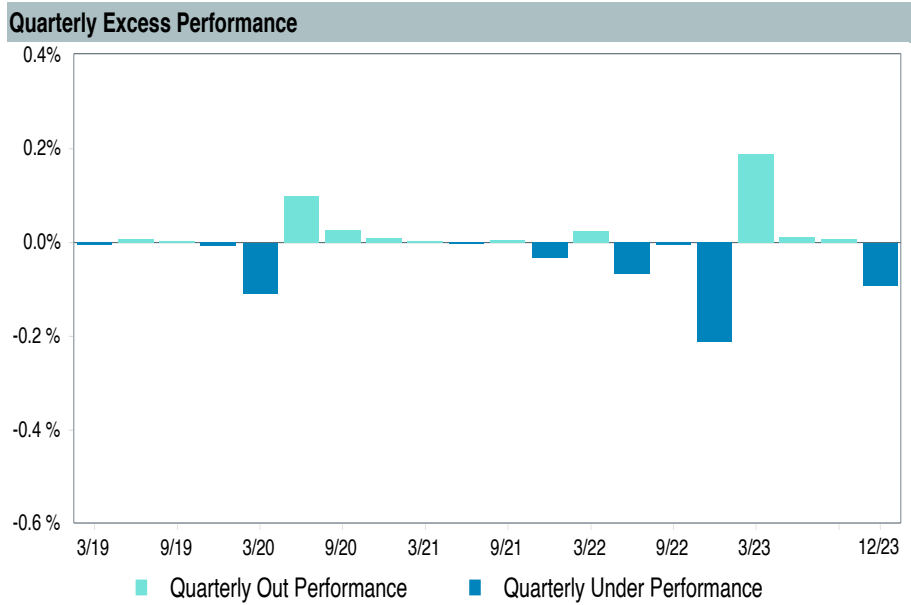
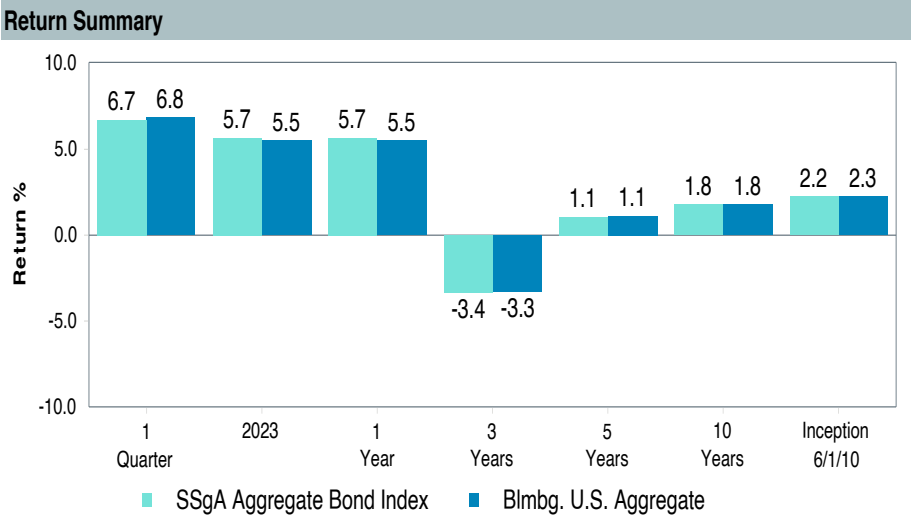
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Loomis Sayles	0.85	1.67	0.51	0.95	0.28	0.70	1.05	3.69	7.20	0.97
Performance Benchmark	0.00	0.00	-	1.00	0.18	0.00	1.00	2.86	6.68	1.00
90 Day U.S. Treasury Bill	-1.17	6.65	-0.18	0.01	-	1.85	0.01	1.88	0.55	0.10



# Manager Performance Summary SSgA Aggregate Bond Index

As of December 31, 2023

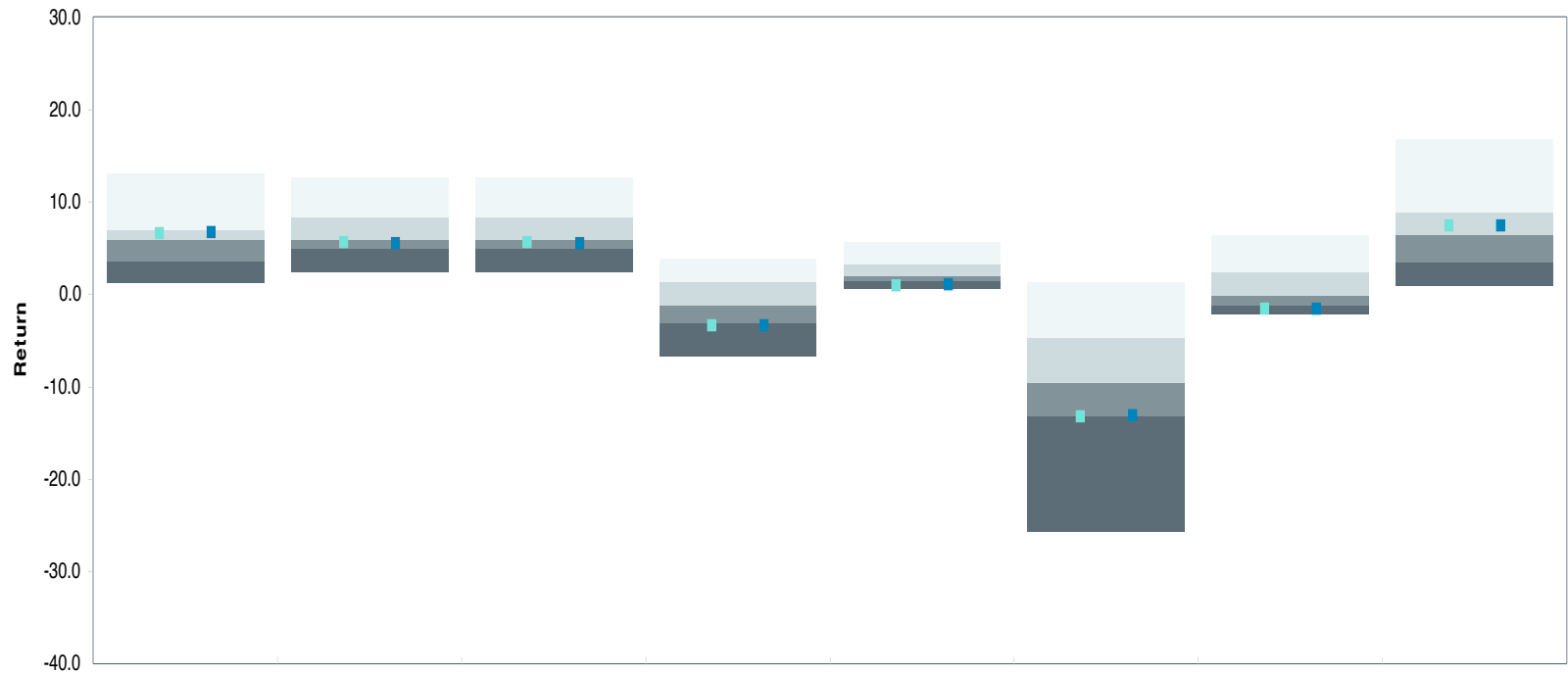
Account Information	
Account Name	SSgA Aggregate Bond Index
Inception Date	01/01/1901
Account Structure	Commingled Fund
Asset Class	US Fixed Income
Benchmark	Blmbg. U.S. Aggregate
Peer Group	IM U.S. Fixed Income (SA+CF)



# SSgA Aggregate Bond Index

As of December 31, 2023

IM U.S. Fixed Income (SA+CF)



	1 Quarter	Year to Date	1 Year	3 Years	5 Years	2022	2021	2020
SSgA Aggregate Bond Index	6.7 (36)	5.7 (58)	5.7 (58)	-3.4 (85)	1.1 (91)	-13.2 (76)	-1.6 (86)	7.5 (39)
Blmbg. U.S. Aggregate	6.8 (33)	5.5 (61)	5.5 (61)	-3.3 (84)	1.1 (90)	-13.0 (72)	-1.5 (86)	7.5 (39)
5th Percentile	13.1	12.7	12.7	3.9	5.8	1.4	6.4	16.9
1st Quartile	7.1	8.3	8.3	1.3	3.2	-4.7	2.5	8.9
Median	6.0	6.0	6.0	-1.1	2.0	-9.6	-0.1	6.4
3rd Quartile	3.6	5.0	5.0	-3.0	1.5	-13.2	-1.1	3.5
95th Percentile	1.3	2.5	2.5	-6.6	0.7	-25.6	-2.1	0.9

Population

1,095

1,087

1,087

1,034

1,007

1,305

1,338

1,394

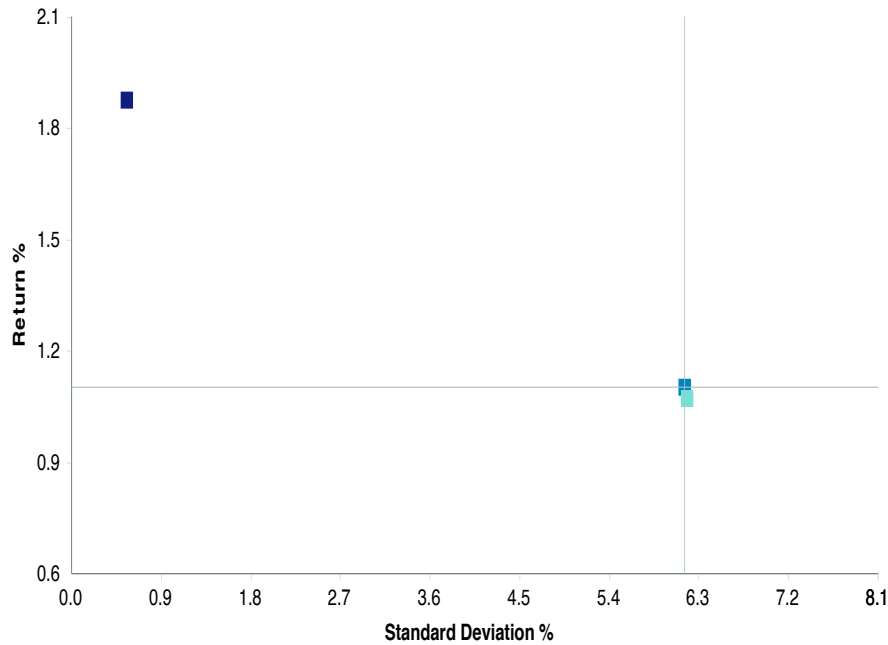
Parentheses contain percentile rankings.



# Risk Profile SSgA Aggregate Bond Index

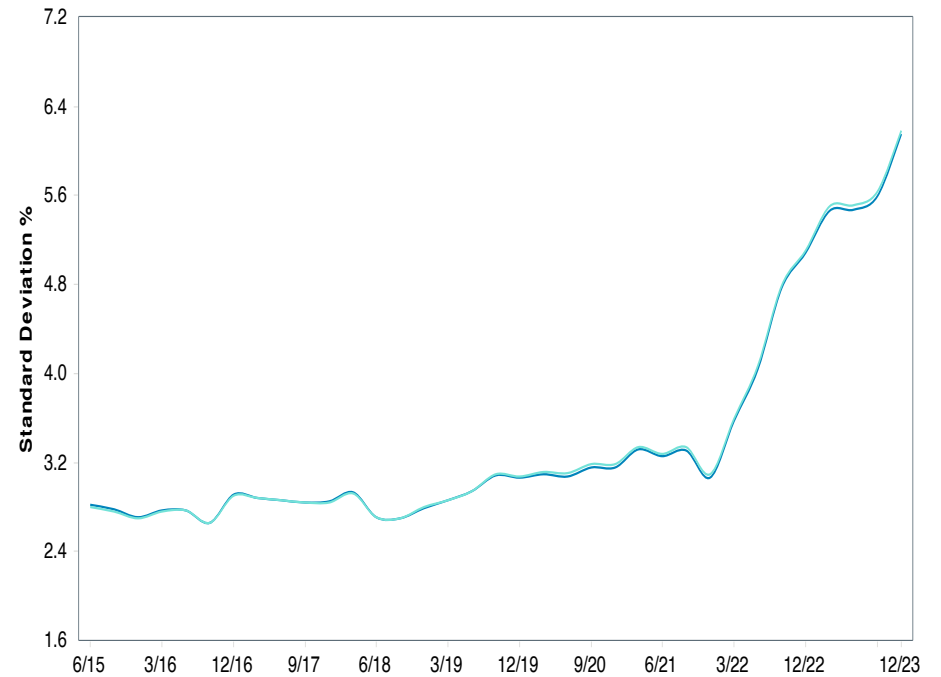
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- SSgA Aggregate Bond Index
- Blmbg. U.S. Aggregate
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



- SSgA Aggregate Bond Index
- Blmbg. U.S. Aggregate

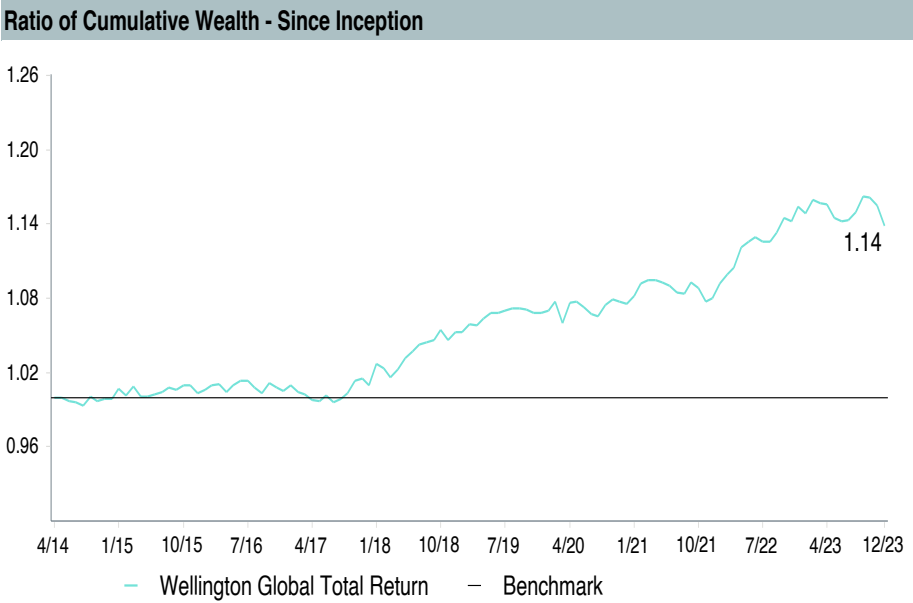
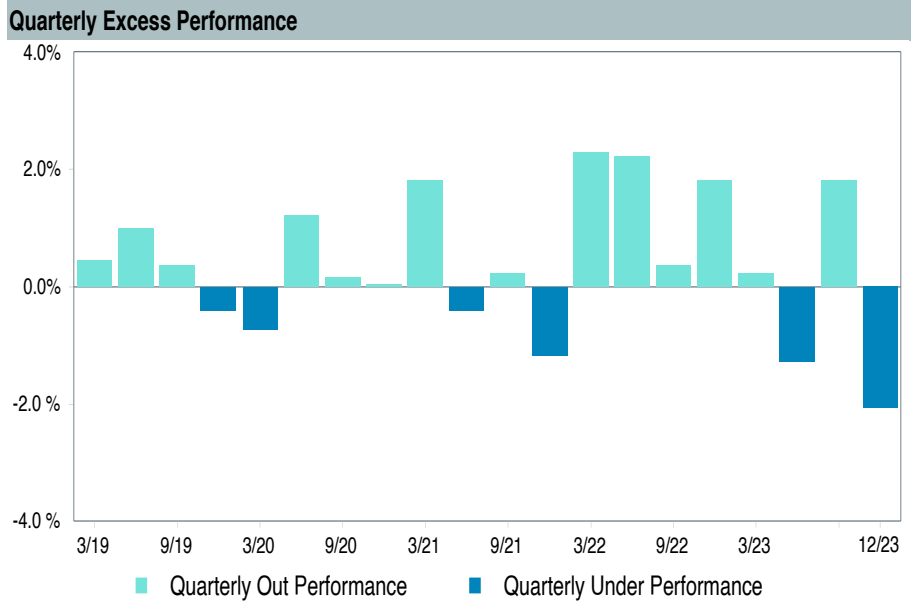
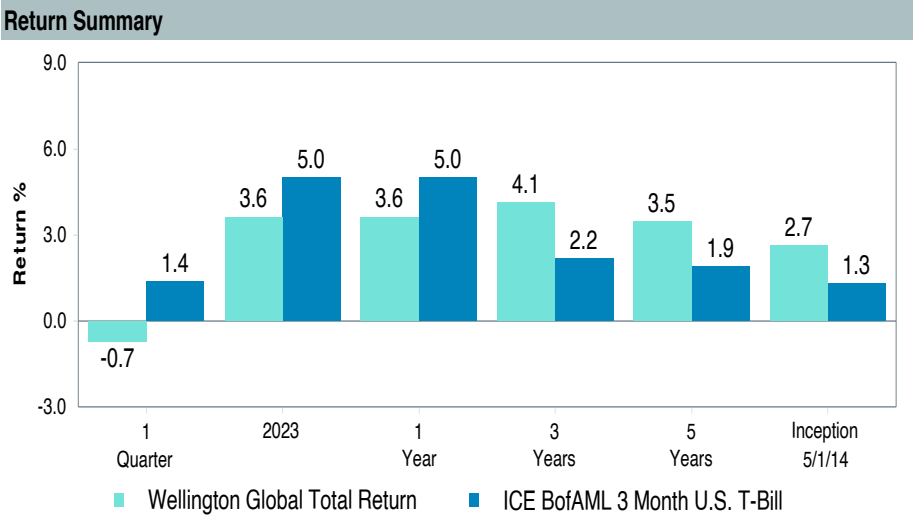
## 5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
SSgA Aggregate Bond Index	-0.03	0.15	-0.19	1.00	-0.10	-0.03	1.00	1.07	6.18	1.00
Blmbg. U.S. Aggregate	0.00	0.00	-	1.00	-0.10	0.00	1.00	1.10	6.16	1.00
90 Day U.S. Treasury Bill	0.58	6.09	0.10	0.03	-	1.86	0.02	1.88	0.55	0.17

# Manager Performance Summary Wellington Global Total Return

As of December 31, 2023

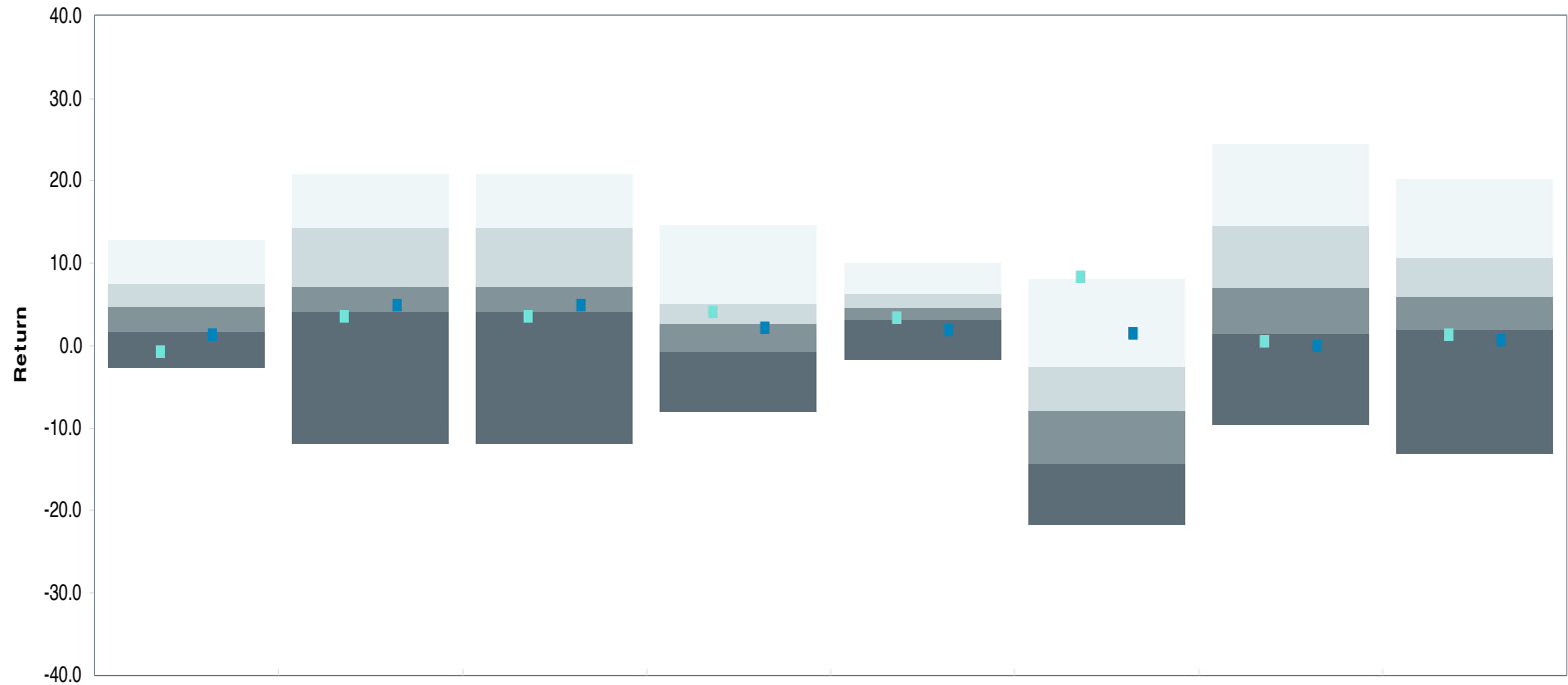
Account Information	
Account Name	Wellington Global Total Return
Inception Date	05/13/2014
Account Structure	Commingled Fund
Asset Class	Global Fixed Income
Benchmark	ICE BofAML 3 Month U.S. T-Bill
Peer Group	IM Absolute Return (MF)



# Wellington Global Total Return

As of December 31, 2023

IM Absolute Return (MF)



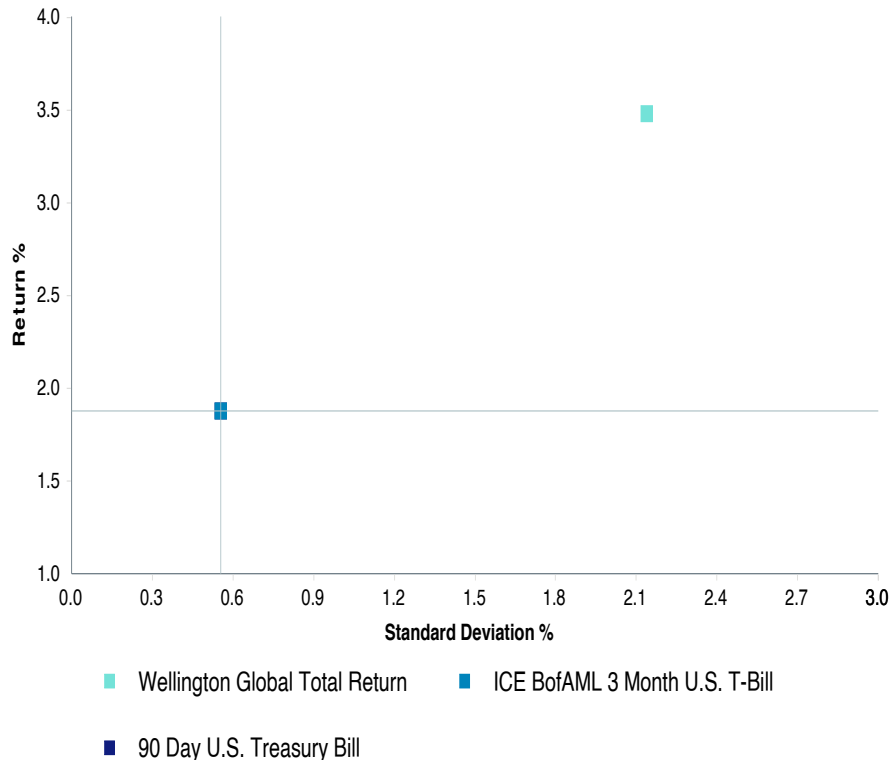
	1 Quarter	Year to Date	1 Year	3 Years	5 Years	2022	2021	2020
Wellington Global Total Return	-0.7 (91)	3.6 (77)	3.6 (77)	4.1 (35)	3.5 (72)	8.4 (5)	0.5 (82)	1.4 (77)
ICE BofAML 3 Month U.S. T-Bill	1.4 (77)	5.0 (65)	5.0 (65)	2.2 (61)	1.9 (89)	1.5 (13)	0.0 (82)	0.7 (81)
5th Percentile	12.8	20.7	20.7	14.6	10.0	8.2	24.4	20.2
1st Quartile	7.5	14.4	14.4	5.1	6.3	-2.5	14.6	10.7
Median	4.7	7.2	7.2	2.7	4.6	-7.9	7.1	6.0
3rd Quartile	1.7	4.1	4.1	-0.7	3.1	-14.3	1.5	1.9
95th Percentile	-2.6	-11.8	-11.8	-7.9	-1.6	-21.8	-9.7	-13.1
Population	39	39	39	38	36	45	48	46

Parentheses contain percentile rankings.

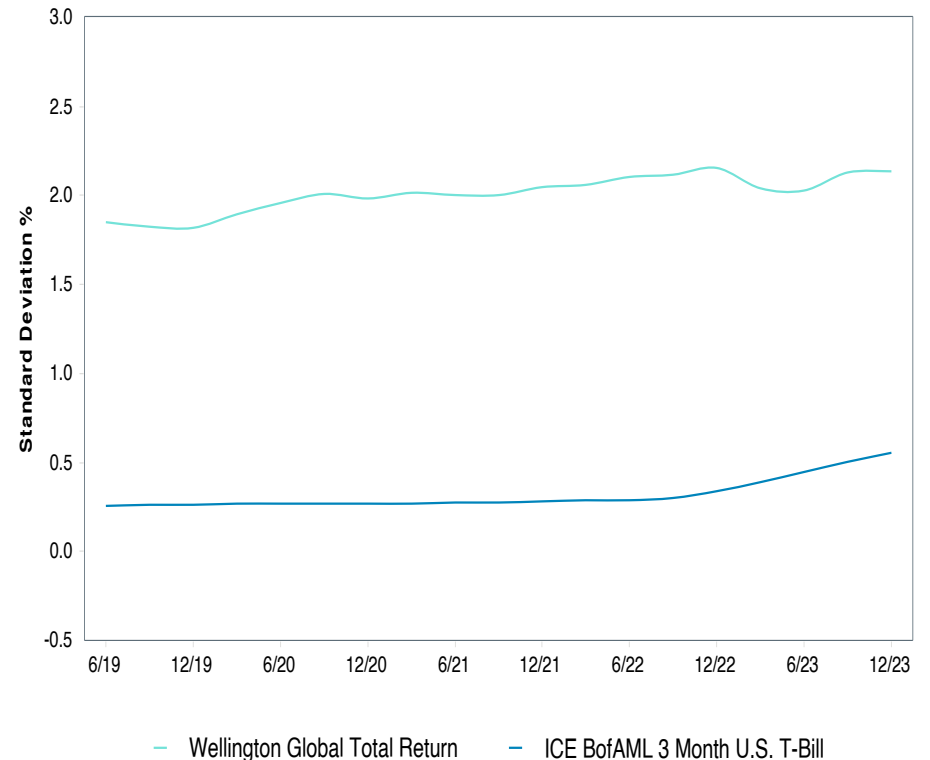
# Risk Profile Wellington Global Total Return

As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



**Standard Deviation  
Rolling 5 Years**



**5 Years Historical Statistics**

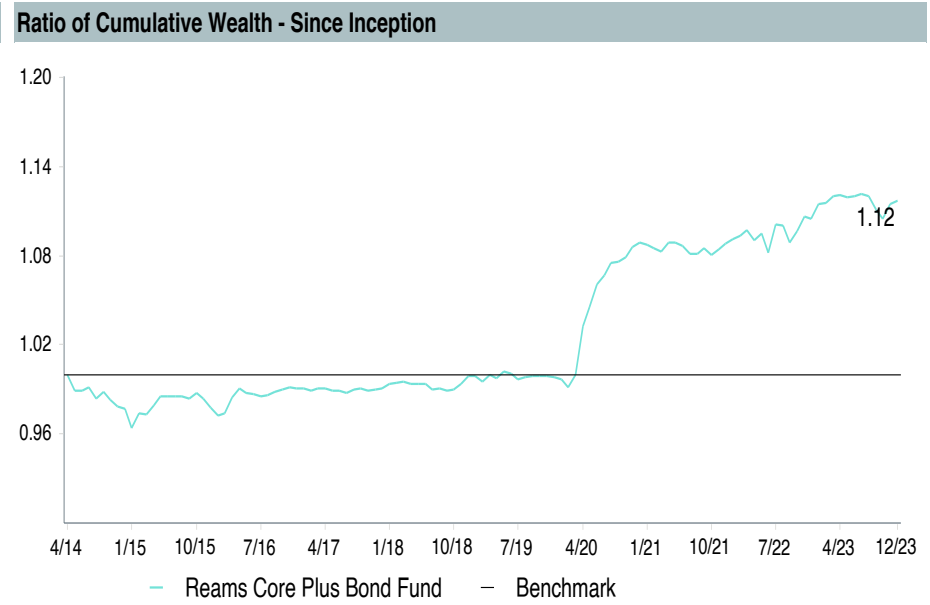
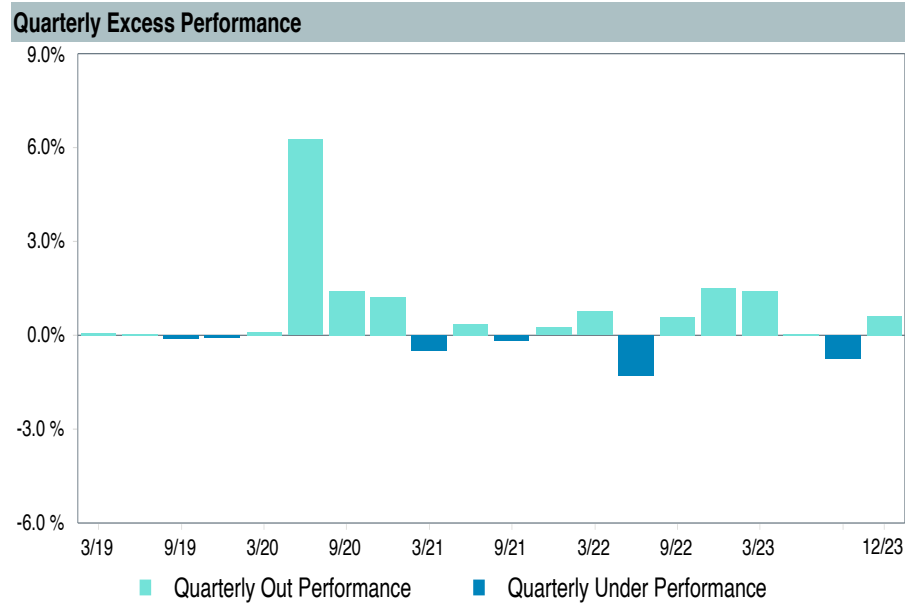
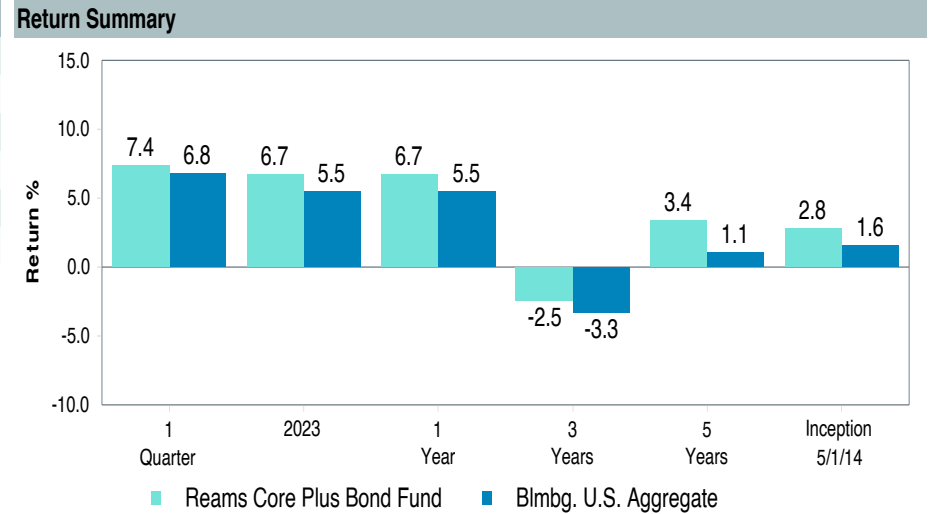
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Wellington Global Total Return	1.59	2.18	0.73	0.00	0.73	3.07	0.23	3.48	2.14	0.06
ICE BofAML 3 Month U.S. T-Bill	0.00	0.00	-	1.00	-	0.00	1.00	1.88	0.55	1.00
90 Day U.S. Treasury Bill	0.00	0.00	-	1.00	-	0.00	1.00	1.88	0.55	1.00



# Manager Performance Summary Reams Core Plus Bond Fund

As of December 31, 2023

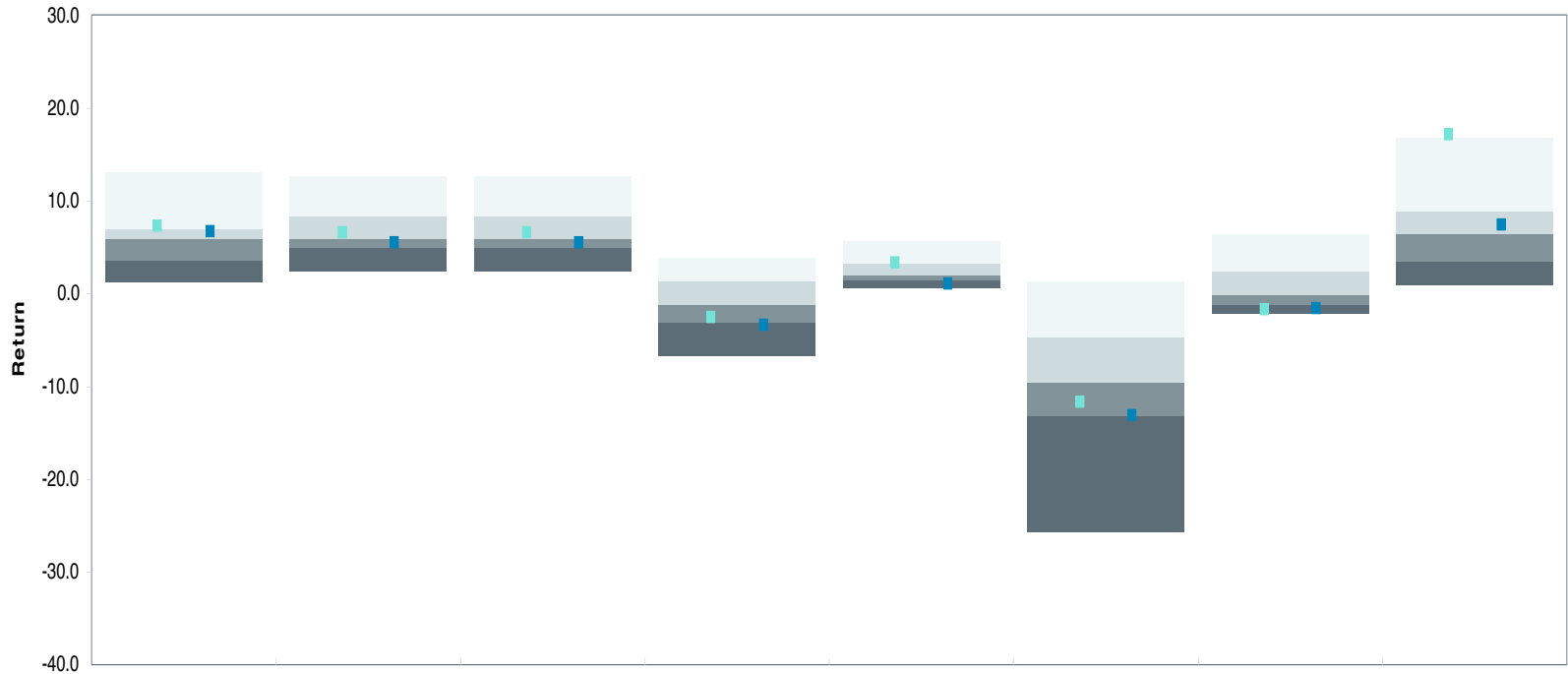
Account Information	
Account Name	Reams Core Plus Bond Fund
Inception Date	05/08/2014
Account Structure	Commingled Fund
Asset Class	US Fixed Income
Benchmark	Blmbg. U.S. Aggregate
Peer Group	IM U.S. Fixed Income (SA+CF)



# Reams Core Plus Bond Fund

As of December 31, 2023

IM U.S. Fixed Income (SA+CF)



	1 Quarter	Year to Date	1 Year	3 Years	5 Years	2022	2021	2020
Reams Core Plus Bond Fund	7.4 (19)	6.7 (39)	6.7 (39)	-2.5 (67)	3.4 (24)	-11.7 (61)	-1.6 (88)	17.2 (5)
Blmbg. U.S. Aggregate	6.8 (33)	5.5 (61)	5.5 (61)	-3.3 (84)	1.1 (90)	-13.0 (72)	-1.5 (86)	7.5 (39)
5th Percentile	13.1	12.7	12.7	3.9	5.8	1.4	6.4	16.9
1st Quartile	7.1	8.3	8.3	1.3	3.2	-4.7	2.5	8.9
Median	6.0	6.0	6.0	-1.1	2.0	-9.6	-0.1	6.4
3rd Quartile	3.6	5.0	5.0	-3.0	1.5	-13.2	-1.1	3.5
95th Percentile	1.3	2.5	2.5	-6.6	0.7	-25.6	-2.1	0.9

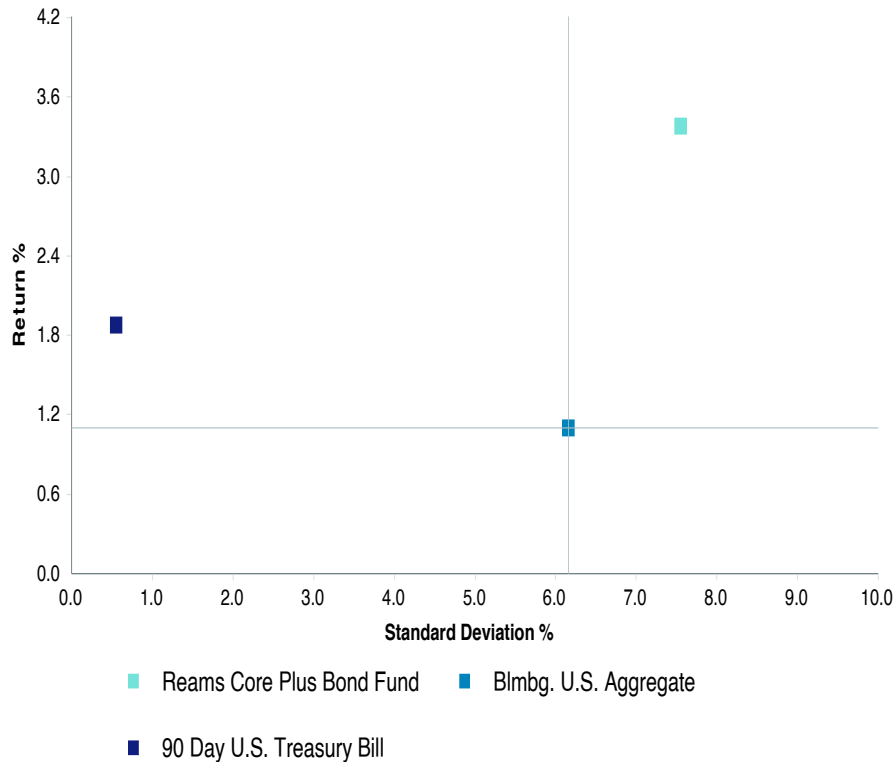
Population	1,095	1,087	1,087	1,034	1,007	1,305	1,338	1,394
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Parentheses contain percentile rankings.

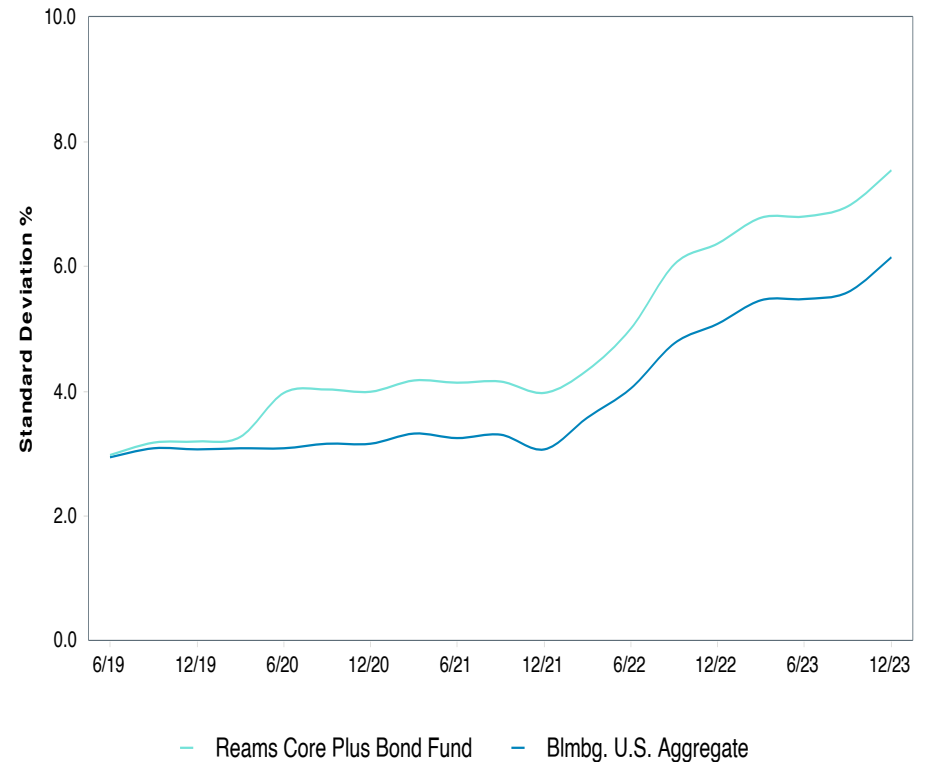
# Risk Profile Reams Core Plus Bond Fund

As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



Standard Deviation  
Rolling 5 Years



## 5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Reams Core Plus Bond Fund	2.33	2.38	0.98	0.92	0.23	2.12	1.18	3.38	7.55	0.96
Blmbg. U.S. Aggregate	0.00	0.00	-	1.00	-0.10	0.00	1.00	1.10	6.16	1.00
90 Day U.S. Treasury Bill	0.58	6.09	0.10	0.03	-	1.86	0.02	1.88	0.55	0.17

## Opportunistic/Alternatives



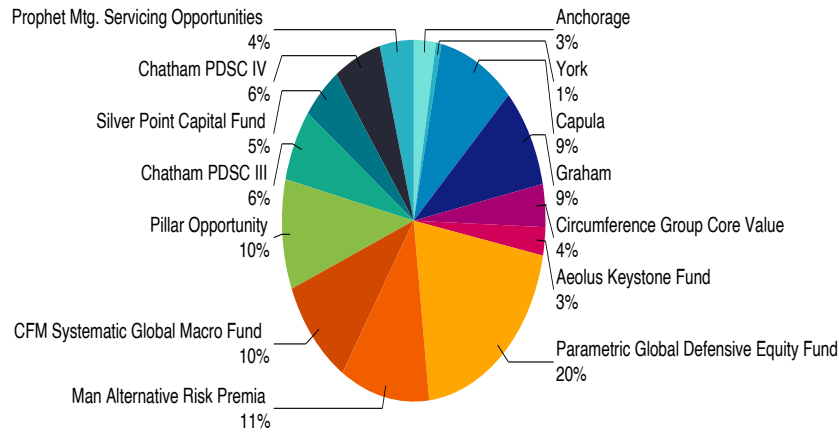


# Composite Portfolio Overview Opportunistic/Alternatives

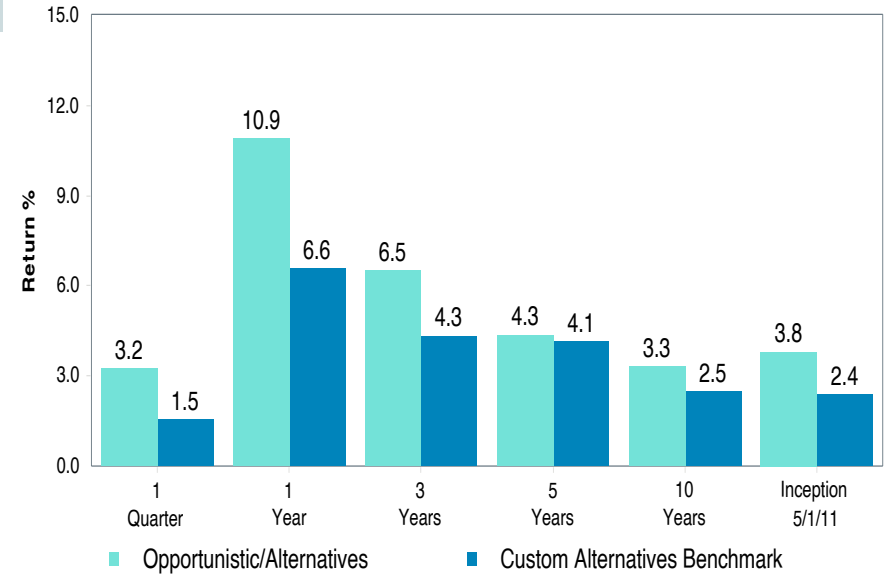
As of December 31, 2023

## Current Allocation

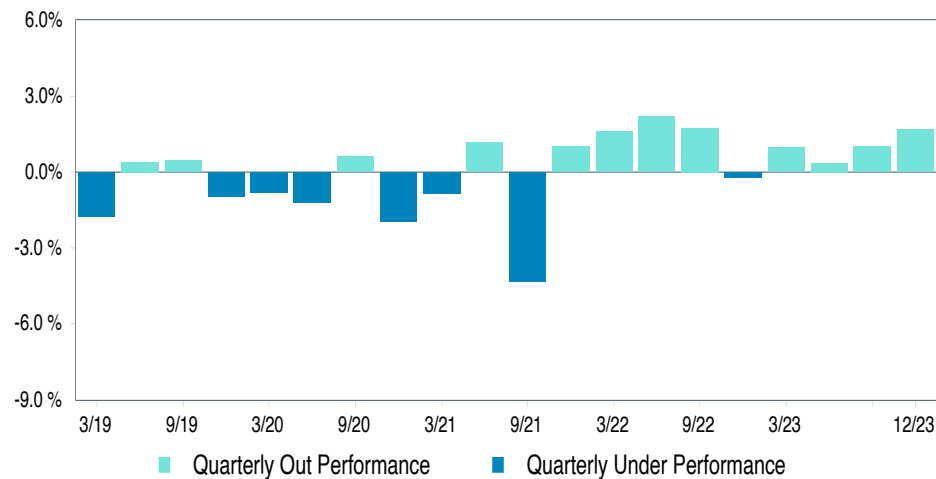
December 31, 2023 : \$1,076,071,777



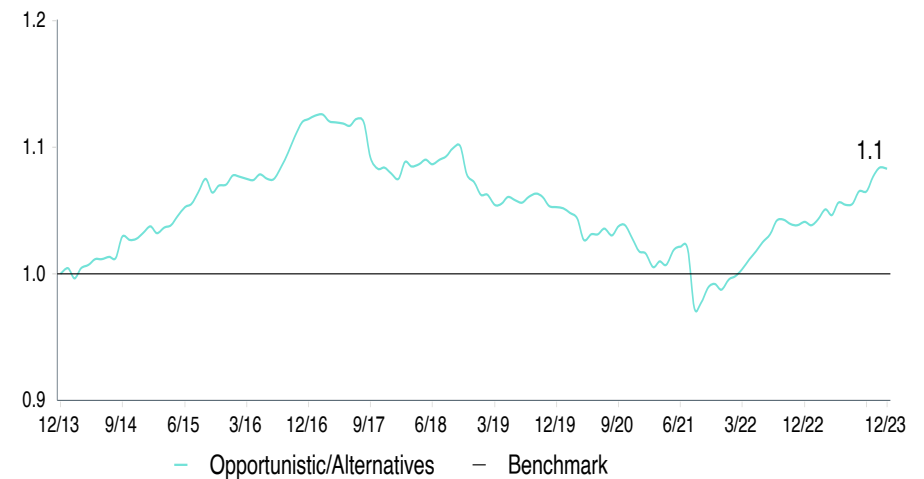
## Return Summary



## Quarterly Excess Performance



## Ratio of Cumulative Wealth - 10 Years

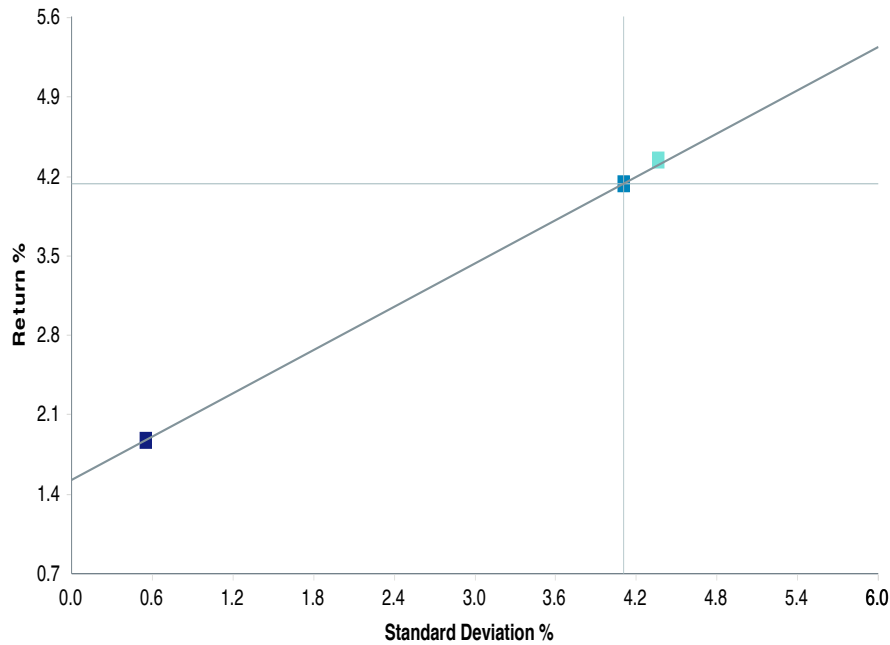


Note: April 1, 2004 represents the inception of the Global Equity Custom Benchmark as the primary performance objective for the Global Equity portfolio.

# Risk Profile Opportunistic/Alternatives

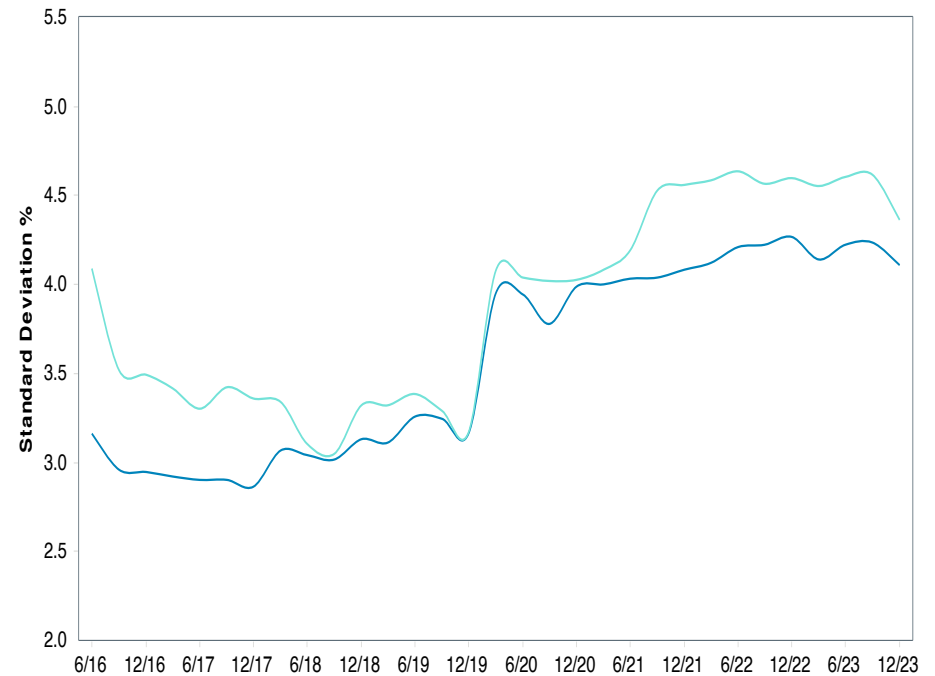
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- Opportunistic/Alternatives
- Custom Alternatives Benchmark
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



- Opportunistic/Alternatives
- Custom Alternatives Benchmark

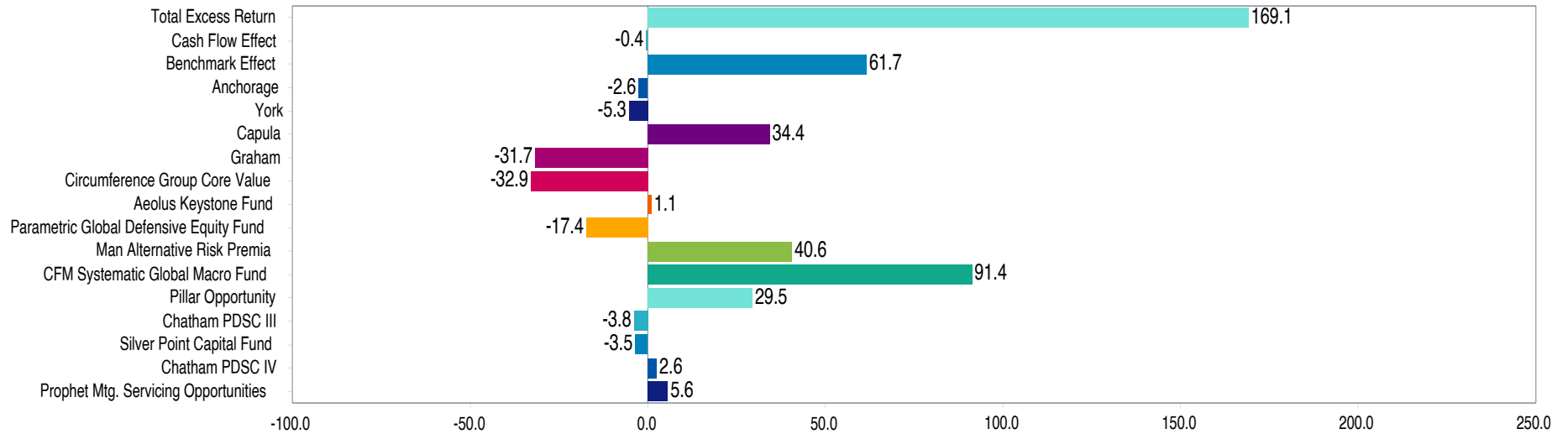
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
<b>Opportunistic/Alternatives</b>	<b>0.21</b>	<b>2.99</b>	<b>0.07</b>	<b>0.57</b>	<b>0.57</b>	<b>1.04</b>	<b>0.80</b>	<b>4.34</b>	<b>4.37</b>	<b>0.75</b>
Custom Alternatives Benchmark	0.00	0.00	-	1.00	0.54	0.00	1.00	4.14	4.11	1.00
90 Day U.S. Treasury Bill	-2.28	4.20	-0.54	0.01	-	1.94	-0.01	1.88	0.55	-0.10

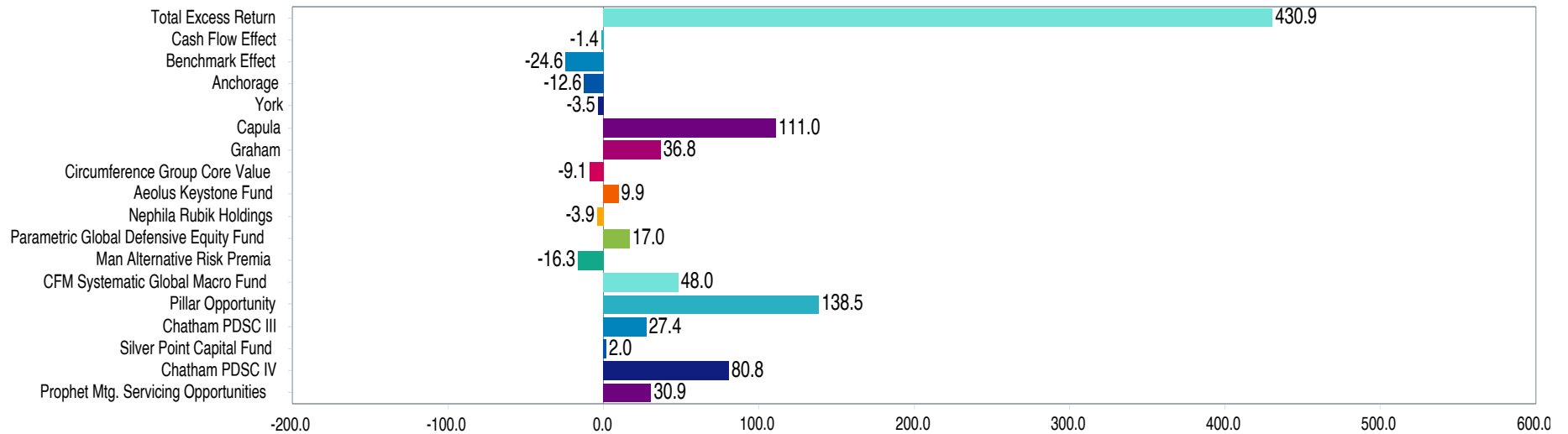
# Asset Class Attribution

As of December 31, 2023

## 1 Quarter



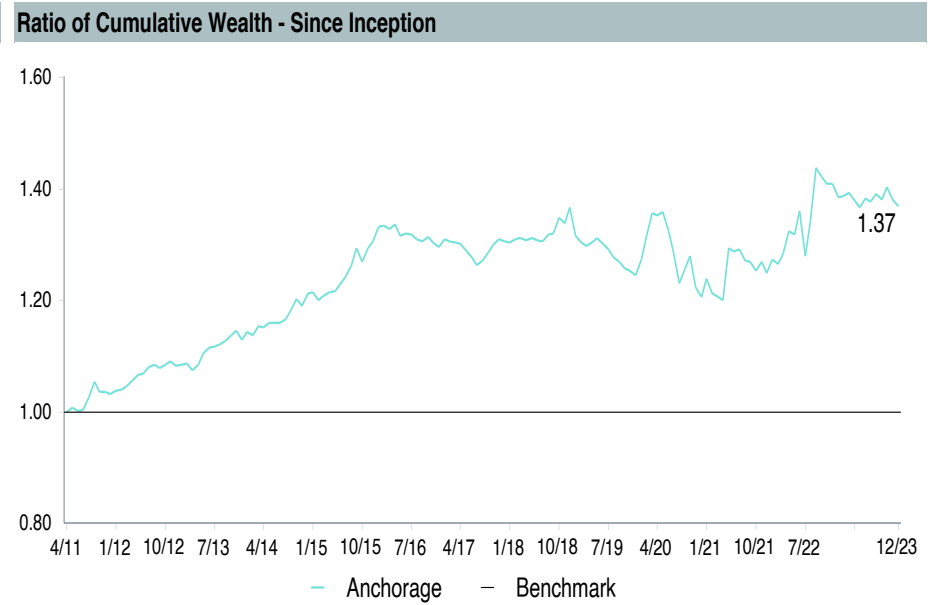
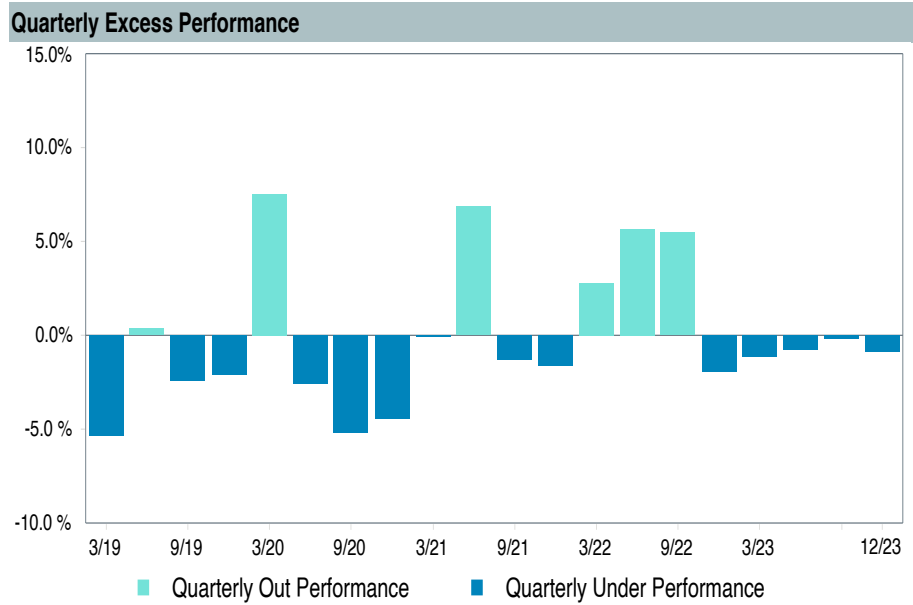
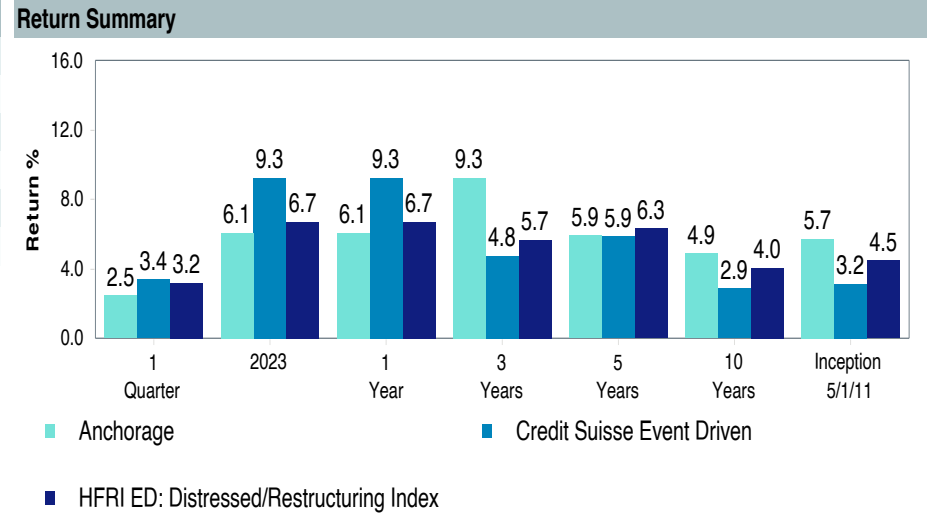
## 1 Year



# Manager Performance Summary Anchorage

As of December 31, 2023

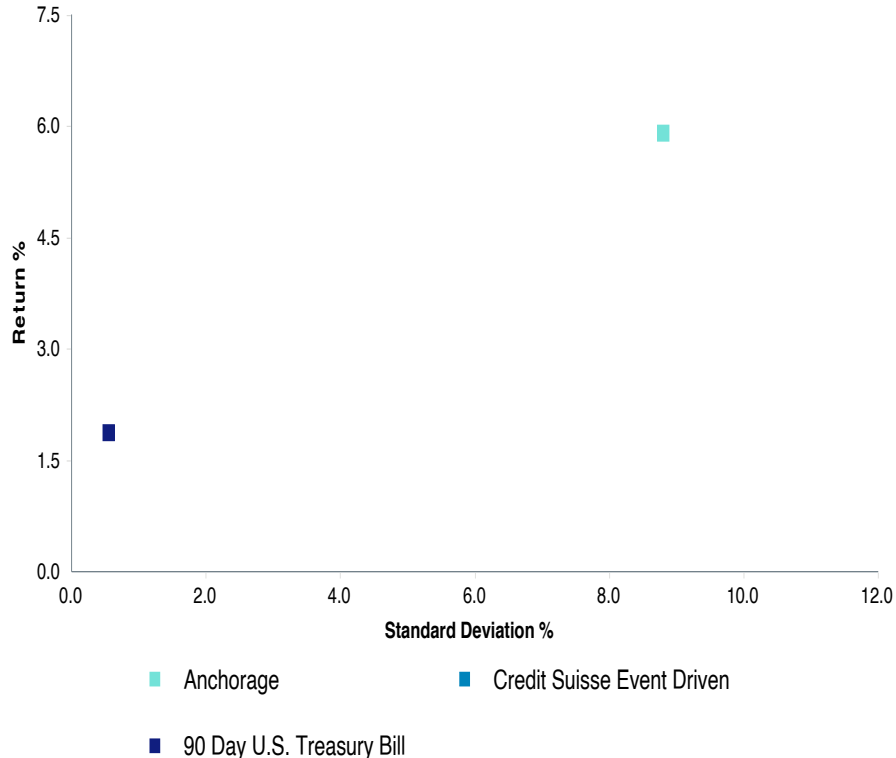
Account Information	
Account Name	Anchorage
Inception Date	05/01/2011
Account Structure	Hedge Fund
Asset Class	US Hedge Fund
Benchmark	Credit Suisse Event Driven
Peer Group	



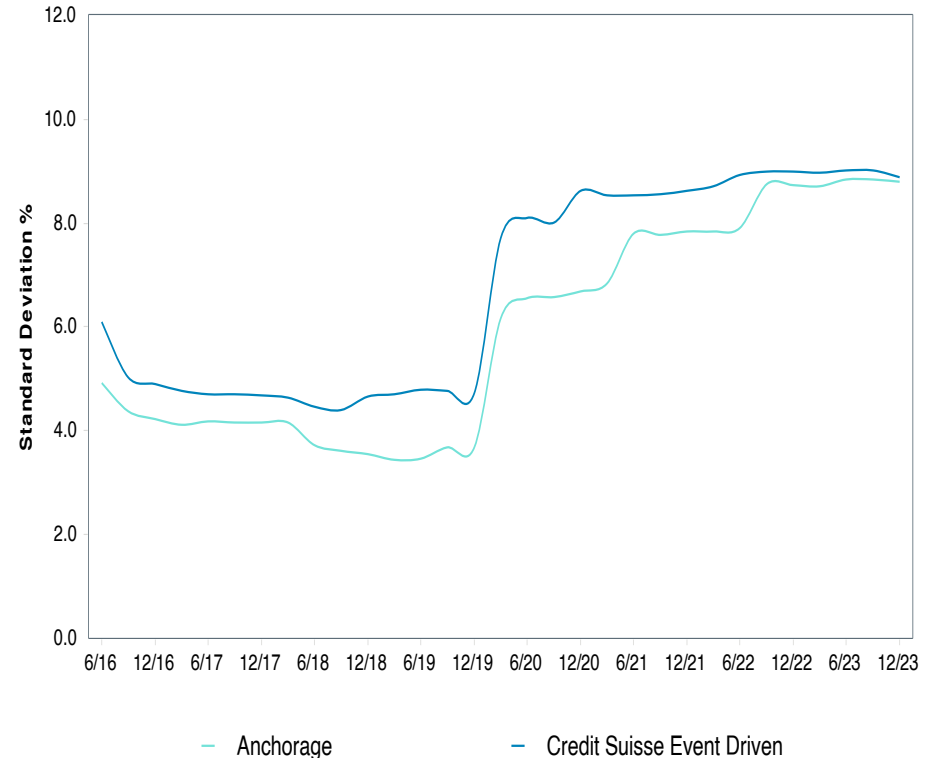
# Risk Profile Anchorage

As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



**Standard Deviation  
Rolling 5 Years**



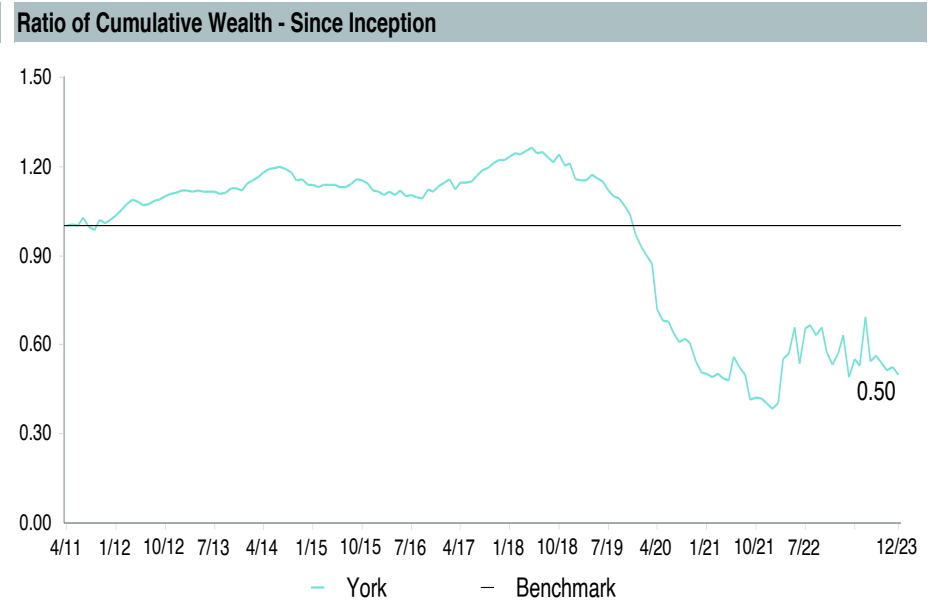
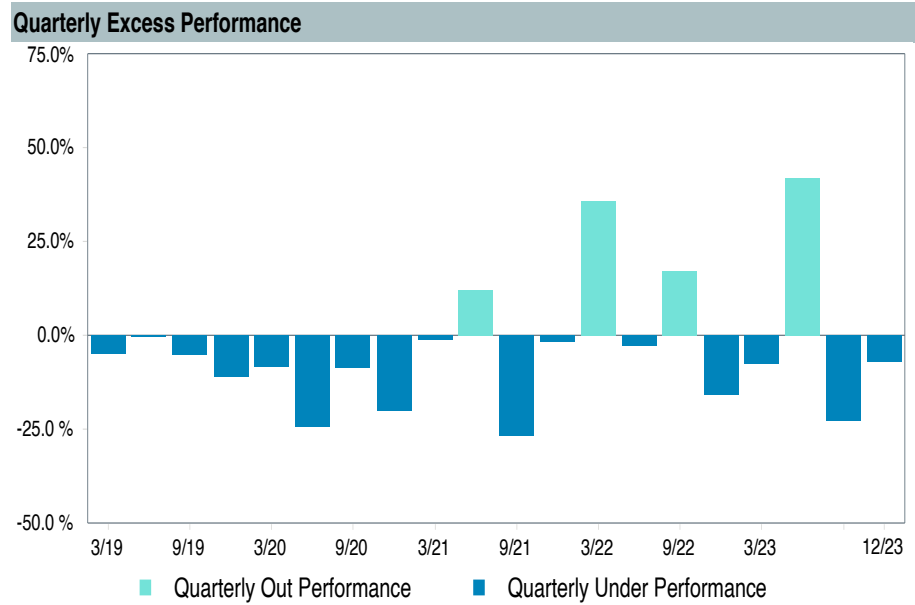
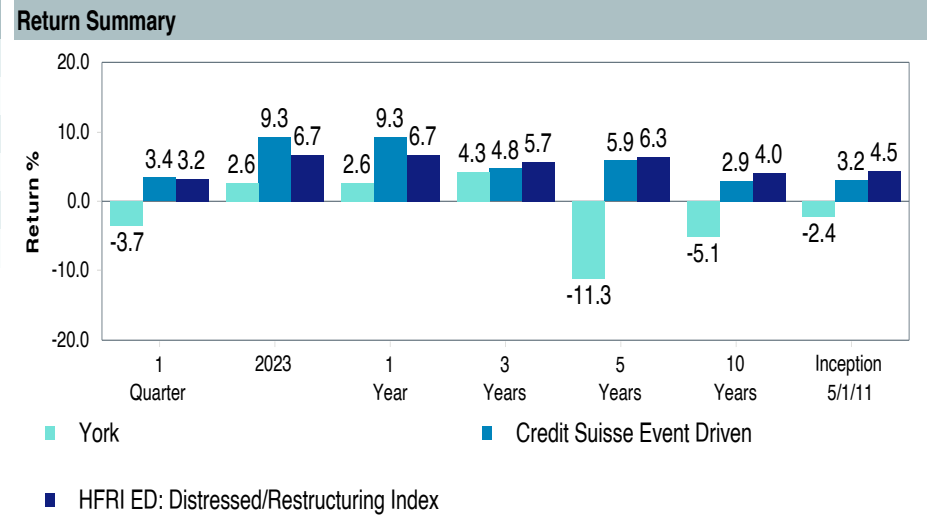
5 Years Historical Statistics										
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Anchorage	-	-	-	-	0.48	-	-	5.91	8.80	-
Credit Suisse Event Driven	-	-	-	-	0.48	-	-	5.89	8.90	-
90 Day U.S. Treasury Bill	-	-	-	-	-	-	-	1.88	0.55	-



# Manager Performance Summary York

As of December 31, 2023

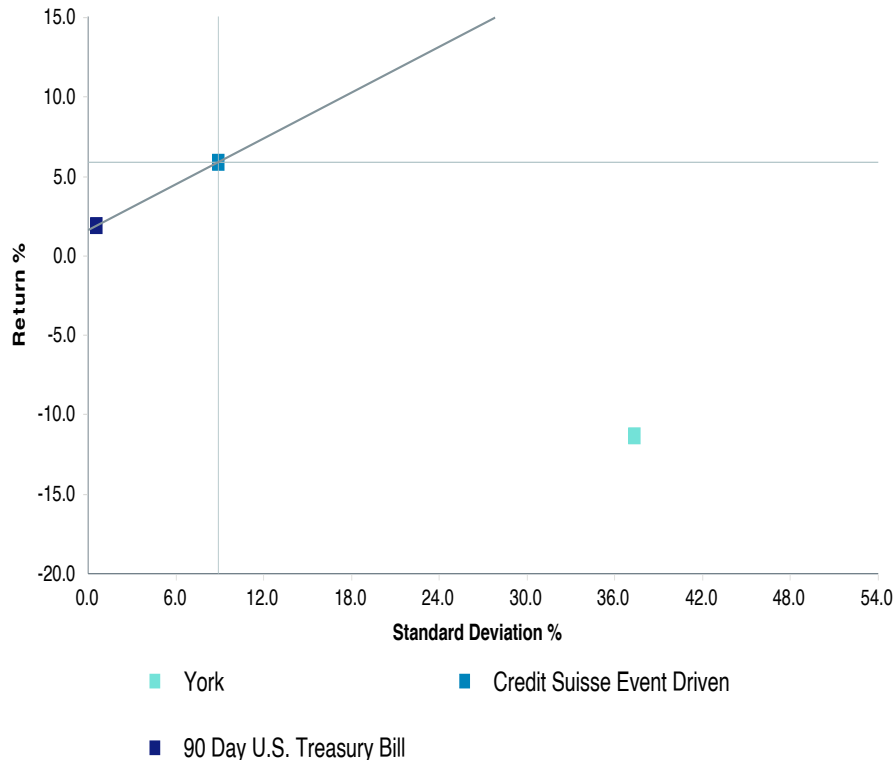
Account Information	
Account Name	York
Inception Date	05/01/2011
Account Structure	Hedge Fund
Asset Class	US Hedge Fund
Benchmark	Credit Suisse Event Driven
Peer Group	



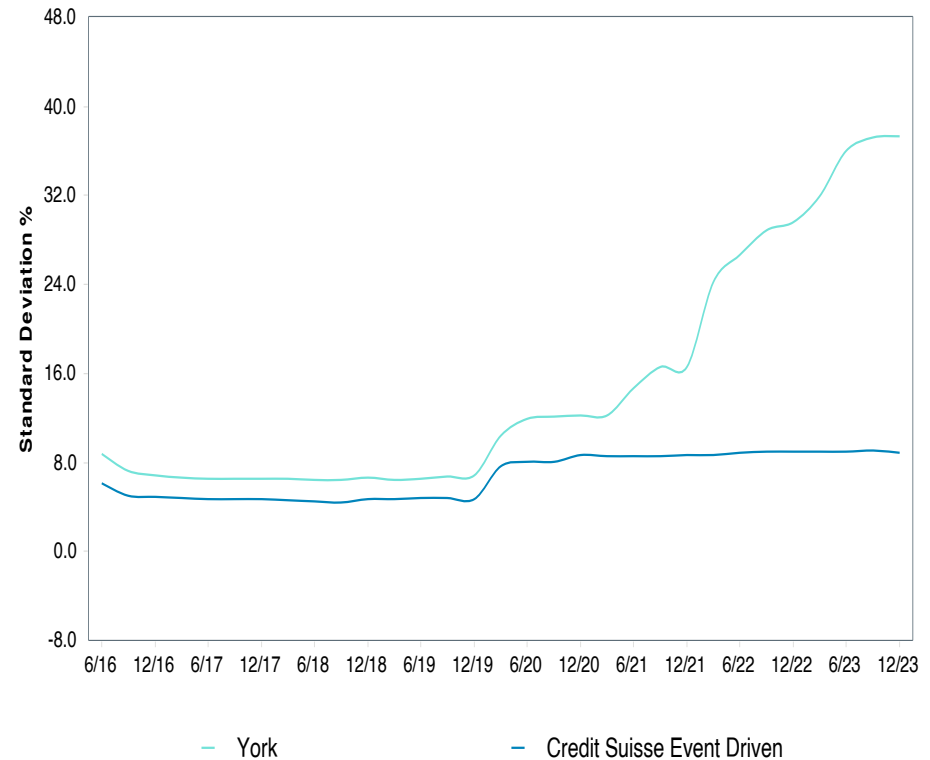
# Risk Profile York

As of December 31, 2023

**Annualized Return vs. Annualized Standard Deviation  
5 Years**



**Standard Deviation  
Rolling 5 Years**

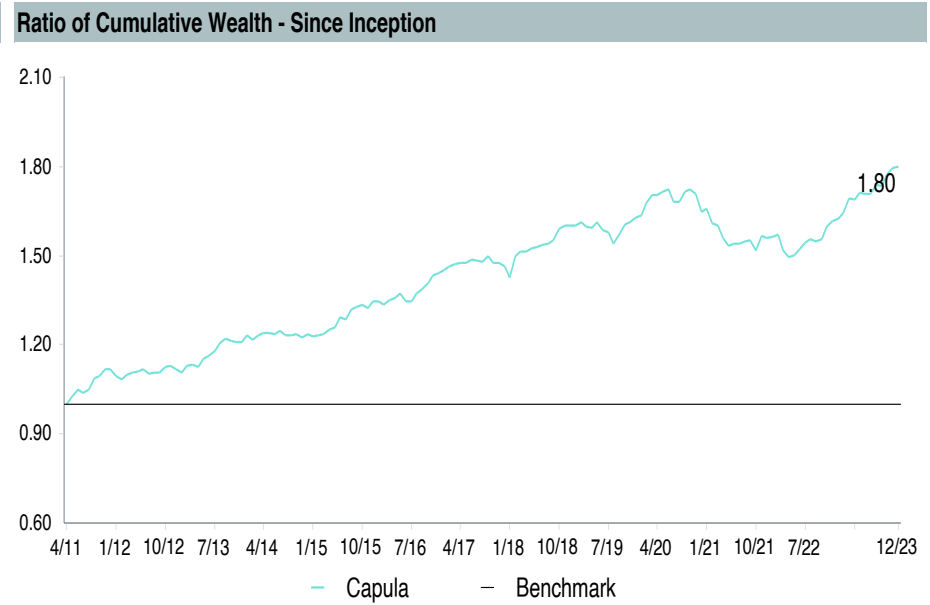
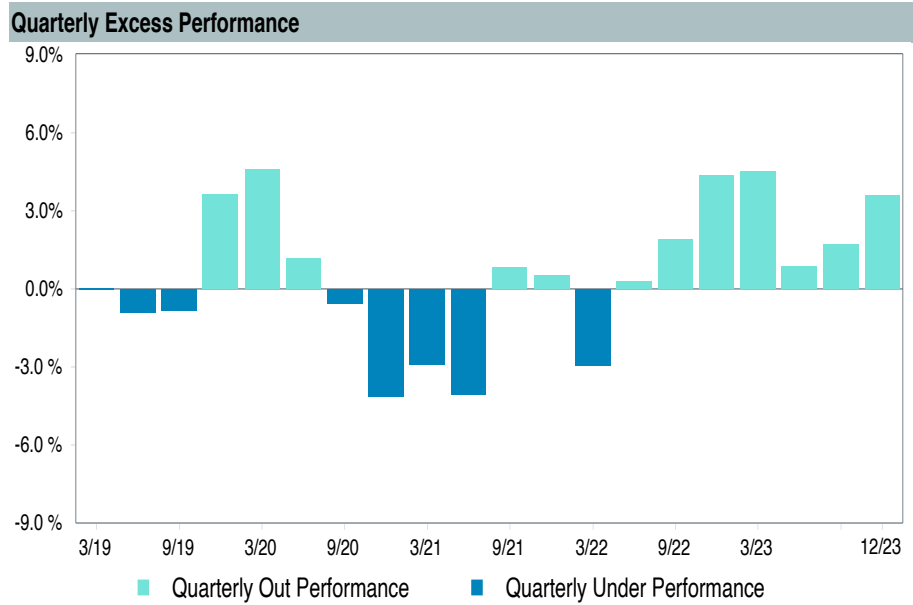
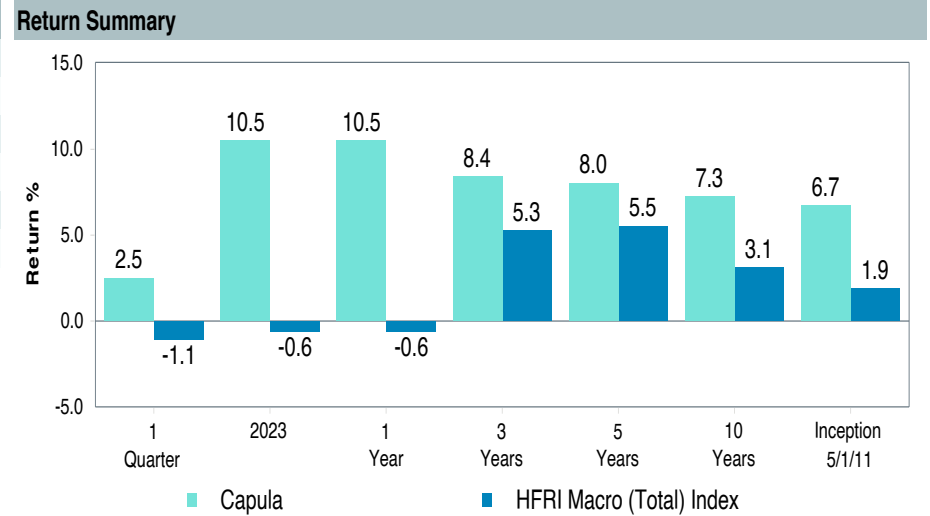


5 Years Historical Statistics										
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
York	-11.55	36.38	-0.32	0.05	-0.19	-10.60	0.94	-11.30	37.32	0.22
Credit Suisse Event Driven	0.00	0.00	-	1.00	0.48	0.00	1.00	5.89	8.90	1.00
90 Day U.S. Treasury Bill	-4.28	9.00	-0.48	0.03	-	1.94	-0.01	1.88	0.55	-0.16

# Manager Performance Summary Capula

As of December 31, 2023

Account Information	
Account Name	Capula
Inception Date	05/01/2011
Account Structure	Hedge Fund
Asset Class	US Hedge Fund
Benchmark	HFRI Macro (Total) Index
Peer Group	

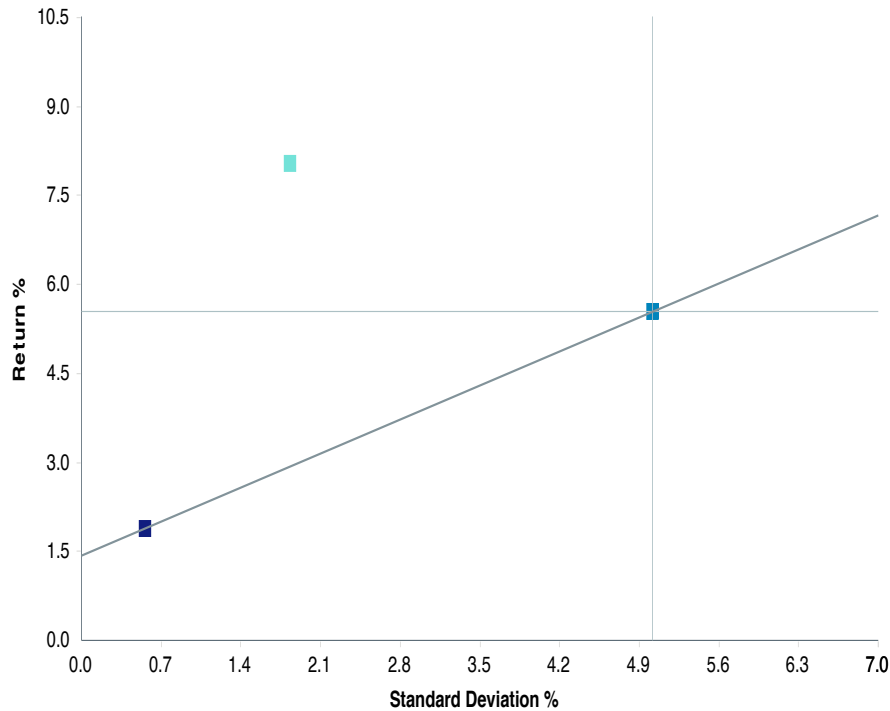




# Risk Profile Capula

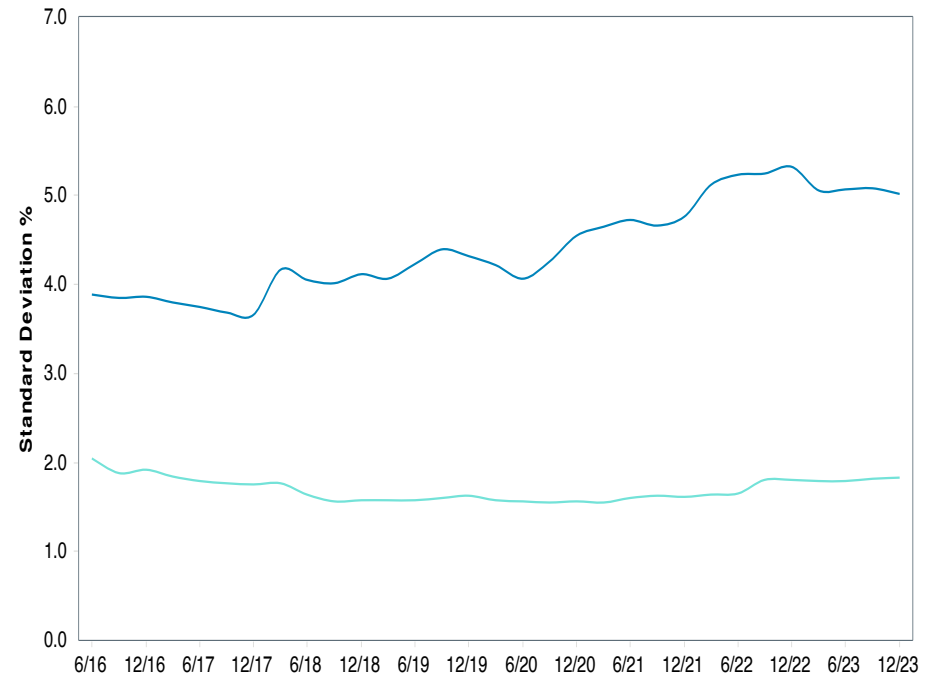
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ Capula      ■ HFRI Macro (Total) Index      ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



— Capula      — HFRI Macro (Total) Index

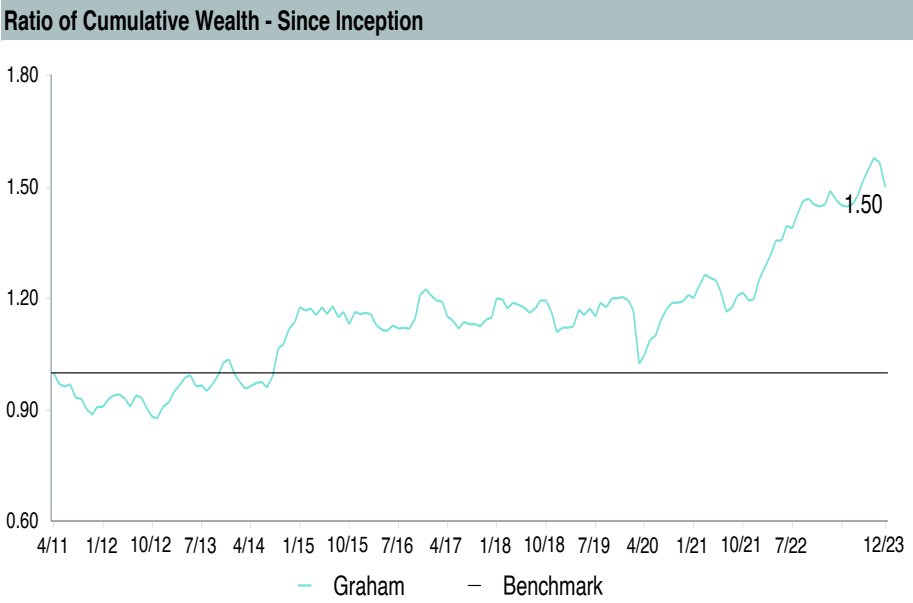
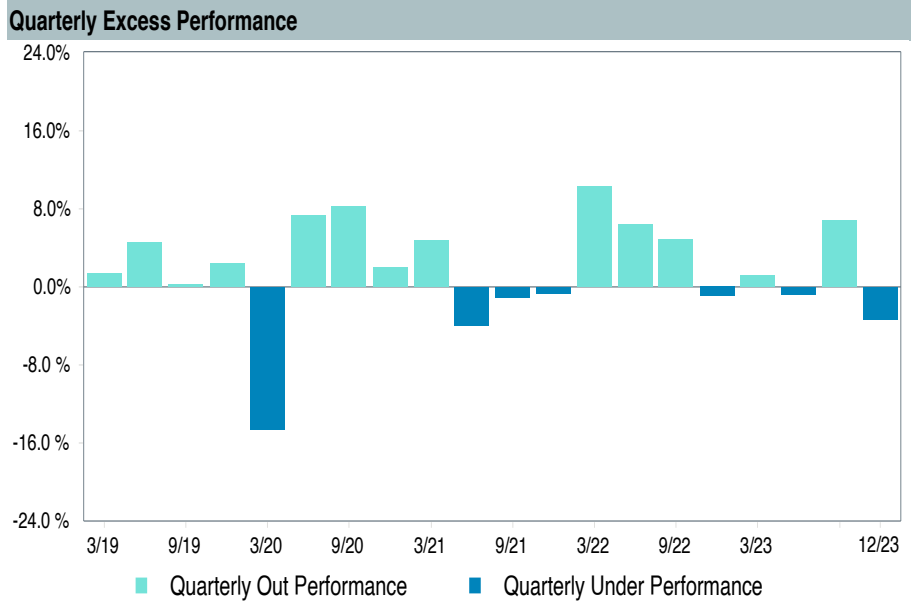
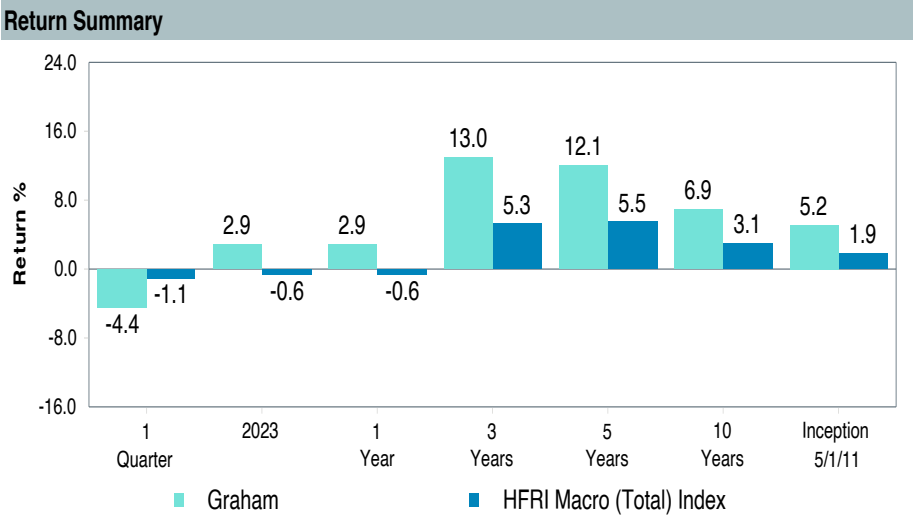
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Capula	2.25	5.34	0.42	0.00	3.44	8.06	0.00	8.04	1.83	0.00
HFRI Macro (Total) Index	0.00	0.00	-	1.00	0.71	0.00	1.00	5.54	5.01	1.00
90 Day U.S. Treasury Bill	-3.66	5.18	-0.71	0.06	-	2.03	-0.03	1.88	0.55	-0.25

# Manager Performance Summary Graham

As of December 31, 2023

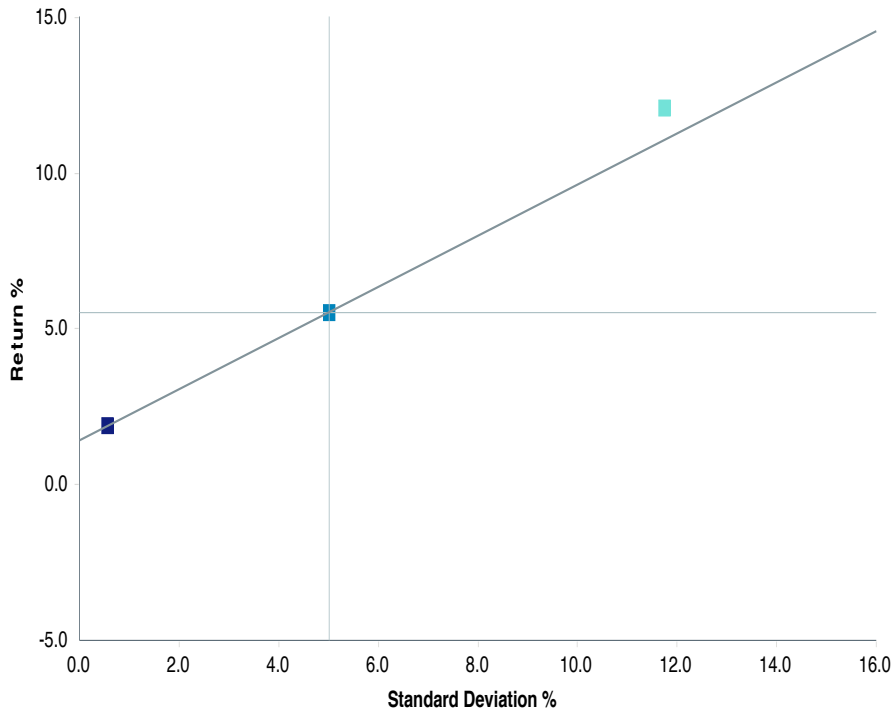
Account Information	
Account Name	Graham
Inception Date	05/01/2011
Account Structure	Hedge Fund
Asset Class	Hedge Fund
Benchmark	HFRI Macro (Total) Index
Peer Group	



# Risk Profile Graham

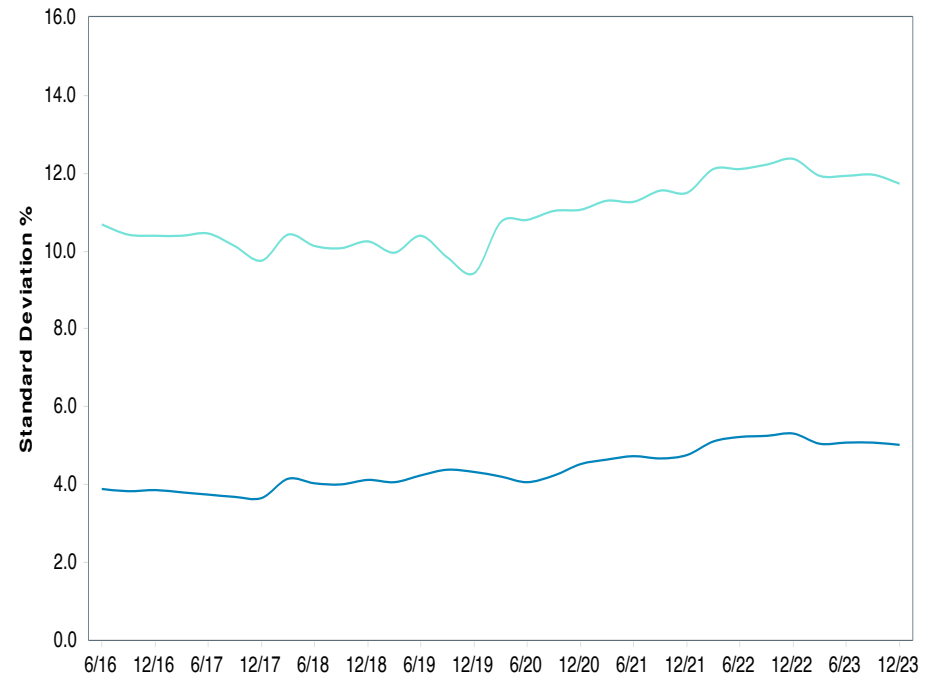
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



■ Graham      ■ HFRI Macro (Total) Index      ■ 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 5 Years



— Graham      — HFRI Macro (Total) Index

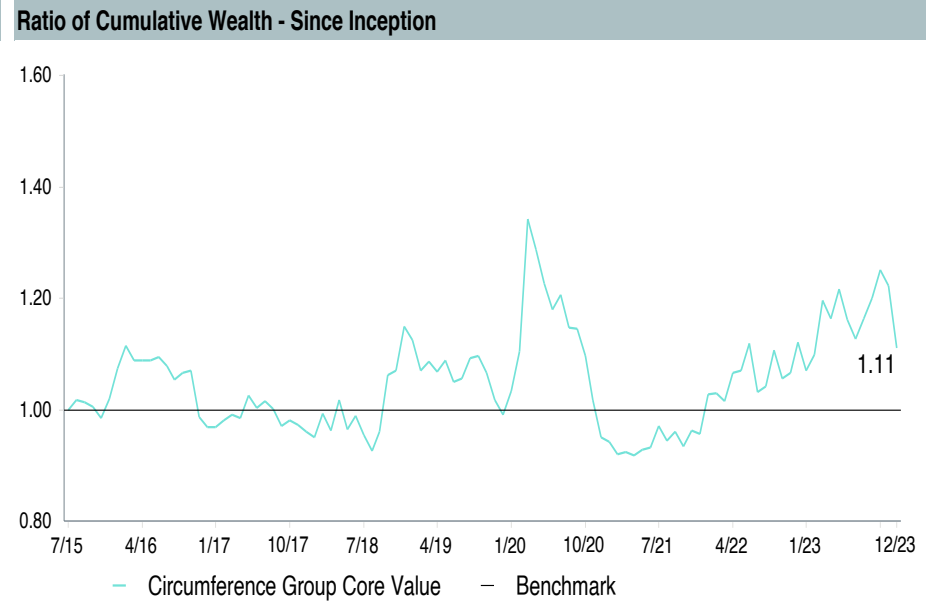
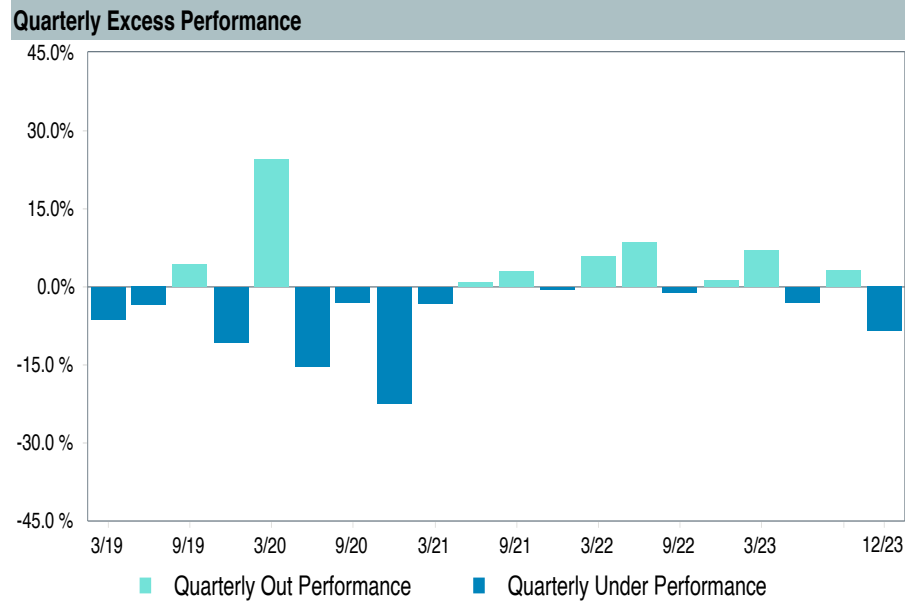
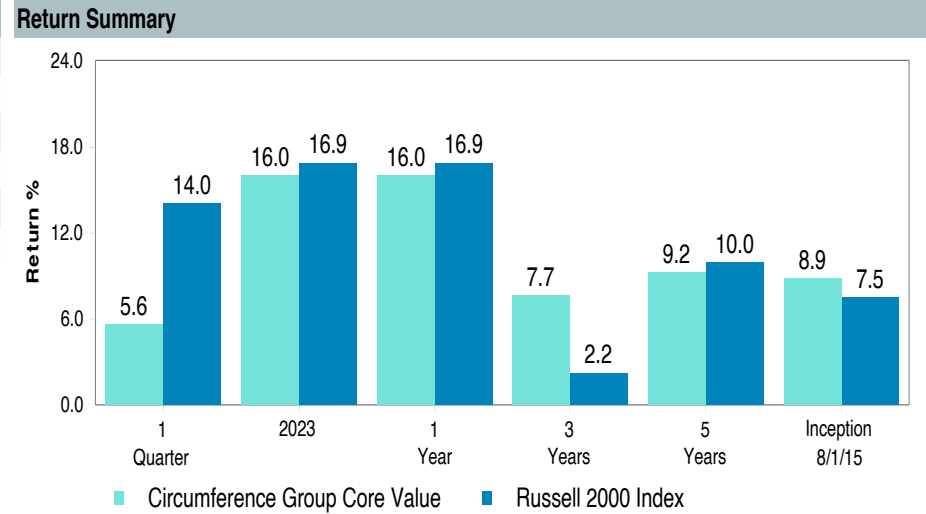
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Graham	6.63	8.94	0.74	0.50	0.87	3.06	1.65	12.09	11.74	0.71
HFRI Macro (Total) Index	0.00	0.00	-	1.00	0.71	0.00	1.00	5.54	5.01	1.00
90 Day U.S. Treasury Bill	-3.66	5.18	-0.71	0.06	-	2.03	-0.03	1.88	0.55	-0.25

# Manager Performance Summary Circumference Group Core Value

As of December 31, 2023

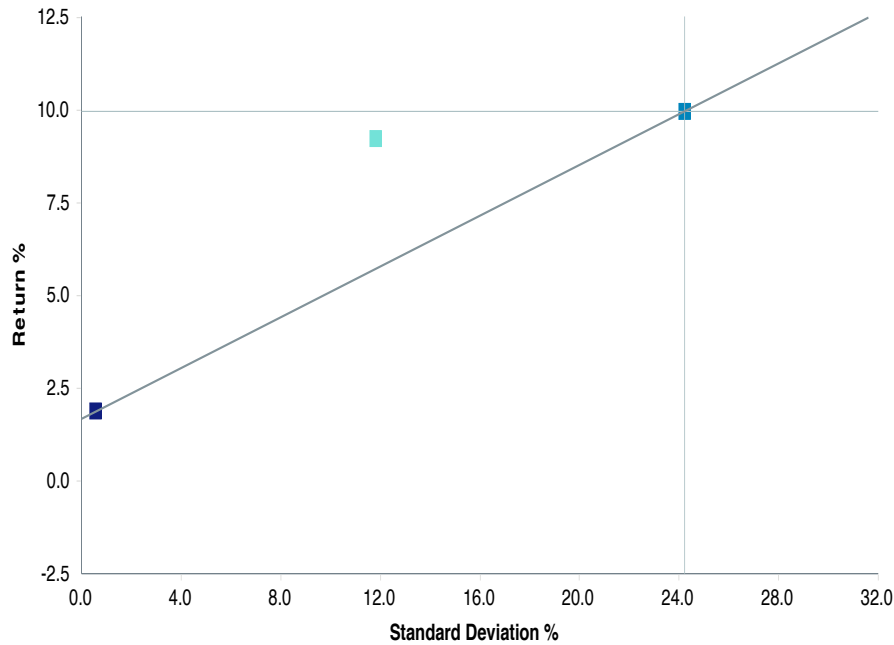
Account Information	
Account Name	Circumference Group Core Value
Inception Date	08/31/2015
Account Structure	Hedge Fund
Asset Class	US Hedge Fund
Benchmark	Russell 2000 Index
Peer Group	



# Risk Profile Circumference Group Core Value

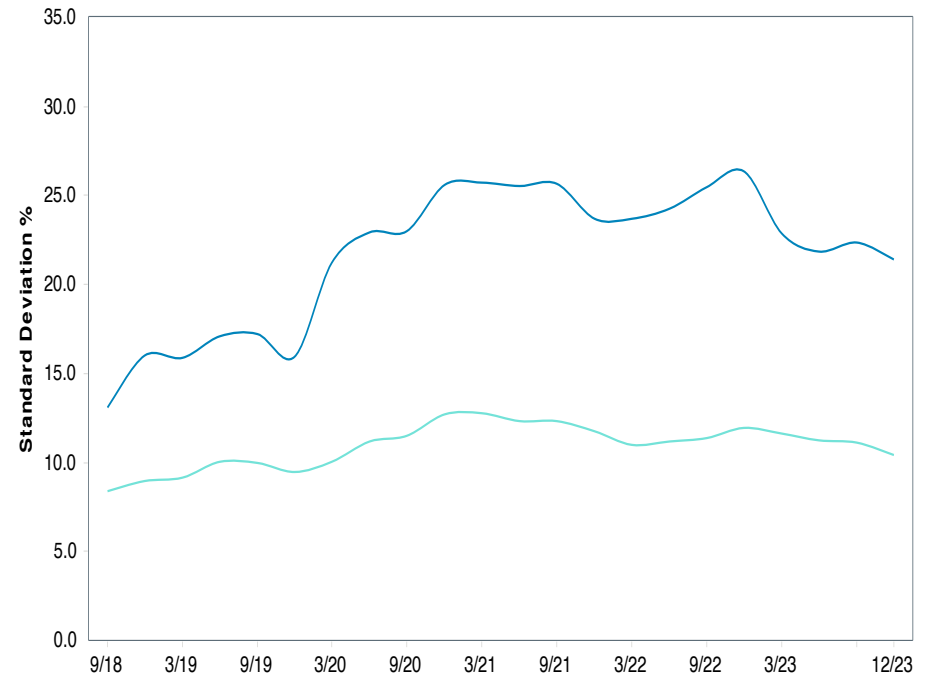
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- Circumference Group Core Value
- Russell 2000 Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 3 Years



- Circumference Group Core Value
- Russell 2000 Index

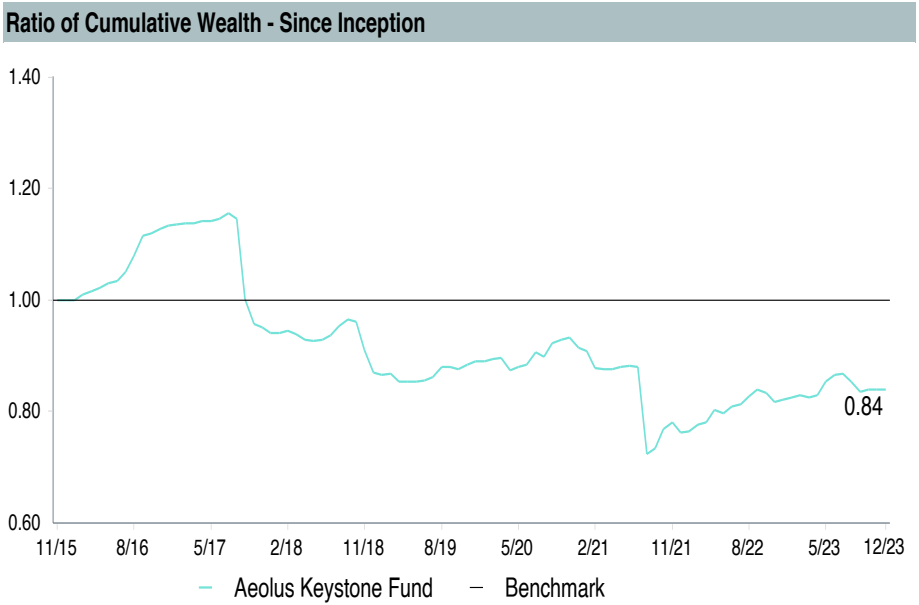
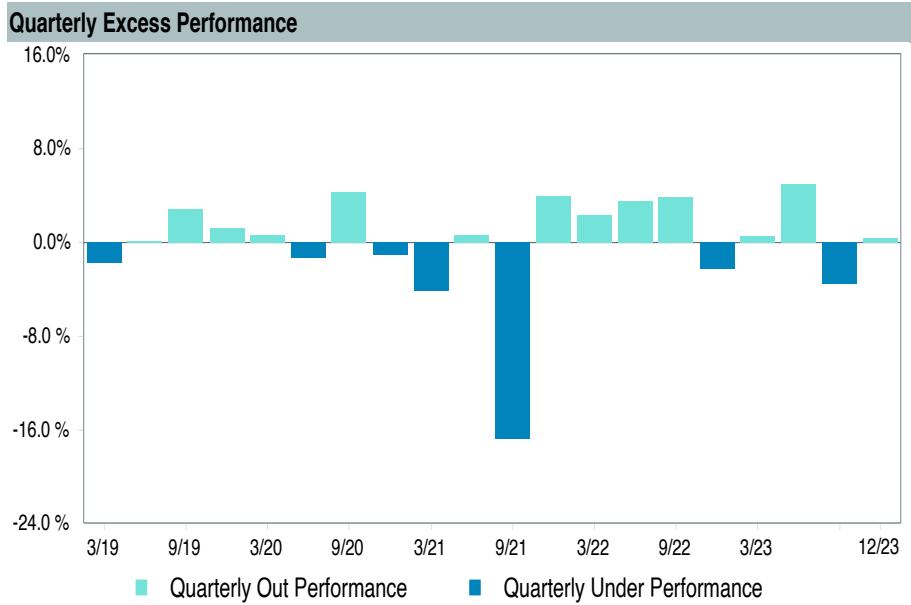
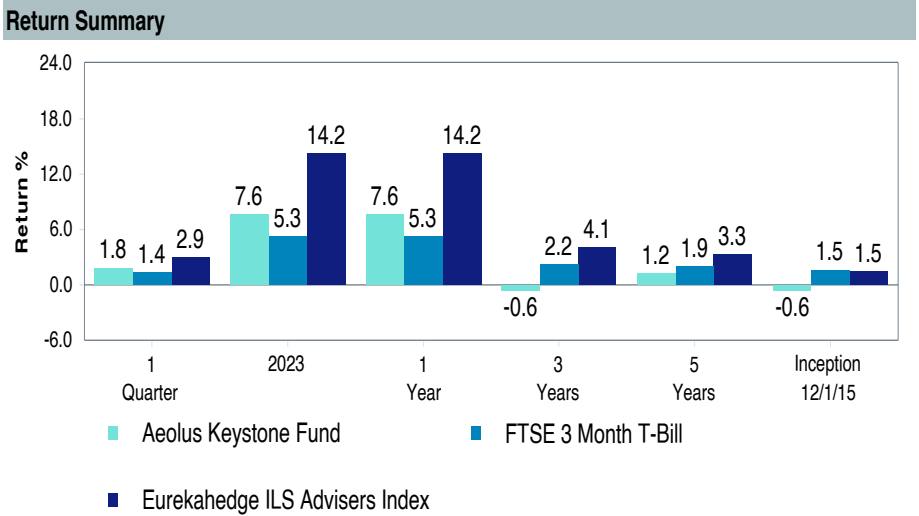
5 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Circumference Group Core Value	-2.92	16.17	-0.18	0.66	0.65	4.70	0.40	9.23	11.81	0.81
Russell 2000 Index	0.00	0.00	-	1.00	0.44	0.00	1.00	9.97	24.22	1.00
90 Day U.S. Treasury Bill	-10.60	24.29	-0.44	0.01	-	1.92	0.00	1.88	0.55	-0.12

# Manager Performance Summary Aeolus Keystone Fund

As of December 31, 2023

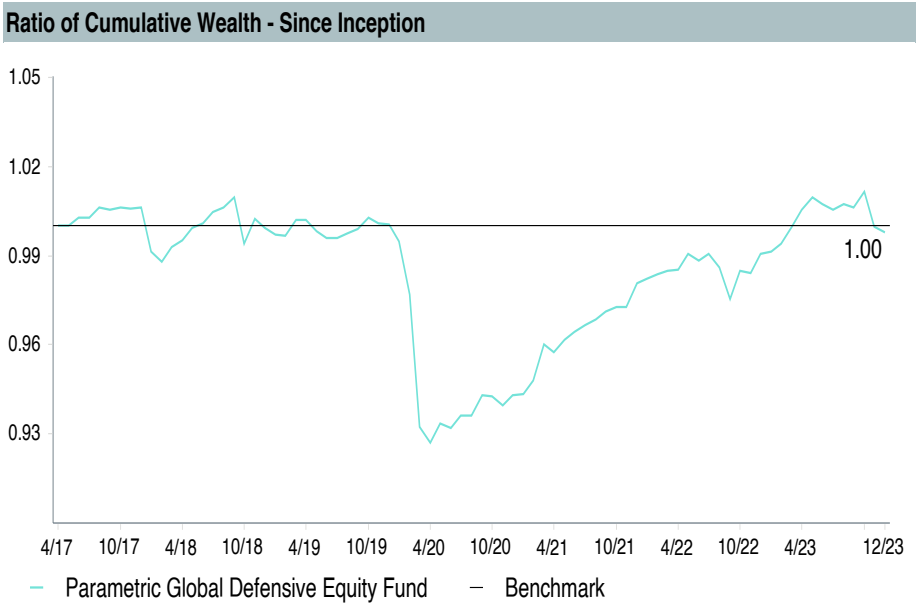
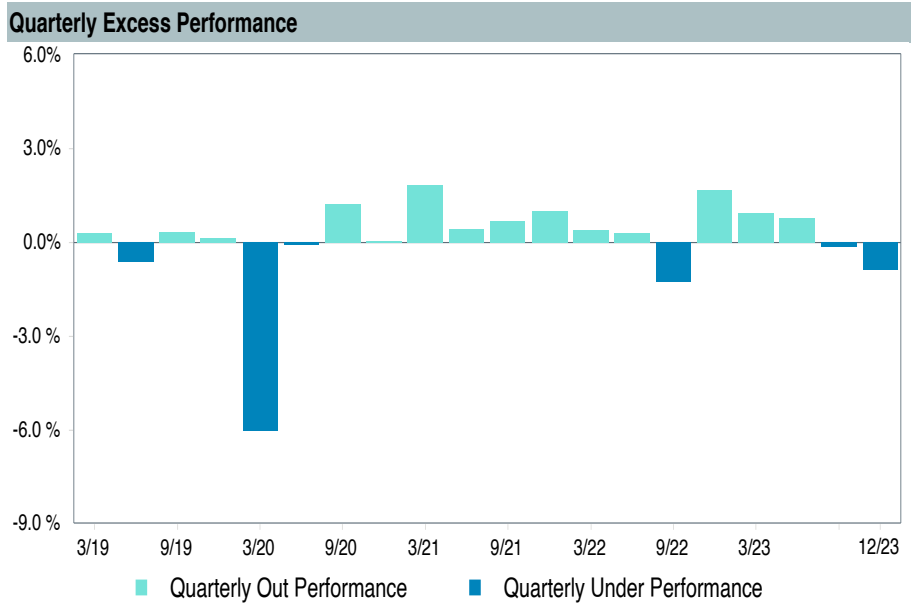
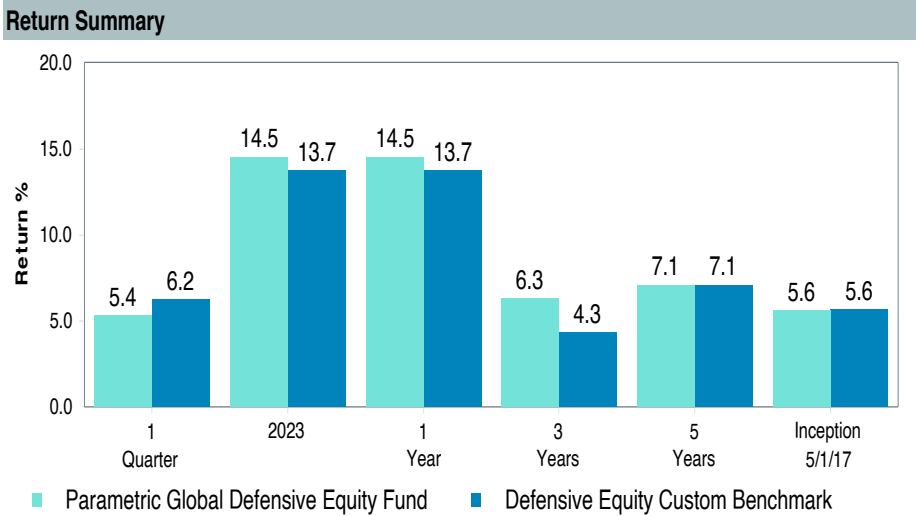
Account Information	
Account Name	Aeolus Keystone Fund
Inception Date	12/01/2015
Account Structure	Hedge Fund
Asset Class	Hedge Fund
Benchmark	FTSE 3 Month T-Bill
Peer Group	



# Manager Performance Summary Parametric Global Defensive Equity

As of December 31, 2023

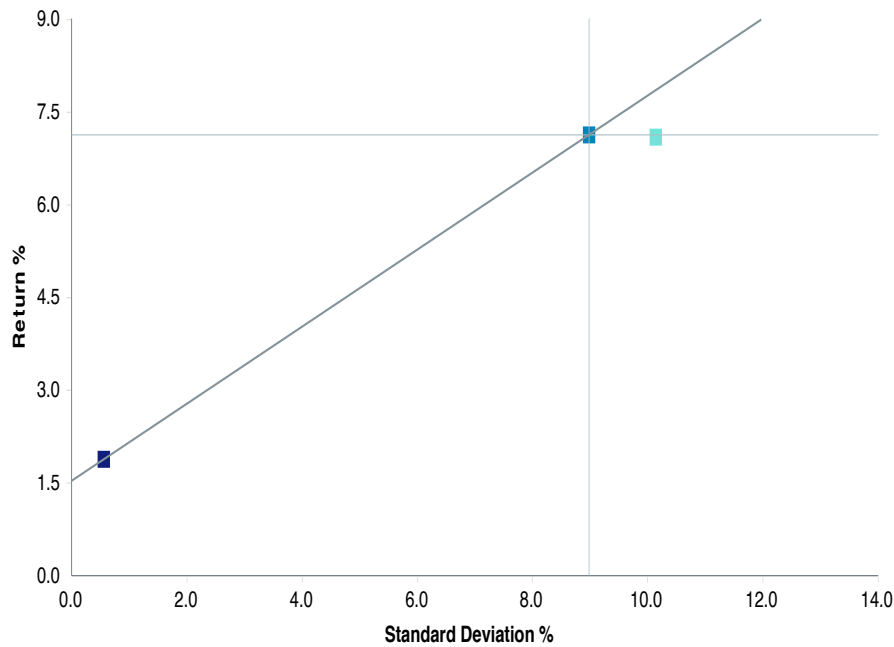
Account Information	
Account Name	Parametric Global Defensive Equity Fund
Inception Date	06/01/2017
Account Structure	Commingled Fund
Asset Class	Global Equity
Benchmark	Defensive Equity Custom Benchmark
Peer Group	



# Risk Profile Parametric Global Defensive Equity Fund

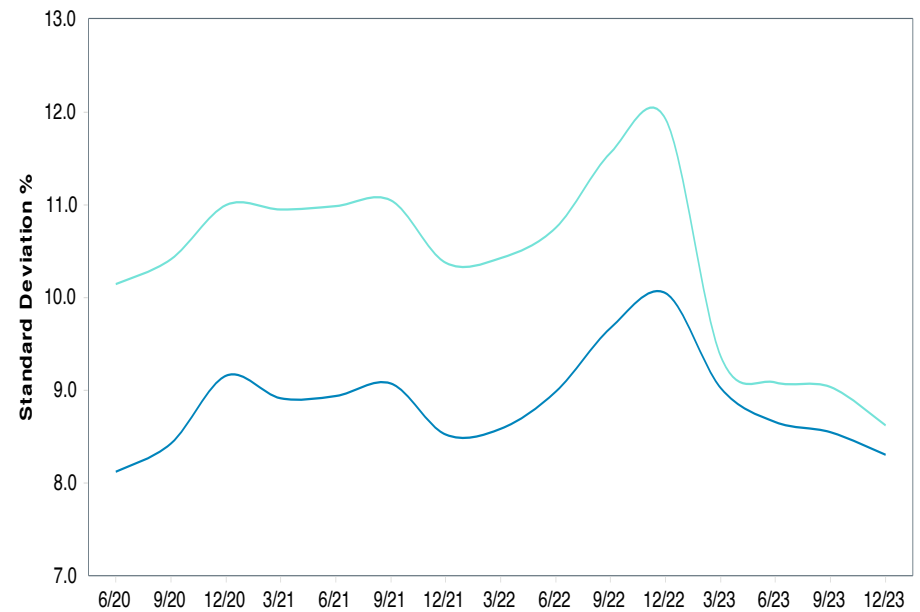
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
5 Years



- Parametric Global Defensive Equity Fund
- Defensive Equity Custom Benchmark
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 3 Years



- Parametric Global Defensive Equity Fund
- Defensive Equity Custom Benchmark

5 Years Historical Statistics

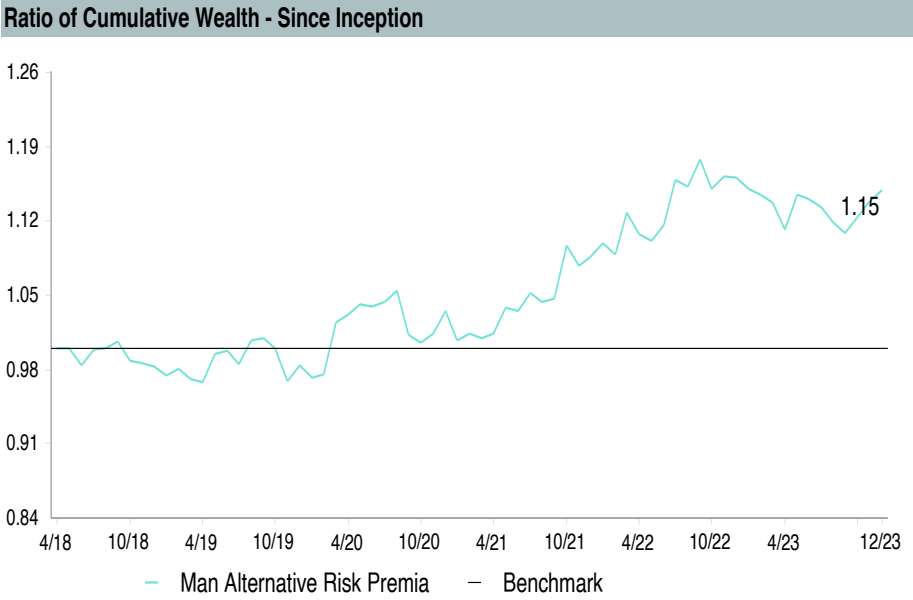
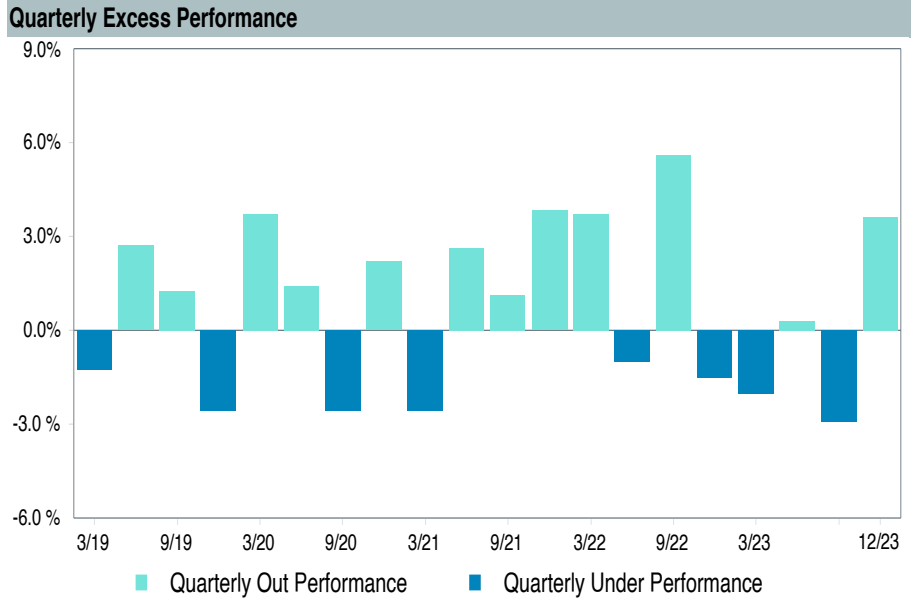
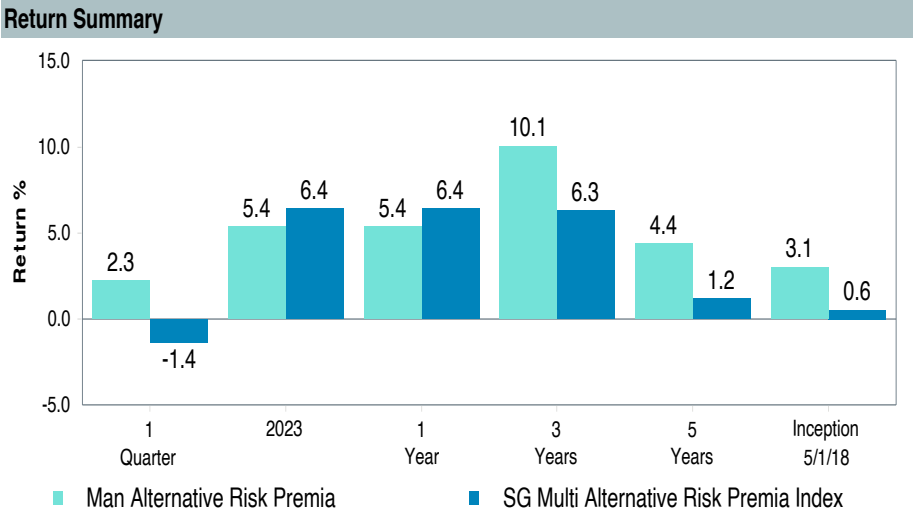
	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Parametric Global Defensive Equity Fund	0.09	2.60	0.03	0.94	0.54	-0.61	1.10	7.10	10.14	0.97
Defensive Equity Custom Benchmark	0.00	0.00	-	1.00	0.60	0.00	1.00	7.14	8.99	1.00
90 Day U.S. Treasury Bill	-5.45	9.02	-0.60	0.00	-	1.89	0.00	1.88	0.55	-0.02



# Manager Performance Summary Man Alternative Risk Premia

As of December 31, 2023

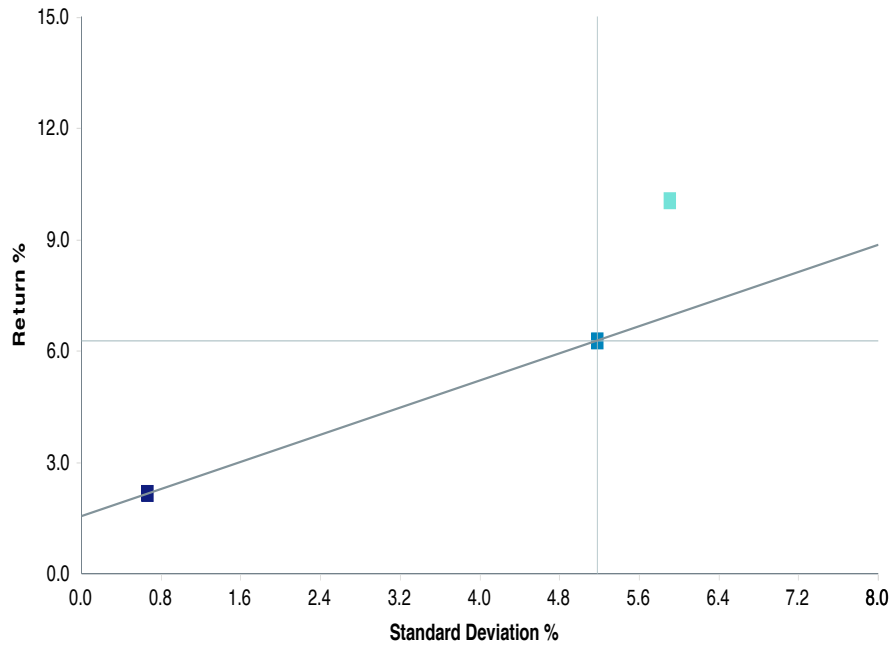
Account Information	
Account Name	Man Alternative Risk Premia
Inception Date	06/01/2018
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	SG Multi Alternative Risk Premia Index
Peer Group	



# Risk Profile Man Alternative Risk Premia

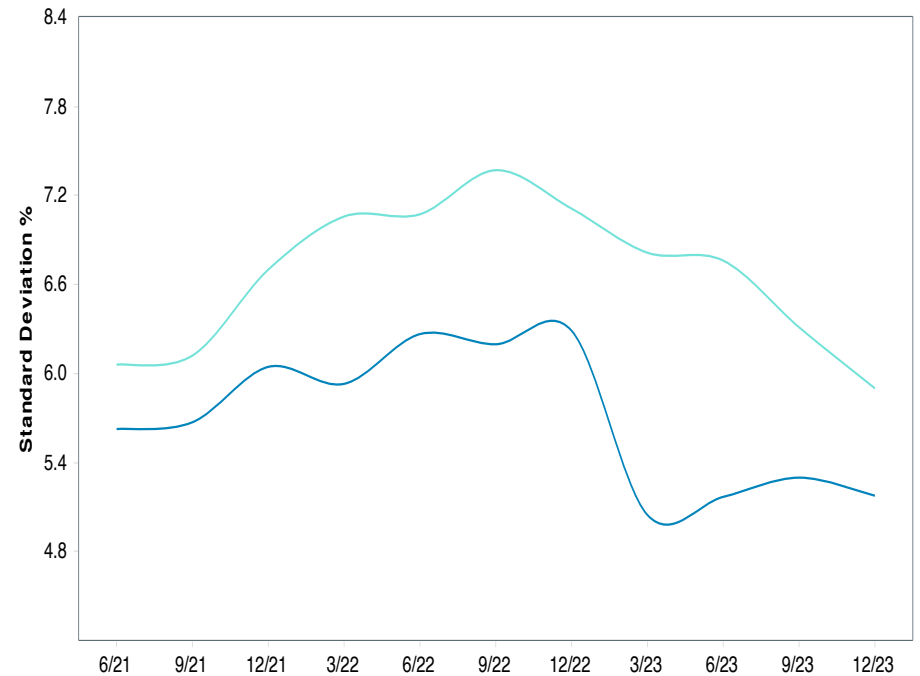
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
3 Years



- Man Alternative Risk Premia
- SG Multi Alternative Risk Premia Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 3 Years



- Man Alternative Risk Premia
- SG Multi Alternative Risk Premia Index

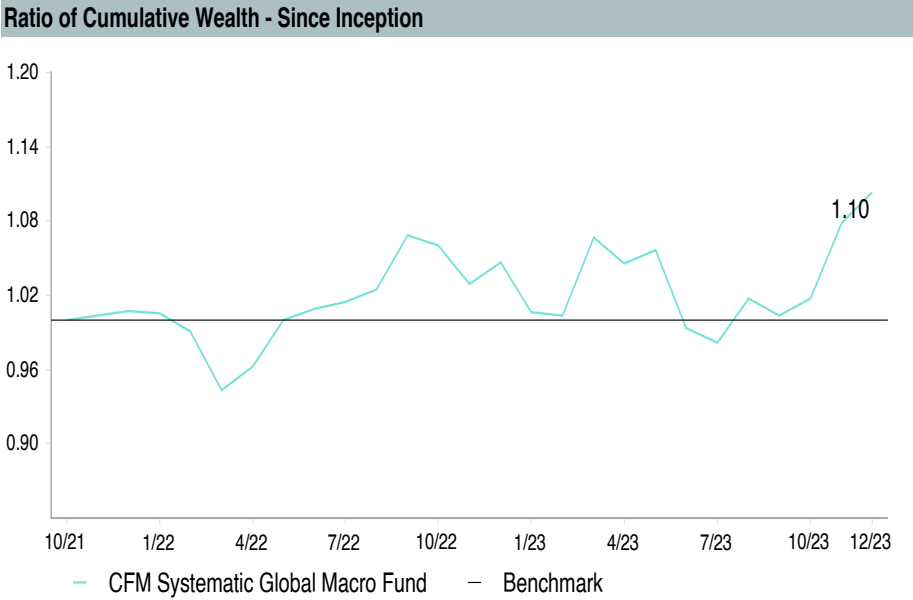
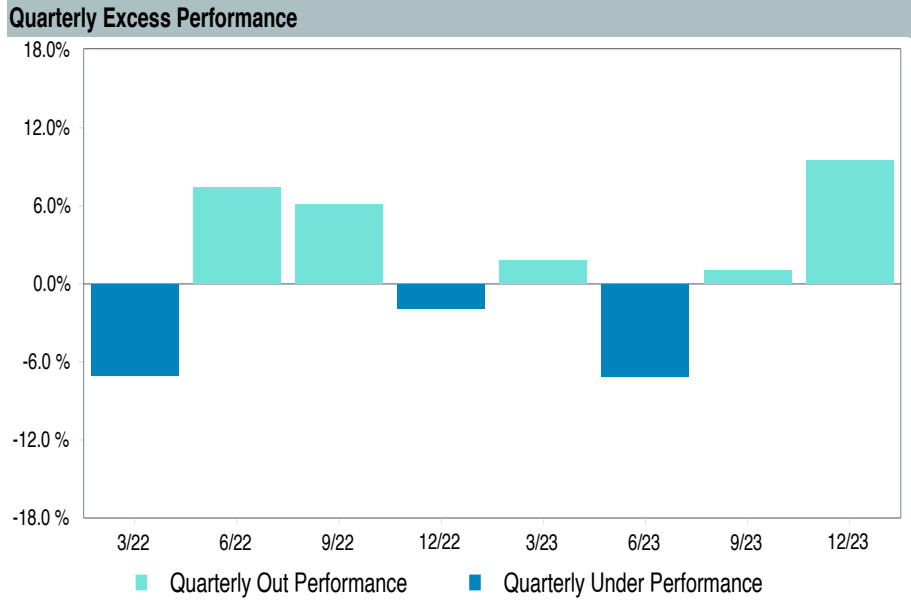
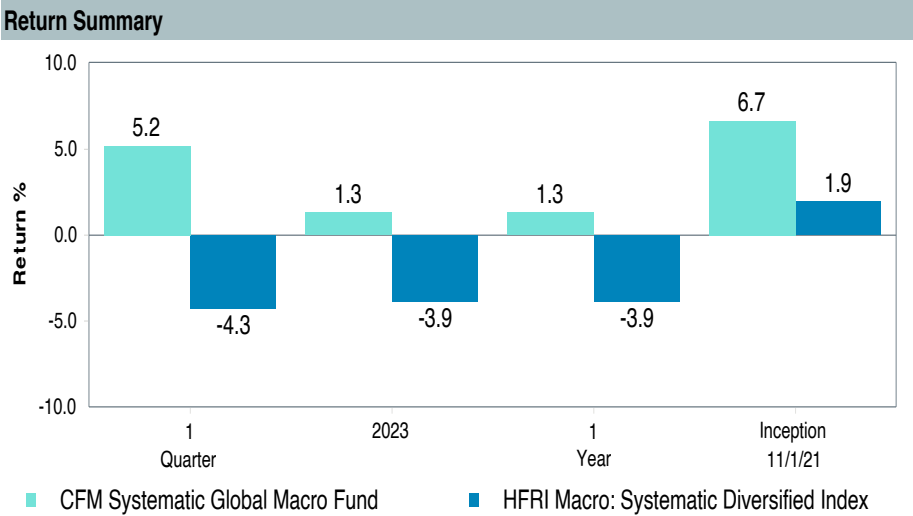
## 3 Years Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Man Alternative Risk Premia	3.55	6.15	0.58	0.15	1.27	7.25	0.44	10.06	5.90	0.39
SG Multi Alternative Risk Premia Index	0.00	0.00	0.58	1.00	0.79	0.00	1.00	6.29	5.18	1.00
90 Day U.S. Treasury Bill	-4.11	5.23	-0.79	0.00	-	2.17	0.00	2.15	0.66	-0.02

# Manager Performance Summary CFM Systematic Global Macro Fund

As of December 31, 2023

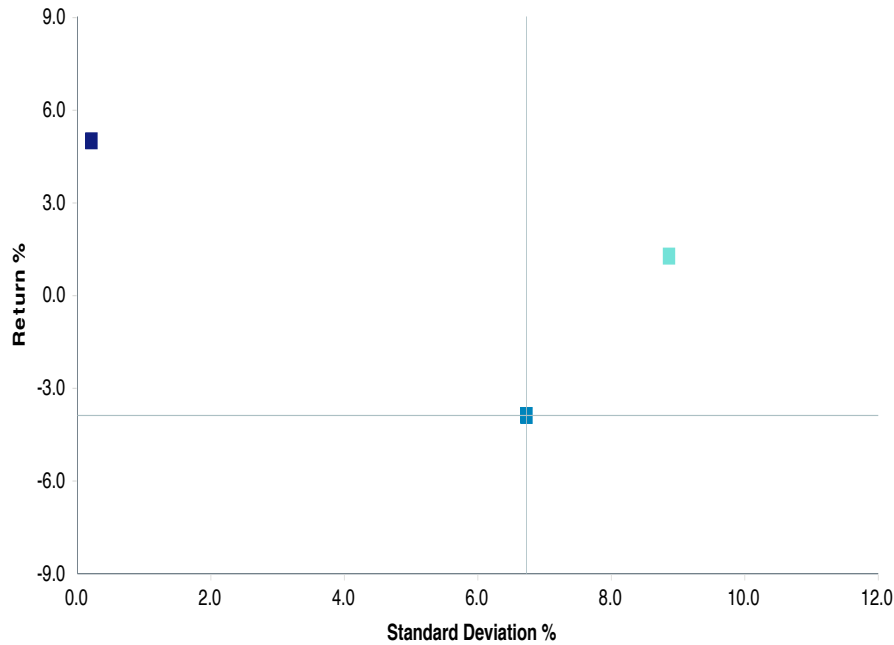
Account Information	
Account Name	CFM Systematic Global Macro Fund
Inception Date	11/01/2021
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	HFRI Macro: Systematic Diversified Index
Peer Group	



# Risk Profile CFM Systematic Global Macro Fund

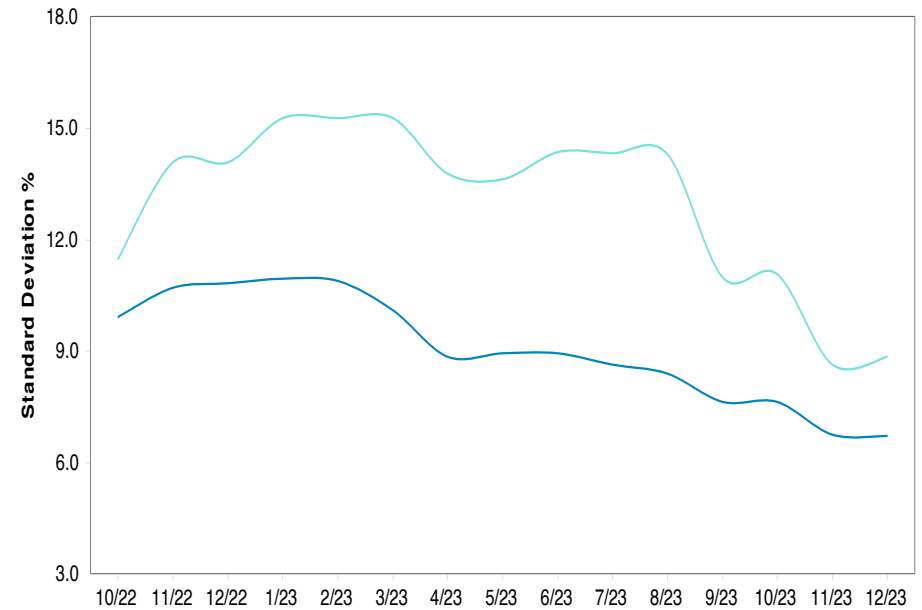
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
1 Year



- CFM Systematic Global Macro Fund
- HFRI Macro: Systematic Diversified Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 1 Year



- CFM Systematic Global Macro Fund
- HFRI Macro: Systematic Diversified Index

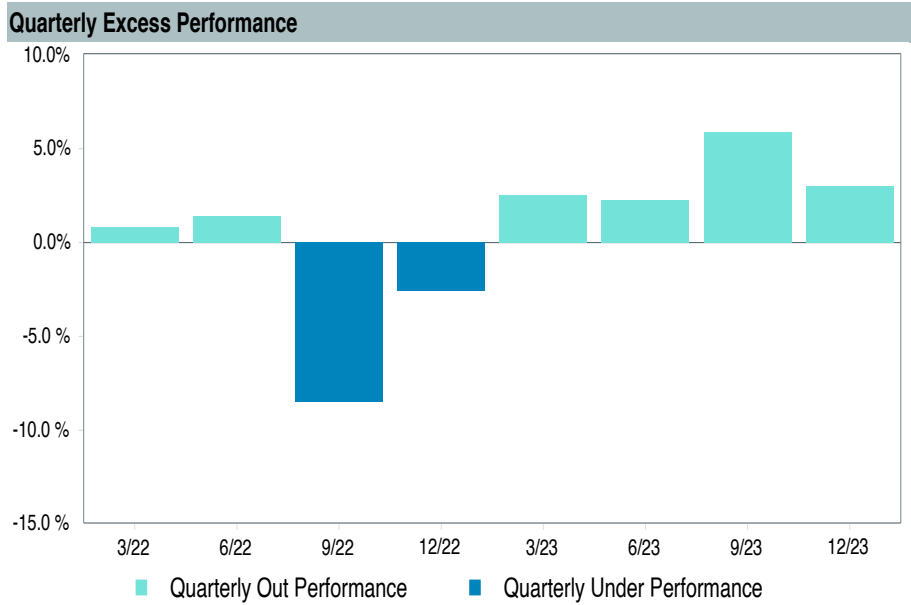
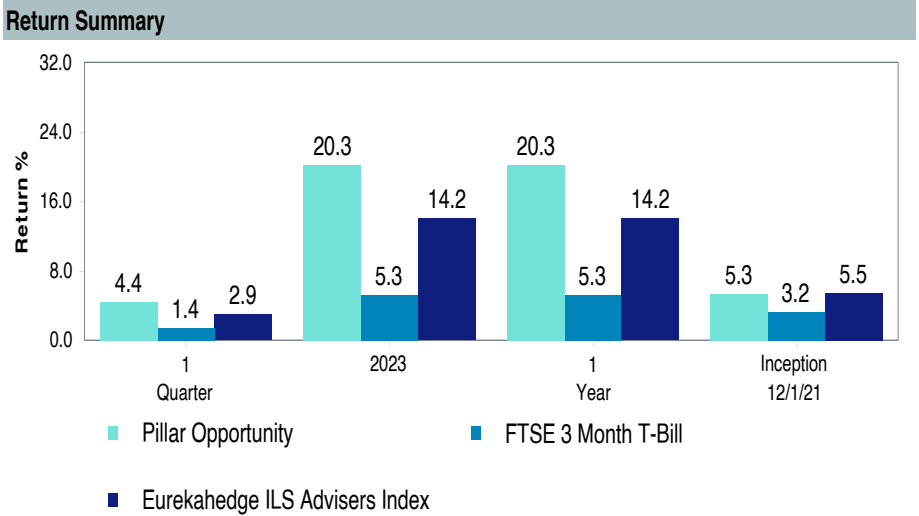
## 1 Year Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
CFM Systematic Global Macro Fund	5.38	12.71	0.42	0.10	-0.37	0.10	-0.42	1.30	8.86	-0.32
HFRI Macro: Systematic Diversified Index	0.00	0.00	-	1.00	-1.27	0.00	1.00	-3.86	6.73	1.00
90 Day U.S. Treasury Bill	8.63	6.78	1.27	0.07	-	4.98	-0.01	5.02	0.21	-0.26

# Manager Performance Summary Pillar Opportunity

As of December 31, 2023

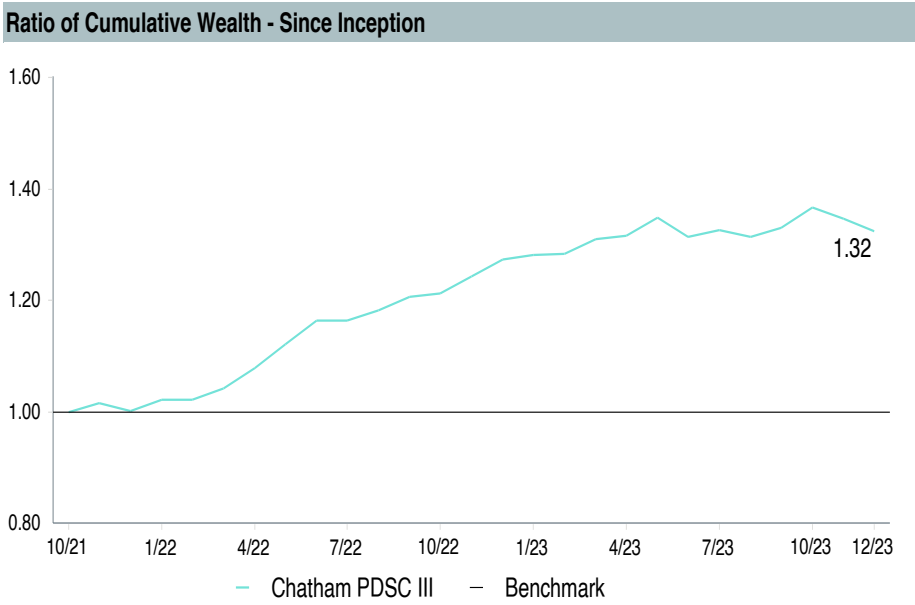
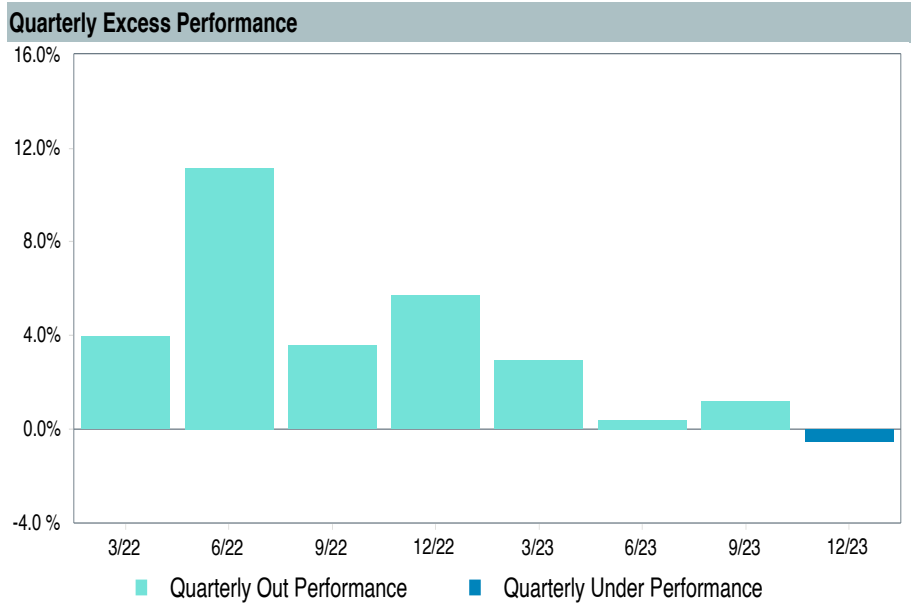
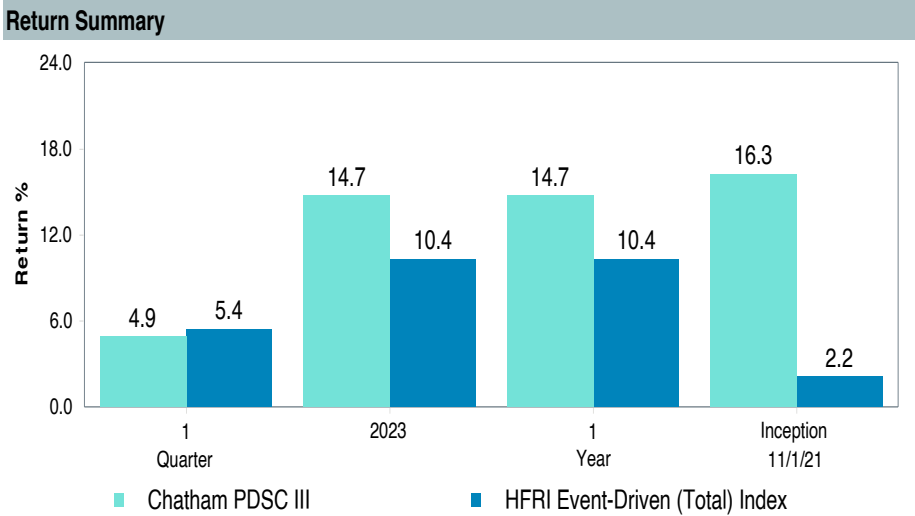
Account Information	
Account Name	Pillar Opportunity
Inception Date	12/01/2021
Account Structure	Commingled Fund
Asset Class	US Equity
Benchmark	FTSE 3 Month T-Bill
Peer Group	



# Manager Performance Summary Chatham PDSC III

As of December 31, 2023

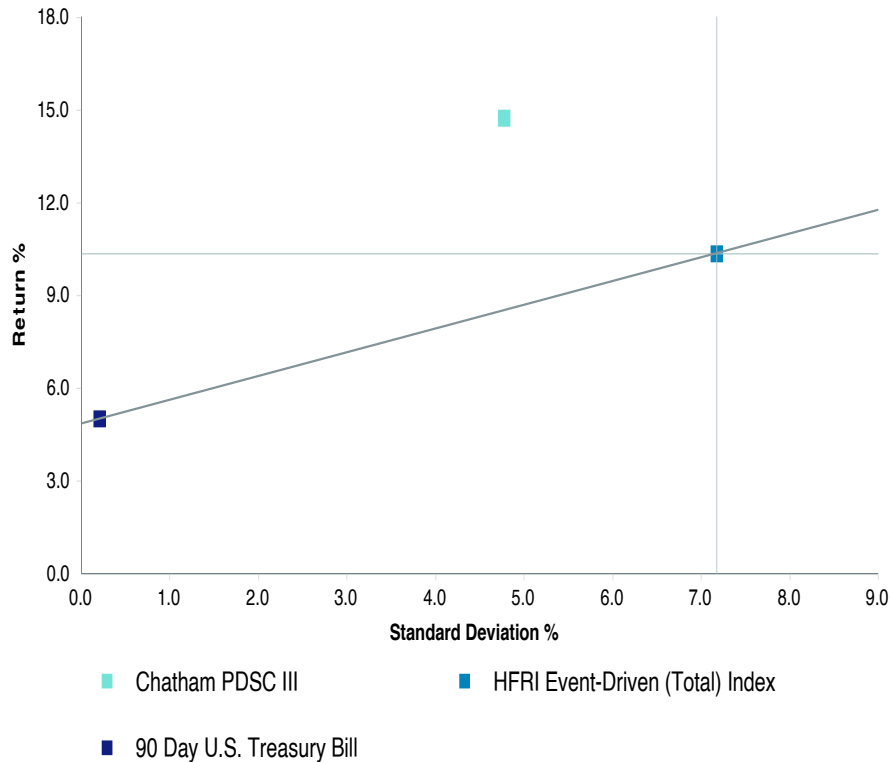
Account Information	
Account Name	Chatham PDSC III
Inception Date	11/01/2021
Account Structure	Separate Account
Asset Class	Hedge Fund
Benchmark	HFRI Event-Driven (Total) Index
Peer Group	



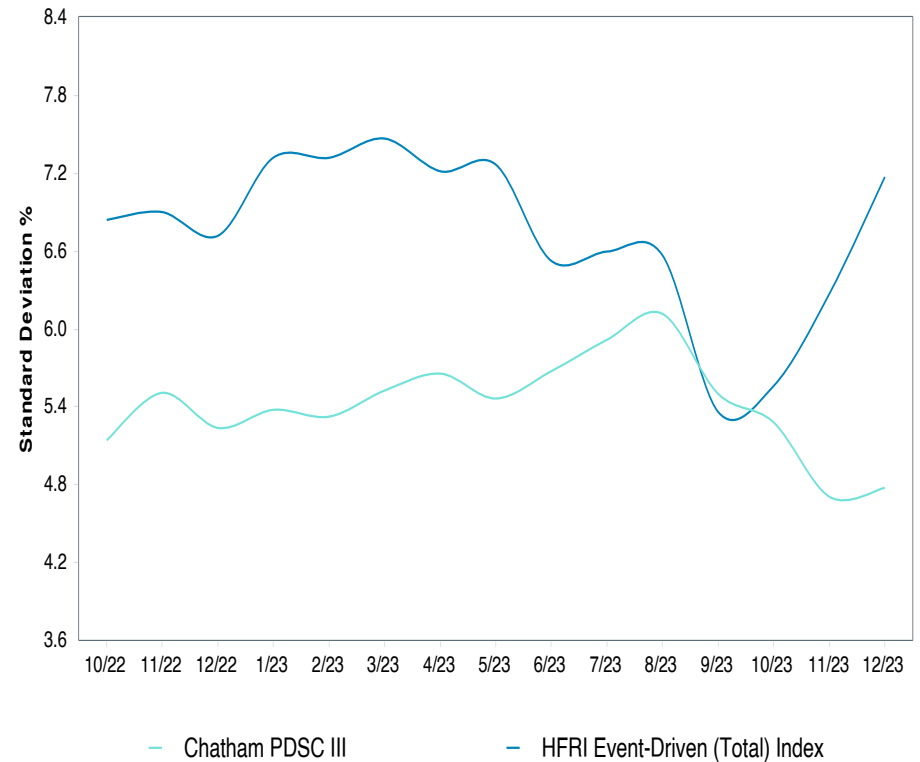
# Risk Profile Chatham PDSC III

As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
1 Year



Standard Deviation  
Rolling 1 Year



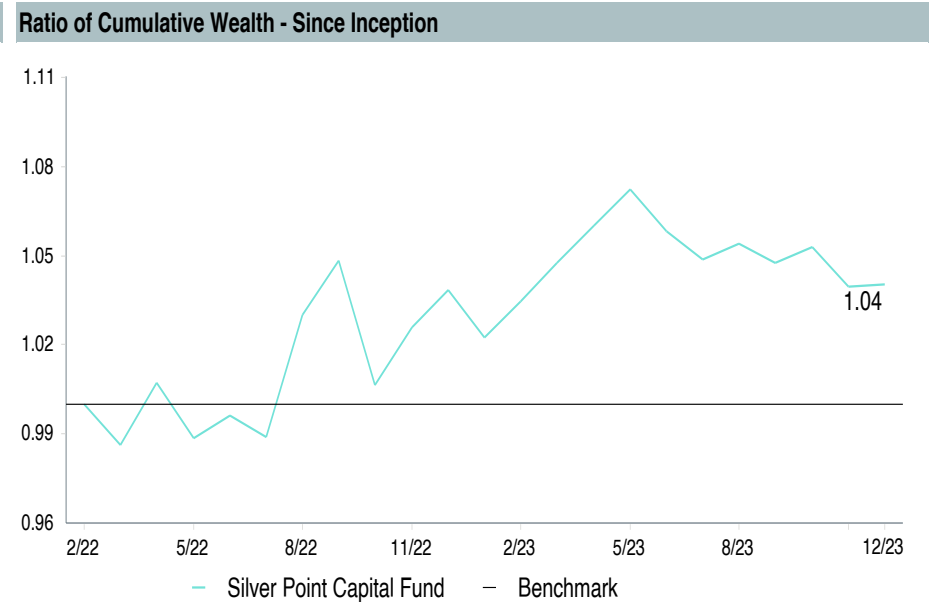
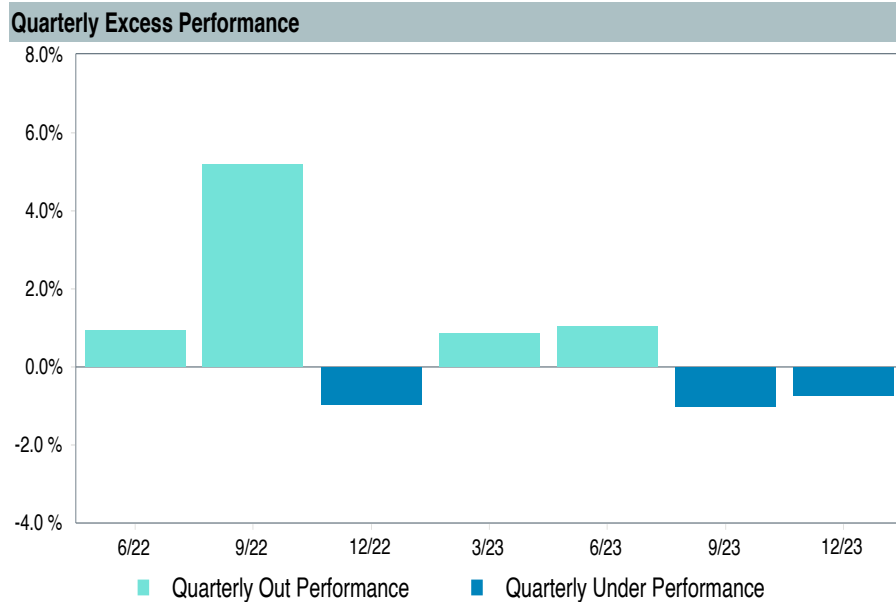
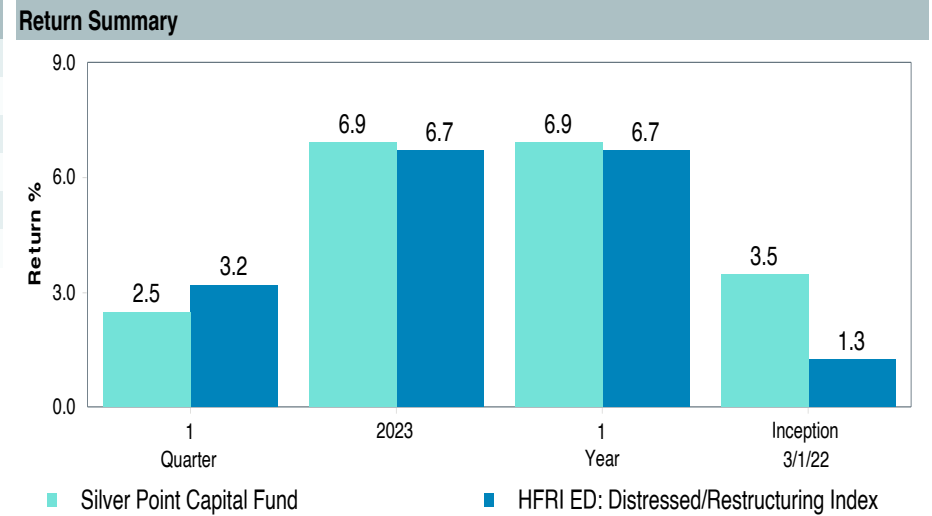
## 1 Year Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Chatham PDSC III	3.80	5.90	0.64	0.33	1.87	10.53	0.38	14.75	4.78	0.58
HFRI Event-Driven (Total) Index	0.00	0.00	-	1.00	0.73	0.00	1.00	10.37	7.17	1.00
90 Day U.S. Treasury Bill	-5.24	7.17	-0.73	0.00	-	5.00	0.00	5.02	0.21	0.04

# Manager Performance Summary Silver Point Capital Fund

As of December 31, 2023

Account Information	
Account Name	Silver Point Capital Fund
Inception Date	03/01/2022
Account Structure	Separate Account
Asset Class	Hedge Fund
Benchmark	HFRI ED: Distressed/Restructuring Index
Peer Group	

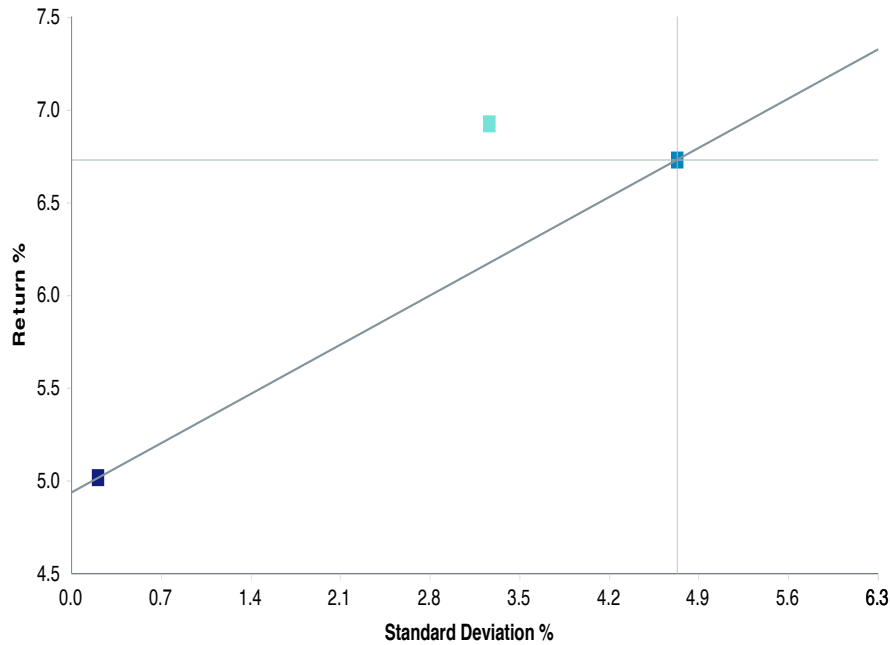




# Risk Profile Silver Point Capital Fund

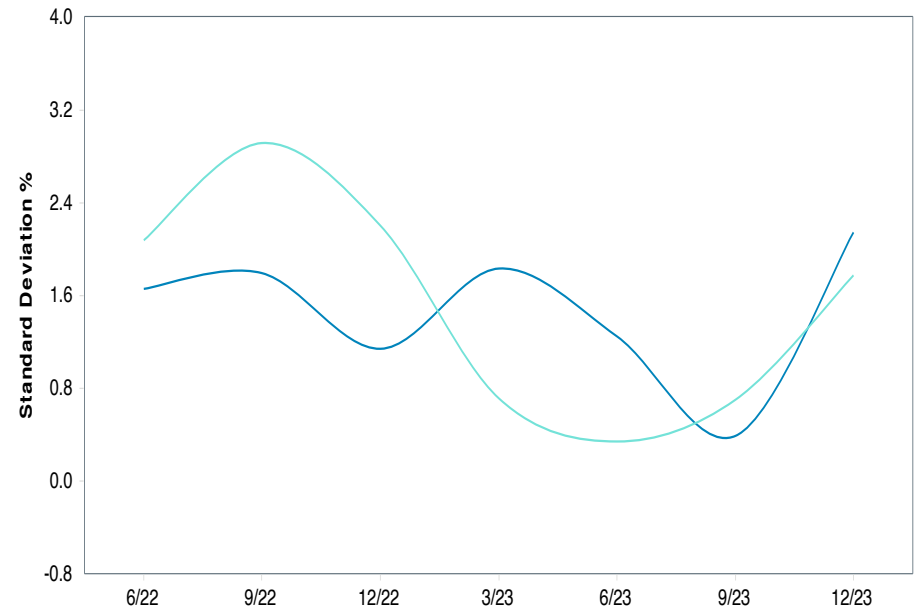
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
1 Year



- Silver Point Capital Fund
- HFRI ED: Distressed/Restructuring Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 0.25 Year



- Silver Point Capital Fund
- HFRI ED: Distressed/Restructuring Index

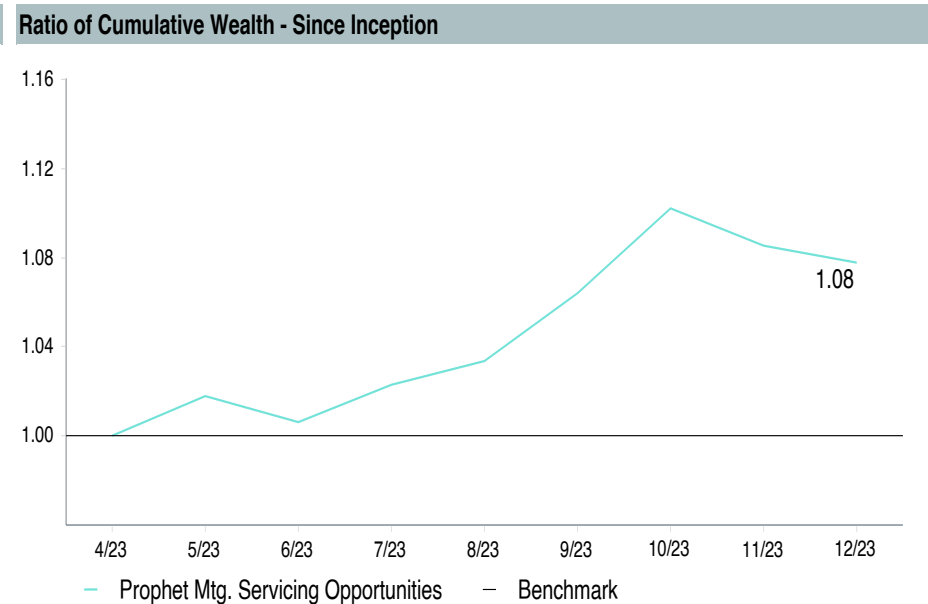
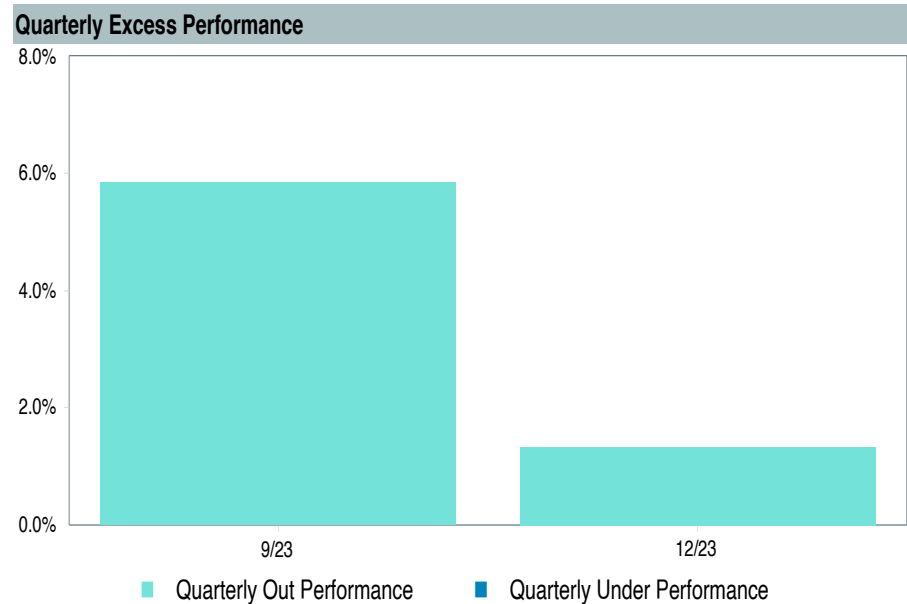
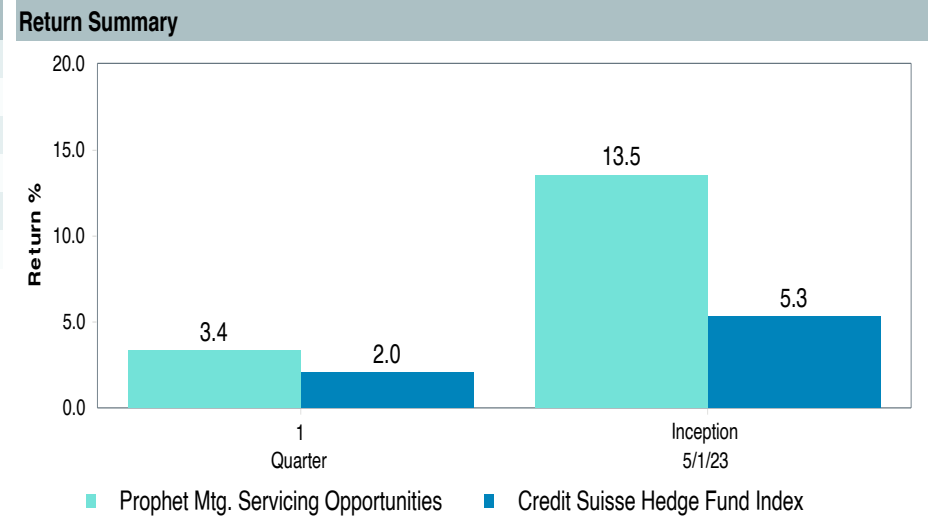
## 1 Year Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Silver Point Capital Fund	0.13	3.80	0.03	0.36	0.56	4.09	0.41	6.92	3.26	0.60
HFRI ED: Distressed/Restructuring Index	0.00	0.00	-	1.00	0.37	0.00	1.00	6.73	4.73	1.00
90 Day U.S. Treasury Bill	-1.73	4.72	-0.37	0.00	-	5.00	0.00	5.02	0.21	0.04

# Manager Performance Summary Prophet Mtg. Servicing Opp.

As of December 31, 2023

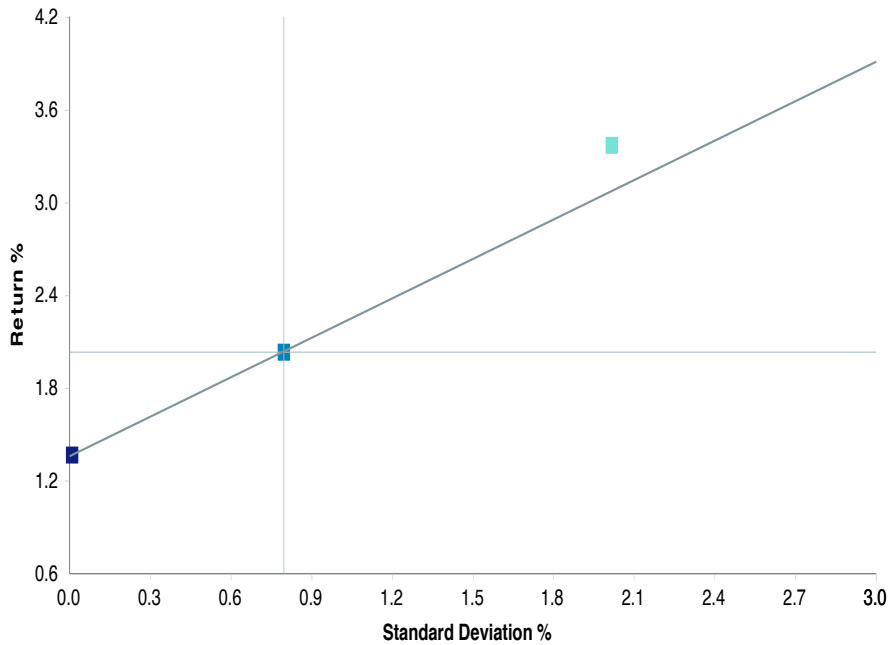
Account Information	
Account Name	Prophet Mtg. Servicing Opportunities
Inception Date	04/01/2023
Account Structure	Separate Account
Asset Class	Hedge Fund
Benchmark	Credit Suisse Hedge Fund Index
Peer Group	



# Risk Profile Prophet Mtg. Servicing Opportunities

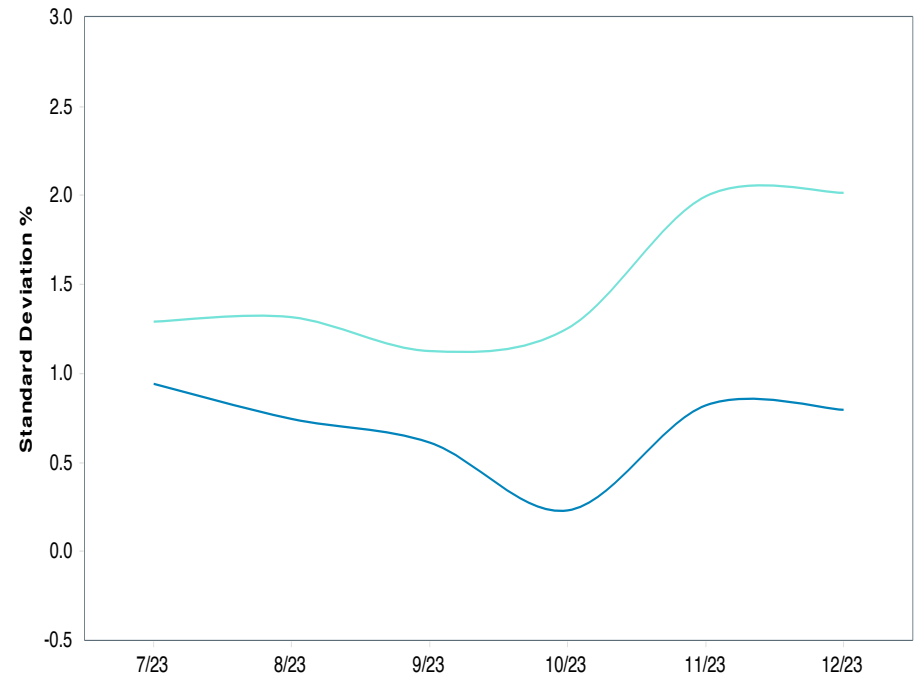
As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
1 Quarter



- Prophet Mtg. Servicing Opportunities
- Credit Suisse Hedge Fund Index
- 90 Day U.S. Treasury Bill

Standard Deviation  
Rolling 0.25 Year



- Prophet Mtg. Servicing Opportunities
- Credit Suisse Hedge Fund Index

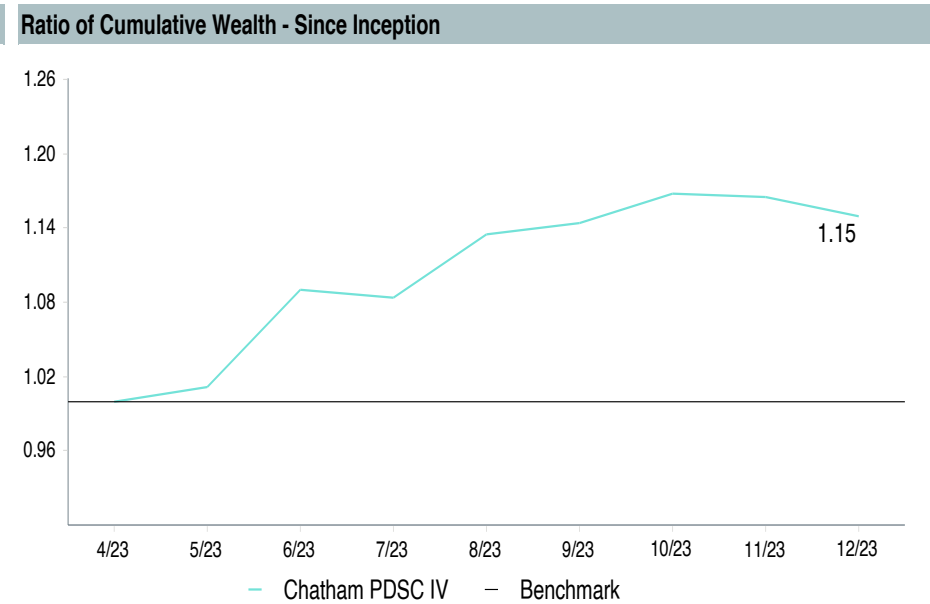
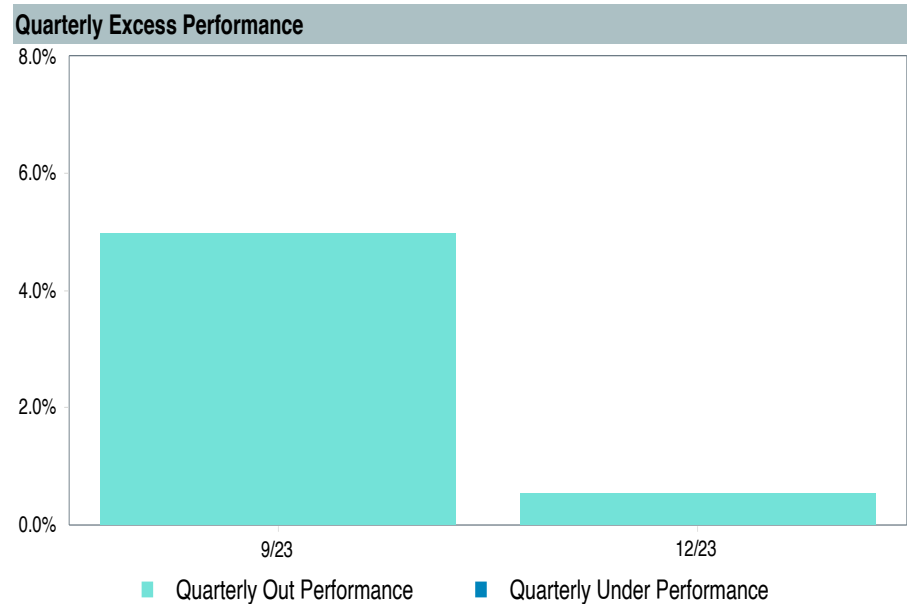
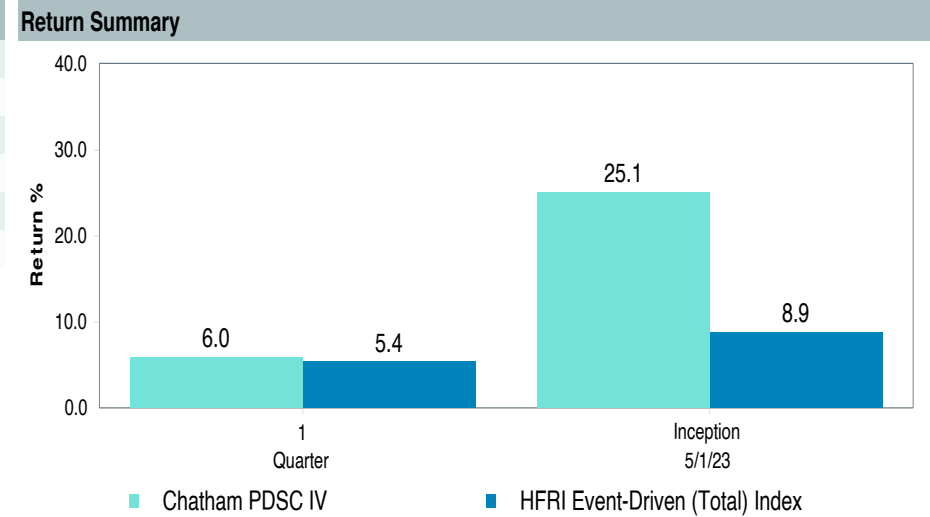
1 Quarter Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Prophet Mtg. Servicing Opportunities	0.45	2.75	0.16	0.79	0.33	2.65	-2.25	3.37	2.02	-0.89
Credit Suisse Hedge Fund Index	0.00	0.00	-	1.00	0.28	0.00	1.00	2.04	0.80	1.00
90 Day U.S. Treasury Bill	-0.22	0.79	-0.28	0.01	-	0.45	0.00	1.37	0.01	0.12

# Manager Performance Summary Chatham PDSC IV

As of December 31, 2023

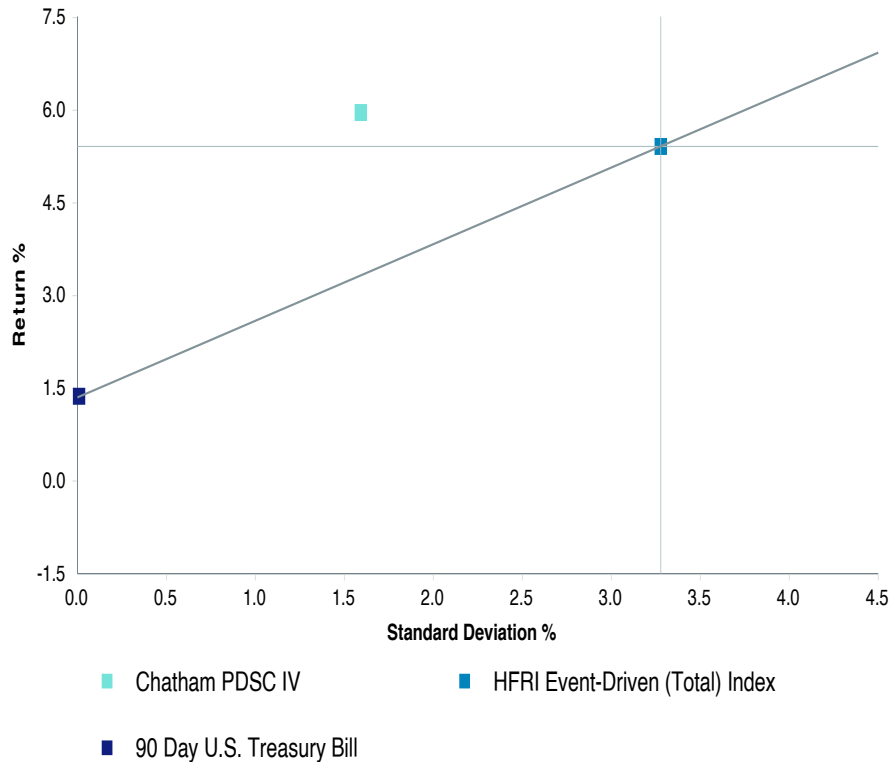
Account Information	
Account Name	Chatham PDSC IV
Inception Date	05/01/2023
Account Structure	Separate Account
Asset Class	Hedge Fund
Benchmark	HFRI Event-Driven (Total) Index
Peer Group	



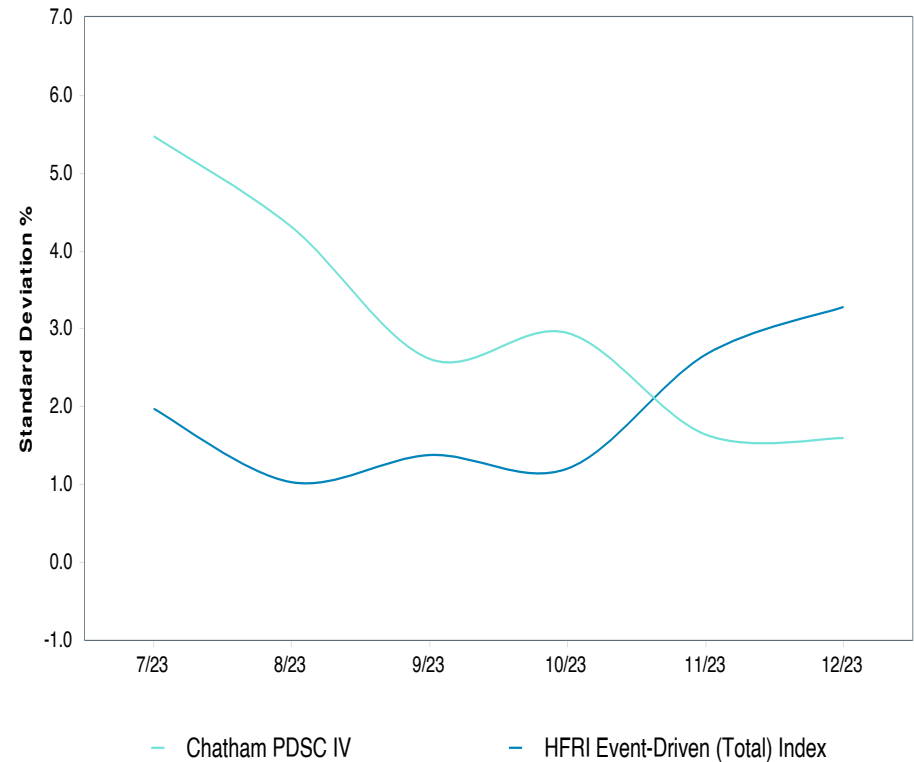
# Risk Profile Chatham PDSC IV

As of December 31, 2023

Annualized Return vs. Annualized Standard Deviation  
1 Quarter



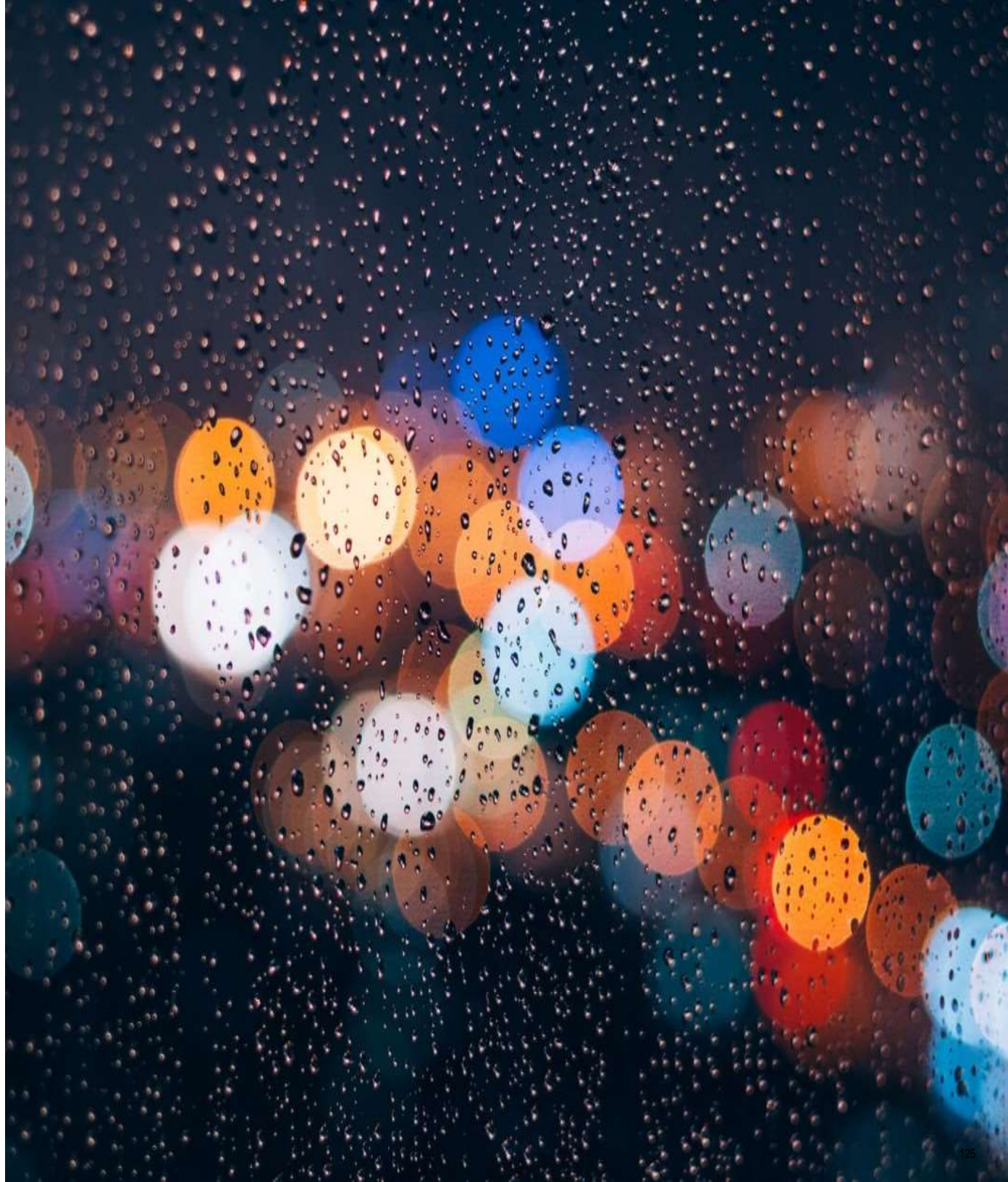
Standard Deviation  
Rolling 0.25 Year



1 Quarter Historical Statistics

	Active Return	Tracking Error	Information Ratio	R-Squared	Sharpe Ratio	Alpha	Beta	Return	Standard Deviation	Actual Correlation
Chatham PDSC IV	0.15	1.76	0.08	0.95	0.95	1.10	0.47	5.96	1.59	0.98
HFRI Event-Driven (Total) Index	0.00	0.00	-	1.00	0.41	0.00	1.00	5.41	3.28	1.00
90 Day U.S. Treasury Bill	-1.35	3.27	-0.41	0.47	-	0.45	0.00	1.37	0.01	0.68

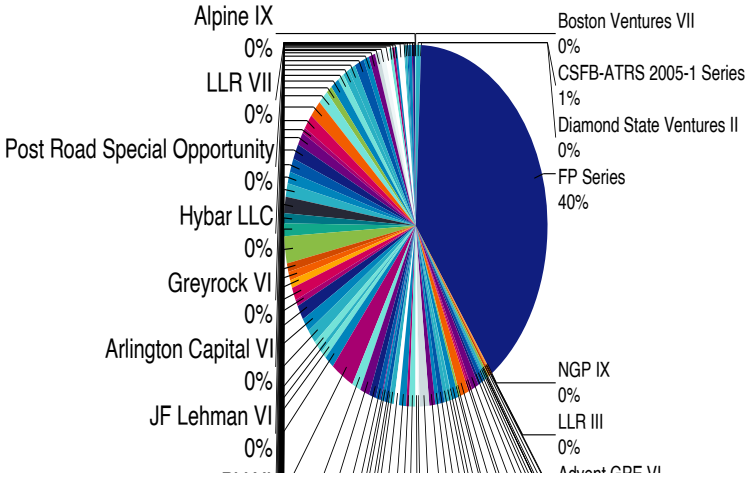
# Private Equity



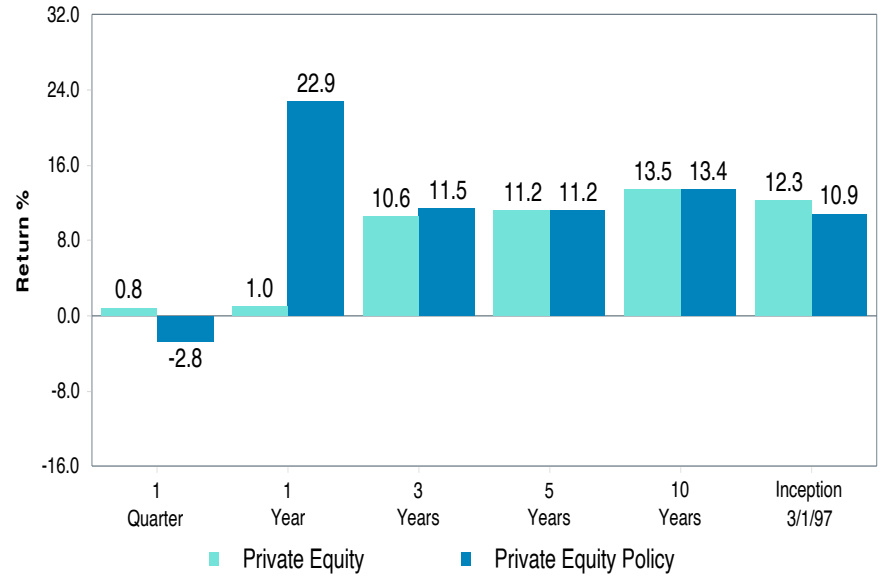
# Composite Portfolio Overview Private Equity

As of December 31, 2023

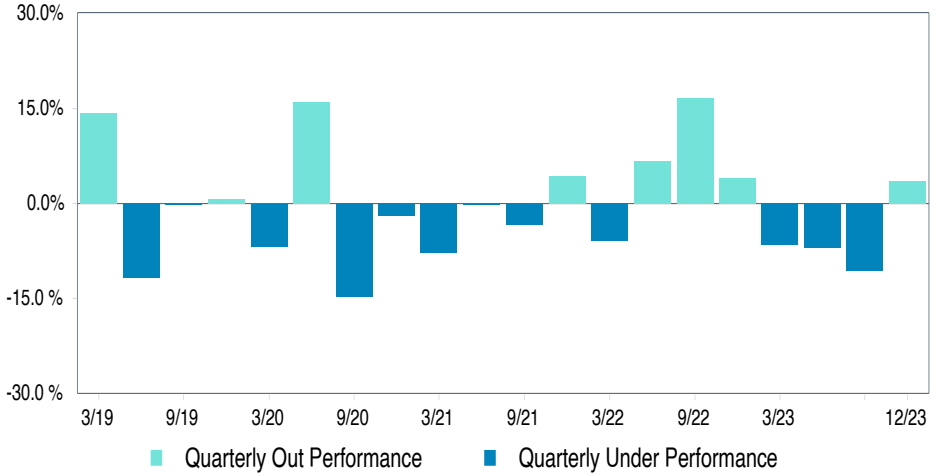
**Current Allocation**  
 December 31, 2023 : \$2,918,711,311



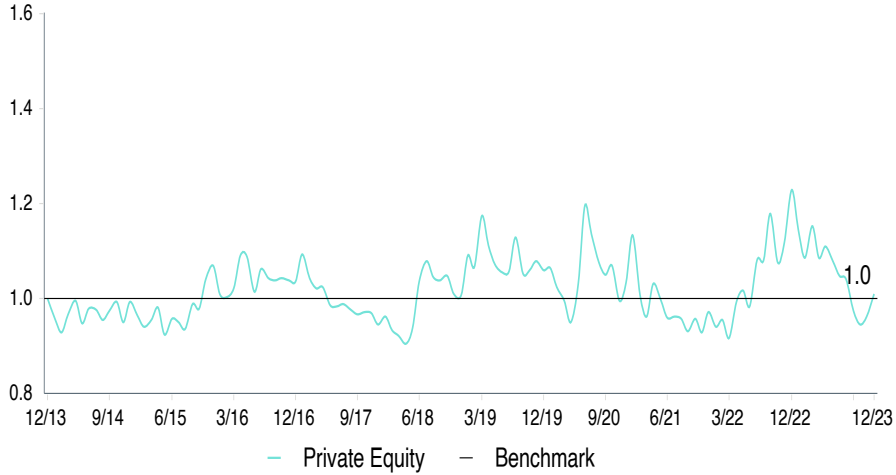
**Return Summary**



**Quarterly Excess Performance**



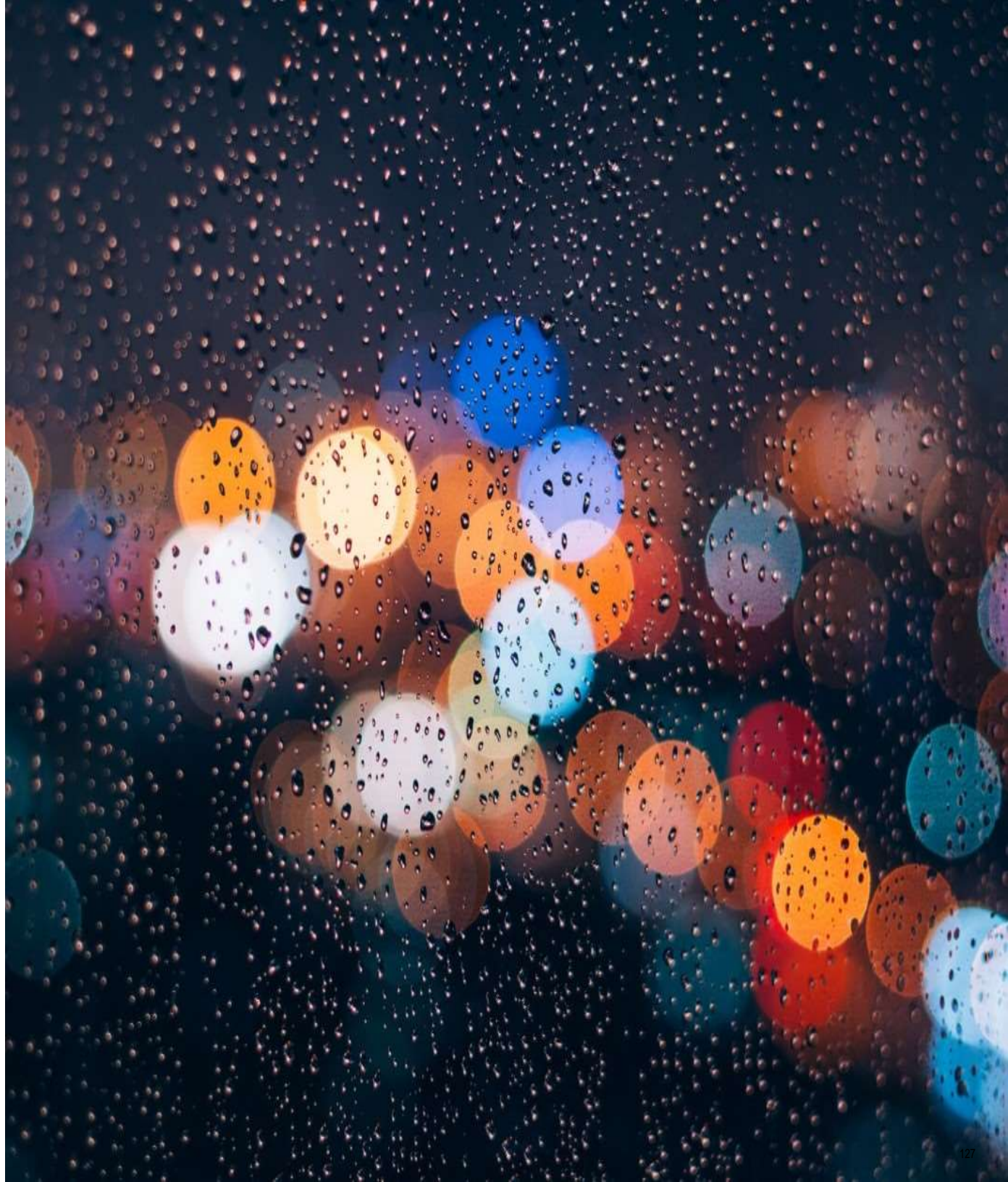
**Ratio of Cumulative Wealth - 10 Years**



Note: April 1, 2004 represents the inception of the Global Equity Custom Benchmark as the primary performance objective for the Global Equity portfolio.



# Real Assets



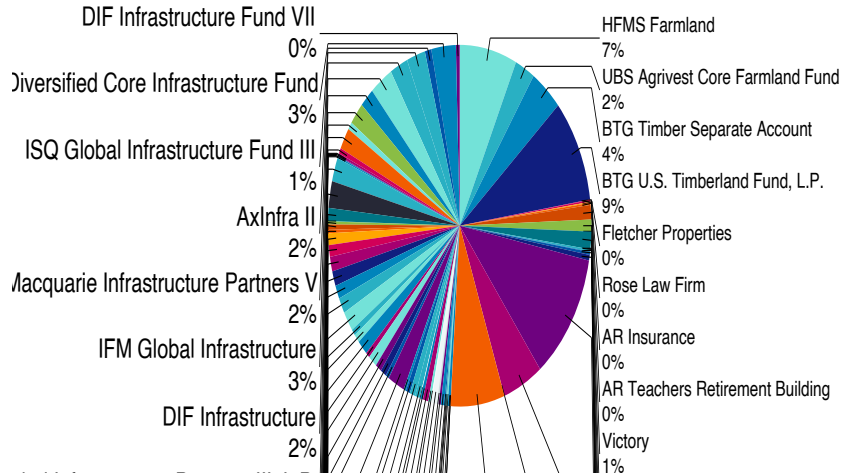


# Composite Portfolio Overview Real Assets

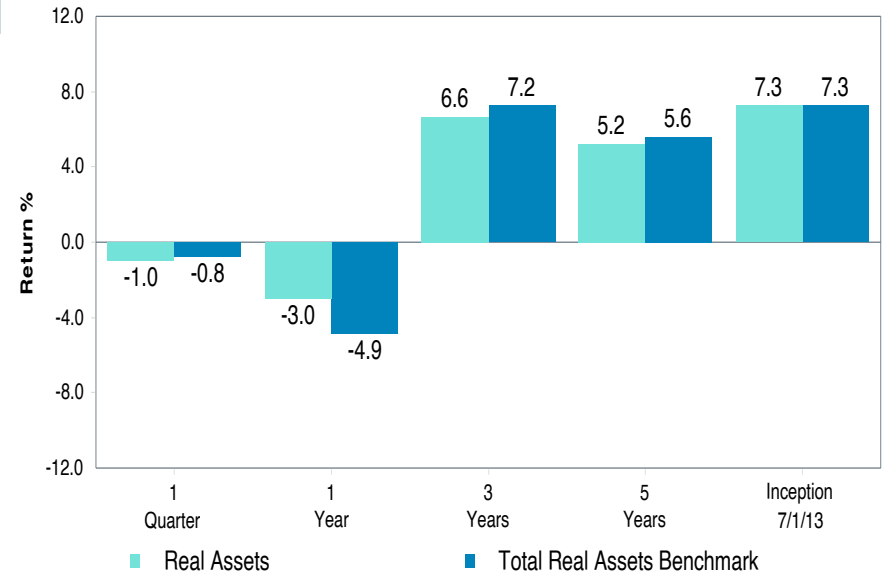
As of December 31, 2023

## Current Allocation

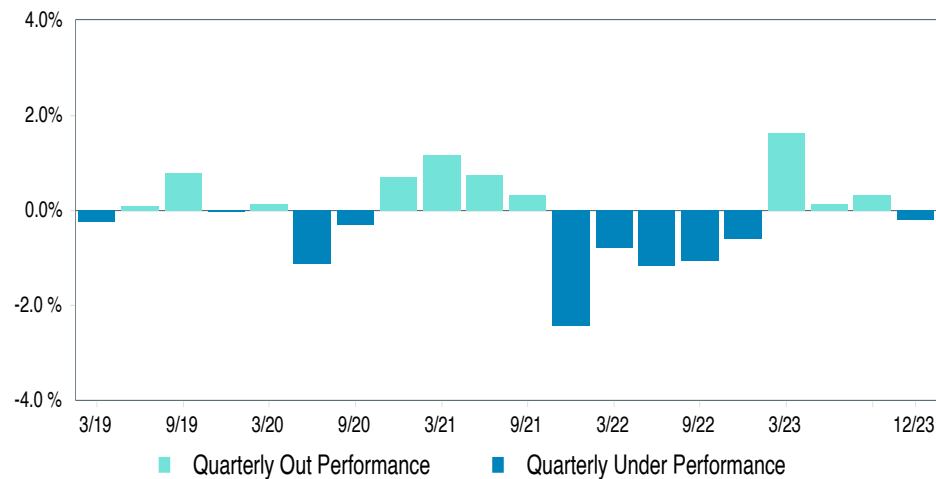
December 31, 2023 : \$2,562,835,371



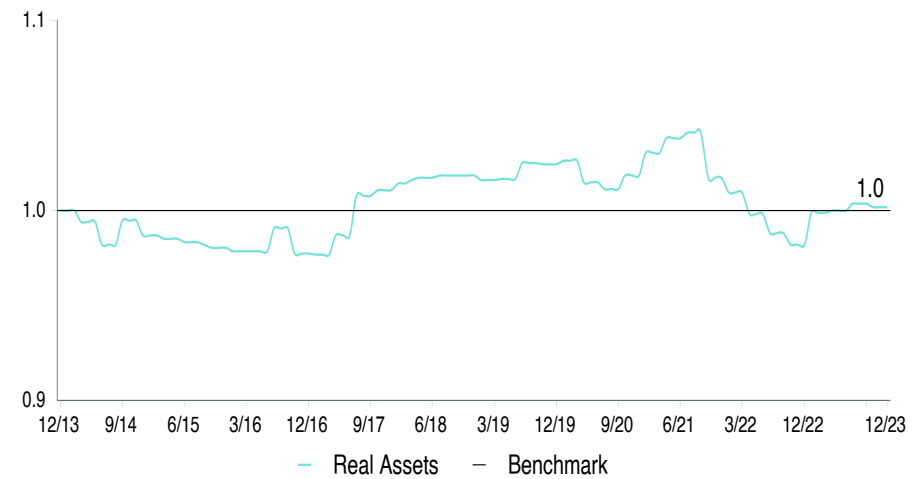
## Return Summary



## Quarterly Excess Performance



## Ratio of Cumulative Wealth - 10 Years



Note: April 1, 2004 represents the inception of the Global Equity Custom Benchmark as the primary performance objective for the Global Equity portfolio.



# Fee Schedule



# Fee Schedule

As of December 31, 2023

	Fee Schedule	Market Value \$000	Estimated Annual Fee \$000	Estimated Annual Fee %
<b>Total Equity</b>		<b>11,688,704</b>	<b>47,209</b>	<b>0.40</b>
Jacobs Levy 130/30	0.60 % of First \$200 M 0.35 % of Next \$300 M 0.30 % Thereafter	1,405,470	4,966	0.35
Kennedy Capital Management	0.60 % of First \$100 M 0.50 % Thereafter	640,390	3,302	0.52
Stephens	0.75 % of First \$150 M 0.70 % of Next \$50 M 0.65 % Thereafter	604,454	4,104	0.68
Voya Absolute Return	0.60 % of First \$250 M 0.40 % Thereafter	846,897	3,888	0.46
Voya U.S. Convertibles	0.40 % of First \$100 M 0.30 % of Next \$100 M 0.25 % of Next \$100 M 0.20 % Thereafter	958,130	2,266	0.24
Pershing Square Holdings	1.50 % of Assets	331,347	4,970	1.50
Triam Partners	1.50 % of Assets	86,956	1,304	1.50
Triam Co-Investments	0.50 % of Assets	96,990	485	0.50
SSgA Global Index	0.04 % of First \$1000 M 0.03 % Thereafter	1,308,617	493	0.04
BlackRock MSCI ACWI IMI Fund	0.05 % of First \$250 M 0.04 % Thereafter	1,052,411	446	0.04
Wellington Global Perspectives	0.80 % of Assets	681,085	5,449	0.80
T. Rowe Price Global Equity	0.43 % of First \$500 M 0.40 % Thereafter	1,322,132	5,414	0.41
Lazard	0.68 % of First \$300 M 0.65 % Thereafter	762,785	5,048	0.66
Harris Global Equity	0.60 % of First \$100 M 0.50 % of Next \$100 M 0.45 % Thereafter	677,057	3,247	0.48
Arrowstreet Global Equity - Alpha Extension Fund	Performance Based 0.20 and 20.00	913,924	1,828	0.20

Above fees reflect only the current base management fee and excludes any performance fee arrangement.

# Fee Schedule

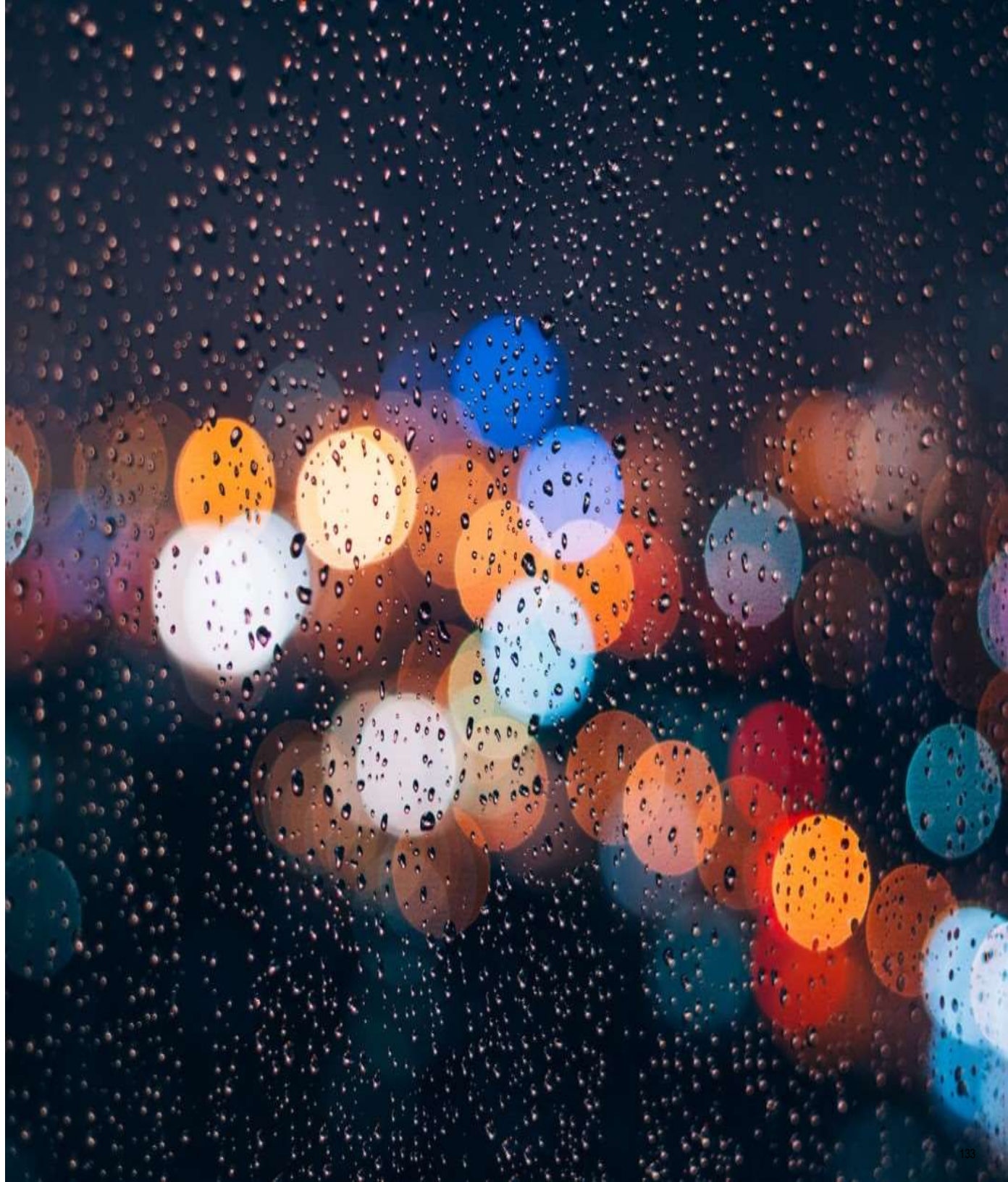
As of December 31, 2023

	Fee Schedule	Market Value \$000	Estimated Annual Fee \$000	Estimated Annual Fee %
<b>Fixed Income</b>		<b>2,965,802</b>	<b>5,097</b>	<b>0.17</b>
BlackRock	0.20 % of First \$200 M 0.15 % of Next \$200 M 0.10 % of Next \$400 M 0.08 % Thereafter	259,717	490	0.19
Loomis Sayles	0.50 % of First \$20 M 0.40 % of Next \$30 M 0.30 % Thereafter	674,978	2,095	0.31
SSgA Aggregate Bond Index	0.04 % of First \$100 M 0.02 % Thereafter	717,760	159	0.02
Wellington Global Total Return	0.30 % of Assets	397,560	1,193	0.30
Reams Core Plus Bond Fund	0.20 % of Assets	580,635	1,161	0.20
BRS Recycling Tax Credit		176,000	-	-
BRS Recycling Tax Credit Phase 2		77,032	-	-
BRS Recycling Tax Credit Phase 3		82,120	-	-
<b>Opportunistic/Alternatives</b>		<b>1,076,072</b>	<b>10,622</b>	<b>0.99</b>
Anchorage	2.00 % of Assets	29,150	583	2.00
York	1.50 % of Assets	7,237	109	1.50
Capula	2.00 % of Assets	101,085	2,022	2.00
Graham	2.00 % of Assets	96,443	1,929	2.00
Circumference Group Core Value	1.50 % of Assets	41,258	619	1.50
Aeolus Keystone Fund	2.00 % of Assets	27,128	543	2.00
Parametric Global Defensive Equity Fund	0.40 % of First \$150 M 0.35 % Thereafter	215,673	830	0.38
Man Alternative Risk Premia	0.85 % of Assets	117,867	1,002	0.85
CFM Systematic Global Macro Fund	0.36 % of Assets	105,150	379	0.36
Pillar Opportunity	1.30 % of Assets	105,785	1,375	1.30
Chatham PDSC III	0.33 % of Assets	69,161	228	0.33
Prophet Mtg. Servicing Opportunities	0.84 % of Assets	44,843	377	0.84
Chatham PDSC IV	0.33 % of Assets	62,564	206	0.33

Above fees reflect only the current base management fee and excludes any performance fee arrangement.

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## Disclaimers and Notes



# Arkansas Teacher Retirement System

## Description of Benchmarks

**Total Fund** - The Performance Benchmark for the Total Fund reflects a weighted average of the underlying asset class benchmarks, weighted as follows: Opportunistic/Alternatives and Real Assets at the weight of the previous month's ending market values, Fixed Income at its long-term Policy Target of 15%, and Total Equity at its long-term Policy Target of 55% plus the balance of the unfunded or uncommitted assets of the Opportunistic/Alternatives and Real Assets categories. These targets can be found on page 21 of the this report. From October 2007 to July 2013, the Performance Benchmark was the performance of the asset class benchmarks as a weighted average of the previous month's ending market values. The historical components of the benchmark are shown in the table below. Returns prior to September 30, 1996, consist of the actual allocations to the seven different asset classes included in the Arkansas Teacher Retirement System over time. The historical benchmarks used for each asset class are noted below.

Date	DJ Total Stock Market Index	Russell 3000 Index	MSCI ACW ex-U.S. Index	MSCI All Country World Index	BC Universal Bond Index	BC Aggregate Bond Index	Alternative Policy*
03/2004-9/2007	40.0 %	--	17.5 %	--	25.0 %	--	17.5 %
06/2003-02/2004	40.0	--	17.5	--	--	25.0 %	17.5
10/2001-07/2003	--	40.0 %	17.5	--	--	25.0	17.5
08/1998-09/2001	--	40.0	17.0	--	--	28.0	15.0
10/1996-07/1998	--	40.0	20.0	--	--	28.0	12.0

\*Historically, the Alternative Policy was comprised of the weighted averages of the Private Equity, Real Estate, and Alternatives policy benchmarks. Prior to July 31, 2003 the alternative benchmark consisted of 57.0% of the Russell 3000 + a 2% Premium per year, 8.5% of the NCREIF Southeast Timberland Index, 28.5% of the Real Estate Index, 6% of the EnnisKnupp STIF Index.

# Benchmark Descriptions

**Total Equity** - A weighted average of the Dow Jones U.S. Total Stock Market Index and the MSCI All Country World IMI Index based on weights of the underlying investment manager allocations. As of December 1, 2023, the Total Equity Performance Benchmark was comprised of 34.5% DJ U.S. Total Stock Market Index and 65.5% MSCI ACWI IMI.

**Fixed Income** - The Barclays U.S. Universal Bond Index as of March 1, 2004.

**Opportunistic/Alternatives** - A custom benchmark consisting of 25% DJ/CS Event-Driven Index, 25% HFR Macro Index, and 50% South Timberland NCREIF Index until June 30, 2013; 60% HFRI Macro Index and 40% DJ/CS Event-Driven Index until July 31, 2015; 56% HFRI Macro Index, 38% DJ/CS Event-Driven Index, and 6% Russell 2000 Index until March 31, 2016; 45% HFRI Macro Index, 30% DJ/CS Event-Driven Index, 5% Russell 2000 Index, and 20% Citigroup 3 Month T-bill until May 31, 2016; 37% HFRI Macro Index, 25% DJ/CS Event-Driven Index, 5% Russell 2000 Index, and 33% Citigroup 3 Month T-bill until May 31, 2017; 28% HFRI Macro Index, 20% DJ/CS Event-Driven Index, 4% Russell 2000 Index, 25% Citigroup 3 Month T-bill, and 23% Parametric Performance Benchmark thereafter.

**Real Assets** - A custom benchmark consisting of a weighted average of the net asset values at previous month's end of the sub-categories' benchmarks, defined as Real Estate Benchmark, Timber Benchmark, Agriculture Benchmark and Infrastructure Benchmark.

**Real Estate**- NFI-ODCE - NCREIF Fund Index Open-end Diversified Core Equity Index is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy; underlying funds are leveraged with gross and net returns available.

**Timber Property Benchmark** - NCREIF Timberland Property Index (NTPI) weighted according to ATRS' regional exposure based on net asset value.

**Agriculture Benchmark** - NCREIF Farmland Index (NFI) weighted according to ATRS' regional and crop type exposure based on net asset value.

**Infrastructure Benchmark** - Consumer Price Index (CPI) plus 500 basis points annually.

**Private Equity** - The Dow Jones U.S. Total Stock Market Index + a 2% premium per year.

**Cash Equivalents** - The Citigroup 90 day T-bill.



# Benchmark Descriptions

**BlackRock Performance Benchmark** - The Barclays Universal Bond Index as of March 1, 2004. Previously it was the Barclays Aggregate Bond Index.

**Jacobs Levy Performance Benchmark** - On January 1, 2008, the benchmark for the portfolio was changed to the Russell 3000 Index. Prior to January 1, 2008, the portfolio benchmark was the Russell 1000 Growth Index.

**Loomis Sayles Performance Benchmark** - An Index that splices 65% of the Barclays Government/Credit Index and 35% Barclays High Yield Index.

**Voya U.S. Convertibles Performance Benchmark** - On January 1, 2005, the benchmark for the portfolio was changed to the Merrill Lynch Convertible Bond (All Quality) Index. Prior to January 1, 2005, the performance benchmark for the Voya U.S. Convertibles portfolio was the CSFB Convertible Securities Index. Prior to May 1, 2004, the performance benchmark consisted of 90% CSFB Convertible Securities Index and 10% Salomon High Yield Index.

**Parametric Performance Benchmark** - 50% MSCI All Country World Index (net) and 50% Citigroup 90 day T-Bill Index as of June 1, 2017.

**Wellington Global Performance Benchmark** - As of July 1, 2012 the benchmark was changed to MSCI All Country World Small Cap Index. Prior to July 1, 2012, the benchmark was MSCI All Country World Small/Mid Cap Index.

**Voya Absolute Return Performance Benchmark** - As of December 1, 2015 the benchmark was changed to MSCI All Country World Index. Prior to December 1, 2015, the benchmark was the S&P 500 Stock Index.

**Barclays Aggregate Bond Index** - A market-value weighted index consisting of the Barclays Corporate, Government and Mortgage-Backed Securities Indices. The Index also includes credit card-, auto- and home equity loan-backed securities, and is the broadest available measure of the aggregate U.S. fixed income market.

**Barclays Government/Credit Index** - The Barclays Government/Credit Index measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds.

**Barclays High Yield Index** - The Barclays High Yield Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

**Barclays U.S. Universal Bond Index** - A market-value weighted index consisting of the components of the Barclays Aggregate Bond Index, plus EuroDollar bonds, emerging markets bonds, 144A fixed income securities, and U.S. corporate high yield securities.

# Benchmark Descriptions

**Barclays Mortgage Index** - A market value-weighted index consisting of the mortgage pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

**Citigroup 90 day T-bill Index** - Treasury bill rates of return, as reported by Citigroup (Salomon Smith Barney), for bills with a maximum time remaining to maturity of 90 days.

**Dow Jones U.S. Total Stock Market Index** - A capitalization-weighted stock index representing all U.S. common stocks traded regularly on the organized exchanges. The Index is the broadest measure of the aggregate U.S. stock market.

**FTSE Europe** - A tradable index, designed to represent the performance of the 100 most highly capitalized blue chip companies in Europe.

**Merrill Lynch Convertible Bond (All Quality) Index** - The Merrill Lynch All Convertibles All Qualities Index is a widely used index that measures convertible securities' performance. It measures the performance of U.S. dollar-denominated convertible securities not currently in bankruptcy with a total market value greater than \$50 million at issuance.

**MSCI All Country World ex-U.S. Index** - A capitalization-weighted index consisting of 22 developed and 23 emerging countries, but excluding the U.S. Covers approximately 85% of global equity opportunity set outside of the U.S.

**MSCI All Country World Index** - A capitalization-weighted index of stocks representing 46 stock markets in Europe, Australia, the Far East, the Middle East, Latin America and North America.

**MSCI All Country World IMI Index** - A capitalization-weighted index representing large and small cap stock from 46 stock markets in Europe, Australia, the Far East, the Middle East, Latin America and North America.

**MSCI Europe, Australasia, Far East (EAFE) Non-U.S. Stock Index** - A capitalization-weighted index of stocks representing 21 developed and emerging country markets in Europe, Australia, Asia and the Far East.

**MSCI World Index** - A capitalization-weighted index of stocks representing 22 developed stock markets in Europe, Asia and Canada.

**NFI-ODCE Index** - NCREIF Fund Index Open-end Diversified Core Equity Index is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy; underlying funds are leveraged with gross and net returns available

**DJ/CS Event-Driven Index** - Event driven funds typically invest in various asset classes and seek to profit from potential mispricing of securities related to a specific corporate or market event. Such events can include: mergers, bankruptcies, financial or operational stress, restructurings, asset sales, recapitalizations, spin-offs, litigation, regulatory and legislative changes as well as other types of corporate events. Event driven funds can invest in equities, fixed income instruments (investment grade, high yield, bank debt, convertible debt and distressed), options and various other derivatives. Many event driven fund managers use a combination of strategies and adjust exposures based on the opportunity sets in each subsector.

# Benchmark Descriptions

**LIBOR Index** - London Interbank Offered Rate. A filtered average of the world's most creditworthy banks' interbank deposit rates with maturities between overnight and one full year.

**Russell 3000 Index** - An index that measures the performance of the 3,000 stocks that make up the Russell 1000 and Russell 2000 Indices.

**Russell 1000 Index** - An index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

**Russell 1000 Value Index** - An index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

**Russell 2000 Index** - An index that measures the performance of the smallest 2,000 companies contained in the Russell 3000 Index.

**Russell 2000 Growth Index** - An index that measures the performance of those Russell 2000 companies with greater price-to-book ratios and greater I/B/E/S growth forecasts.

**Russell 2000 Value Index** - An index that measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

**Russell Mid Cap Value Index** - An index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**S&P 500 Stock Index** - A capitalization-weighted stock index consisting of the 500 largest publicly traded U.S. stocks.

**South Timberland Index** - The largest regional subindex of the NCREIF Timberland Index, consisting of timberland properties held in the U.S. South. This includes close to 300 properties with more than 10 million cumulative acres of timberland in the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. Calculations are based on quarterly returns at the individual property level. Performance is reported on an all-cash, unlevered basis, gross of investment management fees.

**HFR Macro Index** - Macro: Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Primary investment thesis is predicated on predicted or future movements in the underlying instruments.

**HFR Distressed/Restructuring Index** - Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure. Hedge Fund Research, Inc. (HFR) utilizes a UCITSIII compliant methodology to construct the HFR Hedge Fund Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Hedge Fund Universe.

# Arkansas Teacher Retirement System

## Historical U.S. Equity and Global Equity composite returns

As of June 30, 2015	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
U.S. Equity	6.7	18.1	16.4	9.4	10.5	04/01/1986
Dow Jones U.S. Total Stock Market Index	7.2	17.6	17.5	8.3	-	
Global Equity	1.8	14.6	12.1	-	2.5	11/01/2007
MSCI AC World Index (Net)	0.7	13.0	11.9	6.4	2.1	

In June 2015, the ATRS Board approved the combination of the U.S. and Global equity asset classes to a single Total Equity asset class. Total Equity performance reporting began in July 2015. In the table above, we show the historical returns for the U.S. Equity and Global Equity asset classes since inception through June 2015. Performance for the Total Equity asset class prior to July 2015 represents a weighted average of the U.S. Equity and Global Equity historical performance.

# Index Definitions

Name	Description
<b>Bloomberg U.S. Corporate High Yield Bond Index</b>	An index that covers the USD-dominated, non-investment grade, fixed rate, taxable corporate bond market. Debt issues from emerging market countries are excluded. Securities are classified as high-yield if the middle rating is Ba1/BB+ or below.
<b>Bloomberg Emerging Markets Index</b>	An unmanaged index that tracks total returns for external-currency-denominated debt instruments of the emerging markets.
<b>Bloomberg Global Aggregate</b>	Provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.
<b>Bloomberg Global Treasury Ex-US</b>	The Global Treasury ex US Index is a subset of the flagship Global Treasury Index that does not have any exposure to US debt. This multi-currency benchmark includes investment grade, fixed-rate bonds issued by governments in their native currencies.
<b>Bloomberg Universal Index</b>	A market value-weighted index which is the union of the U.S. Aggregate Index, U.S. High Yield Corporate Index, Eurodollar Index, U.S. Emerging Markets Index and the CMBS High Yield Index. The Index is appropriate for core plus fixed income mandates.
<b>Bloomberg U.S. Government Index</b>	A market value weighted index of U.S. government and government agency securities (other than mortgage securities) with maturities of one year or more.
<b>Bloomberg U.S. Government/Credit Index</b>	A subcomponent of the Capital Aggregate Index, this benchmark includes treasury securities, government related issues, and high-quality corporate bonds with an outstanding par value of \$250 million or greater and at least one year of maturity remaining.
<b>Bloomberg U.S. High Yield Index</b>	An index composed of non-investment grade corporate debt denominated in U.S. dollars. The issues have to have an outstanding par value of \$150 million or greater and at least one year of maturity remaining.
<b>Bloomberg U.S. Inflation Index</b>	Measures the performance of the U.S. Treasury Inflation Protected Securities ("TIPS") market.
<b>Bloomberg U.S. Intermediate Aggregate Bond Index</b>	A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of \$250 million or greater
<b>Bloomberg U.S. Intermediate Government/Credit Index</b>	A market-value weighted index consisting of government bonds and SEC-registered corporate bonds with one to ten years to maturity and an outstanding par value of \$150 million or greater.
<b>Bloomberg U.S. Intermediate Government Bond Index</b>	An unmanaged index considered representative of intermediate- term fixed-income obligations issued by the U.S. treasury, government agencies and quasi-federal corporations.

# Index Definitions

Name	Description
<b>Bloomberg U.S. Intermediate Treasury</b>	An unmanaged index considered representative of intermediate-term fixed- income obligations issued by the U.S. treasury.
<b>Bloomberg U.S. Aggregate Bond Index</b>	A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of \$250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.
<b>Bloomberg U.S. Long Credit Bond Index</b>	An unmanaged index considered representative of long-term fixed-income obligations issued by U.S. corporate, specified foreign debentures, and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.
<b>Bloomberg U.S. Long Government/Credit Index</b>	The Capital U.S. Government/ Credit Bond Index measures performance of U.S. dollar denominated U.S. treasuries, government-related, and investment grade U.S. corporate securities that have a remaining maturity of greater than or equal to 1 year. In addition, the securities have \$250 million or more of outstanding face value, and must be fixed rate and non-convertible.
<b>Bloomberg U.S. Long-Term Government Bond Index</b>	An unmanaged index considered representative of long-term fixed- income obligations issued by the U.S. treasury, government agencies and quasi-federal corporations.
<b>Bloomberg U.S. TIPS</b>	A market value-weighted index consisting of U.S. Treasury Inflation Protected Securities with one or more years remaining until maturity with total outstanding issue size of \$500m or more.
<b>Bloomberg U.S. Treasury 20-30 Year STRIPS Index</b>	A subcomponent of the Aggregate Index, this benchmark includes long-term treasury STRIPS.
<b>Bloomberg Commodity Index</b>	Consists of 22 exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity. Performance is calculated on an excess return basis and reflects commodity future price movements.
<b>BofA Merrill Lynch 3 Month Treasury Bill</b>	An index that measures the average return of the last three-month U.S. Treasury Bill issues .
<b>BofA Merrill Lynch High Yield Master</b>	A market capitalization-weighted index that tracks the performance of U.S. dollar- denominated, below investment grade corporate debt publicly issued in the U.S. domestic market.

# Index Definitions

Name	Description
<b>Citigroup 90-Day T-Bill Index</b>	An index that measures the average return of the last three-month U.S. Treasury Bill issues
<b>CRSP US Large Growth Cap Index</b>	An index comprised of nearly 330 US large cap growth companies and includes securities traded on NYSE, NYSEMarket, NASDAQ, or ARCA, representing nearly 45% of the U.S. investable equity market. The index is reconstituted quarterly after the market close on the third Fridays of March, June, September, and December. CRSP classifies growth securities using the following factors: future long-term growth in earnings per share (EPS), future short-term growth in EPS, 3-year historical growth in EPS, 3-year historical growth in sales per share, current investment-to-assets ratio, and return on assets.
<b>CRSP US Total Market Index</b>	An index comprised of nearly 4,000 constituents across mega, large, small, and micro capitalizations and includes securities traded on NYSE, NYSE Market, NASDAQ, or ARCA, representing nearly 100% of the U.S. investable equity market. The index is reconstituted quarterly after the market close on the third Fridays of March, June, September, and December.
<b>Credit Suisse Leveraged Loan Index</b>	Designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market.
<b>DJ U.S. Completion Total Stock Market Index</b>	A capitalization-weighted index that consists of the stocks in the Dow Jones U.S. Total Stock Market Index less the stocks in the S&P 500 Stock Index.
<b>DJ U.S. Total Stock Market Index</b>	A capitalization-weighted stock index representing all domestic common stocks traded regularly on the organized exchanges. The index is the broadest measure of the aggregate domestic stock market and includes approximately 5,000 stocks.
<b>FTSE 4Good U.S. Select Index</b>	A socially responsible investment (SRI) index of US stocks that excludes companies with certain business activities such as weapons, tobacco, gambling, alcohol, nuclear power, and adult entertainment
<b>FTSE All-World ex-U.S. Index</b>	A capitalization-weighted stock index representing 46 developed market countries and emerging market countries excluding the U.S.
<b>FTSE EPRA NAREIT Global ex-U.S. Index</b>	Designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate.
<b>FTSE Global All Cap ex US Index</b>	A market-capitalization weighted index representing the performance of roughly 5350 large, mid and small cap companies in 46 Developed and Emerging markets worldwide, excluding the USA.
<b>FTSE Global Core Infrastructure Index</b>	Represents the performance of infrastructure and infrastructure-related securities companies in a set of industries that FTSE defines as being involved in infrastructure. The series is based on the FTSE Global Equity Index Series and both developed and emerging markets are included.

# Index Definitions

Name	Description
<b>FTSE NAREIT U.S. Equity REITS</b>	Free float adjusted, market capitalization weighted index of US based equity real estate investment trusts (REITs).
<b>Goldman Sachs Commodity Index</b>	A composite index of commodity sector returns which represents a broadly diversified, unleveraged, long-only position in commodity futures.
<b>HFR Fund-of-Fund Index.</b>	This index is equity-weighted including 800 constituents. It includes both domestic and offshore accounts and is valued in U.S. dollars. Only fund-of-fund products are included in the index that have at least \$50 million under managements and have been actively trading for at least one year. All funds report net returns on a monthly basis.
<b>HFRI Fund Weighted Composite Index</b>	The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.
<b>Hueler Stable Value Index</b>	The Hueler Analytics Stable Value Pooled Fund Comparative Universe represents investment strategies of \$96 billion in stable value assets, across 24 pooled funds, invested in contracts universe across a universe of 16 general account issuers and 14 synthetic wrap providers. The allocation of pooled fund assets is dominated by synthetic contracts issued by insurance companies and banks.
<b>J.P. Morgan EMBI Global Diversified</b>	Comprised of dollar-denominated Brady bonds, traded loans and Eurobonds issued by emerging market sovereign and quasi-sovereign entities. The Diversified version limits the weights of the index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding, providing for a more even distribution of weights within the countries in the index.
<b>iMoneyNet All Taxable Money Funds Index</b>	An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.
<b>iMoneyNet Money Fund Average.</b>	An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.
<b>MSCI All Country World ex-U.S. Index</b>	A capitalization-weighted index of stocks representing 44 stock markets in Europe, Australia, the Far East, the Middle East, Latin America and North America. Index consists of 23 developed and 21 emerging countries, but excludes the U.S.
<b>MSCI All Country World ex-U.S. Index IMI-.</b>	A capitalization-weighted index of large, mid and small cap stocks representing 22 developed (excluding the United States) and 24 emerging market countries. The index is the broadest measure of the aggregate non-US stock market, covering approximately 99% of the global equity investment opportunity set outside of the United States.



# Index Definitions

Name	Description
<b>MSCI All Country World ex-U.S. Small Cap Index</b>	Covers all investable small cap securities with a market capitalization below that of the companies in the MSCI Standard Indices (excluding U.S.), and target approximately 14% of each market's free-float adjusted market capitalization.
<b>MSCI All Country World Index IMI</b>	A capitalization-weighted index of large, mid and small cap stocks representing 23 developed and 24 emerging market countries. The index is the broadest measure of the aggregate global stock market, covering approximately 99% of the global equity investment opportunity set.
<b>MSCI All Country World Index</b>	A capitalization-weighted index of stocks representing 46 stock markets in Europe, Australia, the Far East, the Middle East, Latin America and North America.
<b>MSCI EAFE Growth Index</b>	A capitalization-weighted index of 21 stock markets in Europe, Australia, Asia and the Far East designed to capture the growth-oriented companies.
<b>MSCI EAFE Small Cap Index</b>	A capitalization-weighted index of small cap stocks representing 23 developed country markets in Europe, Australia, Asia, and the Far East.
<b>MSCI EAFE Value Index</b>	A capitalization-weighted index of 21 stock markets in Europe, Australia, Asia and the Far East designed to capture the value-oriented companies.
<b>MSCI Emerging Markets Index</b>	A capitalization-weighted index of stocks representing 22 emerging country markets.
<b>MSCI U.S. Broad Market Index</b>	A capitalization-weighted stock index that aggregates the MSCI U.S. Large Cap 300, Mid Cap 450, Small Cap 1,750 and Micro-Cap Indices. This index represents approximately 99.5% of the capitalization of the U.S. Equity market and includes approximately 3,562 companies.
<b>MSCI U.S. REIT Index</b>	A broad index that fairly represents the equity REIT opportunity set with proper invest ability screens to ensure that the index is investable and replicable. The index represents approximately 85% of the U.S. REIT universe
<b>MSCI World Index</b>	A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets, representing 24 developed market country indices.
<b>NCREIF Property Index</b>	NCREIF Property Index - A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately \$269 billion in assets.

# Index Definitions

Name	Description
<b>NFI ODCE Index</b>	NFI ODCE Index - A capitalization weighted index comprised of open-end, Core funds investing in commercial real estate properties. The funds that constitute the index are subject to certain geographic and property type diversification requirements as well as leverage restrictions. The index reflects the impact of leverage on investment results. The returns shown in this report are net of management fees of the respective funds included in the index.
<b>Rolling 3-year Constant Maturity Treasury Index</b>	An index published by the Federal Reserve Board based on the monthly average yield of a range of Treasury securities, all adjusted to the equivalent of a three-year maturity.
<b>Russell 1000 Growth Index</b>	An index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher I/B/E/S growth forecasts.
<b>Russell 1000 Index</b>	A capitalization-weighted index of the 1,000 largest publicly traded U.S. stocks by capitalization.
<b>Russell 1000 Value Index.</b>	An index that measures the performance of those stocks included in the Russell 1000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.
<b>Russell 2000 Growth Index</b>	A capitalization-weighted index of those stocks in the Russell 2000 Index with higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.
<b>Russell 2000 Index</b>	A capitalization-weighted index of the smallest 2,000 stocks in the Russell 3000 Index. The index excludes the largest- and smallest-capitalization issues in the domestic stock market.
<b>Russell 2000 Value Index</b>	An index that measures the performance of those stocks included in the Russell 2000 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.
<b>Russell 2500 Growth Index</b>	A capitalization-weighted index representing those companies within the Russell 2500 Index with higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.
<b>Russell 2500 Index</b>	The Index is constructed by first identifying the 3,000 largest-capitalization U.S. stocks and ranking them by market capitalizations, choosing the bottom 2,500 names on the list.
<b>Russell 2500 Value Index.</b>	an index that measures the performance of those stocks included in the Russell 2500 Index with lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.

# Index Definitions

Name	Description
<b>Russell 3000 Growth Index</b>	A capitalization-weighted index consisting of those Russell 3000 Index stocks that have higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.
<b>Russell 3000 Index</b>	A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.
<b>Russell 3000 Value Index</b>	A capitalization-weighted index consisting of those Russell 3000 Index stocks that have lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.
<b>Russell Mid Cap Growth Index</b>	A capitalization-weighted index representing those stocks in the Russell MidCap Index with higher price-to-book ratios and higher I/B/E/S earnings growth forecasts.
<b>Russell Mid Cap Value Index</b>	A capitalization-weighted index consisting of those Russell MidCap Index stocks that have lower price-to-book ratios and lower I/B/E/S earnings growth forecasts.
<b>S&amp;P 500 Index</b>	A capitalization-weighted index representing stocks chosen by Standard & Poor's, Inc. for their size, liquidity, stability and industry group representation. The companies in the S&P 500 Index are generally among the largest in their industries.
<b>S&amp;P Completion Index</b>	The S&P Completion Index is a sub-index of the S&P Total Market Index, including all stocks eligible for the S&P TMI and excluding all current constituents of the S&P 500. The index covers approximately 4,000 constituents, offering investors broad exposure to mid, small, and micro-cap companies.
<b>S&amp;P GSCI®</b>	Both the first major investable commodity index and one of the most widely recognized benchmarks, the S&P GSCI® is broad-based, production weighted, and meant to be representative of the global commodity market beta.
<b>S&amp;P Leverage Loan Index</b>	A daily total return index that uses LSTA/LPC Mark-to-Market Pricing to calculate market value change.
<b>S&amp;P Midcap 400 Index</b>	A market-capitalization-weighted index of stocks in all major industries in the mid-range of the U.S. stock market.
<b>Wilshire REIT</b>	A measure of the types of U.S. real estate securities that represent the ownership and operation of commercial or residential real estate. To be included in the index, a company must have a market capitalization of \$200 million and have at least 75% of the total revenue derived from the ownership and operation of the real estate assets.

- Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect our fees or expenses.
- Past performance is no guarantee of future results.

# Thought Leadership Highlights

## Public Funds

Topic	Article	Link
<b>Annual Themes</b>	2024 Key Investment Themes for Public Funds (video passcode 'aon!')	<a href="#">Article on Request</a> <a href="#">Link to Video</a>
<b>Oversight</b>	Outsourced Chief Investment Officer: The Key to Navigating Volatility	<a href="#">Link</a>
<b>Market View</b>	Quarterly Market Review and Outlook Video (access code 'aon!')	<a href="#">Link to Article</a> <a href="#">Link to Video</a>
	Rate Cuts Ahead?	<a href="#">Link</a>
<b>P&amp;I Conference</b>	Video   Public Funds in 2023: Challenges and Opportunities	<a href="#">Link to Video</a>
<b>Asset Allocation</b>	How Public Pensions Should Assess Illiquidity from Alts: 3 Questions with Eric Friedman & John Sullivan	<a href="#">Link</a>
	Client Video: US vs non-US Equity (access code 'aon!')	<a href="#">Link to Video</a>
	The Strength of the U.S. Equity Market and its Impact on Equity Allocations	<a href="#">Link</a>
	Expected Rates of Return: A Whipsaw Effect?	<a href="#">Link</a>
	Managing Through Today's Environment for Illiquid Assets: 3 Questions with Eric Friedman	<a href="#">Link</a>
<b>Strategy Review</b>	Everything Everywhere All at Once: 5 Insights on Climate Change within Investments	<a href="#">Link</a>
	Impact Investing is Hard: Here's How to Do It Well	<a href="#">Link</a>
	Aon's Environmental Social and Governance (ESG) Manager Ratings: 3 Questions With Daniel Ingram	<a href="#">Link</a>
	Diverse Manager Initiatives: Three Questions for Institutional Investors	<a href="#">Link</a>
	Why Securities Lending is Right, Now	<a href="#">Link</a>
	Private Credit: 3 Questions with Galina Kalcheva	<a href="#">Link</a>
	Private Credit 101 (access code 'aon!')	<a href="#">Link to Video</a>

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## Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

# Disclaimer

## **Past performance is not necessarily indicative of future results.**

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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Refer to Hedge Fund Research, Inc. [www.hedgefundresearch.com](http://www.hedgefundresearch.com) for information on HFR indices.

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Aon Investments USA Inc.  
200 East Randolph Street  
Suite 700  
Chicago, IL 60601  
ATTN: Aon Investments Compliance Officer

**AON**

# Asset Allocation Review and Recommendation

Arkansas Teacher  
Retirement System (ATRS)

February 5, 2024

Investment advice and consulting services provided by Aon  
Investments USA Inc.

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# Executive Summary

**The current market environment offers an opportunity to improve portfolio efficiency from a risk / return perspective**

- Fixed income yields have risen notably over the past 2 years from historically low levels which had persisted over the previous decade
- Higher expected fixed income returns have reduced the equity risk premium (equity return above bonds)

**As a result, the following material outline two recommendations:**

- 1. Asset Allocation Recommendation:** Aon recommends ATRS shift 5% of its portfolio from Total Equity to Fixed Income to improve portfolio efficiency
- 2. Implementation Recommendation:** If approved, Aon recommends ATRS hire a new fixed income manager to assist in managing the additional fixed income assets
  - Specifically, Aon recommends ATRS allocate up to \$800 million (4%) to the Baird Core Plus Bond strategy and the remaining exposure to the existing SSgA Aggregate Bond Index Fund

**Aon believes the resulting portfolio will continue to provide a well-diversified, return-oriented portfolio with greater risk/return efficiency**



# 1. Asset Allocation Recommendation



# Market Environment Update

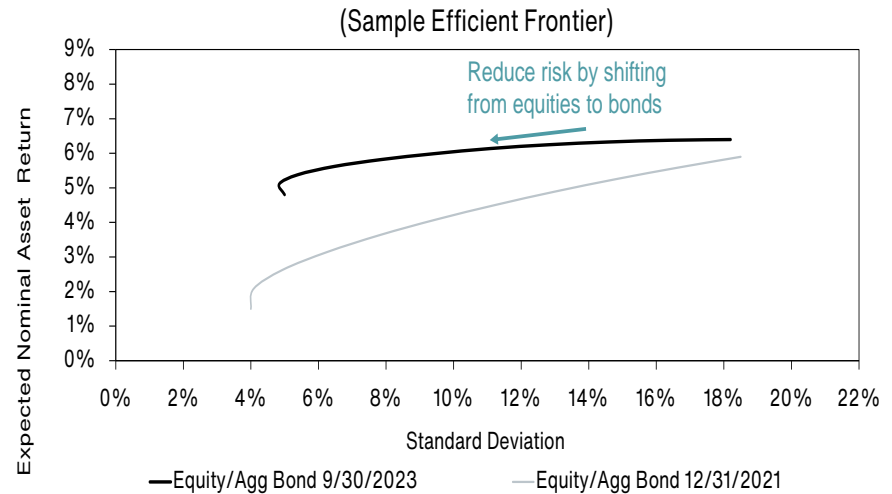
Higher interest rates offer investors opportunity to improve portfolio efficiency

## U.S. Treasury Yields Have Risen Over the Past 2 Years



As at 1/12/2024, 1/12/2024, for US 10 Year Yield, US 2 Year Yield, respectively

## Equity / Bond Efficient Frontier Has Flattened



Asset Category	Expected Return (10yr) 9/30/2023	Expected Return (10yr) 12/31/2021	Change
Global Public Equity	6.9%	6.4%	0.5%
Core Bonds	5.3%	2.0%	3.3%
Difference	1.6%	4.4%	
Probability of Public Equity Outperforming Bonds for the Next 10 Years	61%	76%	

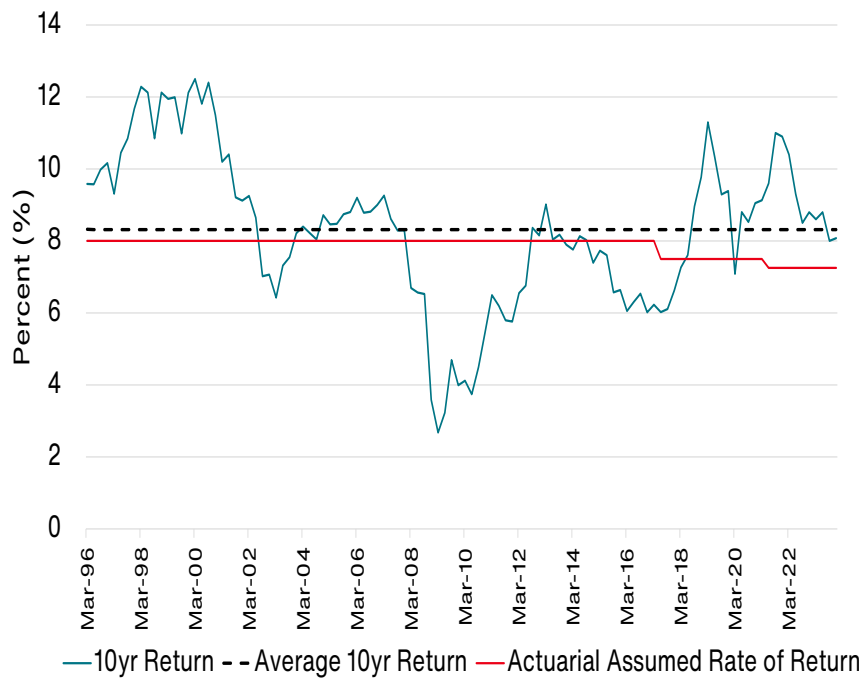
- Higher interest rates have reduced the equity risk premium
- Investors have an opportunity to reduce risk (return volatility) while maintaining a similar level of expected return

# ATRS Asset Allocation

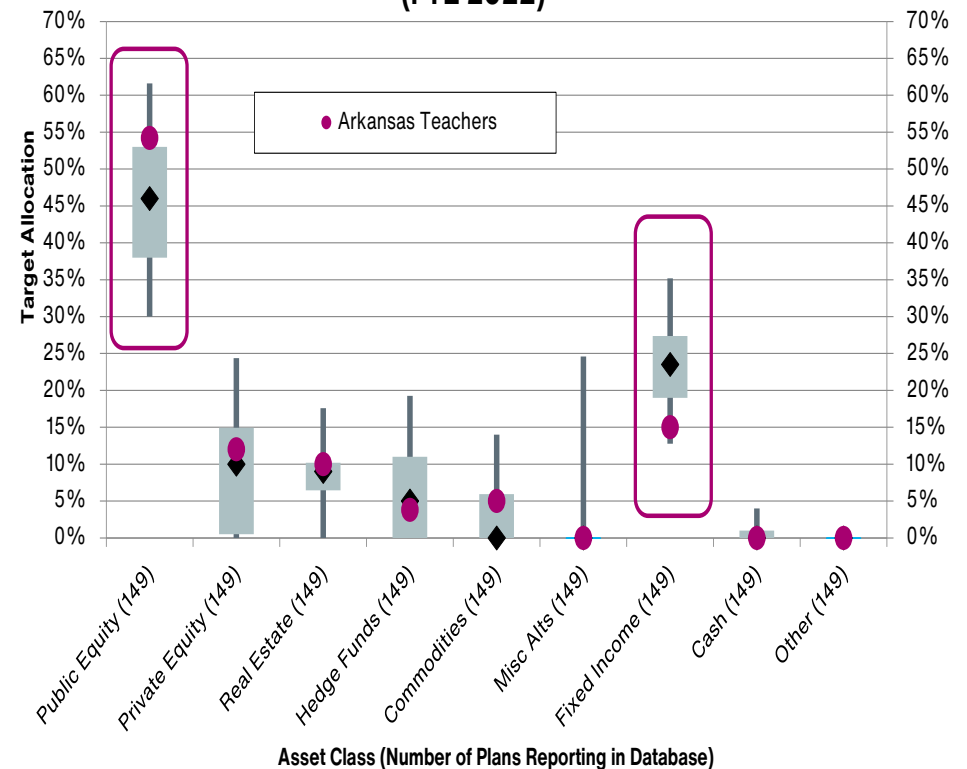
ATRS has a well-diversified, return-oriented portfolio, currently with approximately 90% allocated to return-oriented investments

- Equity exposure has been beneficial over the long-term; however, has been accompanied by a higher level of risk
- Relative to peers, ATRS is in the top quartile of public equity exposure, and in the bottom quartile for fixed income exposure

ATRS Total Fund: Rolling 10-year Returns



Distribution of U.S. Public Pension Target Asset Allocations (FYE 2022)



Source: Public Plans Data (publicplansdata.org) as of September 2023

<sup>1</sup> Peers defined as public plans published within publicplansdata.org as of September 2023; Number of plans per year are shown in parentheses

Note: Opportunistic allocation spread across public equity (1.2%) and hedge funds (3.8%); Real assets spread across real estate (10%) and commodities (5%)

# Asset Allocation Recommendation

## Long-term (30-year) Expected Returns

Asset Class	Capital Market Assumptions <sup>1</sup>		Policy Target (%)	
	Expected Return	Expected Risk	Current	Recommendation
Public Equity	7.4%	18.7%	<b>53.0%</b>	<b>48.0%</b>
Private Equity	10.1%	20.5%	12.0	12.0
Real Assets <sup>2</sup>	6.7%	13.6%	15.0	15.0
Opportunistic / Alternatives <sup>3</sup>	6.9%	6.1%	5.0	5.0
Fixed Income <sup>4</sup>	5.7%	5.2%	<b>15.0</b>	<b>20.0</b>
<b>Total ATRS Expected Return</b>			<b>7.76%</b>	<b>7.66%</b>
<b>Total ATRS Expected Risk</b>			<b>13.24%</b>	<b>12.35%</b>
<b>Expected Sharpe Ratio</b>			<b>0.27</b>	<b>0.28</b>

- Aon recommends shifting 5% of the Total Fund from Public Equity to Fixed Income
- The equity risk premium has shrunk due to higher interest rates
- Modest shift in Target Policy is expected to maintain a similar expected return while notably reducing expected risk
  - Expected return to shift from 7.8% to 7.7%
  - Expected risk to shift from 13.2% to 12.3%
- Portfolio continues to be well-diversified and expected to exceed its actuarial assumed rate of return

1. Based on Aon's 30-year Capital Market Assumptions as of 9/30/2023. Inflation assumption is 2.3%

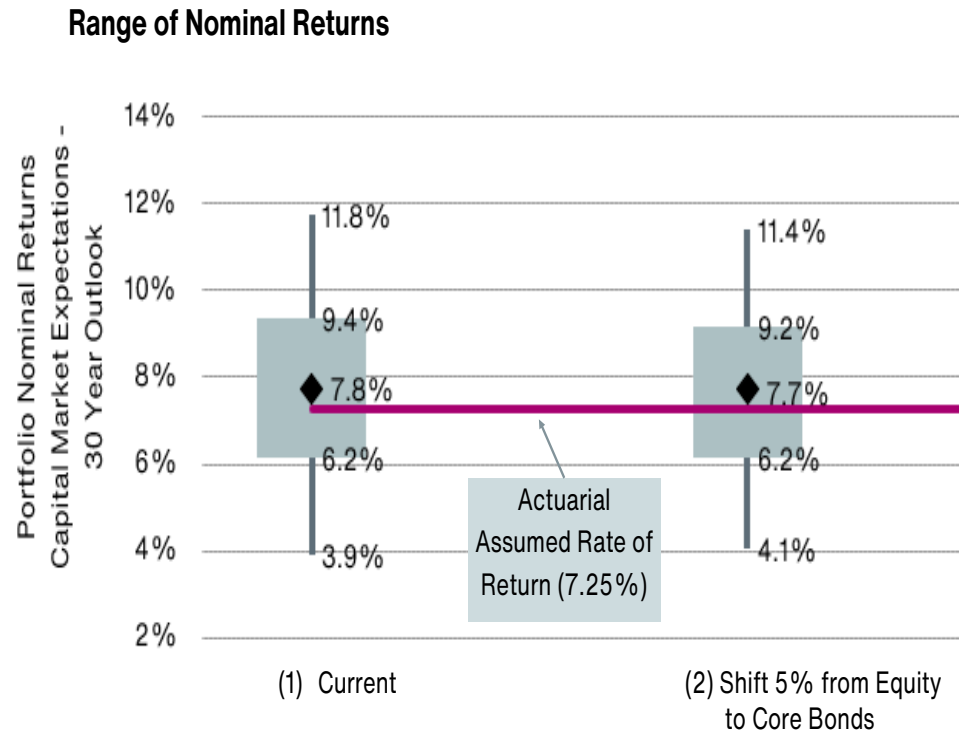
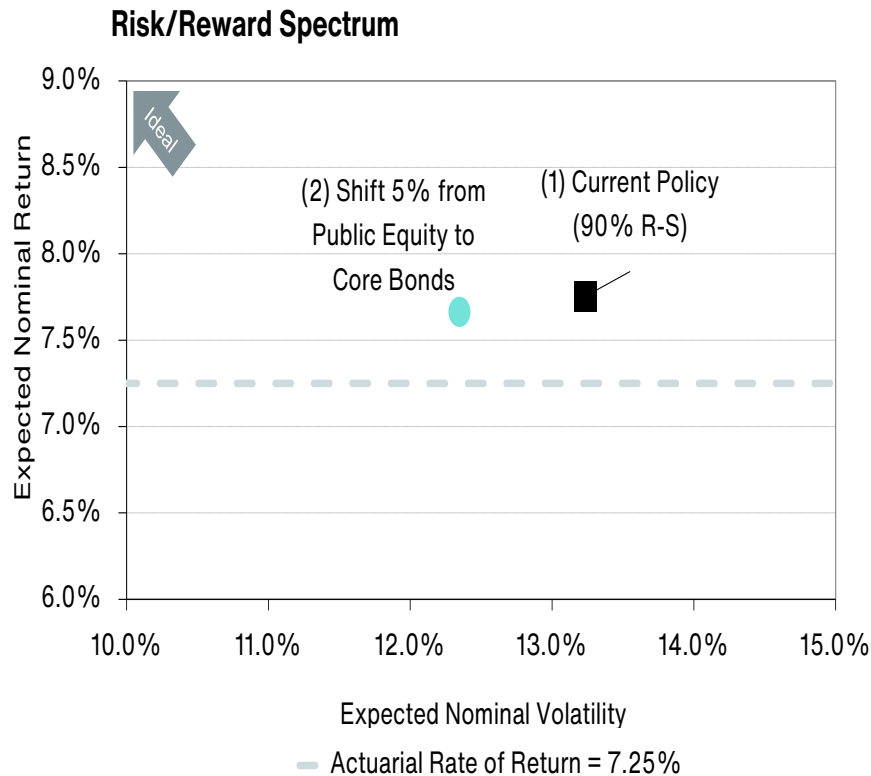
2. Represents core (6%) and non-core (4%) real estate, infrastructure (2%), timber (2%) and agriculture (1%)

3. Represents current mix between global macro, event-driven/credit, alternative risk premia, activist, equity risk premia, and insurance risk premia and mortgage servicing rights

4. Represents blend between core fixed income and multi-asset credit used as a proxy for non-core allocations

# Asset Allocation Recommendation: Risk/Reward Spectrum

Shifting assets from public equity to core bonds improves risk-adjusted returns



## Observations:

- Shifting assets from public equity to core bonds is expected to maintain similar expected returns but with more significant volatility reduction



<sup>1</sup>Expected returns are using AIUSA Q4 2023 30-Year Capital Market Assumptions (CMAs) as of 9/30/2023. CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Expected returns are calculated using weighted allocations of the underlying CMAs. Expected Returns are geometric (long-term compounded; rounded to the nearest decimal) assuming portfolio weights are rebalanced annually. Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns may differ from model returns presented based on your plan's individual fees/expenses. Aon's advisory fees are described in Part 2A of Aon's Form ADV. Not a guarantee of future results. See appendix for capital market assumptions disclosure pages. Percentages may not sum to 100% due to rounding.

# Asset Allocation Recommendation: Summary

Aon recommends shifting 5% of the Total Fund from Total Equity to Fixed Income due to higher interest rates and a lower expected equity risk premium

The resulting Long-Term Target Policy offers a more efficient portfolio via:

- Maintaining a similar expected return that exceeds the actuarial assumed rate of return (7.7% over next 30-years\*)
- Reducing the expected volatility by approx. 90 bps
- Improving potential downside scenarios

If approved, the following section identifies the implementation recommendation for re-investing the 5% of Total Fund assets within fixed income

Asset Class	Policy Target (%)	
	Current	Recommendation
Public Equity	53.0%	48.0%
Private Equity	12.0	12.0
Real Assets	15.0	15.0
Opportunistic / Alternatives	5.0	5.0
Fixed Income	15.0	20.0
<b>Total Fund</b>	<b>100%</b>	<b>100%</b>

## 2. Implementation Recommendation



# Fixed Income Portfolio Implementation Recommendation Summary

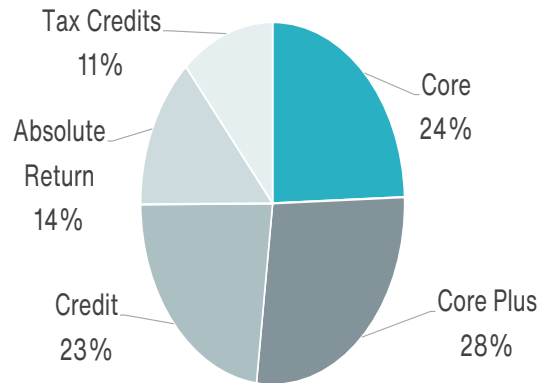
Pending approval of 5% re-allocation

- **The role of fixed income in the ATRS portfolio is to provide diversification, downside protection, liquidity (esp. in times of market stress), and excess return**
- **Given the current market environment, Aon recommends allocating the additional dollars to an active core plus strategy to gain duration exposure, as well as the opportunity to add value above index returns**
- **Further, Aon recommends adding a new manager to the fixed income portfolio to manage active risk contribution and manager concentration**
- **Specifically, Aon recommends divvying up the additional 5% (approx. \$1B ) allocation to fixed income as follows:**
  - Up to \$800 M (approx. 4%) to the Baird Core Plus strategy
  - Remaining assets (approx. 1%) to the existing SSgA Aggregate Bond Index Fund
  - Recommend sourcing assets proportionately from select U.S. equity managers to maintain the desired Total Equity portfolio structure
- **The resulting portfolio increases expected yield via greater duration exposure, balances active risk contribution and maintains a structure that is expected to diversify equity risk, protect in down markets and provide an opportunity for alpha**

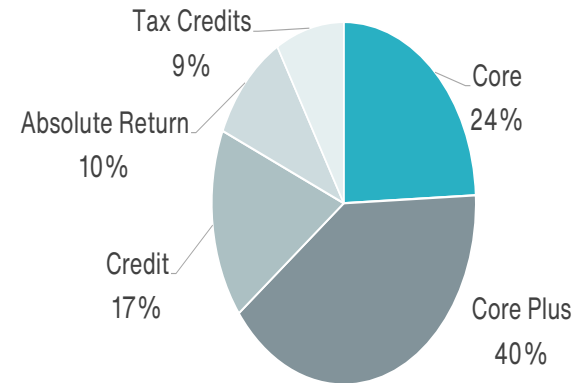


# ATRS Fixed Income Structure Recommendation

Current Strategy Allocation



Recommended Strategy Allocation



As of 12/31/2023	Assets (\$M)	%	Estimated Transition (\$M)	Post Assets (\$M)	Recommended Structure (%)
<b>Total Fixed Income</b>	<b>\$2,966</b>	<b>100%</b>	<b>\$1,050</b>	<b>\$4,032</b>	<b>100%</b>
SSgA Aggregate Bond Index	718	24%	250	984	24%
BlackRock Core Plus	260	9%		250	6%
Reams Core Plus Bond Fund	581	20%		558	14%
Loomis Sayles Full Authority	675	23%		674	17%
Wellington Global Total Return	398	13%		401	10%
Tax Credits	335	11%		335	8%
Baird Core Plus			800	800	20%

# Aon's Manager Research Process

- Aon's global fixed income team of 15 individuals are dedicated to identifying, vetting and recommending managers for client consideration



## Initial Screening

- InForm Assessment (Quantitative Score)
- Third party databases
- Network of existing contacts
- Referrals



## Qualitative Due Diligence

- Research meetings
- Focused approach
- Deep dive on investment process, people, and price



## Assessment and Rating

- Highest conviction strategies receive Buy ratings
- Buy-rated strategies recommended to clients
- On-going high touch monitoring

# Our Rating Criteria and Rankings

Below we highlight the key factors that Aon considers when evaluating a rating for investment strategies

Factor	Example Criteria
Business	Profitability, stability & spread of ownership, client base, remuneration policy
Investment Staff	Quality, depth of resource, team dynamic, staff turnover
Investment Process	Competitive advantage, repeatability, skill, implementation
Risk	Embedded in process, independent verification, mix of measurements
Performance Analysis	Consistent with stated process, risk adjusted, persistent
Operational Due Diligence*	Operational controls, valuation of assets, independent directors, 3 <sup>rd</sup> party vendors
Terms & Conditions	Client Service – responsiveness and flexibility Fees – are fees appropriate and competitive for the product? Best practices in documentation

## Overall Rating

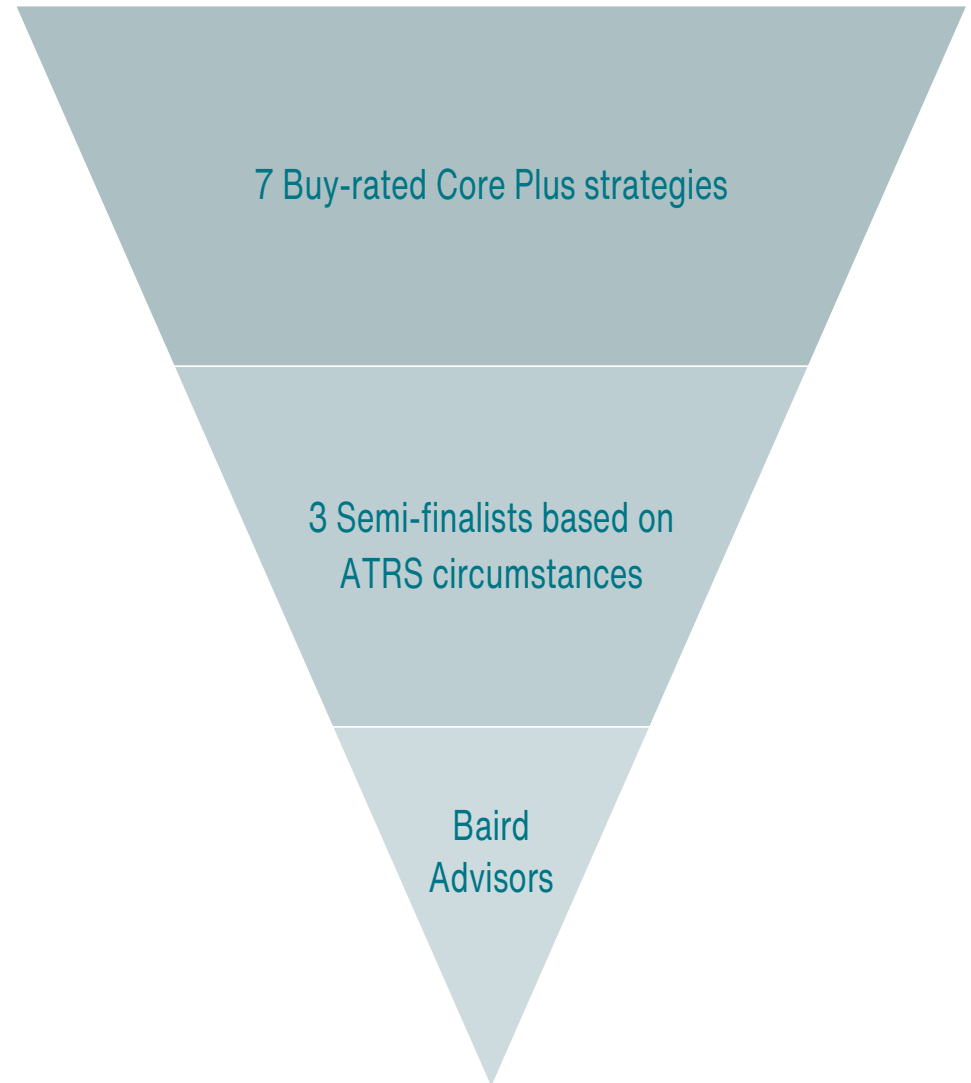
● Buy  
 ● Qualified  
 ● Not Recommended / Sell

\*Operational due diligence inputs provided to the research team by Aon's Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Investments Limited, Aon Investments USA Inc., and Aon Solutions Canada Inc / Aon Investments Canada Inc. Investment advice is provided by the legal entities referenced.

\*This is not an exhaustive list, but covers the most prominent factors.

# Manager Selection & Portfolio Construction Methodology

- The ATRS client team and Aon's fixed income research team collaborated to identify the best fit for the ATRS fixed income portfolio



# Baird Advisors Core Plus Bond Strategy

## Summary Information

Baird Advisors	
Location of Firm	Milwaukee, WI
Year Founded	2000
Ownership Structure	95% Employee-Owned 5% Other Ownership
GIPS Compliant	Yes
Total Firm AUM <sup>1</sup>	\$131.5 B
Total Strategy AUM <sup>1</sup>	\$31.4 B
Strategy Name	Core Plus Bond
Strategy Inception	09/2000
Portfolio Manager(s)/ Start Year at Firm	Mary Ellen Stanek/2000 Warren Pierson/2000 Charles Groeschell/2000
Fee	<b>0.18%</b>
Aon Rating	Buy

### Strategy Fundamentals

Baird is a diversified spread sector<sup>1</sup> manager that employs a consistent process that focuses on holding a yield advantage over the benchmark. The portfolio will typically be overweight corporate and structured credit versus the benchmark and underweight U.S. Treasury bonds. On a duration weighted basis, those portfolio tilts are less impactful as the manager prefers to match shorter duration credit securities with longer duration Treasury bonds. Portfolio duration is matched to the benchmark, and only dollar denominated cash bonds are purchased.

### Strengths

- Senior portfolio managers have worked together at Baird for over 20 years with minimal senior level departures.
- Simple and repeatable process results in consistent and explainable performance.
- Strategy combines bottom-up credit research with a strategic overweight to spread sectors while keeping macro tilts to a minimum.
- The consistency of style and team strongly differentiates Baird.
- ATRS will also benefit from an attractive total expense ratio.

### Considerations

- With a persistent overweight to credit and underweight to Treasuries, the strategy will lag the benchmark in risk-off markets.
- Due to strong performance, Baird has gained significant fixed income assets. No concerns at this time, but worth continuing to monitor.

<sup>1</sup>Total Firm and Total Strategy AUM are sourced from eVestment as of 12/31/2023.

# Baird Advisors Core Plus Bond Strategy

## Strategy Summary (As of 12/31/2023)

### Drivers of Performance

Drivers of performance will include security selection and sector rotation, bottom-up driven. Yield curve positioning and trade execution are modest contributors. The manager targets 50–75 bps over the Bloomberg U.S. Universal Index with tracking error of 100–125 bps.

Portfolio Characteristics	Baird	Bloomberg Aggregate	Quality	Baird	Bloomberg Aggregate
Average Quality	A	AA	AAA	52.1%	3.6%
Effective Duration (Yrs.)	6.00	6.20	AA	3.0%	72.2%
Yield to Maturity (%)	5.45%	4.53%	A	12.5%	11.7%
Average Maturity (Yrs.)	8.01	8.46	BBB	29.7%	12.5%
Average Coupon (%)	3.44%	3.09%	<BBB	2.4%	0.0%
Holdings	1,501	13,380	Not Rated	0.4%	0.0%
			Other	0.0%	0.0%
			Totals	100.0%	100.0%

As of 12/31/2023	1-year	3-year	5-year	7-year	10-year	15-year
<b>Baird Core Plus</b>	<b>7.0%</b>	<b>-2.6%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.7%</b>	<b>4.4%</b>
<i>Bloomberg Agg</i>	5.5%	-3.3%	1.1%	1.3%	1.8%	2.7%
Excess Return	1.5%	0.8%	1.1%	0.9%	0.9%	1.7%

Sector	Baird	Bloomberg Aggregate	Maturity	Baird	Bloomberg Aggregate
Government and Agencies	20.2%	46.4%	<1	2.9%	0.0%
US Municipal Tax-Exempt	0.0%	0.0%	1-3 Years	20.3%	22.5%
US Municipal Taxable	1.1%	0.0%	3-5 Years	16.8%	19.3%
Bank Loan/Leveraged Loan	0.0%	0.0%	5-7 Years	20.0%	14.0%
Convertibles	0.0%	0.0%	7-10 Years	21.4%	25.7%
Investment Grade Corporate	26.6%	24.9%	10-20 Years	9.7%	7.5%
High Yield Corporate	1.9%	0.0%	>20 Years	8.8%	11.0%
Securitized	32.2%	28.7%	Other	0.0%	0.0%
Non-US Developed Market	16.0%	0.0%	Totals	100.0%	100.0%
Emerging Market	2.0%	0.0%			
Other	0.0%	0.0%			
Totals	100.0%	100.0%			



\*Represents the correlation of Baird Core Plus with the MSCI ACWI IMI (Net) Index

# ATRS Fixed Income Portfolio

## Recommendation Summary Statistics

Aon believes the recommended portfolio as shown below will offer ATRS a greater probability of enhancing return while providing downside protection and diversification to the total portfolio

As of 12/31/2023	% of Fixed Income Current	% of Fixed Income Recommended
SSgA Aggregate Bond Index	24%	24%
BlackRock Core Plus	9%	6%
Reams Core Plus Bond Fund	20%	14%
Loomis Sayles Full Authority	23%	17%
Wellington Global Total Return	13%	10%
Tax Credits	11%	8%
Baird Core Plus	--	20%

As of 12/31/23	Current Portfolio	Recommended Portfolio	Bloomberg Universal Bond Index
% Active Allocation	76%	76%	n/a
# of Mandates	5	6	n/a
Expected Active Risk	1.2	0.9	n/a
Effective Duration	4.7 years	5.1 years	6.0 years
Fee	0.19%	0.18%	n/a

# Fixed Income Portfolio Recommendation

## Recommendation

Aon recommends ATRS deploy the additional 5% (approx. \$1B) allocation to Fixed Income in the following manner:

- Up to \$800M (approx. 4%) to Baird Core Plus strategy
- Remaining assets (approx. 1%) to existing SSgA Aggregate Bond Index Fund
- Aon recommends ATRS source assets proportionately across appropriate U.S. equity funds, allowing the ATRS Investment Team and Aon flexibility to identify a transition plan based on current allocations and with the goal of maintaining the desired Total Equity portfolio structure

The Baird Core Plus strategy offers a stable approach to access the core plus opportunity set, able to serve as a foundational piece to the ATRS fixed income portfolio with a proven track record, a stable and well-tenured investment team and attractive terms

## Next Steps

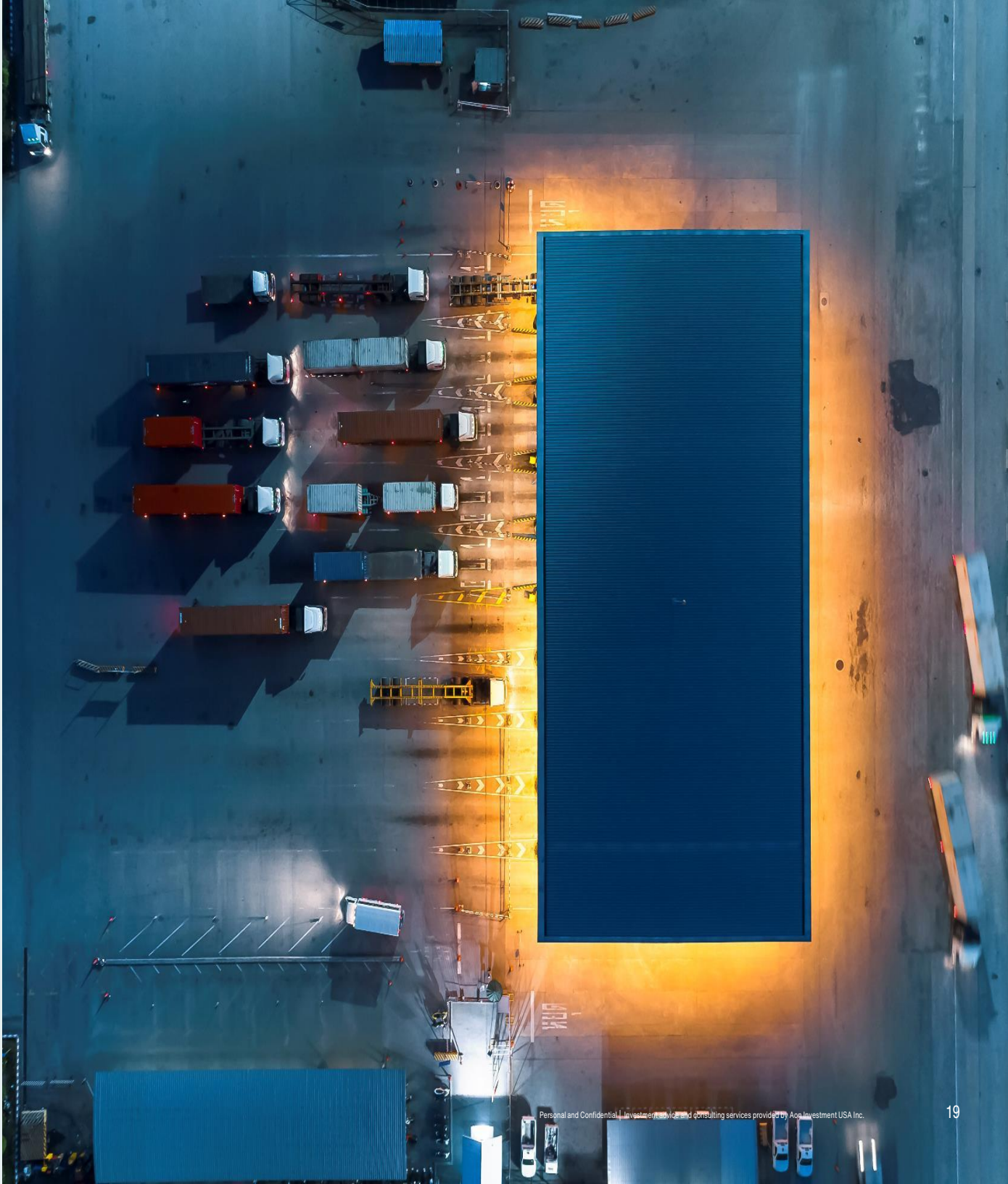
If approved, the ATRS Investment team will begin contract negotiations with new manager, Baird Advisors

Aon and the ATRS team will identify an appropriate transition plan to transfer the 5% from public equity to fixed income



# Appendix

- Additional Fixed Income Search Details
- Assumptions and Methods



# Additional Fixed Income Search Detail

Section: Appendix

# Finalist Candidates: Portfolio Characteristics<sup>1</sup>

As of December 31, 2023

Portfolio Characteristics	Baird	Cap Group	Dodge & Cox	Bloomberg Aggregate
Average Quality	A	AA	A	AA
Effective Duration (Yrs.)	6.00	3.57	5.73	6.20
Yield to Maturity (%)	5.45%	3.47%	6.20%	4.53%
Average Maturity (Yrs.)	8.01	4.52	10.79	8.46
Average Coupon (%)	3.44%	4.07%	4.49%	3.09%
Holdings	1,501	2,009	334	13,380
Standard Management Fee	0.18%	0.20%	0.15%	n/a

Sector	Baird	Cap Group	Dodge & Cox	Bloomberg Aggregate
Government and Agencies	20.2%	21.5%	8.4%	46.4%
US Municipal Tax-Exempt	0.0%	0.0%	0.0%	0.0%
US Municipal Taxable	1.1%	1.3%	2.3%	0.0%
Bank Loan/Leveraged Loan	0.0%	0.0%	0.0%	0.0%
Convertibles	0.0%	0.0%	0.0%	0.0%
Investment Grade Corporate	26.6%	14.5%	18.5%	24.9%
High Yield Corporate	1.9%	6.5%	2.7%	0.0%
Securitized	32.2%	42.3%	46.2%	28.7%
Non-US Developed Market	16.0%	7.1%	15.9%	0.0%
Emerging Market	2.0%	6.5%	6.1%	0.0%
Other	0.0%	0.3%	0.0%	0.0%
Totals	100.0%	100.0%	100.0%	100.0%

Quality	Baird	Cap Group	Dodge & Cox	Bloomberg Aggregate
AAA	52.1%	23.9%	50.2%	3.6%
AA	3.0%	44.6%	6.7%	72.2%
A	125%	24.4%	8.1%	11.7%
BBB	29.7%	6.3%	25.9%	12.5%
<BBB	2.4%	0.1%	9.4%	0.0%
Not Rated	0.4%	0.6%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%
Totals	100.0%	100.0%	100.0%	100.0%

Maturity	Baird	Cap Group	Dodge & Cox	Bloomberg Aggregate
<1	1.6%	11.0%	3.7%	0.0%
1-3 Years	17.3%	26.6%	8.2%	22.5%
3-5 Years	19.4%	26.0%	11.0%	19.3%
5-7 Years	19.7%	20.2%	16.6%	14.0%
7-10 Years	23.1%	14.3%	33.3%	25.7%
10-20 Years	9.4%	1.9%	12.6%	7.5%
>20 Years	9.5%	0.0%	14.7%	11.0%
Other	0.0%	0.0%	0.0%	0.0%
Totals	100.0%	100.0%	100.0%	100.0%



<sup>1</sup> Sourced from investment managers or eVestment

<sup>2</sup> Managers have flexibility to use leverage in these strategies

# Finalist Candidates: Historical Statistics

As of December 31, 2023

## 5 Years

	Return	Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error	Beta	Alpha	Actual Correlation	Up Market Capture	Down Market Capture
Baird Core Plus	2.13	6.46	0.07	0.67	1.56	1.02	1.02	0.97	110.29	97.92
Capital Group Core Plus	2.47	6.79	0.12	0.49	2.84	1.00	1.39	0.91	109.93	92.73
Dodge & Cox Core	2.70	6.36	0.16	0.86	1.84	0.99	1.61	0.96	110.22	90.33
<i>Blmbg. U.S. Aggregate</i>	<i>1.10</i>	<i>6.16</i>	<i>-0.10</i>	<i>-</i>	<i>0.00</i>	<i>1.00</i>	<i>0.00</i>	<i>1.00</i>	<i>100.00</i>	<i>100.00</i>

## 10 Years

	Return	Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error	Beta	Alpha	Actual Correlation	Up Market Capture	Down Market Capture
Baird Core Plus	2.67	4.94	0.31	0.71	1.20	1.01	0.85	0.97	109.42	95.83
Capital Group Core Plus	3.18	5.20	0.39	0.56	2.43	0.96	1.43	0.88	107.02	82.28
Dodge & Cox Core	2.82	4.77	0.35	0.60	1.66	0.94	1.11	0.94	102.19	82.98
<i>Blmbg. U.S. Aggregate</i>	<i>1.81</i>	<i>4.76</i>	<i>0.14</i>	<i>-</i>	<i>0.00</i>	<i>1.00</i>	<i>0.00</i>	<i>1.00</i>	<i>100.00</i>	<i>100.00</i>

# Finalist Candidates: Trailing & Calendar Year Excess Returns

## Trailing Excess Returns<sup>1</sup>

As of 12/31/2023	1-quarter	1-year	3-year	5-year	7-year	10-year	15-year
<b>Baird Core Plus</b>	0.3%	1.5%	0.8%	1.1%	0.9%	0.9%	1.7%
<b>Capital Group Core Plus</b>	-1.2%	-3.8%	-0.8%	1.4%	1.1%	1.4%	--
<b>Dodge &amp; Cox Core</b>	0.5%	2.3%	1.6%	1.6%	1.2%	1.0%	1.6%

<sup>1</sup>Excess Returns vs. the Bloomberg U.S. Aggregate Index

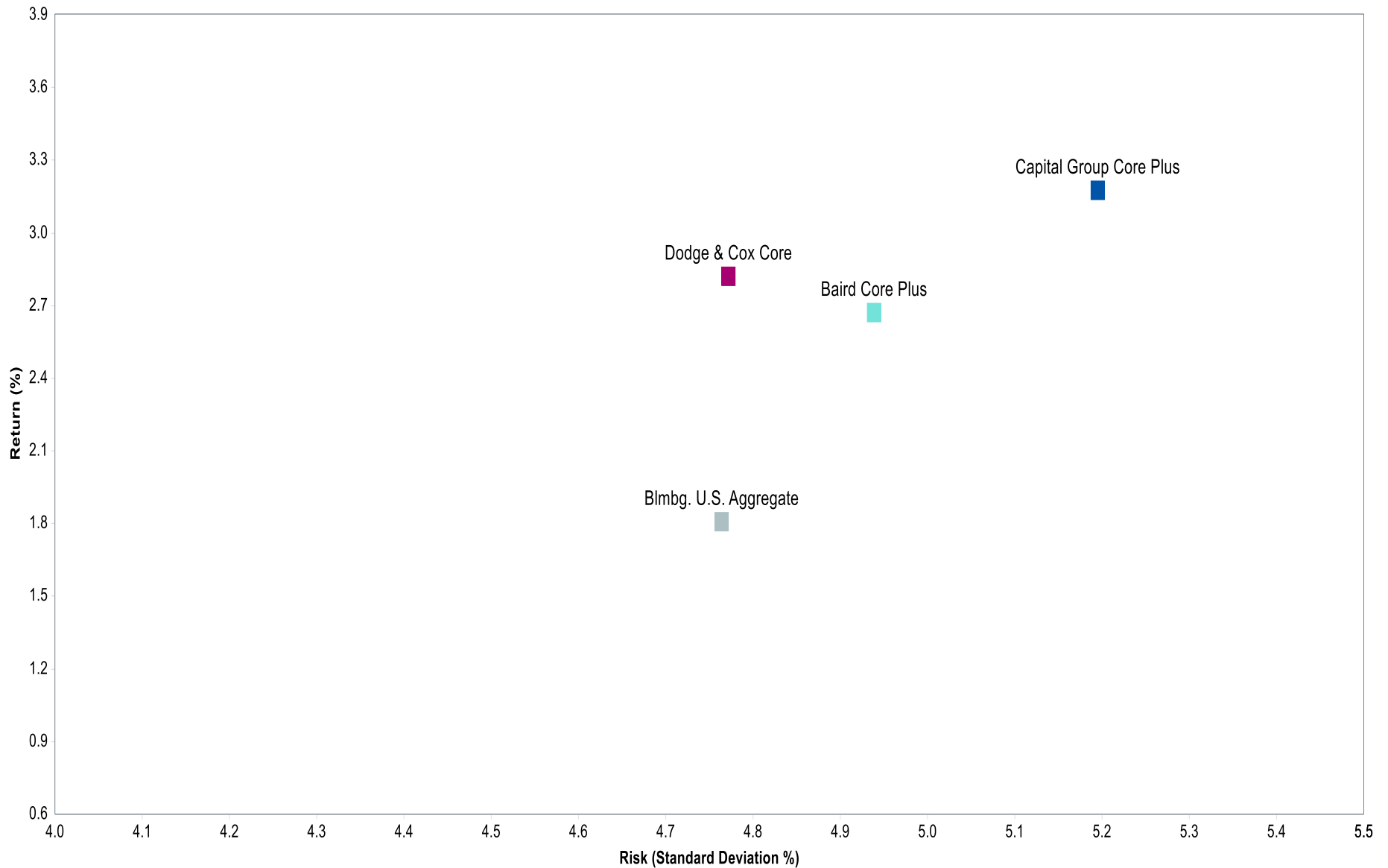
## Calendar Excess Returns<sup>1</sup>

As of 12/31/2023	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Baird Core Plus</b>	1.5%	0.3%	0.6%	1.4%	1.5%	-0.4%	1.3%	2.2%	-0.2%
<b>Capital Group Core Plus</b>	-3.8%	0.4%	0.6%	11%	-0.5%	0.7%	0.2%	-0.6%	3.5%
<b>Dodge &amp; Cox Core</b>	2.3%	1.9%	0.6%	2.3%	0.9%	-0.3%	0.8%	2.7%	-0.8%

<sup>1</sup>Excess Returns vs. the Bloomberg U.S. Aggregate Index

# Finalist Candidates: Risk Profile

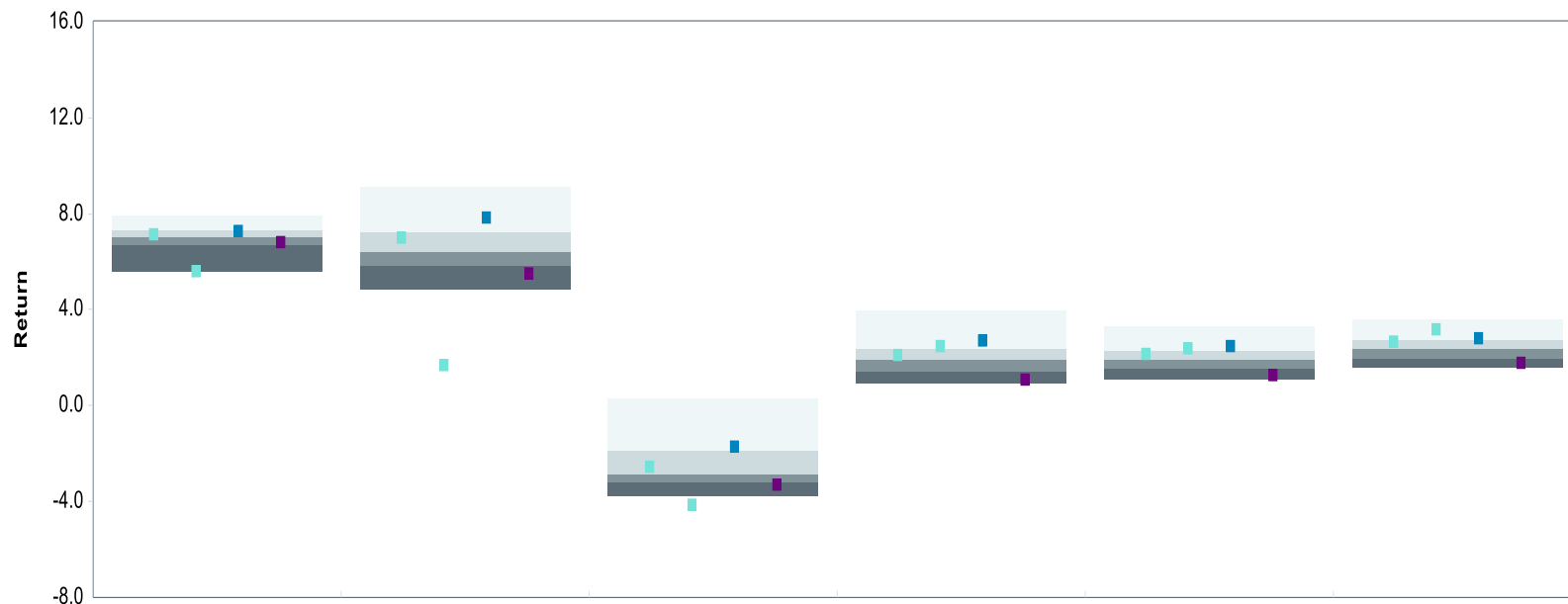
10 Years Ending December 31, 2023



# Finalist Candidates: Peer Group Analysis

As of December 31, 2023

## IM U.S. Broad Market Core+ Fixed Income (SA+CF)



	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
Baird Core Plus	7.1 (38)	7.0 (32)	-2.6 (37)	2.1 (35)	2.1 (34)	2.7 (29)
Capital Group Core Plus	5.6 (95)	1.7 (100)	-4.1 (97)	2.5 (24)	2.4 (22)	3.2 (17)
Dodge & Cox Core	7.3 (29)	7.8 (14)	-1.7 (22)	2.7 (22)	2.5 (20)	2.8 (24)
Blmbg. U.S. Aggregate	6.8 (65)	5.5 (85)	-3.3 (83)	1.1 (94)	1.3 (94)	1.8 (88)
5th Percentile	7.9	9.1	0.3	4.0	3.3	3.6
1st Quartile	7.3	7.2	-1.9	2.4	2.3	2.8
Median	7.0	6.4	-2.9	1.9	1.9	2.4
3rd Quartile	6.7	5.9	-3.2	1.4	1.5	2.0
95th Percentile	5.6	4.9	-3.8	0.9	1.1	1.6
Population	136	136	130	127	118	105



# Finalist Candidates: Key Decision Factors

## Summary Information

Managers	Strengths	Considerations
Baird Advisors	<ul style="list-style-type: none"> <li>The senior portfolio managers have worked together at Baird for over 20 years with minimal senior level departures.</li> <li>The process while simple, is repeatable and results in consistent and explainable performance. Combine bottom-up credit research with a strategic overweight to spread sectors while keeping macro tilts to a minimum.</li> <li>The consistency of style and team strongly differentiates Baird.</li> <li>ATRS will also benefit from an extremely attractive total expense ratio.</li> </ul>	<ul style="list-style-type: none"> <li>With a persistent overweight to credit and underweight to Treasuries, the strategy will lag the benchmark in risk-off markets.</li> <li>Due to strong performance, Baird has gained significant fixed income assets. No concerns at this time, but we continue to monitor.</li> </ul>
Capital Group	<ul style="list-style-type: none"> <li>Thorough and deep research of interest rate markets has allowed for outperformance in markets where spread sector and bottom-up focused managers struggle.</li> <li>Despite strategy focus on interest rate markets, Capital Group has substantial credit research capabilities that can add value from more traditional sources of return.</li> <li>Typically holds a larger allocation to Treasuries than peers, allowing for better returns when credit markets sell off.</li> </ul>	<ul style="list-style-type: none"> <li>The focus on macroeconomic factors within their investment process can cause meaningful benchmark underperformance in the short term.</li> <li>Strategy launch was 2013, hence far less history than most core plus peers.</li> </ul>
Dodge & Cox	<ul style="list-style-type: none"> <li>Dodge &amp; Cox has a stable investment team and many key professionals spend their entire career at the firm.</li> <li>Rather than offering products across the yield curve and risk spectrum, Dodge &amp; Cox focuses efforts on limited number of strategies and core competencies.</li> <li>They are among the most compelling credit research capabilities in the industry.</li> </ul>	<ul style="list-style-type: none"> <li>Conviction in research leads to relatively concentrated positions in corporate credit portfolio.</li> <li>Dodge &amp; Cox doesn't actively make tactical, top-down macro decisions as part of its portfolio management process, as such duration may deviate (at times significantly) from benchmark.</li> </ul>



<sup>1</sup>Total Firm and Total Strategy AUM are sourced from eVestment as of 12/31/2023.



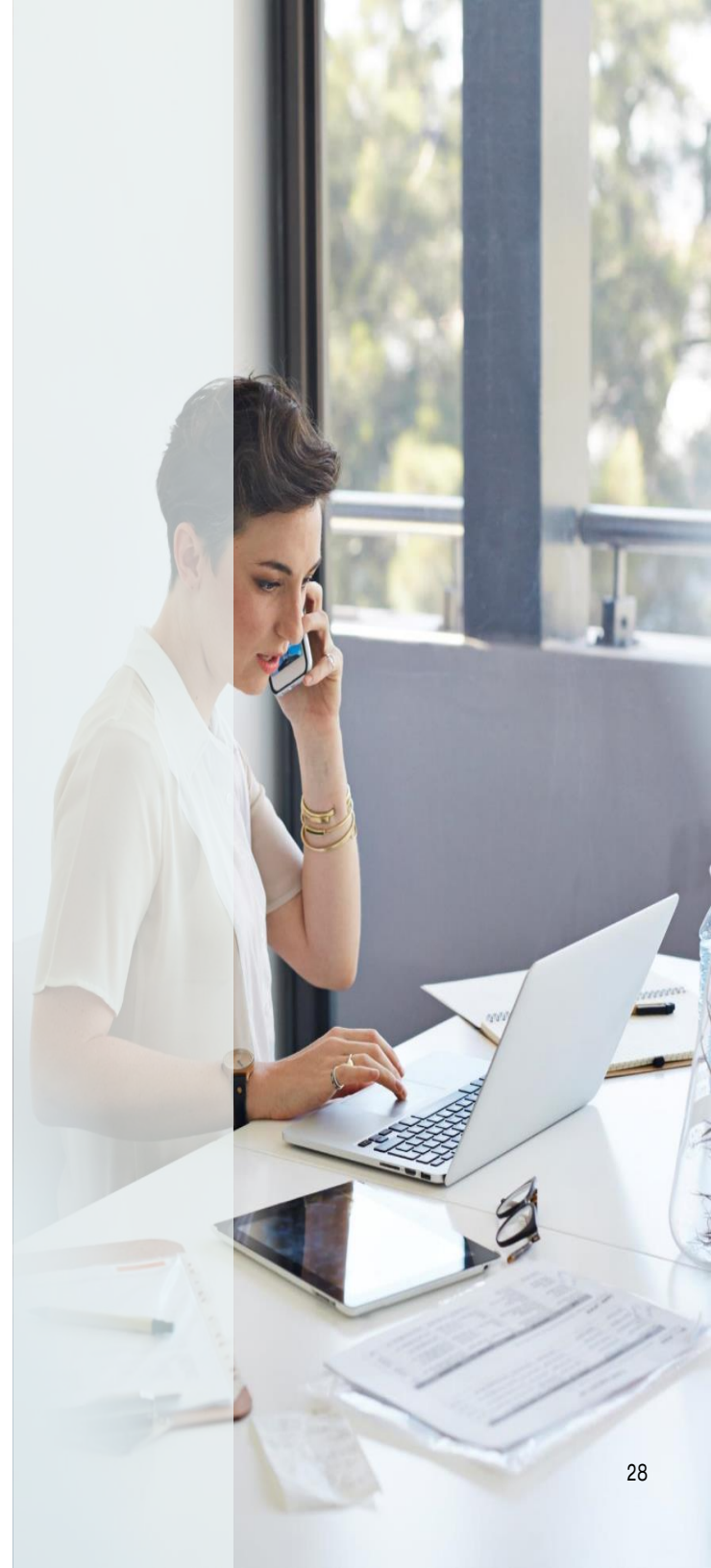
# Assumptions and Methods

Section: Appendix

# Aon's Capital Market Assumptions

## Background

- Long-term (10- and 30-year forecasts) forward-looking assumptions (asset class geometric return, volatility, and correlations)
- Building block approach, primarily based on consensus expectations and market-based inputs
- Best estimates of annualized returns (50/50 better or worse)
- Market returns: no active management value added (except for certain assets classes, such as hedge funds)
- Net of investment fees
- Updated quarterly



# Aon's Capital Market Assumptions

As of September 30, 2023

	10-Year CMAs				30-Year CMAs			
	Expected Real Return <sup>1</sup>	Expected Nominal Return <sup>1</sup>	Expected Nominal Volatility	Assumed Global Equity Beta	Expected Real Return <sup>1</sup>	Expected Nominal Return <sup>1</sup>	Expected Nominal Volatility	Assumed Global Equity Beta
<b>Equity</b>								
1 Large Cap U.S. Equity	4.3%	6.7%	18.0%	0.96	4.6%	7.0%	18.5%	0.97
2 Small Cap U.S. Equity	4.5%	6.9%	24.0%	1.23	5.1%	7.5%	24.8%	1.24
3 Global Equity IMI	4.5%	6.9%	18.2%	1.00	5.0%	7.4%	18.7%	1.00
4 International Equity (Developed)	4.3%	6.7%	19.2%	0.94	4.6%	7.0%	19.7%	0.94
5 Emerging Markets Equity	4.5%	6.9%	22.0%	0.99	4.9%	7.3%	22.5%	0.98
<b>Fixed Income</b>								
6 Cash (Gov't)	2.2%	4.6%	1.4%	0.01	1.9%	4.2%	2.2%	0.01
7 Core Fixed Income	2.9%	5.3%	5.0%	0.00	2.6%	5.0%	5.2%	0.00
8 High Yield Bonds	3.8%	6.2%	10.5%	0.36	3.9%	6.3%	10.3%	0.35
9 Multi-Asset Credit <sup>2</sup>	5.0%	7.4%	8.8%	0.30	4.9%	7.3%	9.0%	0.30
<b>Alternatives</b>								
10 Direct Hedge Funds <sup>2,3</sup>	5.2%	7.6%	5.2%	0.21	4.9%	7.3%	5.6%	0.22
11 Hedge Funds - Low Beta <sup>2,3</sup>	4.2%	6.6%	4.0%	0.09	3.8%	6.2%	4.3%	0.09
12 Hedge Funds - High Beta <sup>2,3</sup>	6.2%	8.6%	8.0%	0.34	5.8%	8.2%	8.6%	0.36
13 Core Real Estate	3.2%	5.6%	15.0%	0.30	3.1%	5.5%	15.4%	0.30
14 Non-Core Real Estate	5.1%	7.5%	25.0%	0.65	4.8%	7.2%	25.5%	0.65
15 Private Equity	6.7%	9.2%	20.0%	0.69	7.6%	10.1%	20.5%	0.69
16 Infrastructure	4.8%	7.2%	14.5%	0.28	4.7%	7.1%	15.0%	0.28
17 Closed-End Real Assets	5.6%	8.0%	15.7%	0.47	5.6%	8.0%	16.2%	0.47
18 Farmland	3.1%	5.5%	15.0%	0.01	3.1%	5.5%	15.5%	0.01
19 Timber	2.4%	4.8%	11.9%	0.01	2.4%	4.8%	12.3%	0.01
20 Private Debt	5.8%	8.2%	16.5%	0.33	5.3%	7.7%	17.5%	0.34
21 Insurance Linked Securities	5.2%	7.6%	5.6%	0.01	4.5%	6.9%	7.6%	0.01
22 Equity Insurance Risk Premium - Low Beta <sup>2</sup>	4.7%	7.1%	5.3%	0.15	4.3%	6.7%	5.7%	0.15
<b>Inflation</b>								
23 Inflation	0.0%	2.3%	1.7%		0.0%	2.3%	1.8%	

<sup>1</sup> Expected returns are using Aon's 10/30-Year Capital Market Assumptions as of 9/30/2023. CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Expected returns are calculated using weighted allocations of the underlying CMAs. Expected Returns are geometric (long-term compounded; rounded to the nearest decimal) assuming portfolio weights are rebalanced annually. Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. Aon's advisory fees are described in Part 2A of Aon's Form ADV. Not a guarantee of future results.

<sup>2</sup> Alpha incorporated in Expected Nominal Return

<sup>3</sup> Represents diversified portfolio of Direct hedge fund investments.



# Aon's Capital Market Assumptions

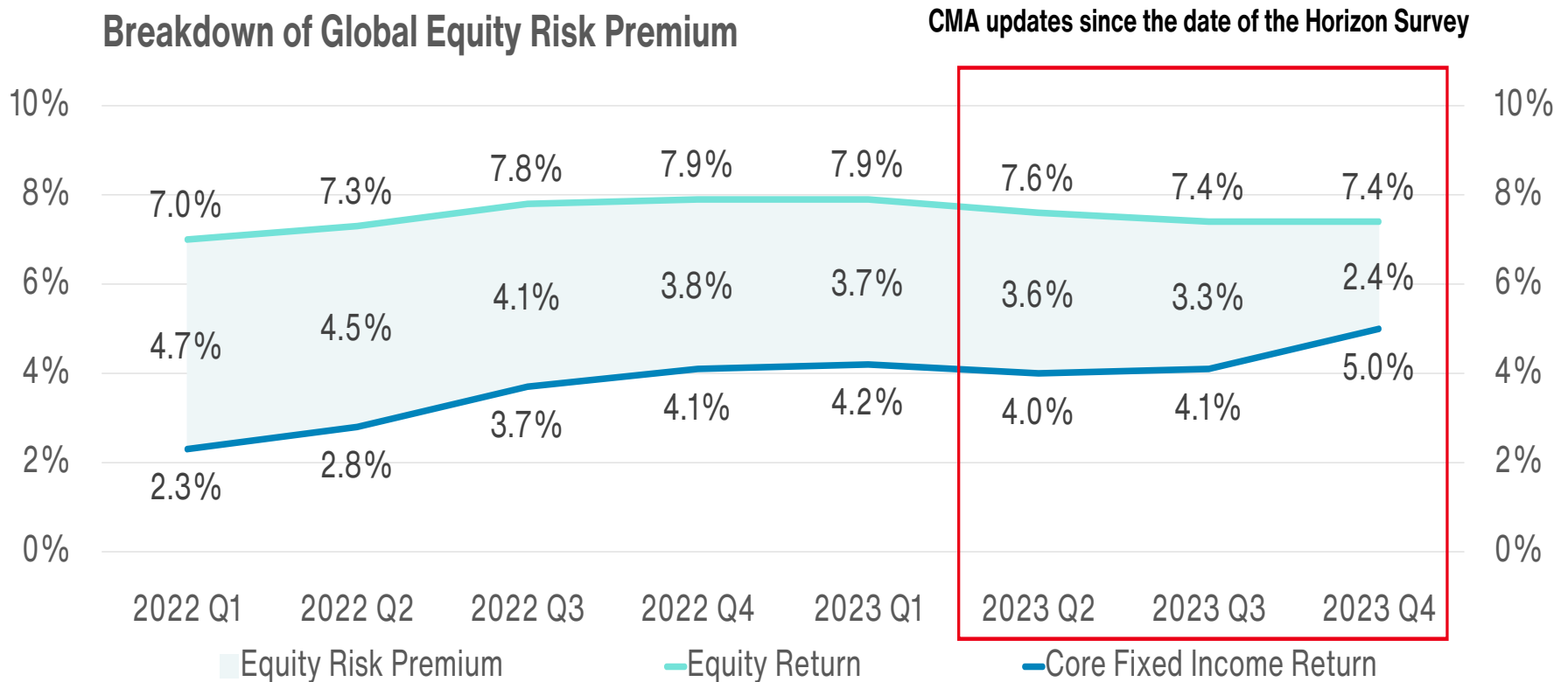
## As of September 30, 2023

Nominal Correlations	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1 Large Cap U.S. Equity	1.00	0.93	0.98	0.79	0.73	0.09	0.00	0.59	0.58	0.75	0.40	0.79	0.35	0.46	0.62	0.35	0.52	0.01	0.01	0.34	0.02	0.52	0.09
2 Small Cap U.S. Equity	0.93	1.00	0.93	0.74	0.69	0.08	0.00	0.55	0.54	0.70	0.38	0.74	0.33	0.44	0.60	0.34	0.50	0.01	0.01	0.33	0.02	0.48	0.08
3 Global Equity IMI	0.98	0.93	1.00	0.89	0.82	0.09	-0.01	0.63	0.62	0.75	0.41	0.78	0.36	0.48	0.63	0.35	0.54	0.01	0.02	0.37	0.02	0.51	0.10
4 International Equity (Developed)	0.79	0.74	0.89	1.00	0.75	0.05	-0.01	0.57	0.58	0.64	0.36	0.66	0.34	0.44	0.55	0.31	0.49	0.01	0.03	0.34	0.01	0.40	0.11
5 Emerging Markets Equity	0.73	0.69	0.82	0.75	1.00	0.07	0.00	0.64	0.61	0.59	0.34	0.61	0.33	0.41	0.53	0.30	0.46	0.01	0.02	0.37	0.02	0.38	0.09
6 Cash (Gov't)	0.09	0.08	0.09	0.05	0.07	1.00	0.43	0.13	0.04	0.24	0.20	0.22	0.16	0.15	0.10	0.14	0.18	0.06	0.09	-0.23	0.27	0.40	0.41
7 Core Fixed Income	0.00	0.00	-0.01	-0.01	0.00	0.43	1.00	0.24	0.19	0.15	0.11	0.14	0.05	0.04	0.01	0.04	0.05	0.00	0.00	-0.03	0.13	0.15	-0.01
8 High Yield Bonds	0.59	0.55	0.63	0.57	0.64	0.13	0.24	1.00	0.91	0.65	0.46	0.63	0.25	0.32	0.44	0.26	0.37	0.02	0.04	0.65	0.04	0.33	0.17
9 Multi-Asset Credit	0.58	0.54	0.62	0.58	0.61	0.04	0.19	0.91	1.00	0.63	0.44	0.62	0.21	0.28	0.38	0.21	0.32	0.01	0.02	0.68	0.01	0.30	0.10
10 Direct Hedge Funds	0.75	0.70	0.75	0.64	0.59	0.24	0.15	0.65	0.63	1.00	0.75	0.94	0.32	0.40	0.52	0.31	0.46	0.02	0.03	0.40	0.06	0.45	0.14
11 Hedge Funds - Low Beta	0.40	0.38	0.41	0.36	0.34	0.20	0.11	0.46	0.44	0.75	1.00	0.50	0.19	0.23	0.29	0.18	0.26	0.01	0.03	0.29	0.05	0.27	0.11
12 Hedge Funds - High Beta	0.79	0.74	0.78	0.66	0.61	0.22	0.14	0.63	0.62	0.94	0.50	1.00	0.33	0.41	0.54	0.32	0.47	0.02	0.02	0.39	0.06	0.46	0.13
13 Core Real Estate	0.35	0.33	0.36	0.34	0.33	0.16	0.05	0.25	0.21	0.32	0.19	0.33	1.00	0.96	0.32	0.19	0.85	0.01	0.01	0.12	0.04	0.22	0.09
14 Non-Core Real Estate	0.46	0.44	0.48	0.44	0.41	0.15	0.04	0.32	0.28	0.40	0.23	0.41	0.96	1.00	0.38	0.22	0.89	0.02	0.02	0.16	0.04	0.27	0.10
15 Private Equity	0.62	0.60	0.63	0.55	0.53	0.10	0.01	0.44	0.38	0.52	0.29	0.54	0.32	0.38	1.00	0.33	0.45	0.01	0.02	0.27	0.03	0.34	0.08
16 Infrastructure	0.35	0.34	0.35	0.31	0.30	0.14	0.04	0.26	0.21	0.31	0.18	0.32	0.19	0.22	0.33	1.00	0.64	0.01	0.02	0.13	0.04	0.21	0.08
17 Closed-End Real Assets	0.52	0.50	0.54	0.49	0.46	0.18	0.05	0.37	0.32	0.46	0.26	0.47	0.85	0.89	0.45	0.64	1.00	0.01	0.02	0.19	0.05	0.31	0.12
18 Farmland	0.01	0.01	0.01	0.01	0.01	0.06	0.00	0.02	0.01	0.02	0.01	0.02	0.01	0.02	0.01	0.01	0.01	1.00	0.32	0.00	0.02	0.03	0.13
19 Timber	0.01	0.01	0.02	0.03	0.02	0.09	0.00	0.04	0.02	0.03	0.03	0.02	0.01	0.02	0.02	0.02	0.02	0.32	1.00	0.01	0.02	0.03	0.21
20 Private Debt	0.34	0.33	0.37	0.34	0.37	-0.23	-0.03	0.65	0.68	0.40	0.29	0.39	0.12	0.16	0.27	0.13	0.19	0.00	0.01	1.00	-0.06	0.08	-0.01
21 Insurance Linked Securities	0.02	0.02	0.02	0.01	0.02	0.27	0.13	0.04	0.01	0.06	0.05	0.06	0.04	0.04	0.03	0.04	0.05	0.02	0.02	-0.06	1.00	0.11	0.11
22 Equity Insurance Risk Premium - Low Beta	0.52	0.48	0.51	0.40	0.38	0.40	0.15	0.33	0.30	0.45	0.27	0.46	0.22	0.27	0.34	0.21	0.31	0.03	0.03	0.08	0.11	1.00	0.19
23 Inflation	0.09	0.08	0.10	0.11	0.09	0.41	-0.01	0.17	0.10	0.14	0.11	0.13	0.09	0.10	0.08	0.08	0.12	0.13	0.21	-0.01	0.11	0.19	1.00

# Capital Market Assumptions Recent Changes

Equity risk premium<sup>1</sup> has decreased due to higher interest rates, fixed income returns

Below is a quarter-over-quarter historical look at the breakdown of the global equity risk premium<sup>1</sup> (defined as global public equity less core fixed income) using Aon's 30-year CMAs



<sup>1</sup>Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk

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ATTN: Aon Investments Compliance Officer

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# **ATRS Board Policy 4**

## **STATEMENT OF INVESTMENT POLICY**

A.C.A. § 24-7-305

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### **I. Board - Investment Policies and Procedures**

#### **A. Statement of Investment Policy**

1. This Investment Policy has been prepared within the context of applicable Arkansas laws and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure that both prudence and care are maintained in the execution of the investment program. While safety of principal is given primary consideration, the Arkansas Teacher Retirement System Board of Trustees (“Board”) may take appropriate levels of risk to earn higher levels of investment return.
2. The Board has arrived at this policy through careful study of the rates of return and risks associated with various investment strategies in relation to the current and projected liabilities of the Arkansas Teacher Retirement System (“the System”). This policy has been chosen as the most appropriate for achieving the financial objectives of the System. The policy will be reviewed periodically as circumstances dictate.
3. The Board has adopted a long-term investment horizon so that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of the System will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. All transactions undertaken on behalf of the System will be in the sole interest of the System’s plan beneficiaries.
4. To achieve the overall investment goal of the System, one or more investment consultants may be retained by the Board as investment advisors. The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board. Throughout this document, investment advisors are referred to as investment consultants.
5. The System shall manage those assets not specifically allocated to investment managers. No investment shall be made without an investment consultant's recommendation. The System shall not approve any material changes in any direct investment without first receiving written advice or a written recommendation from a third-party investment consultant and, if needed, outside legal counsel, and,

without thereafter receiving written approval by the Investment Committee and Board.

B. Divestment of Direct Holdings Held with Certain Financial Services Providers

1. The System shall divest from all direct holdings that it has with a financial services provider included on the list published on the Treasurer of State's website under § 25-1-1002. Divestment shall occur as soon as practicable, but no later than three hundred sixty-five (365) calendar days after the financial services provider's inclusion on the list published on the Treasurer of State's website.
2. However, in order to prevent financial harm to the System and to ensure that the System's fiduciary duty is met, the System shall not divest from an investment that it has with a financial services provider included on the list published on the Treasurer of State's website under § 25-1-1002 if the investment is locked into a maturity date and an early divestment would result in a financial penalty and cause a negative financial impact to the System.

C. Investments in Countries of Concern

1. In order to comply with Arkansas Code § 25-1-1201 et seq. and also to ensure that System funds are not invested in the development of technologies and products that may threaten the national security of the United States, the System shall not directly hold any equity interest or debt financing interest in any entity that is:
  - a. Owned in whole or with a majority ownership by the government of the People's Republic of China; or
  - b. Subject to any investment restrictions imposed by the United States Department of the Treasury because the entity is located in a country of concern and is engaged in activities that may contribute to a threat to the national security of the United States.
2. For any prohibited investment held by the System as of the adoption of this section, the Executive Director, in cooperation with the investment consultant and other necessary parties, shall divest the System of any excluded holdings as soon as divestment is practicable and would not result in a financial penalty or cause a material negative impact to the System.



#### D. Standard of Care

1. When investing and reinvesting trust assets and in acquiring, retaining, managing and disposing of investments of the trust assets, there shall be exercised the reasonable care, skill, and caution that a prudent investor would use after considering the purposes, terms, distribution requirements, and other circumstances of the trust. Investment and management decisions respecting individual assets shall be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the Board reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust. The trust assets shall be invested in a manner to only incur costs that are appropriate and reasonable in relation to the assets and purposes of the investment. Compliance with the standard of care is determined in light of facts and circumstances at the time of action, not in hindsight.
2. Investment and management functions may be delegated to an investment agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, the Board shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the investment agent performance and compliance with the terms of the delegation. In performing a delegated function, an investment agent owes a duty to the System and the trust to exercise reasonable care to comply with the terms of the delegation. The assets of the System allocated to the investment managers shall be diligently managed, which may include selling investments and realizing losses, if such action is considered advantageous to longer-term return maximization. In addition, the Executive Director may delegate certain duties to the System's investment staff without relieving the Executive Director from the ultimate responsibility.
3. Each party serving in a fiduciary capacity for the trust shall discharge his or her duties solely in the pecuniary interest of the participants and beneficiaries and in compliance with Arkansas Code § 24-2-801 et seq. A fiduciary's evaluation of an investment, or evaluation or exercise of any right appurtenant to an investment, shall take into account only pecuniary factors.
4. Each party serving in a fiduciary capacity for the trust shall apply the standard of care set forth herein.

E. Asset Allocation

1. The Board is responsible for the prudent investment of funds and to maintain a proper allocation of the System's investment assets. The Board, in conjunction with its investment consultants, shall set and adjust the System's asset allocation ranges as necessary to provide an optimal allocation to obtain its target returns. The general investment consultant shall notify the Executive Director and the Board when an asset liability modeling study should be undertaken. It shall be the goal of the System to maintain the following asset allocation targets and ranges:

Asset Category	Minimum*	Target	Maximum*
Total Equity	<u>48.0%</u> <u>43.0%</u>	<u>53.0%</u> <u>48.0%</u>	<u>58.0%</u> <u>53.0%</u> *
Fixed Income	<u>13.0%</u> <u>17.0%</u>	<u>15.0%</u> <u>20.0%</u>	<u>17.0%</u> <u>23.0%</u>
Opportunistic/Alternatives	N/A	5.0%	N/A
Real Assets***	N/A	15.0%	N/A
Private Equity	N/A	12.0%	N/A
Cash Equivalents	0.0%	0.0%	5.0%

\* Due to the illiquid nature of opportunistic/alternatives, real assets, and private equity, it is not prudent to set rebalancing ranges for these asset classes.

\*\*Additional allocations to total equity may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted opportunistic/alternatives, real assets, and private equity.

\*\*\*Real assets includes real estate, timber, agriculture, and infrastructure.

F. Rebalancing

1. The asset allocation ranges established by the Board represent the Board's judgment of a portfolio mix that provides the greatest risk/return value. Allowing the portfolio to exceed the Board limits strays from the financial discipline, which the Board believes will - over time - provide the appropriate risk-adjusted return to the System.
2. The Executive Director is responsible for rebalancing the allowable asset classes and the individual portfolios if any of the asset classes falls outside of the designated range. The general investment consultant shall provide guidance and advice to the Executive Director to best achieve the rebalancing.

3. Rebalancing among individual investment manager portfolios within asset classes may also be necessary to ensure the appropriate level of diversification is achieved by investment style, market capitalization or risk levels (see total asset class guidelines) and/or to take advantage of market conditions, fund manager expertise, opportunities, or other circumstances that could be beneficial to ATRS.
  4. The Executive Director may rebalance across all equity managers, all equity holdings, all fixed income managers, and all fixed income holdings. A Board approved transition manager may be used for rebalancing. Rebalancing including the use of a Board approved transition manager, as needed, may be initiated by the Executive Director after recommendation from the appropriate investment consultant and positive notice to the Board Chair. The Executive Director and general investment consultant will monitor the asset values by classification for each asset manager on a monthly basis, based on month-end data provided by the custodial bank. The Executive Director and general investment consultant shall regularly inform the Board on the rebalancing pacing and strategy.
  5. Whenever the minimum or maximum range of total equity or fixed income has been exceeded, a transfer of funds or other appropriate action will occur to bring the actual allocation within the prescribed range within a time frame determined to be prudent by the Executive Director in consultation with the general investment consultant.
  6. Normal plan cash flows should be used to the extent possible to rebalance. Interest, dividends, and plan contributions should be used to the extent possible to fund asset classes that are below their target. Withdrawals should be made from asset classes that are above their target.
- G. Investment Manager Selection
1. The System may hire and retain individual investment managers to implement the System's investment strategy.
  2. Arkansas Code § 24-2-610 et seq. requires ATRS to always operate under the prudent investor rule. The prudent investor rule requires all investment decisions to be made based on the experience of management, rates of return, appropriate risk, reasonable cost, and all other relevant factors that should be used by prudent investors.
  3. It is the policy of the Board to include, whenever appropriate, qualified minority-owned and women-owned business enterprises in the System's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or disability.

4. The Board will evaluate all qualified investment manager candidates with emphasis on demonstrated professional performance, organizational depth, institutional investment management capability, and reasonableness of fee structure regardless of the amount of investment assets under management or the age of the investment management firm.
5. The Board shall only hire and retain professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases and will require the investment consultants to affirm their use of non-discriminatory practices when recommending investment manager candidates to the Board.
6. The Board shall only hire and retain investment managers and professional consultants that agree to provide services to the System in a manner that complies with Arkansas Code § 24-2-601 et seq., 24-2-801 et seq., 25-1-1001 et seq., and 25-1-1201 et seq.

#### H. Goals

1. Recognizing the purpose of the System is to remain actuarially sound and pay member benefits, the overall investment goal is to achieve, over a period of years, the greatest rate of return for the System with due consideration given to preserving capital and its purchasing power, and to maintain an appropriate level of risk consistent with the obligations of a prudent investor. The return of the System should exceed, net of fees, a policy benchmark comprised of the respective asset class benchmarks weighted by the asset class policy targets over a full market cycle (approximately five years). During periods of transition to and from nonmarketable and illiquid asset classes such as private equity and real assets, actual allocations may be used over extended periods to reflect these changes in the policy targets. Periodic performance reports will provide a detailed description of the policy benchmark composition over time.
2. The System's actuary sets an expected return based on the Board's policy decisions. Market cycles may result in the System earning a return materially above or below the actuarial rate of return for extended periods of time. Therefore, the actuarial rate of return will not be used for performance comparison purposes.

#### I. Total Equity

1. The total equity exposure of the portfolio shall be well diversified with broad exposures to small, mid, and large capitalization companies and growth and value style sectors across U.S. and non-U.S. markets.

2. The goal for total equity shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate global equity market as measured by the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) Investable Market Index (IMI) over a full market cycle (approximately five years). Because the total equity portfolio was previously segregated into domestic and global equity components, the total equity portfolio has a bias to domestic equity relative to the MSCI ACWI IMI. Therefore, to ensure appropriate performance measurement, the benchmark for total equity will be appropriately weighted between the Dow Jones U.S. Total Stock Market Index and the MSCI ACWI IMI Index to reflect the current domestic / global asset mix until the domestic allocation is in line with the global opportunity set as defined by the MSCI ACWI IMI. The manager structure of the total equity portfolio should resemble the weighted average of their respective benchmarks and avoid any material biases due to a concentration of managers or management styles. To achieve this goal, the Board may employ various actively managed and passive mandates. The structure of the equity component will be analyzed annually to ensure proper diversification is achieved.

#### J. Fixed Income

1. The manager structure of the aggregate fixed income portfolio's risk exposure should resemble the aggregate domestic fixed income market as measured by the Barclays U.S. Universal Bond Index. To help achieve this goal, the Board will employ investment managers that invest assets in a broad array of sectors (government, mortgage backed, credits, asset backed, and commercial mortgage backed bonds), maturities, and credit qualities so that the overall portfolio structure is not materially different from that of the domestic and global fixed income markets. To provide a broad base of low-cost diversification and readily available liquidity, the Board may allocate a portion of the fixed income assets to a passive investment portfolio that approximates the return of the broad fixed income market.
2. The goal for fixed income investments shall be to achieve a total rate of return that will exceed, net of all costs and fees, the return of the Barclays U.S. Universal Bond Index over a full market cycle (approximately five years).

#### K. Opportunistic/Alternative Investments

1. The Opportunistic/Alternatives asset class may include investments in direct hedge funds, hedge fund of funds, commodities, currency mandates, and other alternative strategies that are not closely correlated or related to the traditional asset classes (fixed income,

equities, private equity, and real assets). Unique investments that do not fit within the other asset class categories may also be included in the Opportunistic/Alternative category at the Board's discretion. Because this category may include illiquid investments made through closed end investment partnerships, it may take a period of time to reach and maintain the target allocation of 5%. Assets will be invested in the total equity asset class when the opportunity/alternative allocation is below its long-term target of 5%. The benchmark for the category will be a weighted average of the benchmarks of the underlying strategies.

2. The goal of the credit, global macro, and other liquid alternative investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the appropriate institutional quality hedge fund index over a full market cycle (approximately five years). Appropriate benchmarks will be determined as investments are added to the portfolio.

#### L. Real Assets

1. The Real Asset category may include real estate, timber, agriculture, and infrastructure. While no fixed targets are set, the following general parameters have been identified:

- 10% Real Estate
- 2% Timber
- 1% Agriculture
- 2% Infrastructure

The total target of the asset class will be 15%. Because this category may include illiquid investments made through closed end investment partnerships, it will take a period of time to reach these targets. Assets will be invested in the total equity asset class until the total target is attained.

The System may initiate investments in real estate as governed by the Real Asset Statement of Investment Policy. The System's goal for real estate is to not materially exceed the System's approved target asset allocation for total real estate investments as determined by the Board at the beginning of each fiscal year. Should the real estate target asset allocation be exceeded, the Executive Director, working with the Real Estate Consultant, shall develop a pacing and strategy plan to address the over allocation.

ATRS' Real Estate portfolio is benchmarked on a net of fee basis against the NCREIF Fund Index Open-end Diversified Core Equity

Index ("NFIODCE"). Once ATRS' Real Estate portfolio reaches its full target allocation for a five-year period, it is expected to meet or exceed the NFIODCE over rolling five-year periods.

The System may initiate direct ownership in timberland or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts ("REITs") investing in investment grade properties of like kind.

2. The goal of the timberland investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the NCREIF Timberland Property Index ("NTPI") over a five-year rolling period. The Consumer Price Index plus 300 basis points will be used as a secondary measurement to gauge the timber portfolio's performance compared to the opportunity cost of investing in timber.

The goal of the agriculture investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the NCREIF Farmland Index ("NFI") over a five-year rolling period. The Consumer Price Index plus 300 basis points will be used as a secondary measurement to gauge the agriculture portfolio's performance compared to the opportunity cost of investing in agriculture.

The goal of the infrastructure investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Consumer Price Index (CPI) plus 5 percentage points over a full market cycle (approximately ten years). The Consumer Price Index plus 5 percentage points will be used as the benchmark to reflect the opportunity cost of investing in infrastructure. Similar infrastructure programs of institutional investors will also be used as a secondary benchmark to the extent such data is made available.

The ATRS Total Real Asset Benchmark is weighted by the allocations based on Net Asset Values across the various sub-categories, and thus defined as Real Estate benchmark, Timber benchmark, Agriculture benchmark and Infrastructure benchmark. The net of fee return for ATRS' Total Real Asset Portfolio is expected to meet or exceed the Total Real Asset Benchmark over rolling five year periods.

#### K. Private Equity

1. The System may initiate investments in private equity as governed by the Private Equity Statement of Investment Policy. Private equity investments may include domestic and foreign private equity partnerships, venture capital, and mezzanine financing partnerships that are intended to diversify the assets and reduce the likelihood of material losses in any individual investment classification. The

investment consultant responsible for private equity shall advise the Executive Director and Board on the Private Equity Statement of Investment Policy and the structure of private equity investments best suited for the System.

2. The System's goal for private equity investments is to achieve a total rate of return that will exceed, net of all costs and fees, the return of the public equity markets, as measured by the Dow Jones U.S. Total Stock Market Index, plus a liquidity premium of 2 percentage points per year over a full market cycle for private equity (approximately ten years).

#### L. Cash Equivalents

1. The System may hold direct ownership in short-term investments or may permit or require managers to hold cash or cash equivalents to meet liquidity needs of the investment manager or of the System.
2. The System's cash management goal shall be to preserve capital and maintain liquidity.

#### M. Arkansas-Related Investments

1. The System may initiate Arkansas-related mortgage loans, promissory notes, direct real estate investments, or purchase insured certificates of deposit or short-term securities of Arkansas financial institutions to meet the goals of the mandated requirements. Arkansas-related investments are categorized according to the appropriate asset class for each investment. In addition, Arkansas related investments include, but are not limited to, investments managed by an Arkansas related manager, Arkansas related investments held by other fund managers, Arkansas timberland, partnerships based in Arkansas, and partnerships holding Arkansas properties.

#### N. Commingled or Mutual Funds

1. If a commingled fund or mutual fund is utilized, the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the System will utilize the prudent investor rule and advice of the investment consultant in selecting and evaluating funds initially and in monitoring them on an on-going basis.

#### O. Derivatives

1. Derivatives may be used to reduce the risk in a portfolio and provide desired market and security level positions as an alternative to purchasing cash securities. Excessive leverage shall not be created through the use of derivatives in a manner that substantially increases the System's portfolio risk. Each investment manager's derivative



usage shall be specified in the investment management agreement or specific guidelines.

2. The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions, unless otherwise stated in the investment manager guidelines or authorizing fund documents.

#### P. Loaning of Securities

1. The lending agent will evaluate the credit-worthiness of potential borrowers of securities, and will loan securities only to financially sound borrowers. The lending agent will maintain a diversified list of such borrowers in order to mitigate the counterparty risk that is inherent in securities lending.
2. Collateral levels should be based on the nature of the loaned security and will generally be between 102% and 105% of the market value of the borrowed security. Marking to market will be performed every business day subject to de minimis rules of change in value, and borrowers will be required to deliver additional assets as necessary to maintain overcollateralization of securities loans.

#### Q. Securities Lending Reinvestment Guidelines

1. The cash collateral portfolio will be managed on an amortized cost basis (maintain a \$1 net asset value) and have investment guidelines that are 2a-7-like in nature (money market fund guidelines) to ensure that only a moderate amount of risk is taken on the reinvestment of the cash collateral. This will control the amount of credit and duration risk that can be taken by the short duration fixed income manager, which will help to mitigate losses due to insufficient collateral relative to the amount on loan. In addition, guidelines for the cash collateral portfolio will be created in conjunction with the lending strategy and with input from the securities lending agent.
2. The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

#### R. Investment Manager Reporting

1. The System will require all investment managers, managing partners, and general partners to provide on at least a quarterly and an annual basis, reporting appropriate for the investment.

#### S. Roles

1. The Executive Director and investment consultant are jointly responsible for the initial selection of investment managers and any increase or decrease in an investment manager's funding. The

Executive Director and investment consultant are jointly responsible for monitoring existing investment managers on performance, stability, and compliance. The Executive Director and investment consultant may also recommend termination of an investment manager when circumstances justify termination. Reasons for termination include, but are not limited to, relative performance, relative stability, costs, strategic allocation of assets, or other relevant factors that a prudent investor would use.

#### T. Proxies

1. All shares held directly or indirectly by or on behalf of the System shall be voted on solely in the pecuniary interest of the System's plan beneficiaries, in compliance with Arkansas Code § 24-2-801 et seq.
2. Unless an economically practicable alternative is unavailable, the System shall not: (A) Follow the recommendations of a proxy advisory firm or other service provider unless the firm or service provider has a practice of and provides a written commitment to adhere to the practice of following proxy voting guidelines that are consistent with the System's obligation to act based only on pecuniary factors, or (B) Entrust the System's plan assets to a fiduciary unless the fiduciary has a practice of and provides a written commitment to adhere to the practice of following guideline when engaging with portfolio companies and voting shares or proxies that match the obligation of the System's obligation to act based only on pecuniary factors.
3. The System authorizes the investment manager to vote all proxies related to stocks in which it invests the System's assets. The System requires the investment manager to vote all proxies in a manner that complies with Arkansas Code § 24-2-801 et seq. The System requires the investment manager to cast votes solely in the best interest of plan beneficiaries.

#### U. Soft Dollars

1. Commissions paid by investment managers for the purchase of equity securities are System assets and must be used for the sole benefit of the System members. Whenever possible, investment managers should seek to execute trades at the lowest possible commission rate but not to the detriment of best execution, which can result in a higher cost to the System. So that the Board may fulfill its obligation to ensure that System assets are being used appropriately, relevant equity investment managers shall provide periodic reports to the general investment consultant on brokerage activity, commissions, services, and such other information as may be requested by the investment

consultant or Board. The investment consultant shall provide a periodic report to the Board summarizing such equity investment managers' reports and highlighting any questionable or problem areas.

## **HISTORY**

Amended: October 4, 2010

Amended: February 7, 2011

Amended: June 3, 2013

Amended: October 7, 2013

Amended: February 17, 2014

Amended: June 1, 2015

Amended: April 21, 2016

Amended: November 13, 2017

Amended: April 1, 2019

Amended: February 3, 2020 as Board Policy 4

Amended: December 7, 2020

Amended: June 7, 2021

Amended: September 25, 2023

[Amended: February 5, 2024](#)

# **ATRS Board Policy 4**

## **STATEMENT OF INVESTMENT POLICY**

A.C.A. § 24-7-305

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#### **A. Statement of Investment Policy**

1. This Investment Policy has been prepared within the context of applicable Arkansas laws and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure that both prudence and care are maintained in the execution of the investment program. While safety of principal is given primary consideration, the Arkansas Teacher Retirement System Board of Trustees (“Board”) may take appropriate levels of risk to earn higher levels of investment return.
2. The Board has arrived at this policy through careful study of the rates of return and risks associated with various investment strategies in relation to the current and projected liabilities of the Arkansas Teacher Retirement System (“the System”). This policy has been chosen as the most appropriate for achieving the financial objectives of the System. The policy will be reviewed periodically as circumstances dictate.
3. The Board has adopted a long-term investment horizon so that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of the System will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. All transactions undertaken on behalf of the System will be in the sole interest of the System’s plan beneficiaries.
4. To achieve the overall investment goal of the System, one or more investment consultants may be retained by the Board as investment advisors. The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board. Throughout this document, investment advisors are referred to as investment consultants.
5. The System shall manage those assets not specifically allocated to investment managers. No investment shall be made without an investment consultant's recommendation. The System shall not approve any material changes in any direct investment without first receiving written advice or a written recommendation from a third-party investment consultant and, if needed, outside legal counsel, and,

without thereafter receiving written approval by the Investment Committee and Board.

B. Divestment of Direct Holdings Held with Certain Financial Services Providers

1. The System shall divest from all direct holdings that it has with a financial services provider included on the list published on the Treasurer of State's website under § 25-1-1002. Divestment shall occur as soon as practicable, but no later than three hundred sixty-five (365) calendar days after the financial services provider's inclusion on the list published on the Treasurer of State's website.
2. However, in order to prevent financial harm to the System and to ensure that the System's fiduciary duty is met, the System shall not divest from an investment that it has with a financial services provider included on the list published on the Treasurer of State's website under § 25-1-1002 if the investment is locked into a maturity date and an early divestment would result in a financial penalty and cause a negative financial impact to the System.

C. Investments in Countries of Concern

1. In order to comply with Arkansas Code § 25-1-1201 et seq. and also to ensure that System funds are not invested in the development of technologies and products that may threaten the national security of the United States, the System shall not directly hold any equity interest or debt financing interest in any entity that is:
  - a. Owned in whole or with a majority ownership by the government of the People's Republic of China; or
  - b. Subject to any investment restrictions imposed by the United States Department of the Treasury because the entity is located in a country of concern and is engaged in activities that may contribute to a threat to the national security of the United States.
2. For any prohibited investment held by the System as of the adoption of this section, the Executive Director, in cooperation with the investment consultant and other necessary parties, shall divest the System of any excluded holdings as soon as divestment is practicable and would not result in a financial penalty or cause a material negative impact to the System.

#### D. Standard of Care

1. When investing and reinvesting trust assets and in acquiring, retaining, managing and disposing of investments of the trust assets, there shall be exercised the reasonable care, skill, and caution that a prudent investor would use after considering the purposes, terms, distribution requirements, and other circumstances of the trust. Investment and management decisions respecting individual assets shall be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the Board reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust. The trust assets shall be invested in a manner to only incur costs that are appropriate and reasonable in relation to the assets and purposes of the investment. Compliance with the standard of care is determined in light of facts and circumstances at the time of action, not in hindsight.
2. Investment and management functions may be delegated to an investment agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, the Board shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the investment agent performance and compliance with the terms of the delegation. In performing a delegated function, an investment agent owes a duty to the System and the trust to exercise reasonable care to comply with the terms of the delegation. The assets of the System allocated to the investment managers shall be diligently managed, which may include selling investments and realizing losses, if such action is considered advantageous to longer-term return maximization. In addition, the Executive Director may delegate certain duties to the System's investment staff without relieving the Executive Director from the ultimate responsibility.
3. Each party serving in a fiduciary capacity for the trust shall discharge his or her duties solely in the pecuniary interest of the participants and beneficiaries and in compliance with Arkansas Code § 24-2-801 et seq. A fiduciary's evaluation of an investment, or evaluation or exercise of any right appurtenant to an investment, shall take into account only pecuniary factors.
4. Each party serving in a fiduciary capacity for the trust shall apply the standard of care set forth herein.

## E. Asset Allocation

1. The Board is responsible for the prudent investment of funds and to maintain a proper allocation of the System's investment assets. The Board, in conjunction with its investment consultants, shall set and adjust the System's asset allocation ranges as necessary to provide an optimal allocation to obtain its target returns. The general investment consultant shall notify the Executive Director and the Board when an asset liability modeling study should be undertaken. It shall be the goal of the System to maintain the following asset allocation targets and ranges:

<b>Asset Category</b>	<b>Minimum*</b>	<b>Target</b>	<b>Maximum*</b>
Total Equity	43.0%	48.0%	53.0%**
Fixed Income	17.0%	20.0%	23.0%
Opportunistic/Alternatives	N/A	5.0%	N/A
Real Assets***	N/A	15.0%	N/A
Private Equity	N/A	12.0%	N/A
Cash Equivalentents	0.0%	0.0%	5.0%

\* Due to the illiquid nature of opportunistic/alternatives, real assets, and private equity, it is not prudent to set rebalancing ranges for these asset classes.

\*\*Additional allocations to total equity may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted opportunistic/alternatives, real assets, and private equity.

\*\*\*Real assets includes real estate, timber, agriculture, and infrastructure.

## F. Rebalancing

1. The asset allocation ranges established by the Board represent the Board's judgment of a portfolio mix that provides the greatest risk/return value. Allowing the portfolio to exceed the Board limits strays from the financial discipline, which the Board believes will - over time - provide the appropriate risk-adjusted return to the System.
2. The Executive Director is responsible for rebalancing the allowable asset classes and the individual portfolios if any of the asset classes falls outside of the designated range. The general investment consultant shall provide guidance and advice to the Executive Director to best achieve the rebalancing.
3. Rebalancing among individual investment manager portfolios within asset classes may also be necessary to ensure the appropriate level of diversification is achieved by investment style, market capitalization or

risk levels (see total asset class guidelines) and/or to take advantage of market conditions, fund manager expertise, opportunities, or other circumstances that could be beneficial to ATRS.

4. The Executive Director may rebalance across all equity managers, all equity holdings, all fixed income managers, and all fixed income holdings. A Board approved transition manager may be used for rebalancing. Rebalancing including the use of a Board approved transition manager, as needed, may be initiated by the Executive Director after recommendation from the appropriate investment consultant and positive notice to the Board Chair. The Executive Director and general investment consultant will monitor the asset values by classification for each asset manager on a monthly basis, based on month-end data provided by the custodial bank. The Executive Director and general investment consultant shall regularly inform the Board on the rebalancing pacing and strategy.
5. Whenever the minimum or maximum range of total equity or fixed income has been exceeded, a transfer of funds or other appropriate action will occur to bring the actual allocation within the prescribed range within a time frame determined to be prudent by the Executive Director in consultation with the general investment consultant.
6. Normal plan cash flows should be used to the extent possible to rebalance. Interest, dividends, and plan contributions should be used to the extent possible to fund asset classes that are below their target. Withdrawals should be made from asset classes that are above their target.

#### G. Investment Manager Selection

1. The System may hire and retain individual investment managers to implement the System's investment strategy.
2. Arkansas Code § 24-2-610 et seq. requires ATRS to always operate under the prudent investor rule. The prudent investor rule requires all investment decisions to be made based on the experience of management, rates of return, appropriate risk, reasonable cost, and all other relevant factors that should be used by prudent investors.
3. It is the policy of the Board to include, whenever appropriate, qualified minority-owned and women-owned business enterprises in the System's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or disability.
4. The Board will evaluate all qualified investment manager candidates with emphasis on demonstrated professional performance,



organizational depth, institutional investment management capability, and reasonableness of fee structure regardless of the amount of investment assets under management or the age of the investment management firm.

5. The Board shall only hire and retain professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases and will require the investment consultants to affirm their use of non-discriminatory practices when recommending investment manager candidates to the Board.
6. The Board shall only hire and retain investment managers and professional consultants that agree to provide services to the System in a manner that complies with Arkansas Code § 24-2-601 et seq., 24-2-801 et seq., 25-1-1001 et seq., and 25-1-1201 et seq.

#### H. Goals

1. Recognizing the purpose of the System is to remain actuarially sound and pay member benefits, the overall investment goal is to achieve, over a period of years, the greatest rate of return for the System with due consideration given to preserving capital and its purchasing power, and to maintain an appropriate level of risk consistent with the obligations of a prudent investor. The return of the System should exceed, net of fees, a policy benchmark comprised of the respective asset class benchmarks weighted by the asset class policy targets over a full market cycle (approximately five years). During periods of transition to and from nonmarketable and illiquid asset classes such as private equity and real assets, actual allocations may be used over extended periods to reflect these changes in the policy targets. Periodic performance reports will provide a detailed description of the policy benchmark composition over time.
2. The System's actuary sets an expected return based on the Board's policy decisions. Market cycles may result in the System earning a return materially above or below the actuarial rate of return for extended periods of time. Therefore, the actuarial rate of return will not be used for performance comparison purposes.

#### I. Total Equity

1. The total equity exposure of the portfolio shall be well diversified with broad exposures to small, mid, and large capitalization companies and growth and value style sectors across U.S. and non-U.S. markets.

2. The goal for total equity shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate global equity market as measured by the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) Investable Market Index (IMI) over a full market cycle (approximately five years). Because the total equity portfolio was previously segregated into domestic and global equity components, the total equity portfolio has a bias to domestic equity relative to the MSCI ACWI IMI. Therefore, to ensure appropriate performance measurement, the benchmark for total equity will be appropriately weighted between the Dow Jones U.S. Total Stock Market Index and the MSCI ACWI IMI Index to reflect the current domestic / global asset mix until the domestic allocation is in line with the global opportunity set as defined by the MSCI ACWI IMI. The manager structure of the total equity portfolio should resemble the weighted average of their respective benchmarks and avoid any material biases due to a concentration of managers or management styles. To achieve this goal, the Board may employ various actively managed and passive mandates. The structure of the equity component will be analyzed annually to ensure proper diversification is achieved.

#### J. Fixed Income

1. The manager structure of the aggregate fixed income portfolio's risk exposure should resemble the aggregate domestic fixed income market as measured by the Barclays U.S. Universal Bond Index. To help achieve this goal, the Board will employ investment managers that invest assets in a broad array of sectors (government, mortgage backed, credits, asset backed, and commercial mortgage backed bonds), maturities, and credit qualities so that the overall portfolio structure is not materially different from that of the domestic and global fixed income markets. To provide a broad base of low-cost diversification and readily available liquidity, the Board may allocate a portion of the fixed income assets to a passive investment portfolio that approximates the return of the broad fixed income market.
2. The goal for fixed income investments shall be to achieve a total rate of return that will exceed, net of all costs and fees, the return of the Barclays U.S. Universal Bond Index over a full market cycle (approximately five years).

#### K. Opportunistic/Alternative Investments

1. The Opportunistic/Alternatives asset class may include investments in direct hedge funds, hedge fund of funds, commodities, currency mandates, and other alternative strategies that are not closely correlated or related to the traditional asset classes (fixed income,

equities, private equity, and real assets). Unique investments that do not fit within the other asset class categories may also be included in the Opportunistic/Alternative category at the Board's discretion. Because this category may include illiquid investments made through closed end investment partnerships, it may take a period of time to reach and maintain the target allocation of 5%. Assets will be invested in the total equity asset class when the opportunity/alternative allocation is below its long-term target of 5%. The benchmark for the category will be a weighted average of the benchmarks of the underlying strategies.

2. The goal of the credit, global macro, and other liquid alternative investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the appropriate institutional quality hedge fund index over a full market cycle (approximately five years). Appropriate benchmarks will be determined as investments are added to the portfolio.

#### L. Real Assets

1. The Real Asset category may include real estate, timber, agriculture, and infrastructure. While no fixed targets are set, the following general parameters have been identified:

- 10% Real Estate
- 2% Timber
- 1% Agriculture
- 2% Infrastructure

The total target of the asset class will be 15%. Because this category may include illiquid investments made through closed end investment partnerships, it will take a period of time to reach these targets. Assets will be invested in the total equity asset class until the total target is attained.

The System may initiate investments in real estate as governed by the Real Asset Statement of Investment Policy. The System's goal for real estate is to not materially exceed the System's approved target asset allocation for total real estate investments as determined by the Board at the beginning of each fiscal year. Should the real estate target asset allocation be exceeded, the Executive Director, working with the Real Estate Consultant, shall develop a pacing and strategy plan to address the over allocation.

ATRS' Real Estate portfolio is benchmarked on a net of fee basis against the NCREIF Fund Index Open-end Diversified Core Equity

Index ("NFIODCE"). Once ATRS' Real Estate portfolio reaches its full target allocation for a five-year period, it is expected to meet or exceed the NFIODCE over rolling five-year periods.

The System may initiate direct ownership in timberland or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts ("REITs") investing in investment grade properties of like kind.

2. The goal of the timberland investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the NCREIF Timberland Property Index ("NTPI") over a five-year rolling period. The Consumer Price Index plus 300 basis points will be used as a secondary measurement to gauge the timber portfolio's performance compared to the opportunity cost of investing in timber.

The goal of the agriculture investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the NCREIF Farmland Index ("NFI") over a five-year rolling period. The Consumer Price Index plus 300 basis points will be used as a secondary measurement to gauge the agriculture portfolio's performance compared to the opportunity cost of investing in agriculture.

The goal of the infrastructure investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Consumer Price Index (CPI) plus 5 percentage points over a full market cycle (approximately ten years). The Consumer Price Index plus 5 percentage points will be used as the benchmark to reflect the opportunity cost of investing in infrastructure. Similar infrastructure programs of institutional investors will also be used as a secondary benchmark to the extent such data is made available.

The ATRS Total Real Asset Benchmark is weighted by the allocations based on Net Asset Values across the various sub-categories, and thus defined as Real Estate benchmark, Timber benchmark, Agriculture benchmark and Infrastructure benchmark. The net of fee return for ATRS' Total Real Asset Portfolio is expected to meet or exceed the Total Real Asset Benchmark over rolling five year periods.

#### K. Private Equity

1. The System may initiate investments in private equity as governed by the Private Equity Statement of Investment Policy. Private equity investments may include domestic and foreign private equity partnerships, venture capital, and mezzanine financing partnerships that are intended to diversify the assets and reduce the likelihood of material losses in any individual investment classification. The

investment consultant responsible for private equity shall advise the Executive Director and Board on the Private Equity Statement of Investment Policy and the structure of private equity investments best suited for the System.

2. The System's goal for private equity investments is to achieve a total rate of return that will exceed, net of all costs and fees, the return of the public equity markets, as measured by the Dow Jones U.S. Total Stock Market Index, plus a liquidity premium of 2 percentage points per year over a full market cycle for private equity (approximately ten years).

#### L. Cash Equivalents

1. The System may hold direct ownership in short-term investments or may permit or require managers to hold cash or cash equivalents to meet liquidity needs of the investment manager or of the System.
2. The System's cash management goal shall be to preserve capital and maintain liquidity.

#### M. Arkansas-Related Investments

1. The System may initiate Arkansas-related mortgage loans, promissory notes, direct real estate investments, or purchase insured certificates of deposit or short-term securities of Arkansas financial institutions to meet the goals of the mandated requirements. Arkansas-related investments are categorized according to the appropriate asset class for each investment. In addition, Arkansas related investments include, but are not limited to, investments managed by an Arkansas related manager, Arkansas related investments held by other fund managers, Arkansas timberland, partnerships based in Arkansas, and partnerships holding Arkansas properties.

#### N. Commingled or Mutual Funds

1. If a commingled fund or mutual fund is utilized, the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the System will utilize the prudent investor rule and advice of the investment consultant in selecting and evaluating funds initially and in monitoring them on an on-going basis.

#### O. Derivatives

1. Derivatives may be used to reduce the risk in a portfolio and provide desired market and security level positions as an alternative to purchasing cash securities. Excessive leverage shall not be created through the use of derivatives in a manner that substantially increases the System's portfolio risk. Each investment manager's derivative

usage shall be specified in the investment management agreement or specific guidelines.

2. The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions, unless otherwise stated in the investment manager guidelines or authorizing fund documents.

P. Loaning of Securities

1. The lending agent will evaluate the credit-worthiness of potential borrowers of securities, and will loan securities only to financially sound borrowers. The lending agent will maintain a diversified list of such borrowers in order to mitigate the counterparty risk that is inherent in securities lending.
2. Collateral levels should be based on the nature of the loaned security and will generally be between 102% and 105% of the market value of the borrowed security. Marking to market will be performed every business day subject to de minimis rules of change in value, and borrowers will be required to deliver additional assets as necessary to maintain overcollateralization of securities loans.

Q. Securities Lending Reinvestment Guidelines

1. The cash collateral portfolio will be managed on an amortized cost basis (maintain a \$1 net asset value) and have investment guidelines that are 2a-7-like in nature (money market fund guidelines) to ensure that only a moderate amount of risk is taken on the reinvestment of the cash collateral. This will control the amount of credit and duration risk that can be taken by the short duration fixed income manager, which will help to mitigate losses due to insufficient collateral relative to the amount on loan. In addition, guidelines for the cash collateral portfolio will be created in conjunction with the lending strategy and with input from the securities lending agent.
2. The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

R. Investment Manager Reporting

1. The System will require all investment managers, managing partners, and general partners to provide on at least a quarterly and an annual basis, reporting appropriate for the investment.

S. Roles

1. The Executive Director and investment consultant are jointly responsible for the initial selection of investment managers and any increase or decrease in an investment manager's funding. The

Executive Director and investment consultant are jointly responsible for monitoring existing investment managers on performance, stability, and compliance. The Executive Director and investment consultant may also recommend termination of an investment manager when circumstances justify termination. Reasons for termination include, but are not limited to, relative performance, relative stability, costs, strategic allocation of assets, or other relevant factors that a prudent investor would use.

#### T. Proxies

1. All shares held directly or indirectly by or on behalf of the System shall be voted on solely in the pecuniary interest of the System's plan beneficiaries, in compliance with Arkansas Code § 24-2-801 et seq.
2. Unless an economically practicable alternative is unavailable, the System shall not: (A) Follow the recommendations of a proxy advisory firm or other service provider unless the firm or service provider has a practice of and provides a written commitment to adhere to the practice of following proxy voting guidelines that are consistent with the System's obligation to act based only on pecuniary factors, or (B) Entrust the System's plan assets to a fiduciary unless the fiduciary has a practice of and provides a written commitment to adhere to the practice of following guideline when engaging with portfolio companies and voting shares or proxies that match the obligation of the System's obligation to act based only on pecuniary factors.
3. The System authorizes the investment manager to vote all proxies related to stocks in which it invests the System's assets. The System requires the investment manager to vote all proxies in a manner that complies with Arkansas Code § 24-2-801 et seq. The System requires the investment manager to cast votes solely in the best interest of plan beneficiaries.

#### U. Soft Dollars

1. Commissions paid by investment managers for the purchase of equity securities are System assets and must be used for the sole benefit of the System members. Whenever possible, investment managers should seek to execute trades at the lowest possible commission rate but not to the detriment of best execution, which can result in a higher cost to the System. So that the Board may fulfill its obligation to ensure that System assets are being used appropriately, relevant equity investment managers shall provide periodic reports to the general investment consultant on brokerage activity, commissions, services, and such other information as may be requested by the investment

consultant or Board. The investment consultant shall provide a periodic report to the Board summarizing such equity investment managers' reports and highlighting any questionable or problem areas.

## **HISTORY**

Amended: October 4, 2010

Amended: February 7, 2011

Amended: June 3, 2013

Amended: October 7, 2013

Amended: February 17, 2014

Amended: June 1, 2015

Amended: April 21, 2016

Amended: November 13, 2017

Amended: April 1, 2019

Amended: February 3, 2020 as Board Policy 4

Amended: December 7, 2020

Amended: June 7, 2021

Amended: September 25, 2023

Amended: February 5, 2024



**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2024-11**

**Approving Investment in Baird Advisors, Core Plus Bond Strategy**

**WHEREAS**, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

**WHEREAS**, the Board has reviewed the recommendation of its general investment consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Robert W. Baird & Co. Inc. acting through its Baird Advisors department (Baird Advisors), Core Plus Bond strategy**, a fixed income strategy that invests in a diversified portfolio of fixed income opportunities including corporate credit, structured credit, and U.S. Treasury bonds.

**NOW, THEREFORE, BE IT RESOLVED**, that based solely on pecuniary factors, the ATRS Board approves an investment of up to **\$800 million dollars (\$800,000,000.00)** in **Baird Advisors, Core Plus Bond strategy**; The total investment amount is to be determined by the general investment consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the ATRS Board; and

**FURTHER, BE IT RESOLVED**, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment if acceptable terms are reached.

**Adopted this 5th day of February, 2024.**

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**Mr. Danny Knight, Chair**  
**Arkansas Teacher Retirement System**



**TOWNSEND<sup>®</sup>**  
**GROUP**

**an Aon company**

# Arkansas Teachers Retirement System Third Quarter 2023 Real Assets Performance Review

PROPRIETARY & CONFIDENTIAL

February 2024

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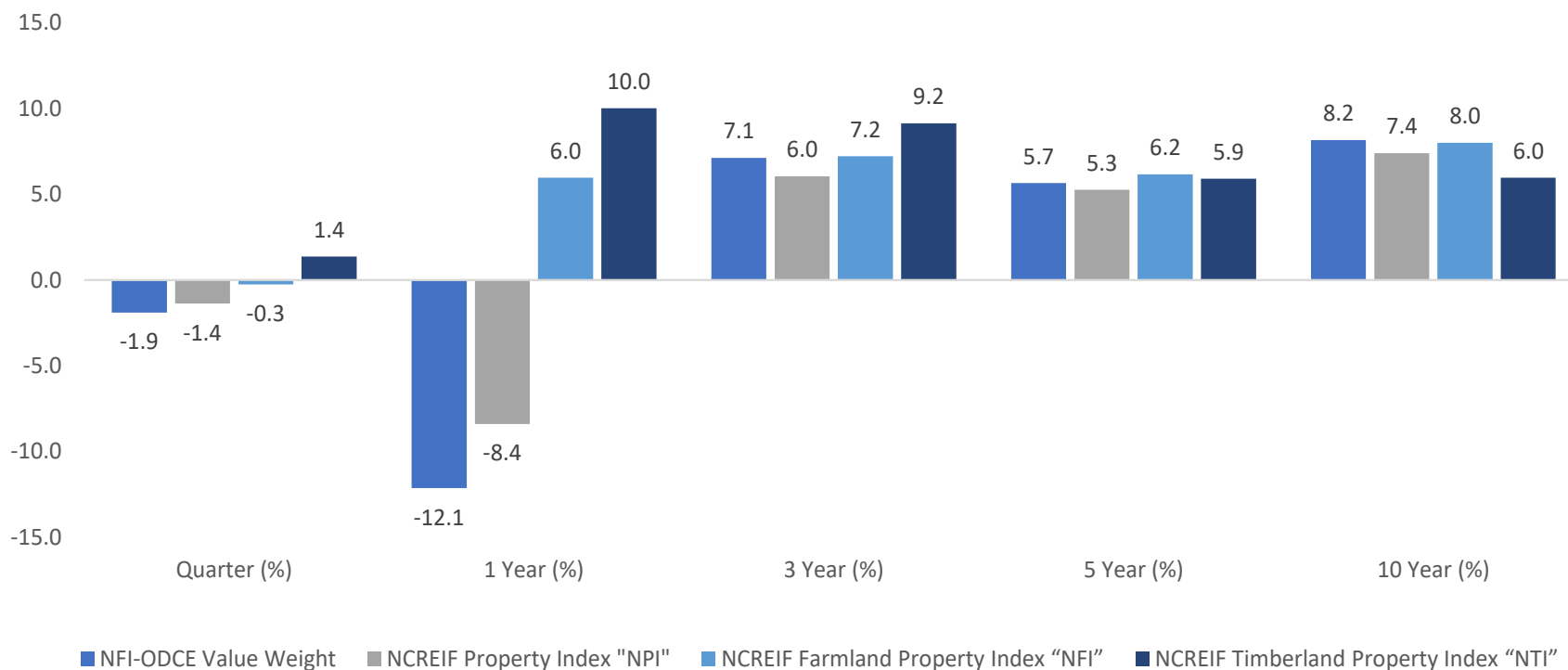
## Agenda

<b>Section 1</b>	<b>Executive Summary</b>
Section 2	Market Overview
Section 3	Real Assets Portfolio Update
Section 4	Glossary

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# Real Assets Markets Performance and Overview

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
NFI-ODCE Value Weight	-1.9	-2.1	-12.1	-12.9	7.1	6.2	5.7	4.7	8.2	7.2
NCREIF Property Index "NPI"	-1.4		-8.4		6.0		5.3		7.4	
NCREIF Farmland Property Index "NFI"	-0.3		6.0		7.2		6.2		8.0	
NCREIF Timberland Property Index "NTI"	1.4		10.0		9.2		5.9		6.0	



## Portfolio Funding Status and Composition

As of September 30, 2023	ATRS' Portfolio \$ in Millions
Number of Investments	88
Total Commitments	4,652.8
Unfunded Commitments	848.4
Total Paid-In Capital	4,094.9
Total Distributions	3,640.9
Net Asset Value	2,555.2
Gross Asset Value	3,742.9
DPI	0.9x
TVPI	1.5x
Since Inception IRR	7.0%
<i>*Active and Liquidated</i>	

PORTFOLIO COMPOSITION TO TARGETS (As of 6/30/2023)		
	Target	Actual Funded
<b>Target Real Asset Allocation</b>	15%	12.8%
<b>Portfolio Style Composition</b>		
<b>Real Estate</b>	10%	7.5%
<b>Core*</b>	50%-70%	59.1%
<b>Non-Core</b>	30%-50%	40.9%
<b>Value-Added**</b>	N/A	25.8%
<b>Opportunistic**</b>	N/A	15.0%
<b>Agriculture</b>	1%	1.2%
<b>Timber</b>	2%	1.7%
<b>Infrastructure</b>	2%	2.4%
<b>Leverage</b>	50%	31.7%

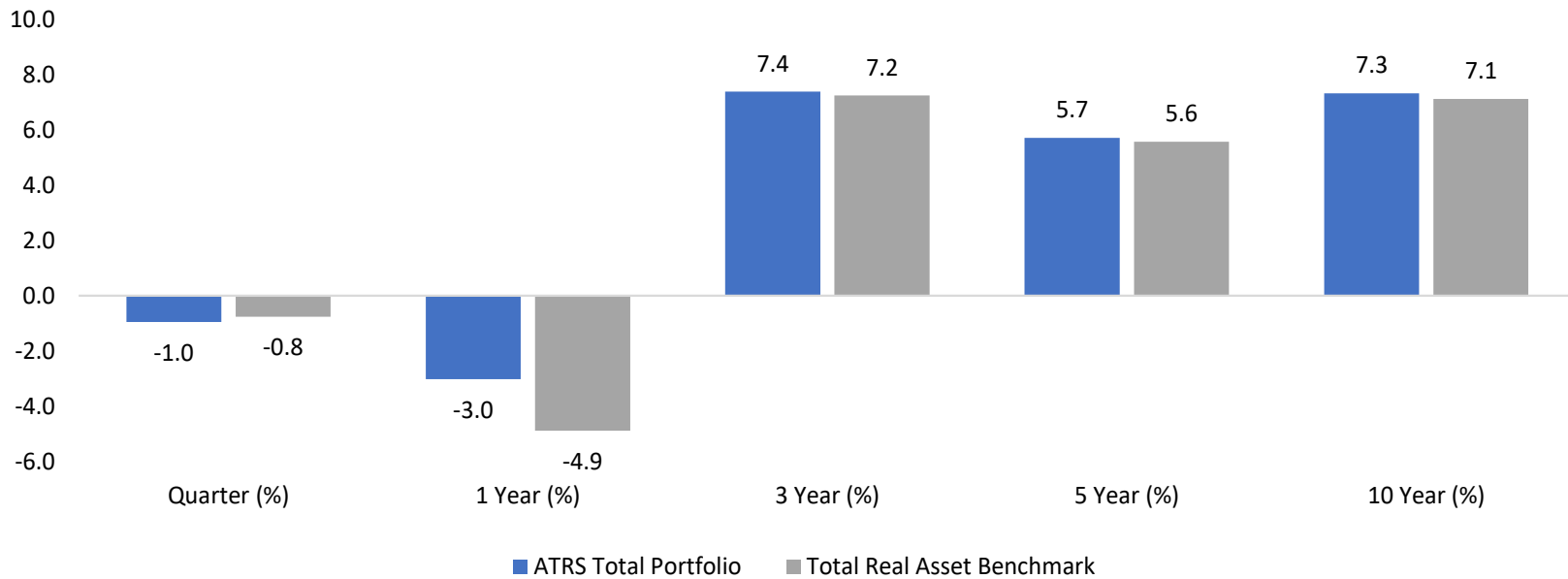
\* Includes Arkansas Investments

\*\* No stated targets

- The portfolio is in compliance with its Statement of Investment Policy.

# ATRS' Real Assets Performance

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)		Net IRR	Equity Multiple
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET		
ATRS Total Portfolio	-0.7	-1.0	-1.8	-3.0	9.1	7.4	7.2	5.7	8.8	7.3	7.0	1.5
Total Real Assets Benchmark		-0.8		-4.9		7.2		5.6		7.1		



\*The ATRS Total Real Assets Benchmark was comprised of the NFI-ODCE returns, the NCREIF Timberland returns, the NCREIF Agriculture returns, and CPI plus 500 weighted by the allocations based on Net Asset Values across the various sub-categories, and thus defined as Real Assets benchmark, Timber benchmark, Agriculture benchmark, and Infrastructure benchmarks prior to 3Q2020. As of 3Q2020, the Timberland and Agriculture benchmarks going forward will no longer be weighted and are just the NCREIF Timberland and NCREIF Farmland returns, gross of fees. Additionally, the Infrastructure Benchmark of CPI plus 500 bps has been adjusted to CPI plus 300 bps as of 3Q20 and the new Infrastructure Benchmark will be a blend of the two going forward.



## ATRS' Real Asset Performance Summary

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)		Net IRR	Equity Multiple
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET		
Real Estate	-1.6	-1.8	-7.9	-8.9	7.0	5.4	5.1	3.7	8.4	7.0	7.4	1.5
NFI-ODCE Value Weight	-1.9	-2.1	-12.1	-12.9	7.1	6.2	5.7	4.7	8.2	7.2		

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)		Net IRR	Equity Multiple
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET		
Timberland	0.5	0.3	0.6	-0.2	8.8	7.9	7.6	6.6	6.1	5.2	5.4	2.0
Timberland Property Benchmark*	1.4		10.0		9.1		6.1		5.6			

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)		Net IRR	Equity Multiple
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET		
Agriculture	0.4	0.1	9.2	8.0	10.3	9.1	7.8	6.6	6.8	5.7	6.2	1.5
Agriculture Benchmark*	-0.3		6.0		7.2		6.1		6.1			

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)		Net IRR	Equity Multiple
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET		
Infrastructure	0.7	0.4	14.0	11.2	16.5	13.7	15.4	12.9	N/A	N/A	12.9	1.5
Infrastructure Benchmark*	1.6		6.8		8.1		7.4		N/A			

## ATRS' Real Assets Portfolio Highlights

- Commitment activity update
  - ATRS made the following commitment during the quarter or subsequent to quarter end
    - KKR Real Estate Partners Americas IV: \$50 million
  - ATRS is in the queue with a partial redemption of UBS TPF
    - As of September 30, 2023, the TPF redemption queue is \$6.5 billion and expect full repayment by YE25

## Significant Events

- Subsequent to quarter end, Mike Kelly of J.P. Morgan announced he will be retiring from his role as head of Real Estate Americas in early 2024. Mike Kelly will be succeeded by Chad Treadway, the former Managing Director and Head of the Real Estate Banking business. Mr. Treadway also sits on the Pension Real Estate Association Foundation Board.
- In Q4 of 2023, J.P. Morgan announced that Kim Adams, Portfolio Manager of the Strategic Property Fund has departed effective immediately. She will be succeeded by a team of three portfolio managers, Brian Nottage, Sue Kolasa, and Caitlin Simon who will share one vote on the investment committee.

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## Agenda

Section 1	Executive Summary
<b>Section 2</b>	<b>Market Overview</b>
Section 3	Real Assets Portfolio Update
Section 4	Glossary

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# United States Real Estate Market Update (3Q23)

## General

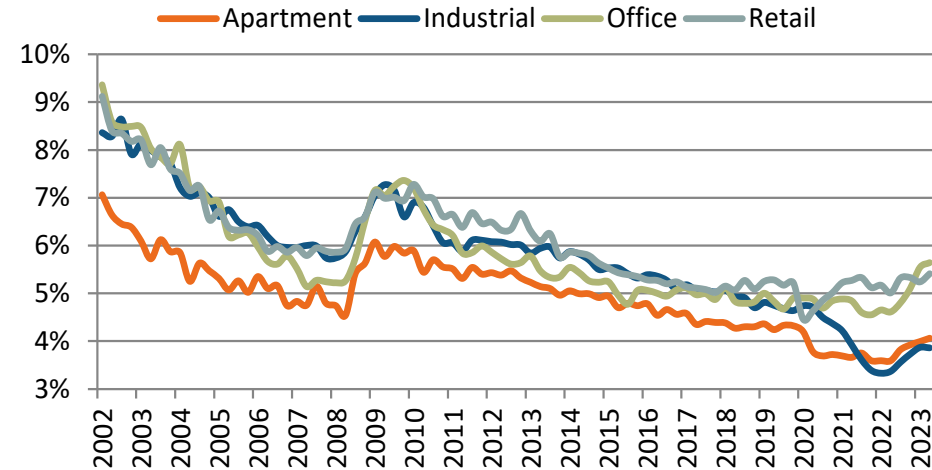
- The economy continues to face headwinds stemming from an increasingly aggressive federal funds rate, continuous inflation, and geopolitical events. The S&P 500 has returned a negative quarter coming in at -3.27% slowing down after a steady start in the first half of 2023. The MSCI US REIT index held a steady pace in the second quarter, posting a gross return of -7.0%.
- During the second quarter, GDP increased at an annualized rate of 4.9%. This positive growth was primarily due to government spending, consumer spending, and strong job market growth. As a result of geopolitical events such as the atrocities of the Russia-Ukraine war, Saudi-Iranian oil concerns, and increased protectionist measures, commodity pricing has remained elevated in tandem with persistent inflation, which may persist throughout 2023. Federal reserve officials remain committed to taming inflation and reducing the central bank's balance sheet for the foreseeable future. The Fed has approved 11 consecutive interest rate hikes since March 2022, pausing only at the end of the third quarter, increasing the Fed Rate by 525 basis points.

## Commercial Real Estate

- After closing out the third quarter of 2023, total CRE transaction activity for the third quarter decreased by -53% YoY, with the 2023 transaction activity down -55% Year-To-Date. The office sector transaction volumes in the U.S. have notably not recovered to pre-pandemic levels. Although the office sector has seen minor improvements, transaction volumes for the office sector in the U.S. have continued to fall due to the increase in the cost of debt and loose return to office requirements
- Transaction cap rates (5.0%) contracted, moving in 18 bps during the quarter. This decrease comes after cap rates have risen sharply since 4Q21. Current valuation cap rates expanded for all major property sectors, led by office (+23 bps), and followed by retail (+8 bps), industrial (+6 bps), and apartment (+5 bps).
- NOI growth has continued to diverge between property sectors. Apartment sector fundamentals continue to show strength. With the cost of debt for homes continuing to become more expensive, Apartment NOI contracted (-9%) YoY. Industrial NOI continued to expand (+19%) YoY with the continued investments into direct-to-customer distribution by companies.
- 10-year treasury bond yields increased, ending the quarter at 4.6%. As economists expected, rates moved significantly higher throughout 2023, with the potential to climb further in efforts to slow the economy down.

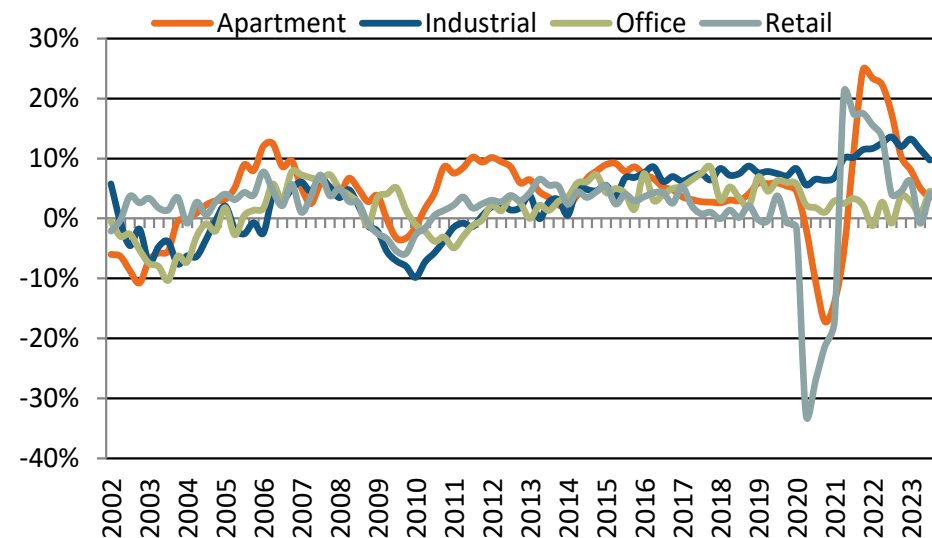
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## Current Value Cap Rates by Property Type



Source: NCREIF

## 4 Qtr Rolling NOI Growth



Source: NCREIF

# United States Property Matrix (3Q23)



## INDUSTRIAL

- In 3Q23, industrial properties returned -0.26% and outperformed the NPI by 111 bps.
- Transaction volumes decreased to \$21 billion in the third quarter of the year, resulting in an 45% decrease year-over-year. Individual asset sales decreased 65% year-over-year, while portfolio purchases turned in a year-over-year volume decrease of 71%. At \$21 billion, the industrial sector slightly decreased by \$1 billion quarter-over-quarter.
- The industrial sector turned in NOI growth of 15.8% over the past year. NOI continues to reach all time highs for the sector.
- Vacancy increased by 51 bps year-over-year to 2.0%. Vacancy in the sector increased 19 bps from the prior quarter, reaching all-time historic lows. E-commerce continues to drive demand across the sector.
- Industrial cap rates expanded approximately 49 bps from a year ago, to 3.86%. Industrial overall fundamentals still top all property sectors.

## MULTIFAMILY

- The apartment sector delivered a -1.41% return during the quarter, underperforming the NPI by 4 bps.
- Transaction volume in the third quarter of 2023 slightly decreased to \$30 billion, resulting in a decrease of 62% year-over-year. Transaction volume for the sector slightly decreased from the second quarter by nearly 6%. This volume continues to make multifamily the most actively traded sector for the twenty second straight quarter.
- Cap rates remained steady at 4.06% quarter-over-quarter, increasing 47 bps year-over-year. Multifamily cap rates remain at low levels relative to prior years, driven by continued increases in valuation.
- The multifamily sector saw increasing vacancy rates throughout the entirety of 2020 due to the global pandemic. Throughout 2021 and 2022, the sector appeared to have shaken that trend although vacancy rates remained steady. Vacancy rates increased during fourth quarter of 2022 and have remained steady through the second quarter at 6.3%. The aging millennials have begun shifting their desires to suburban living, but continued home price appreciation has deterred the full effect of this migratory trend.

## OFFICE

- The office sector returned -3.67% in 3Q23, 230 bps below the NPI return over the period.
- Transaction volumes decreased by 65% year-over-year in the third quarter. Transaction volume equated to \$11 billion for the quarter, remaining flat quarter-over-quarter. Office transaction levels have regressed since 4Q21 and are now at levels seen during the COVID-19 pandemic.
- Office sector vacancy rates have expanded since the beginning of the pandemic due to work from home orders and uncertainty revolving around the future of office space. Office continues to be the highest vacancy property type at 13.59%, increasing by 52 bps from last quarter.
- NOI growth in the office sector decreased quarter-over-quarter by 200 bps to 0.00% and is still experiencing volatility given the current market environment.
- Office cap rates expanded from a year ago, sitting at approximately 5.6%. Office-using job growth was stunted significantly through out 2020 due to work from home orders. Though we are observing a slow but steady flow back to in-office work, there is still uncertainty in the sector as many companies remain hesitant.

## RETAIL

- As of 3Q23, the retail sector delivered a quarterly return of -0.13%, outperforming 124 bps compared to the NPI.
- Transaction volumes totaled \$15 billion in the third quarter, decreasing 31% year-over-year. Single asset transactions accounted for just over 60% of all sales volume for the quarter.
- Cap rates have remained fairly steady within the sector over the last year at 5.4%. Current valuation cap rates expanded quarter-over-quarter by 17 bps due to valuation adjustments made across the sector in general.
- NOI growth increased from the prior quarter to 0.43% as of the third quarter. Retail has begun its slow recovery but has continued to experience volatility due to the current market environment.
- Retail vacancy rates remained steady over the quarter at 7.6%, down 45 bps over the past year. Many big box stores have closed as the need for retail space shrinks, translating to a negative outlook for rent growth. Paired with the global economic crisis, which has had a significant negative impact on this sector.

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# Global Real Estate Market Update (3Q23)

- Despite persistent challenges present in the market, macroeconomic growth has shown resilience in the face of widespread tightening of monetary policy. Headline inflationary pressure has begun to wane related to the easing energy and food costs. Sustained excess demand across several economies and sectors have reflected in sticky underlying price pressures. Year over year, deal volumes have contracted by 44% with capital markets activity stymied with prevalent pricing uncertainty.
- US markets have exhibited pronounced deterioration with transaction volumes decreasing 53% since the third quarter of last year. This drawback in activity has outgrown the period in decline at the onset of the pandemic. Significant distress, up to \$42 billion in office alone, is expected to materialize in the coming months. The refinancing and discounted sales to offset these losses should compound as the year progresses.

- China's expected economic rebound following an impassioned reopening effort has proven to be fleeting with subdued rates of activity. Office occupancy rates in Asian markets have elevated in part due to certain structural factors: a swifter return to office post-Covid, smaller living quarters per individual, and more affordable and efficient office commutes in key Asian cities. New ESG-Compliant buildings along with "Flight to Quality" has been the focus as a 20 year high 18% vacancy rate gives occupiers numerous options to upgrade.
- Europe experienced a widespread decrease in transaction volume, receding 8% during the quarter and 53% year over year. A product of expensive debt financing, European banks have become risk adverse to large and highly levered transactions which were once the primary driver of the market's growth. Declining capital values have driven returns in the European markets to be extracted from income, opposed to pure appreciation as valuation corrections are ongoing. Notably, occupier markets with senior housing, hotel and retail have remained resilient connected to high rent growth potential, a tight labor market, and consumer spending proving steadier than presumed.
- In the third quarter, US logistics and industrial markets have continued their recoil as manufactures are pausing future accumulation of inventory due to economic headwinds. Record amounts of new inventory are expected by year end, especially in the U.S. and Asia Pacific, causing vacancy rates to expand going forward. The resulting moderate increase in vacancy from new construction however does not dramatically shift the market in tenants' favor. With continued healthy fundamentals, rents continue to increase globally but this will be marginal relative to their post-pandemic highs.
- Economic resilience found in the labor market, in conjunction with costly single-family mortgages have contributed to robust demand for US Multifamily. Despite demand raising 11% this quarter (600% increase year over year) rent and occupancy growth have slowed. Across Europe, stable repricing has been more prevalent in multifamily assets than in other sectors. The impact on valuations has been offset by rental growth and indexation from CPI as well. Asia Pacific investors are following suit, pursuing opportunities in Japan and Australia where occupier fundamentals and recent tax changes to have been implemented to encourage new developments

## Global Total Commercial Real Estate Volume - 2022 - 2023

\$ US Billions	Q3 2023	Q3 2022	%		YTD 2023	Q1-Q3 2023	% Change
			Q3 23 - Q3 22	YTD 2023/ Q1-Q3 23			
Americas	80	170	-53%		255	579	-56%
EMEA	35	74	-53%		123	268	-54%
Asia Pacific	145	219	-34%		410	594	-31%
<b>Total</b>	<b>259</b>	<b>463</b>	<b>-44%</b>		<b>788</b>	<b>1442</b>	<b>-45%</b>

Source: Real Capital Analytics, Inc., Q3' 23

## Global Outlook - GDP (Real) Growth % pa, 2023-2025

	2023	2024	2025
<b>Global</b>	<b>2.8</b>	<b>2.6</b>	<b>3.0</b>
<b>Asia Pacific</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Australia	1.8	1.5	2.2
China	5.2	4.5	4.5
India	7.0	6.2	6.3
Japan	1.9	1.0	1
<b>North America</b>	<b>2.3</b>	<b>1.0</b>	<b>1.8</b>
US	2.3	1.0	1.8
<b>Middle East</b>	<b>2.0</b>	<b>3.5</b>	<b>3.6</b>
<b>European Union</b>	<b>0.6</b>	<b>1.1</b>	<b>1.8</b>
France	0.8	0.8	1.4
Germany	-0.4	0.5	1.5
UK	0.4	0.4	1.3

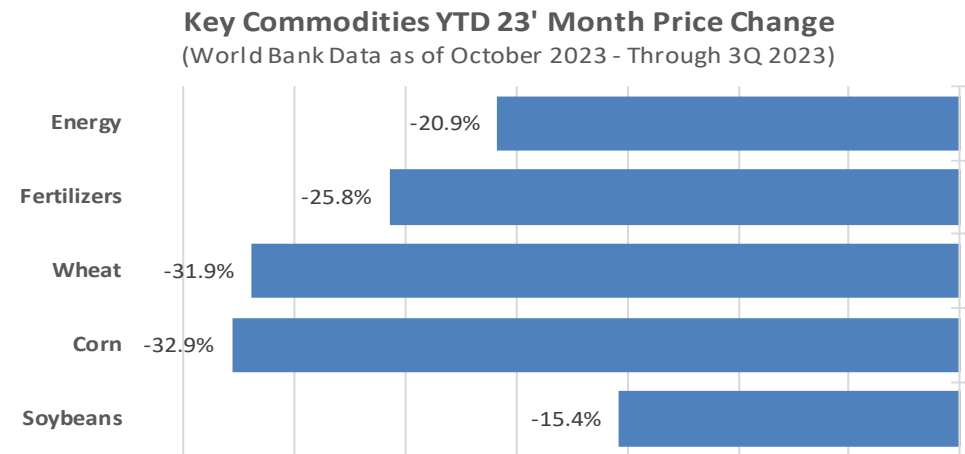
Source: Bloomberg

# Farmland – Third Quarter 2023 Market Update

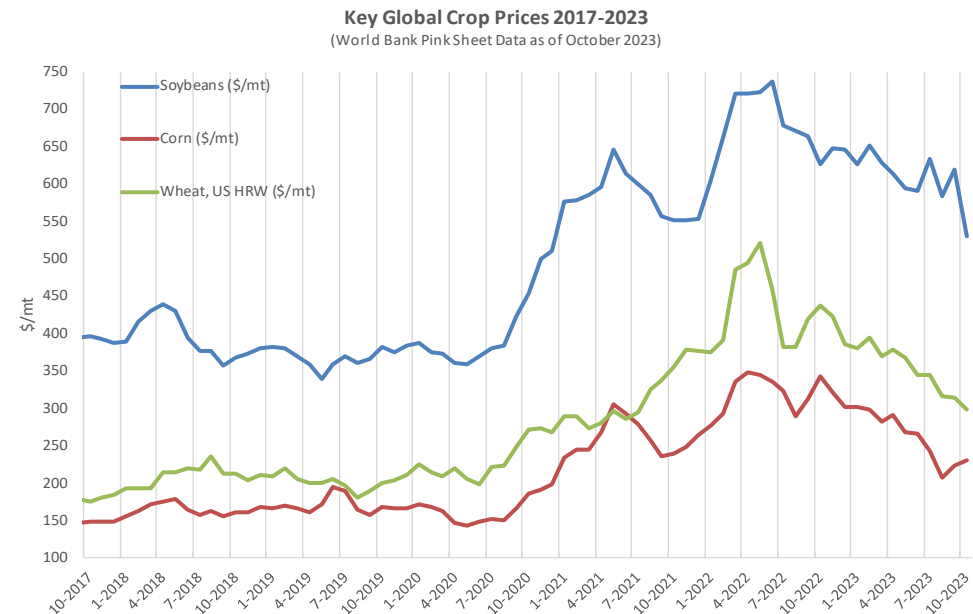
## FARMLAND MARKETS

- Ag commodities were mixed during 3Q23 as weather volatility, shifting demand estimates, and the ongoing Russia-Ukraine conflict continued to disrupt markets. Corn, soybean and wheat prices declined with large Brazilian supplies, an uptick in production out of the Ukraine and Russia and an overall decline in demand in key markets. (Fig. 1)
- Despite a slowing market prices for major ag commodities remain above their 5-year averages but we expect continued moderation as strong production will continue to replenish global stockpiles. (Fig. 2)
- U.S. farmland markets still remain on solid ground, but clear signs of a slow down continued driven by declining crop prices off historic record levels and a slowing of land appreciation trends. Farmers have built strong financial reserves over the last few years and despite a moderation of financial performance expectations remain positive over the near term.
- U.S. almond prices remained low with 22/23' shipments down 3% YoY; however, lower expected yield results and India's lifting of retaliatory tariffs should provide upside. Pistachio shipments for the 22/23' crop year were up 7% year-to-date with export demand supporting the increase.

**FIG 1: Major Commodities Price Change Year-to-Date**



**FIG 2: Key Global Crop Prices**

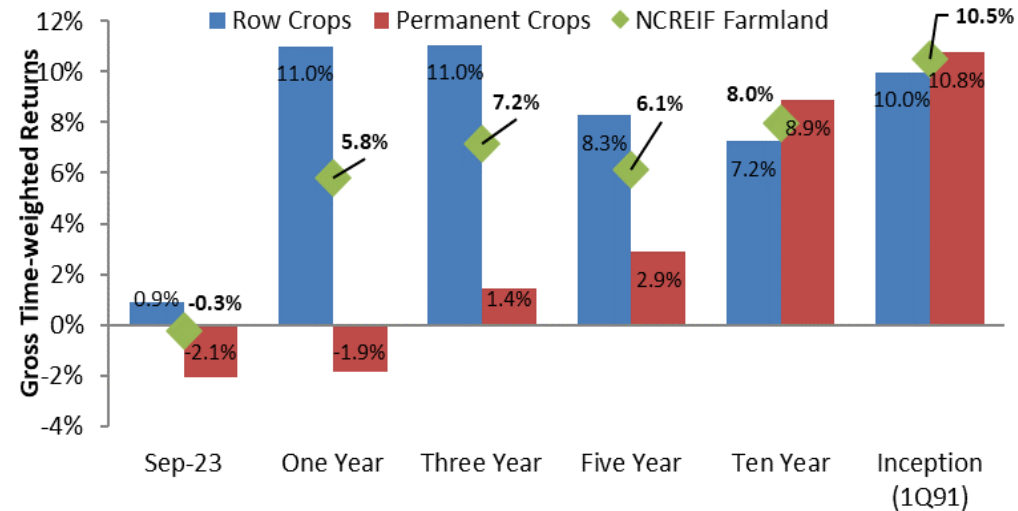


# Farmland – Third Quarter 2023 Performance Update

## NCREIF FARMLAND INDEX 3Q23

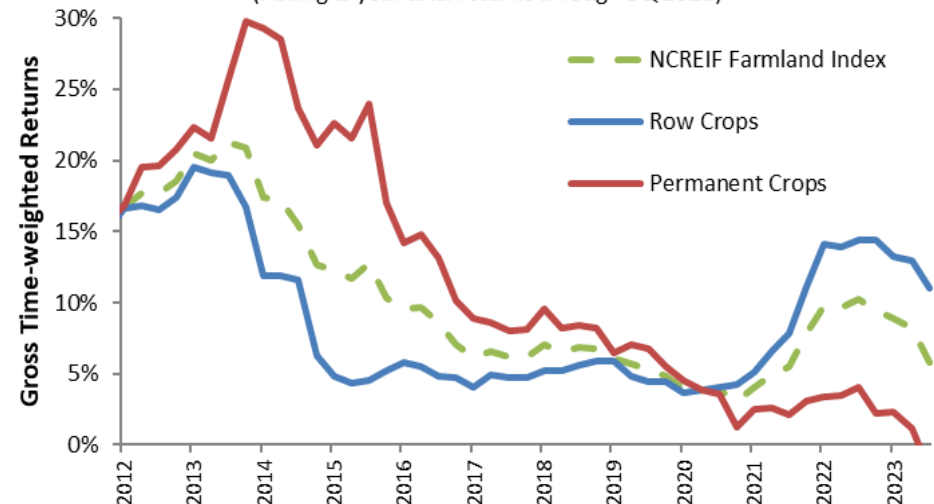
- The NCREIF Farmland Index (“NFI”) returned -0.3 in 3Q23, A 110-basis point decrease over last quarter’s 0.8% return. The return comprised 0.5% income and -0.8% appreciation.
- The NFI returned 5.8% over a 12-month period, with an appreciation return of 2.8% and income of 3.0%.
- Row crops continued to outperform during the quarter and over the year but performance continues to moderate with the broader market rebalancing.
- During the quarter, Row crops returned 0.9% made up of 0.3% appreciation and 0.7% income. Permanent crops returned -2.1% made up of -2.4% appreciation and 0.3% income – almonds, apples, pistachios, wine grapes, and the all others category were all negative.
- For the trailing 12 months, row crops returned 11.0% versus perm crops -1.9% total return. Commodity crops (38% of the NFI) led with 13.0% for the year.
- Citrus outperformed all other permanent crops with a 0.4% total return for the quarter, and 0.3% for the trailing 12 months, while wine grapes (the largest permanent crop 14% by MV) returned -0.2% for the quarter, and 0.9% for the year.
- Almonds, the 2<sup>nd</sup> largest permanent crop, returned -5.1% for the quarter and -10.7% over 1 year as exports remain down and prices have remained flat.

## NCREIF Farmland Index Farm Type Returns September 2023



## NCREIF Farm Type Performance

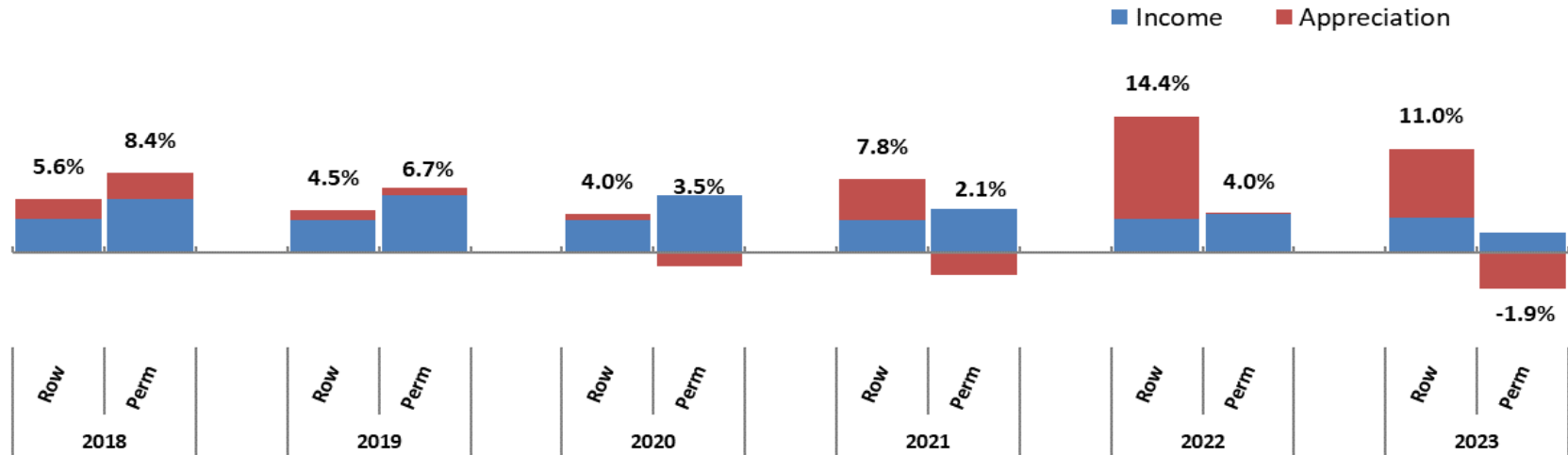
(Rolling 1-year total returns through 3Q 2023)



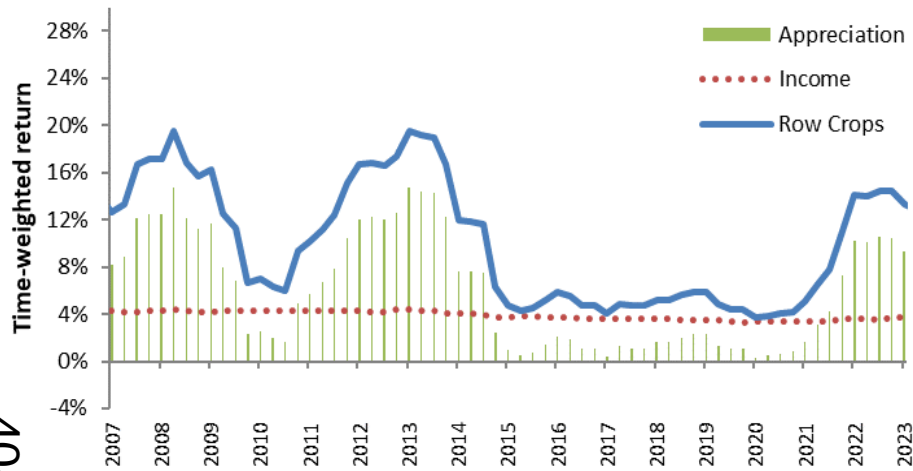
# Farmland – Third Quarter 2023 Performance Update

## NCREIF FARMLAND INDEX 3Q23

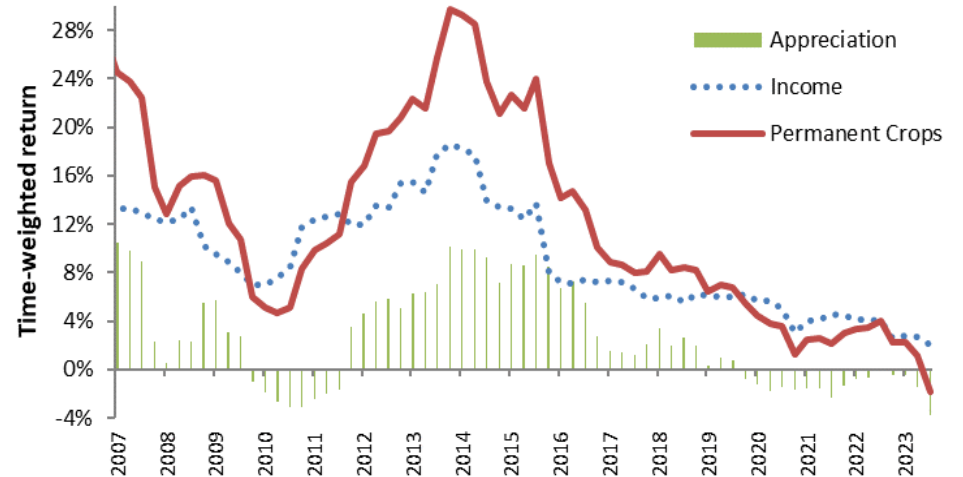
**NCREIF Farm Type Performance Attribution**  
(Trailing Twelve Month Gross time-weighted returns 3Q 2023)



**NCREIF Row Crop Performance**  
(Rolling 1-year total returns through 3Q 2023)



**NCREIF Permanent Crop Performance**  
(Rolling 1-year total returns through 3Q 2023)

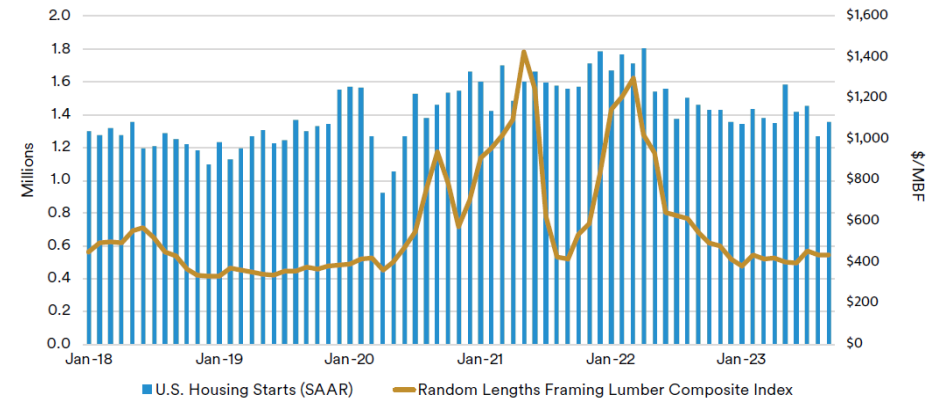


# Timberland – Third Quarter 2023 Market Update

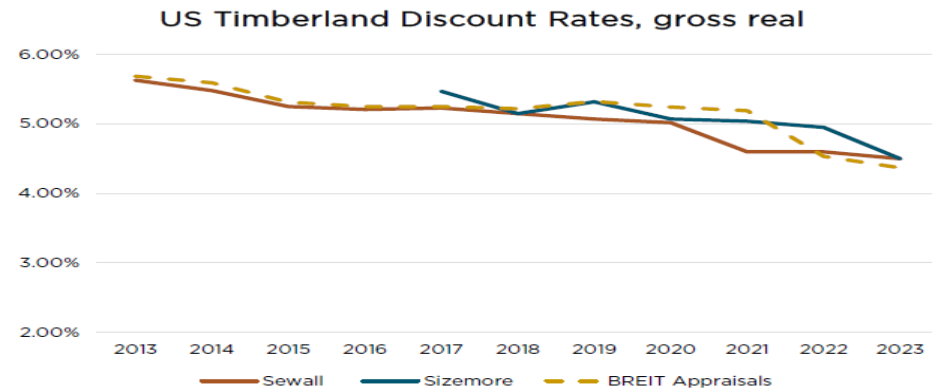
## TIMBERLAND MARKETS

- Timberland markets were stable, but headwinds remained during 3Q as sustained inflation, slowing market demand and weaker global housing markets persisted. Housing sales and construction in the U.S. and other developed economies remained weak driven by higher borrowing costs and decreased affordability levels. (Fig. 1)
- Despite slowing global markets and the rise in interest rates, declining real discount rates and investor demand has driven up timberland valuations across core markets. This is primarily attributable to a growing number of new investors seeking inflation-hedging assets coupled with significant new capital from ESG oriented investors. (Fig. 2)
- Global softwood prices were mixed with slight declines in the U.S. South and Northwest, while Australia and New Zealand had slight increases. In the U.S., forest product manufacturing demand slowed in response to reduced residential construction needs and a slowing Chinese housing market impacting exports out of the Northwest. In Australia, housing approvals declined during 3Q but driven by multifamily as single-family approvals increased, helping drive the 3% increase in softwood prices while keeping lumber prices stable. (Fig. 3)
- In Brazil, market conditions were mixed but stable. Pulp and charcoal pricing remained at elevated levels while solid wood markets continued to weaken driven by soft global demand.

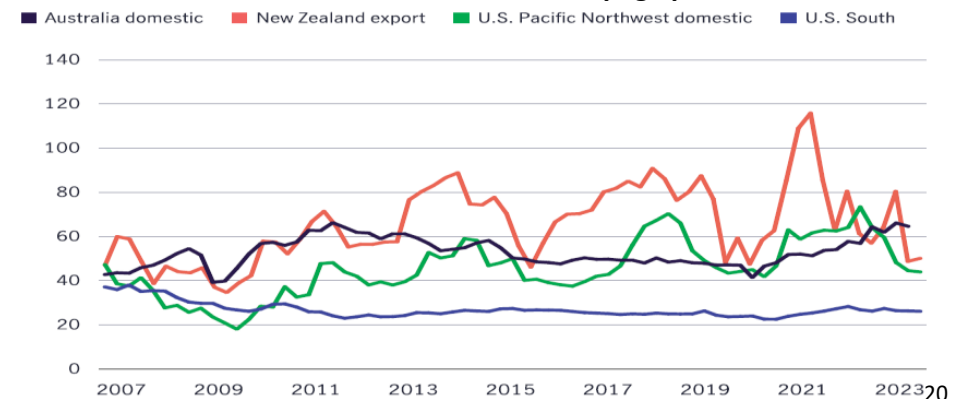
**FIGURE 1: U.S. housing starts & framing lumber composite price**



**FIGURE 2: U.S. Timberland Discount Rates**



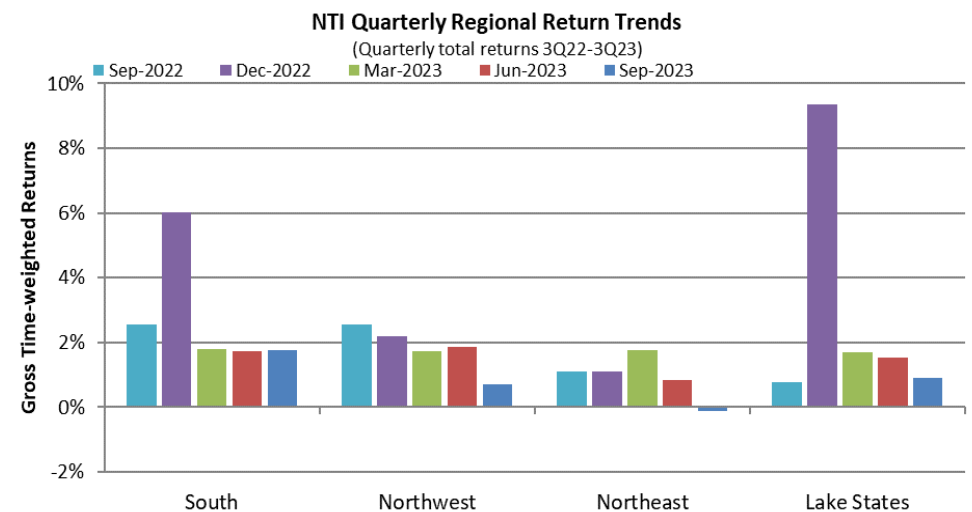
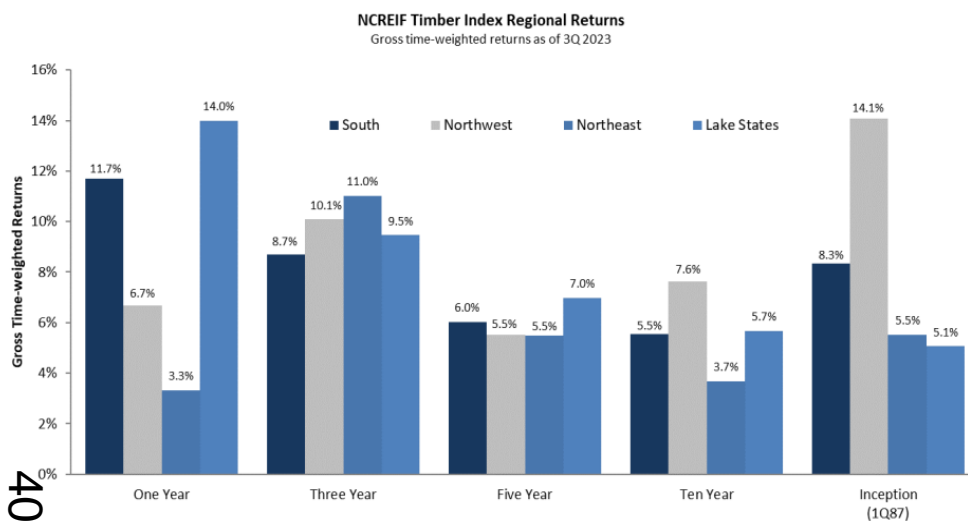
**FIGURE 3: Global softwood sawtimber stumpage prices**



# Timberland – Third Quarter 2023 Performance Update

## TIMBERLAND PERFORMANCE

- The NCREIF Timberland Index (“NTI”) returned 1.4% for the quarter, a decline from last quarter’s 1.7% return; the return was comprised of 0.6% income and 0.7% appreciation. The NTI’s trailing twelve-month return of 10.0% was driven by a strong appreciation return of 7.2% and income of 2.7%.
- The U.S. South and Northwest, the NTI’s two largest regions by MV (c. 90%) – had quarterly returns of 1.8% and 0.7%, respectively, relative to last quarter’s corresponding returns of 1.7% and 1.9%. The South’s return was comprised of 0.7% income and 1.0% appreciation, and the Northwest was comprised of 0.4% income and 0.3% appreciation.
- Over the trailing 12-month period, Lake States was the top performing region delivering a 14.0% total return, which was driven predominantly by appreciation of 11.1%, with an income return of 2.6%. South returned 11.7% over the same time period, followed by the Northwest with an 6.7% return, and finally the Northeast generating a 3.6% return over the last 12-months.

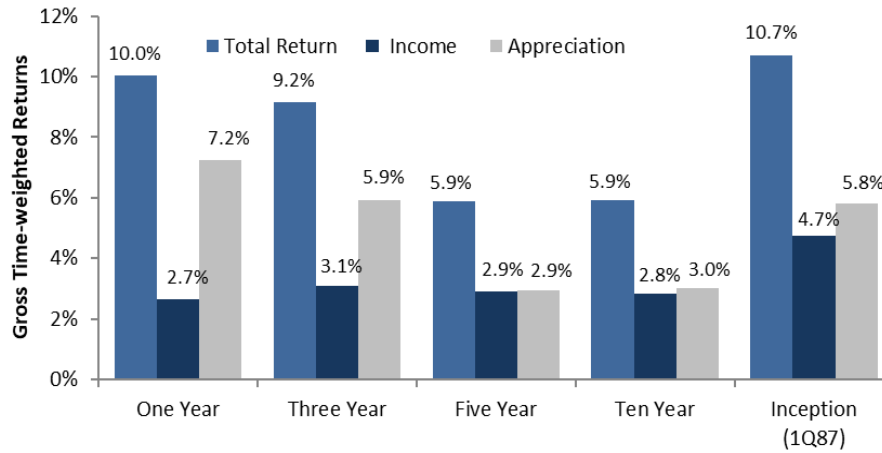


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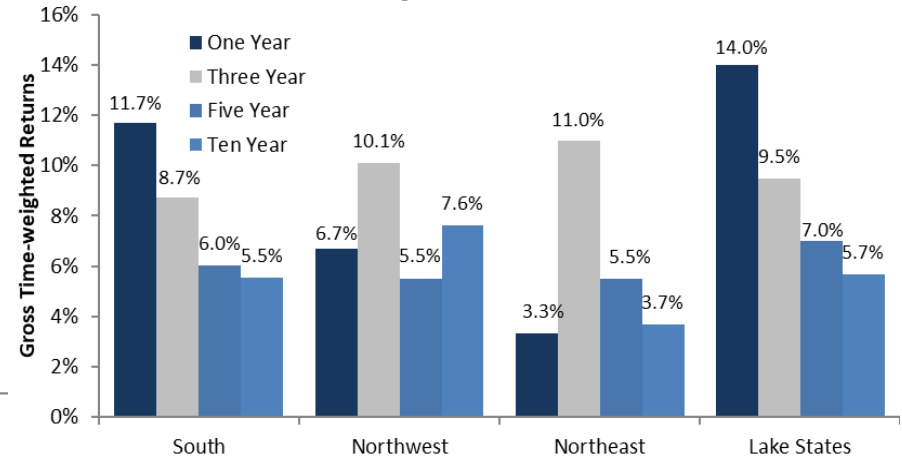
# Timberland – Third Quarter 2023 Performance Update

## TIMBERLAND PERFORMANCE

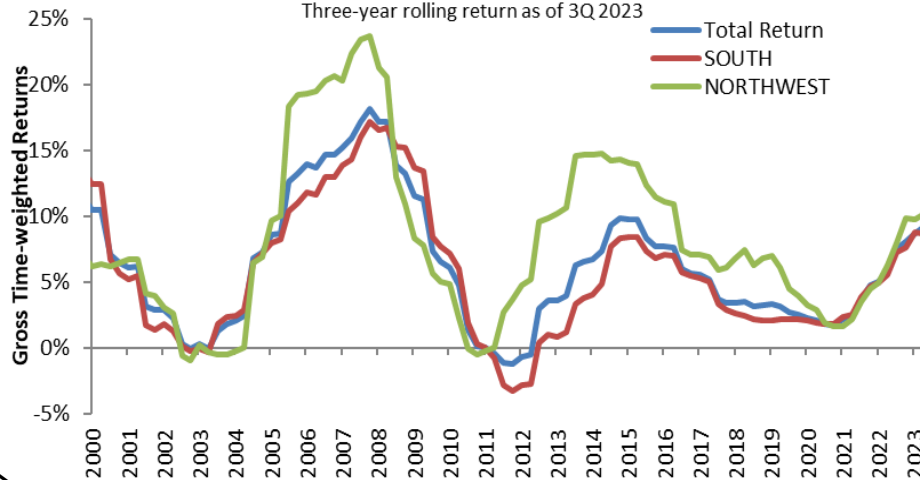
**NCREIF Timber Index Returns**  
Gross time-weighted returns as of 3Q 2023



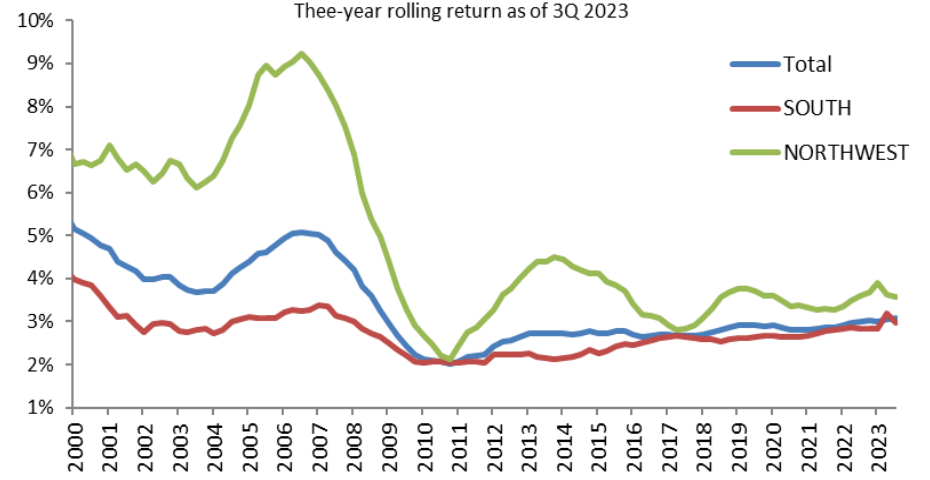
**NCREIF Timber Index Regional Returns**  
Gross time-weighted returns as of 3Q 2023



**Total Returns by Region**  
Three-year rolling return as of 3Q 2023



**EBITDA Returns by Region**  
Three-year rolling return as of 3Q 2023



## Agenda

Section 1	Executive Summary
Section 2	Market Overview
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# ATRS' Real Estate Performance: Core Portfolio

As of 09/30/2023

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Core</b>								
Arkansas Investments	2007	142,694,200	144,624,546	0	207,861,894	73,033,231	2.9	2.1
JP Morgan Strategic Property Fund	2007	170,000,000	170,000,000	0	228,596,575	170,922,056	6.7	5.0
Metlife Commercial Mortgage Income Fund	2019	50,000,000	50,000,000	0	10,584,338	46,562,385	1.8	1.4
Prime Property Fund	2022	70,000,000	70,000,000	0	3,471,661	62,036,441	2.4	1.8
PRISA SA	2005	170,000,000	184,182,196	0	136,320,576	297,350,680	11.6	8.7
RREEF Core Plus Industrial Fund L.P.	2022	70,000,000	53,900,000	16,100,000	1,229,431	50,126,532	2.0	1.9
UBS Trumbull Property Fund	2006	170,000,000	190,587,980	0	222,424,278	129,144,445	5.1	3.8
UBS Trumbull Property Income Fund	2017	50,000,000	50,000,000	0	9,984,334	53,386,599	2.1	1.6
<b>Core</b>	<b>2005</b>	<b>892,694,200</b>	<b>913,294,723</b>	<b>16,100,000</b>	<b>820,473,087</b>	<b>882,562,369</b>	<b>34.5</b>	<b>26.4</b>

Returns (%)	Quarter				1 Year				3 Year				5 Year				10 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
<b>Core</b>																									
Arkansas Investments	0.0	2.9	2.9	2.9	0.0	3.9	3.9	3.9	0.0	4.3	4.3	4.3	0.0	-0.2	-0.2	-0.2	0.0	6.4	6.4	6.4	6.9	6.9	1Q08	8.0	1.9
JP Morgan Strategic Property Fund	0.9	-4.0	-3.1	-3.3	3.1	-14.8	-12.1	-12.8	3.3	2.6	5.9	5.0	3.5	1.2	4.7	3.8	4.0	3.3	7.5	6.5	6.0	5.1	2Q07	6.6	2.4
Metlife Commercial Mortgage Income Fund	2.2	-0.2	2.0	1.7	8.4	-3.4	4.8	3.9	6.5	-1.9	4.5	3.6									4.3	3.5	3Q19	3.5	1.1
Prime Property Fund	0.9	-0.9	0.0	-0.2	3.6	-9.6	-6.3	-7.2													-2.0	-3.1	2Q22	-5.0	0.9
PRISA SA	1.0	-4.1	-3.1	-3.2	3.7	-14.9	-11.7	-12.4	3.8	3.2	7.1	6.3	4.0	2.1	6.1	5.3	4.4	4.1	8.6	7.8	6.9	6.1	3Q05	6.3	2.4
RREEF Core Plus Industrial Fund L.P.	0.8	-0.8	0.0	-0.2	2.9	-7.6	-4.9	-5.6													-3.4	-4.1	3Q22	-4.4	1.0
UBS Trumbull Property Fund	1.0	-2.4	-1.4	-1.6	3.6	-19.1	-16.0	-16.7	3.8	-1.5	2.2	1.5	4.0	-3.1	0.8	0.1	4.4	0.4	4.9	4.0	5.0	4.1	2Q06	5.1	1.8
UBS Trumbull Property Income Fund	1.0	-3.6	-2.6	-2.8	3.8	-11.5	-8.0	-8.8	3.8	1.0	4.8	4.0	3.8	0.7	4.6	3.7					5.0	4.2	3Q17	4.3	1.3
<b>Core</b>	<b>0.9</b>	<b>-2.6</b>	<b>-1.7</b>	<b>-1.9</b>	<b>3.5</b>	<b>-12.7</b>	<b>-9.6</b>	<b>-10.3</b>	<b>3.5</b>	<b>2.2</b>	<b>5.7</b>	<b>4.9</b>	<b>3.6</b>	<b>0.4</b>	<b>4.0</b>	<b>3.2</b>	<b>3.8</b>	<b>3.2</b>	<b>7.1</b>	<b>6.4</b>	<b>7.4</b>	<b>6.7</b>	<b>3Q05</b>	<b>6.2</b>	<b>1.9</b>

Note: Arkansas Investments are included in Core portfolio

# ATRS' Real Estate Performance: Value-Add Portfolio

As of 09/30/2023

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Value Added</b>								
Almanac Realty Securities IX, L.P.	2022	40,000,000	7,576,984	32,423,016	0	6,709,649	0.3	1.1
Almanac Realty Securities V, LP	2008	50,000,000	21,787,314	0	48,380,466	69,854	0.0	0.0
Almanac Realty Securities VI	2012	30,000,000	19,102,008	0	21,152,797	3,436,232	0.1	0.1
Almanac Realty Securities VII	2015	30,000,000	31,625,393	4,299,625	26,246,156	17,358,958	0.7	0.6
Almanac Realty Securities VIII	2018	30,000,000	19,276,506	12,287,066	4,216,229	18,613,286	0.7	0.9
Calmwater Real Estate Credit Fund III	2017	30,000,000	23,113,383	7,427,676	18,697,713	11,063,029	0.4	0.5
CBRE Strategic Partners U.S. Value 8	2017	25,000,000	24,252,597	747,403	10,377,578	17,289,875	0.7	0.5
CBRE Strategic Partners U.S. Value 9	2020	50,000,000	35,301,926	20,205,803	5,879,589	26,855,451	1.1	1.4
FPA Core Plus Fund IV	2018	30,000,000	30,000,000	0	4,483,104	35,017,191	1.4	1.0
GLP Capital Partners IV	2021	50,000,000	38,626,983	12,930,677	1,557,660	38,373,014	1.5	1.5
Harbert European Real Estate Fund IV	2016	25,011,918	23,920,550	1,608,880	19,288,852	3,385,111	0.1	0.1
LaSalle Income & Growth Fund VI	2013	20,000,000	19,047,619	0	22,379,425	3,628,944	0.1	0.1
LaSalle Income & Growth Fund VII	2017	20,000,000	20,307,423	39	13,425,555	7,141,170	0.3	0.2
LaSalle Income & Growth Fund VIII	2020	50,000,000	40,069,226	9,930,774	12,932,416	33,646,911	1.3	1.3
LaSalle Value Partners US IX	2023	75,000,000	0	75,000,000	0	-1,873,129	-0.1	2.1
LBA Logistics Value Fund IX	2022	55,000,000	26,089,744	28,910,256	0	24,068,317	0.9	1.6
Long Wharf Real Estate Partners V	2015	30,000,000	29,828,371	0	22,345,840	17,532,091	0.7	0.5
Long Wharf Real Estate Partners VI, L.P.	2020	50,000,000	49,958,652	0	27,056,492	34,107,845	1.3	1.0
Mesa West Real Estate Income Fund V	2021	40,000,000	12,119,720	27,881,724	616,763	12,440,802	0.5	1.2
PGIM Real Estate Capital VII (USD Feeder) SCSp	2021	40,000,000	16,829,147	28,083,731	5,712,165	12,803,358	0.5	1.2
Rockwood Capital Real Estate Partners Fund IX	2012	30,000,000	27,422,960	1,692,085	32,185,259	4,461,121	0.2	0.2
Rockwood Capital Real Estate Partners Fund XI	2019	40,000,000	29,924,885	11,068,463	1,623,581	28,962,981	1.1	1.2
Walton Street Real Estate Debt Fund II, L.P.	2019	40,000,000	29,269,436	25,874,015	15,154,767	16,426,467	0.6	1.2
Westbrook Real Estate Fund IX	2013	40,000,000	46,500,961	3,603,488	48,361,088	6,647,541	0.3	0.3
Westbrook Real Estate Fund X	2016	25,000,000	24,357,653	2,016,766	21,324,570	7,616,609	0.3	0.3
<b>Value Added</b>	<b>2007</b>	<b>945,011,918</b>	<b>646,309,440</b>	<b>305,991,488</b>	<b>383,398,063</b>	<b>385,782,680</b>	<b>15.1</b>	<b>20.3</b>

## ATRS' Real Estate Performance: Value-Add Portfolio (Cont.)

### Time Weighted Returns:

Returns (%)	Quarter				1 Year				3 Year				5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
<b>Value Added</b>																					
Almanac Realty Securities IX, L.P.	0.9	-3.3	-2.3	-4.4	1.2	0.5	1.7	-7.2									9.7	55.9	2Q22	-13.9	0.9
Almanac Realty Securities V, LP	-3.6	0.7	-2.8	-2.8	-14.5	2.3	-12.4	-12.4	-20.8	4.1	-17.0	-17.0	-13.0	1.0	-11.6	-12.0	4.1	2.8	4Q09	11.9	2.2
Almanac Realty Securities VI	-0.1	-7.7	-7.8	-8.1	0.0	-10.0	-10.0	-11.0	-1.4	0.3	-1.2	-2.3	3.1	-10.6	-7.6	-8.5	3.4	2.0	1Q13	8.5	1.3
Almanac Realty Securities VII	1.7	1.4	3.1	2.8	6.8	-1.3	5.4	4.2	6.9	0.4	7.4	6.2	7.4	2.0	9.5	8.3	12.9	10.4	3Q15	10.9	1.4
Almanac Realty Securities VIII	1.4	-3.6	-2.2	-2.4	5.8	-2.4	3.2	2.1	7.2	10.5	18.2	15.5					23.5	-30.5	1Q19	8.8	1.2
Calmwater Real Estate Credit Fund III	-1.0	0.0	-1.0	0.6	1.7	0.0	1.7	4.3	6.6	0.0	6.6	6.1	8.5	0.0	8.5	6.3	8.9	6.7	1Q18	6.9	1.3
CBRE Strategic Partners U.S. Value 8	0.5	-2.1	-1.6	-1.9	3.0	-31.4	-29.1	-28.7	5.7	-9.0	-3.7	-4.4	6.1	-4.6	1.2	0.4	4.4	3.2	2Q17	3.3	1.1
CBRE Strategic Partners U.S. Value 9	-1.1	-0.4	-1.5	-2.1	-3.4	-13.6	-16.6	-18.8	0.2	4.9	5.0	0.9					5.0	0.9	4Q20	-4.8	0.9
FPA Core Plus Fund IV	1.2	-2.2	-1.0	-1.1	5.1	-2.2	2.9	2.2	4.4	5.7	10.3	9.6	4.2	3.4	7.7	7.0	7.7	7.0	4Q18	7.8	1.3
GLP Capital Partners IV	-0.9	2.2	1.3	1.3	-1.3	0.7	-0.6	-1.2									9.2	8.3	4Q21	2.2	1.0
Harbert European Real Estate Fund IV	-0.5	-11.4	-11.8	-12.6	8.4	-64.1	-60.5	-61.6	12.4	-40.1	-31.7	-32.9	10.9	-27.7	-18.9	-19.4	-10.0	-11.3	3Q16	-1.3	0.9
LaSalle Income & Growth Fund VI	8.7	0.0	8.7	8.7	11.1	-18.3	-9.0	-8.2	6.3	-22.4	-17.3	-13.8	5.0	-16.5	-12.1	-9.5	0.8	1.2	4Q13	8.6	1.4
LaSalle Income & Growth Fund VII	-1.7	-14.0	-15.7	-16.3	-5.0	-50.6	-53.5	-52.9	-1.4	-11.5	-13.0	-13.9	-0.9	-5.9	-6.9	-7.8	-2.9	-4.0	3Q17	0.4	1.0
LaSalle Income & Growth Fund VIII	-1.6	1.9	0.3	0.9	-5.9	6.0	-0.1	1.6	-2.6	34.3	30.9	23.7					24.6	17.4	2Q20	12.6	1.2
LaSalle Value Partners US IX																			4Q23	N/A	N/A
LBA Logistics Value Fund IX	-0.9	0.0	-0.9	-1.6	-3.7	-1.0	-4.7	-8.5									-4.0	-9.2	2Q22	-9.2	0.9
Long Wharf Real Estate Partners V	0.2	-1.1	-0.9	-1.2	0.5	-4.9	-4.5	-5.6	1.3	5.5	6.8	5.5	1.3	5.5	6.8	5.8	9.1	6.4	1Q16	7.5	1.3
Long Wharf Real Estate Partners VI, L.P.	0.8	1.0	1.8	1.1	2.7	2.3	5.1	2.5	3.0	45.6	49.7	36.4					40.0	26.8	2Q20	19.0	1.2
Mesa West Real Estate Income Fund V	3.4	0.2	3.5	2.2	8.9	-1.3	7.5	3.3									16.4	8.5	1Q22	5.7	1.1
PGIM Real Estate Capital VII (USD Feeder) SCSp	0.0	1.3	1.3	1.3	-0.1	11.1	11.0	11.0									11.9	11.4	2Q21	9.9	1.1
Rockwood Capital Real Estate Partners Fund IX	0.0	-4.9	-4.9	-5.5	0.7	-14.0	-13.4	-15.5	3.0	-1.1	1.9	-0.7	2.7	-6.6	-4.2	-6.8	6.9	4.0	4Q13	9.6	1.3
Rockwood Capital Real Estate Partners Fund XI	0.2	-3.0	-2.8	-3.2	1.1	-12.8	-11.8	-13.4	2.9	5.6	8.6	4.9					-38.1	-2.2	1Q20	1.2	1.0
Walton Street Real Estate Debt Fund II, L.P.	3.0	0.0	3.0	2.7	14.9	-9.3	4.7	3.0	12.4	-4.8	7.2	5.6					8.0	6.2	3Q19	6.3	1.1
Westbrook Real Estate Fund IX	0.0	-10.8	-10.8	-11.1	-0.3	-19.6	-19.9	-21.0	-0.5	-5.8	-6.3	-7.5	-0.6	-7.8	-8.4	-9.6	3.4	0.9	3Q13	6.2	1.2
Westbrook Real Estate Fund X	0.3	-8.0	-7.8	-8.1	0.2	-18.7	-18.6	-19.7	0.8	0.9	1.7	0.4	0.4	4.8	5.2	3.7	9.9	5.2	4Q16	7.6	1.2
<b>Value Added</b>	<b>0.2</b>	<b>-1.2</b>	<b>-1.1</b>	<b>-1.4</b>	<b>1.3</b>	<b>-8.5</b>	<b>-7.2</b>	<b>-8.3</b>	<b>3.4</b>	<b>3.7</b>	<b>7.2</b>	<b>4.7</b>	<b>3.9</b>	<b>2.1</b>	<b>6.1</b>	<b>3.8</b>	<b>6.6</b>	<b>4.2</b>	<b>2Q07</b>	<b>5.8</b>	<b>1.2</b>



# ATRS' Real Estate Performance: Opportunistic Portfolio

As of 09/30/2023

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Opportunistic</b>								
Blackstone Real Estate Partners Europe VI (EURO Vehicle)	2019	49,096,184	40,321,304	17,329,996	14,366,639	34,605,918	1.4	1.5
Blackstone Real Estate Partners VII	2012	50,000,000	65,016,069	5,427,665	99,636,754	7,941,346	0.3	0.4
Blackstone Real Estate Partners X	2023	75,000,000	3,480,170	72,201,080	0	2,779,498	0.1	2.2
Carlyle Realty Partners IX	2022	35,000,000	6,958,288	28,041,712	0	6,086,280	0.2	1.0
Carlyle Realty Partners VII	2014	30,000,000	29,358,765	14,406,050	37,116,180	6,935,846	0.3	0.6
Carlyle Realty Partners VIII	2018	25,000,000	21,452,415	16,033,323	20,038,106	13,289,149	0.5	0.9
CBRE Strategic Partners U.S. Opportunity 5	2008	50,000,000	48,619,365	1,380,660	67,686,544	295,059	0.0	0.0
Cerberus Institutional Real Estate Partners III	2013	30,000,000	37,777,980	7,307,395	51,425,610	10,046,805	0.4	0.5
Heitman European Property Partners IV	2008	44,089,700	34,546,944	0	26,841,177	277,188	0.0	0.0
Kayne Anderson Real Estate Partners V	2018	25,000,000	26,184,595	0	16,428,664	19,546,977	0.8	0.6
Kayne Anderson Real Estate Partners VI	2021	50,000,000	27,000,000	23,516,393	516,393	28,119,195	1.1	1.5
Landmark Real Estate Fund VI	2010	40,000,000	35,090,608	4,909,392	53,488,103	120,491	0.0	0.1
Landmark Real Estate Fund VIII	2017	25,000,000	17,747,383	10,973,774	11,503,364	12,402,871	0.5	0.7
Landmark Real Estate Partners IX, L.P.	2023	50,000,000	0	50,000,000	0	-602,163	0.0	1.5
LaSalle Asia Opportunity Fund IV	2014	30,000,000	28,823,325	2,013,173	39,655,278	1,552,920	0.1	0.1
LaSalle Asia Opportunity V	2016	30,000,000	33,386,243	4,000,371	20,870,330	15,350,924	0.6	0.6
LaSalle Asia Opportunity VI	2023	50,000,000	1,455,028	48,544,972	392,308	-1,881,404	-0.1	1.4
Lone Star Real Estate Fund IV	2015	24,260,817	19,445,848	4,814,970	19,779,413	5,438,540	0.2	0.3
Lone Star Real Estate Fund VII	2023	50,000,000	0	50,000,000	0	-433,857	0.0	1.5
Metropolitan Real Estate Partners Co-Investments Fund, L.P.	2015	20,000,000	19,132,876	867,124	17,632,804	8,418,808	0.3	0.3
O'Connor North American Property Partners II, L.P.	2008	50,000,000	58,387,898	5,000,000	44,544,603	4,473,581	0.2	0.3
Torchlight Debt Fund VII, LP	2020	50,000,000	25,000,000	25,000,000	388,117	26,839,272	1.1	1.5
Torchlight Debt Opportunity Fund IV	2013	30,000,000	29,369,211	0	39,667,838	1,615,943	0.1	0.0
Torchlight Debt Opportunity Fund V	2015	25,000,000	20,001,024	5,000,000	23,787,472	2,437,537	0.1	0.2
Torchlight Debt Opportunity Fund VI	2018	25,000,000	22,479,558	2,500,000	10,439,738	18,760,242	0.7	0.6
<b>Opportunistic</b>	<b>1998</b>	<b>962,446,701</b>	<b>651,034,898</b>	<b>399,268,050</b>	<b>616,205,435</b>	<b>224,416,965</b>	<b>8.8</b>	<b>18.3</b>



# ATRS' Real Estate Performance: Opportunistic Portfolio (Cont.)

## Time Weighted Returns:

Returns (%)	Quarter				1 Year				3 Year				5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
<b>Opportunistic</b>																					
Blackstone Real Estate Partners Europe VI (EURO Vehicle)	0.0	-0.1	-0.1	-1.1	-0.3	19.1	18.8	14.0	0.7	22.3	23.0	14.6					15.0	7.4	1Q20	13.8	1.2
Blackstone Real Estate Partners VII	0.3	-11.1	-10.8	-8.3	0.4	-30.1	-29.8	-24.1	2.4	1.4	3.7	2.9	2.5	-3.6	-1.1	-1.2	12.3	8.7	2Q12	14.7	1.7
Blackstone Real Estate Partners X	-0.1	-0.2	-0.3	-9.8													19.8	-19.5	2Q23	-28.3	0.8
Carlyle Realty Partners IX	-4.7	11.4	6.7	3.8	-38.4	1.6	-40.7	-65.7									-40.7	-65.7	4Q22	-27.7	0.9
Carlyle Realty Partners VII	-0.8	-6.2	-6.9	-6.1	-1.7	-8.7	-10.4	-10.2	11.9	-5.2	6.5	6.3	15.9	-6.8	8.6	8.8	13.6	10.0	1Q15	13.7	1.5
Carlyle Realty Partners VIII	2.3	-0.9	1.4	1.2	12.5	-8.7	3.1	3.2	27.6	16.5	47.1	36.3	15.3	18.7	36.0	24.2	36.0	24.2	4Q18	27.7	1.6
CBRE Strategic Partners U.S. Opportunity 5	-0.6	0.0	-0.6	-0.6	-3.3	-14.2	-17.1	-17.1	-2.4	9.5	6.9	6.9	-1.7	9.1	7.3	7.2	-7.8	-9.3	4Q08	5.4	1.4
Cerberus Institutional Real Estate Partners III	0.1	7.5	7.6	6.1	0.0	34.9	34.9	27.4	-0.3	32.6	32.2	24.7	-0.3	21.1	20.8	16.4	19.1	14.4	4Q13	13.5	1.6
Heitman European Property Partners IV	0.0	-5.4	-5.4	-5.4	-28.4	0.7	-27.5	-27.5	-13.4	-5.1	-17.5	-17.5	-6.4	-11.2	-16.6	-17.1	-7.3	-8.5	1Q11	-3.9	0.8
Kayne Anderson Real Estate Partners V	-12.3	6.0	-6.3	-5.3	-18.6	12.9	-7.0	-6.7	-8.5	25.4	15.8	10.5	-3.3	20.2	16.8	11.9	15.3	10.2	3Q18	11.3	1.4
Kayne Anderson Real Estate Partners VI	0.4	1.8	2.1	1.5	1.8	12.3	14.2	9.7									20.0	4.2	3Q21	6.9	1.1
Landmark Real Estate Fund VI	2.6	0.0	2.6	2.6	-1.8	0.0	-1.8	-1.8	N/A	80.5	-20.5	-21.1	N/A	31.7	-18.0	-18.8	16.0	13.8	3Q10	18.5	1.5
Landmark Real Estate Fund VIII	6.8	-11.8	-5.0	-4.7	18.5	-20.9	-5.1	-5.8	21.5	0.8	22.4	17.6	18.0	-1.0	17.4	12.4	23.8	17.0	3Q17	14.3	1.3
Landmark Real Estate Fund IX, L.P.																			4Q23	N/M	N/M
LaSalle Asia Opportunity Fund IV	-3.9	1.1	-2.8	-2.9	-14.7	5.6	-9.4	-10.0	-5.4	5.0	-0.1	-0.7	-10.9	6.6	-2.3	-8.5	12.6	6.5	4Q14	31.9	1.4
LaSalle Asia Opportunity V	-3.4	-0.1	-3.5	-4.2	-8.3	3.8	-4.6	-7.4	-8.9	12.0	2.8	-0.1	-7.7	18.3	10.1	6.5	9.0	3.7	4Q16	5.8	1.1
LaSalle Asia Opportunity VI	30.2	3.3	33.5	51.2															3Q23	N/M	N/M
Lone Star Real Estate Fund IV	-0.1	-21.8	-21.9	-13.6	1.3	-29.1	-28.2	-19.7	-2.5	-7.5	-9.7	-4.9	3.2	-9.7	-6.5	-5.2	2.6	3.1	4Q15	9.4	1.3
Lone Star Real Estate Fund VII																			4Q23	N/M	N/M
Metropolitan Real Estate Partners Co-Investments Fund	0.2	-5.2	-5.0	-4.6	9.3	-23.3	-15.3	-14.5	4.1	-1.8	2.5	1.5	3.1	-1.8	1.4	0.6	5.6	4.0	1Q16	8.6	1.4
O'Connor North American Property Partners II, L.P.	0.0	1.0	1.0	0.8	0.0	-1.2	-1.3	-2.2	0.3	1.1	1.3	0.6	0.0	-3.3	-3.3	-4.0	-4.6	-7.1	2Q08	-2.9	0.8
Torchlight Debt Fund VII, LP	1.6	-1.0	0.7	0.2	6.4	-1.3	5.0	2.9	6.4	4.4	11.0	6.1					11.0	6.1	4Q20	4.5	1.1
Torchlight Debt Opportunity Fund IV	0.8	-18.2	-17.3	-20.9	4.0	-18.2	-14.8	-19.8	2.7	-11.5	-9.0	-9.4	3.5	-11.8	-8.7	-6.4	2.8	2.5	4Q13	9.0	1.4
Torchlight Debt Opportunity Fund V	0.7	-2.4	-1.7	-0.3	3.6	-16.3	-13.2	-4.8	3.6	0.5	4.1	4.6	4.9	-2.2	2.6	3.6	10.2	7.0	3Q15	10.0	1.3
Torchlight Debt Opportunity Fund VI	1.2	-0.7	0.4	0.9	4.6	-3.1	1.4	3.9	5.6	5.4	11.1	10.1	8.4	-0.5	7.9	4.0	12.5	7.1	2Q18	7.9	1.3
<b>Opportunistic</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-2.2</b>	<b>-2.5</b>	<b>0.2</b>	<b>-0.6</b>	<b>-0.4</b>	<b>-2.4</b>	<b>2.6</b>	<b>11.2</b>	<b>13.9</b>	<b>9.3</b>	<b>3.6</b>	<b>5.9</b>	<b>9.7</b>	<b>6.3</b>	<b>9.4</b>	<b>6.9</b>	<b>1Q98</b>	<b>10.2</b>	<b>1.3</b>



# ATRS' Timberland, Agriculture, and Infrastructure Performance

As of 09/30/2023

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Agriculture</b>								
Agrivest Farmland Fund	2015	50,000,000	50,000,000	0	10,193,759	62,755,440	2.5	1.8
HFMS Farmland Separate Account	2011	125,000,000	173,189,470	19,105,587	87,664,318	175,606,814	6.9	5.7
<b>Agriculture</b>	<b>2011</b>	<b>175,000,000</b>	<b>223,189,470</b>	<b>19,105,587</b>	<b>97,858,077</b>	<b>238,362,254</b>	<b>9.3</b>	<b>7.6</b>
<b>Timber</b>								
BTG Pactual Open Ended Core U.S. Timberland Fund, LP	2019	182,930,629	182,930,628	0	12,449,182	237,766,056	9.3	7.0
BTG Timber Separate Account	1998	133,069,371	157,693,094	0	328,750,000	101,350,860	4.0	3.0
<b>Timber</b>	<b>1998</b>	<b>316,000,000</b>	<b>340,623,722</b>	<b>0</b>	<b>341,199,182</b>	<b>339,116,916</b>	<b>13.3</b>	<b>10.0</b>

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Infrastructure – Core</b>								
AxInfra NA II LP	2021	50,000,000	51,627,675	0	3,934,131	58,711,800	2.3	1.7
DIF Infrastructure Fund VII	2023	53,140,610	10,624,541	42,429,583	6,785	9,944,346	0.4	1.5
DIF Infrastructure V	2018	47,762,784	40,155,165	9,096,277	6,004,762	45,661,468	1.8	1.6
IFM Global Infrastructure	2018	50,000,000	50,000,000	0	6,922,324	72,858,737	2.9	2.1
KKR Diversified Core Infrastructure Fund	2022	75,000,000	75,075,604	0	2,445,160	77,775,273	3.0	2.3
Macquarie Infrastructure Partners III	2013	50,000,000	51,313,221	5,418,501	64,615,155	51,462,027	2.0	1.7
Macquarie Infrastructure Partners V	2020	50,000,000	46,734,790	3,668,543	403,333	56,724,693	2.2	1.8
<b>Infrastructure - Core</b>	<b>2015</b>	<b>375,903,394</b>	<b>325,530,998</b>	<b>60,612,905</b>	<b>84,331,650</b>	<b>373,138,345</b>	<b>14.6</b>	<b>12.7</b>
<b>Infrastructure - Non-Core</b>								
Antin Infrastructure Partners Fund II	2014	47,696,920	35,953,565	1,850,285	65,524,367	5,479,934	0.2	0.2
Global Energy & Power Infrastructure Fund II	2014	50,000,000	55,410,759	1,491,773	54,663,650	13,748,328	0.5	0.4
Global Infrastructure Partners III	2016	50,000,000	51,515,760	5,427,140	25,095,406	51,313,898	2.0	1.7
ISQ Global Infrastructure Fund III	2021	50,000,000	14,211,328	35,788,672	0	15,237,787	0.6	1.5
KKR Global Infrastructure Investors II	2014	50,000,000	55,268,028	2,715,082	75,073,615	25,708,406	1.0	0.8
<b>Infrastructure - Non-Core</b>	<b>2014</b>	<b>247,696,920</b>	<b>212,359,440</b>	<b>47,272,952</b>	<b>220,357,038</b>	<b>111,488,353</b>	<b>4.4</b>	<b>4.7</b>
<b>Infrastructure</b>	<b>2014</b>	<b>623,600,314</b>	<b>537,890,438</b>	<b>107,885,857</b>	<b>304,688,687</b>	<b>484,626,698</b>	<b>19.0</b>	<b>17.4</b>

# ATRS' Timberland, Agriculture, and Infrastructure Performance (Cont.)

## Time Weighted Returns:

Returns (%)	Quarter				1 Year				3 Year				5 Year				10 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple	
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET				
<b>Agriculture</b>																										
Agrivest Farmland Fund	0.7	0.3	0.9	0.7	3.2	3.8	7.1	6.0	3.2	4.4	7.6	6.6	3.2	3.0	6.3	5.3					6.3	5.2	2Q15		5.2	1.5
HFMS Farmland Separate Account	0.5	-0.3	0.2	-0.1	3.0	6.8	9.9	8.7	3.1	7.9	11.3	10.0	3.4	4.8	8.3	7.0	3.6	3.3	7.0	5.9	7.7	6.4	3Q11		6.5	1.5
<b>Agriculture</b>	<b>0.6</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.1</b>	<b>3.0</b>	<b>6.0</b>	<b>9.2</b>	<b>8.0</b>	<b>3.1</b>	<b>7.0</b>	<b>10.3</b>	<b>9.1</b>	<b>3.3</b>	<b>4.3</b>	<b>7.8</b>	<b>6.6</b>	<b>3.6</b>	<b>3.2</b>	<b>6.8</b>	<b>5.7</b>	<b>7.5</b>	<b>6.3</b>	<b>3Q11</b>		<b>6.2</b>	<b>1.5</b>
Agriculture Benchmark*			-0.3				6.0				7.2				6.1				6.1		8.1		3Q11			
<b>Timber</b>																										
BTG Pactual Open Ended Core U.S. Timberland Fund, LP	0.8	-0.4	0.4	0.2	1.7	3.8	5.5	4.5	4.3	6.2	11.2	10.1									10.0	9.0	1Q20		9.0	1.4
BTG Timber Separate Account	0.0	0.6	0.6	0.5	2.1	-11.3	-9.3	-9.9	3.8	0.1	3.9	3.3	11.4	-12.9	3.6	2.8	7.0	-5.8	4.1	3.3	6.8	6.1	2Q98		5.1	2.7
<b>Timber</b>	<b>0.6</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.3</b>	<b>1.9</b>	<b>-1.2</b>	<b>0.6</b>	<b>-0.2</b>	<b>4.2</b>	<b>4.3</b>	<b>8.8</b>	<b>7.9</b>	<b>11.4</b>	<b>-9.3</b>	<b>7.6</b>	<b>6.6</b>	<b>7.0</b>	<b>-3.9</b>	<b>6.1</b>	<b>5.2</b>	<b>7.6</b>	<b>6.8</b>	<b>2Q98</b>		<b>5.4</b>	<b>2.0</b>
Timberland Property Benchmark*			1.4				10.0				9.1				6.1				5.6		5.8		2Q98			

Returns (%)	Quarter				1 Year				3 Year				5 Year				10 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple	
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET				
<b>Infrastructure – Core</b>																										
AxInfra NA II LP	0.2	2.8	3.0	2.3	1.4	8.5	10.0	7.9													14.1	11.5	2Q21		9.2	1.2
DIF Infrastructure Fund VII	0.0	-0.4	-0.4	-2.4																	-0.4	-2.4	3Q23		-6.4	0.9
DIF Infrastructure V	0.2	-1.7	-1.6	-1.9	3.6	8.8	12.6	11.2	3.5	4.3	7.9	6.3	3.7	7.2	11.1	8.8					9.5	7.1	3Q18		7.1	1.3
IFM Global Infrastructure	0.5	0.1	0.6	0.4	2.2	9.4	11.8	9.8	3.3	10.4	14.0	11.8	3.3	8.8	12.3	10.3					12.3	10.3	4Q18		10.3	1.6
KKR Diversified Core Infrastructure Fund	1.6	0.8	2.4	2.3	5.0	3.4	8.5	8.1													7.6	7.1	2Q22		7.7	1.1
Macquarie Infrastructure Partners III	0.2	1.8	2.0	1.5	11.6	35.2	48.6	37.3	7.2	30.5	39.1	29.7	4.6	25.9	31.2	23.6					25.4	19.1	2Q15		18.2	2.3
Macquarie Infrastructure Partners V	0.2	0.5	0.8	0.4	1.0	6.1	7.2	5.7													17.1	14.3	1Q21		12.7	1.2
<b>Infrastructure - Core</b>	<b>0.5</b>	<b>0.8</b>	<b>1.3</b>	<b>0.9</b>	<b>4.1</b>	<b>12.1</b>	<b>16.5</b>	<b>13.4</b>	<b>3.6</b>	<b>13.8</b>	<b>17.8</b>	<b>14.2</b>	<b>3.2</b>	<b>13.1</b>	<b>16.5</b>	<b>13.1</b>					<b>16.7</b>	<b>12.6</b>	<b>2Q15</b>		<b>12.7</b>	<b>1.4</b>
<b>Infrastructure - Non-Core</b>																										
Antin Infrastructure Partners Fund II	0.1	-3.1	-3.0	-3.2	0.1	-2.0	-1.9	-2.7	3.3	11.5	15.2	14.3	2.5	14.0	16.8	15.9					14.7	13.3	4Q14		13.1	2.0
Global Energy & Power Infrastructure Fund II	1.0	-17.1	-16.0	-14.1	2.2	-25.6	-23.8	-21.9	3.7	-14.8	-11.5	-11.6	6.9	-10.4	-3.7	-4.9					9.6	2.8	1Q15		11.1	1.2
Global Infrastructure Partners III	2.1	-1.7	0.4	0.1	7.0	0.6	7.6	6.2	4.8	12.4	17.7	16.0	5.4	4.8	10.6	9.3					12.3	8.7	4Q16		9.6	1.5
ISQ Global Infrastructure Fund III	-0.8	6.6	5.8	2.8	-4.8	42.4	36.4	24.3													36.2	19.1	1Q22		7.6	1.1
KKR Global Infrastructure Investors II	1.7	-0.3	1.4	1.3	14.4	4.9	19.6	18.1	16.5	1.1	19.0	17.8	18.1	-2.0	18.7	17.9					18.0	14.6	1Q15		16.9	1.8
<b>Infrastructure - Non-Core</b>	<b>1.4</b>	<b>-2.6</b>	<b>-1.2</b>	<b>-1.5</b>	<b>6.5</b>	<b>0.0</b>	<b>6.5</b>	<b>4.8</b>	<b>7.6</b>	<b>5.0</b>	<b>12.9</b>	<b>11.2</b>	<b>9.3</b>	<b>3.2</b>	<b>13.0</b>	<b>11.6</b>					<b>14.6</b>	<b>11.3</b>	<b>4Q14</b>		<b>13.0</b>	<b>1.6</b>
<b>Infrastructure</b>	<b>0.7</b>	<b>0.0</b>	<b>0.7</b>	<b>0.4</b>	<b>4.7</b>	<b>9.0</b>	<b>14.0</b>	<b>11.2</b>	<b>5.1</b>	<b>11.0</b>	<b>16.5</b>	<b>13.7</b>	<b>6.2</b>	<b>8.8</b>	<b>15.4</b>	<b>12.9</b>					<b>15.6</b>	<b>11.6</b>	<b>4Q14</b>		<b>12.9</b>	<b>1.5</b>
Infrastructure Benchmark*			1.6				6.8				8.1				7.4						6.8		4Q14			

\*The Timberland Property Benchmark was comprised of the NCREIF Timberland returns weighted according to ATRS' regional exposure based on Net Asset Value prior to 3Q20, gross of fees. The Agriculture Benchmark was comprised of the NCREIF Farmland returns weighted according to ATRS' regional and crop type exposure based on Net Asset Value prior to 3Q20, gross of fees. As of 3Q20, the Timberland and Agriculture benchmarks going forward will no longer be weighted and are just the NCREIF Timberland and NCREIF Farmland returns, gross of fees. Additionally, the Infrastructure Benchmark of CPI plus 500 bps has been adjusted to CPI plus 300 bps as of 3Q20 and the new Infrastructure Benchmark will be a blend of the two going forward.





## Portfolio Performance Detail: By Vintage Year

As of 09/30/2023

Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
1997	75,000,000	80,737,536	0	120,795,230	0	0.0	0.0
1998	233,069,371	270,555,743	0	476,689,777	101,350,860	4.0	3.0
1999	178,794,401	189,842,518	0	316,052,650	0	0.0	0.0
2000	209,242,960	228,396,220	0	289,418,462	355,396	0.0	0.0
2005	170,000,000	184,182,196	0	136,320,576	297,350,680	11.6	8.7
2006	170,000,000	190,587,980	0	222,424,278	129,144,445	5.1	3.8
2007	417,694,200	418,942,712	0	549,384,179	243,955,287	9.5	7.2
2008	264,089,700	229,786,298	6,380,660	277,357,753	5,115,682	0.2	0.3
2010	40,000,000	35,090,608	4,909,392	53,488,103	120,491	0.0	0.1
2011	125,000,000	173,189,470	19,105,587	87,664,318	175,606,814	6.9	5.7
2012	110,000,000	111,541,038	7,119,750	152,974,810	15,838,699	0.6	0.7
2013	170,000,000	184,008,993	16,329,384	226,449,116	73,401,260	2.9	2.6
2014	207,696,920	204,814,442	22,476,363	272,033,089	53,425,433	2.1	2.2
2015	179,260,817	170,033,511	14,981,719	119,985,443	113,941,374	4.5	3.8
2016	130,011,918	133,180,206	13,053,157	86,579,158	77,666,542	3.0	2.7
2017	150,000,000	135,420,786	19,148,893	63,988,543	101,283,545	4.0	3.5
2018	232,762,784	209,548,240	39,916,666	68,532,927	223,747,050	8.8	7.7
2019	362,026,813	332,446,254	54,272,474	54,178,506	364,323,807	14.3	12.3
2020	250,000,000	197,064,594	58,805,120	46,659,946	178,174,174	7.0	7.0
2021	280,000,000	160,414,853	128,201,197	12,337,112	165,685,956	6.5	8.6
2022	345,000,000	239,600,620	105,474,984	7,146,253	226,802,492	8.9	9.8
2023	353,140,610	15,559,739	338,175,635	399,093	7,933,291	0.3	10.2
<b>Total Portfolio (Including Current &amp; Historical Activity)</b>							
	<b>4,652,790,494</b>	<b>4,094,944,557</b>	<b>848,350,981</b>	<b>3,640,859,322</b>	<b>2,555,223,278</b>	<b>100</b>	<b>100</b>

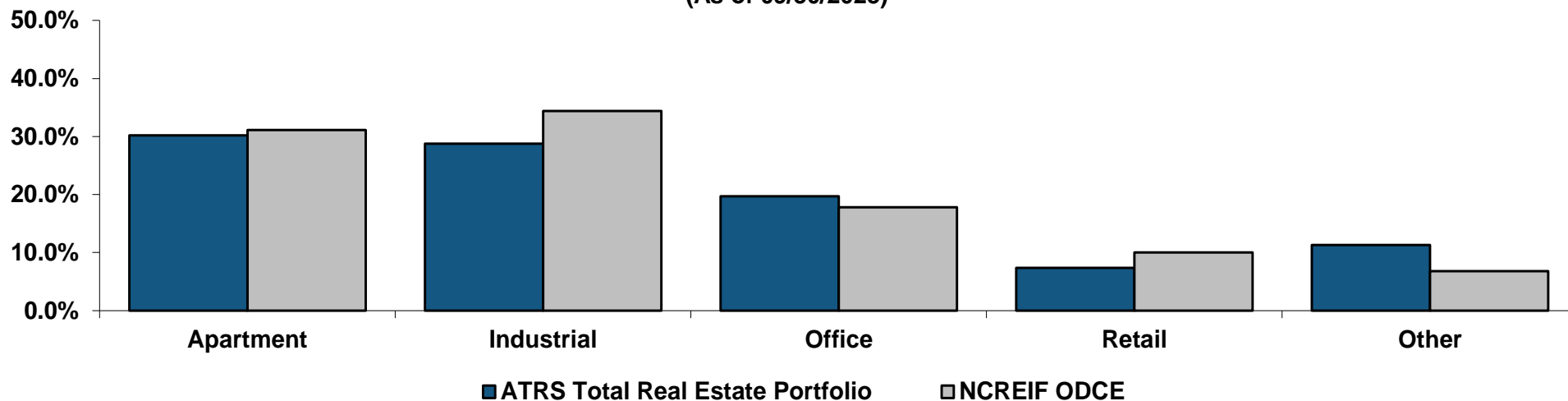
## Portfolio Performance Detail: By Vintage Year (Cont.)

### Time Weighted Returns:

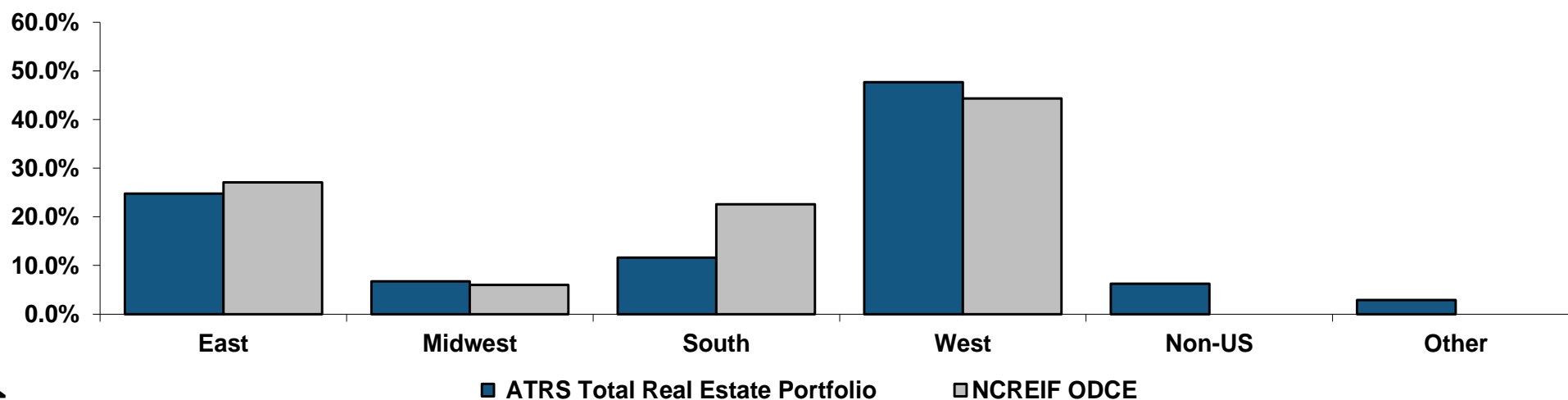
Investment Vintage Year	Quarter				1 Year				3 Year				5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
1997																			1Q98	13.4	1.5
1998	0.0	0.6	0.6	0.5	2.1	-11.3	-9.3	-9.9	3.8	0.1	3.9	3.3	11.4	-12.9	3.6	2.8	6.9	5.9	2Q98	5.5	2.1
1999																			4Q99	15.9	1.7
2000																			4Q00	8.5	1.3
2005	1.0	-4.1	-3.1	-3.2	3.7	-14.9	-11.7	-12.4	3.8	3.2	7.1	6.3	4.0	2.1	6.1	5.3	6.9	6.1	3Q05	6.3	2.4
2006	1.0	-2.4	-1.4	-1.6	3.6	-19.1	-16.0	-16.7	3.8	-1.5	2.2	1.5	4.0	-3.1	0.8	0.1	5.0	4.1	2Q06	5.1	1.8
2007	0.6	-2.0	-1.4	-1.5	2.2	-9.8	-7.7	-8.3	2.4	3.5	6.0	5.3	2.6	1.1	3.8	3.1	6.6	5.9	2Q07	6.1	1.9
2008	-0.1	0.5	0.5	0.3	-2.4	-2.3	-4.7	-5.5	-1.5	1.4	-0.1	-0.8	-0.6	-0.7	-1.3	-1.9	-1.3	-3.9	2Q08	3.9	1.2
2010	2.6	0.0	2.6	2.6	-1.8	0.0	-1.8	-1.8	0.0	80.5	-20.5	-21.1	0.0	31.7	-18.0	-18.8	16.0	13.8	3Q10	18.5	1.5
2011	0.5	-0.3	0.2	-0.1	3.0	6.8	9.9	8.7	3.1	7.9	11.3	10.0	3.4	4.8	8.3	7.0	7.7	6.4	3Q11	6.5	1.5
2012	0.1	-8.7	-8.5	-7.5	0.4	-22.0	-21.7	-19.3	2.0	2.4	4.4	2.5	2.7	-4.4	-1.8	-2.8	11.2	7.6	2Q12	12.7	1.5
2013	0.5	0.6	1.2	0.4	8.3	23.7	32.9	24.4	4.9	20.9	26.6	19.9	3.3	15.3	19.0	14.2	17.6	12.7	3Q13	12.4	1.6
2014	0.9	-6.1	-5.2	-4.6	6.2	-7.2	-1.4	-1.4	9.9	-2.5	7.4	6.8	11.3	-0.8	10.9	9.9	15.0	12.0	4Q14	15.2	1.6
2015	0.7	-1.5	-0.8	-0.5	3.7	-3.2	0.5	0.3	3.2	3.0	6.3	5.4	3.7	2.0	5.8	4.8	8.4	6.6	2Q15	7.2	1.4
2016	0.9	-2.6	-1.7	-2.1	3.8	-8.3	-4.8	-6.3	3.5	3.2	6.9	5.2	4.0	1.9	6.1	4.7	8.3	5.3	3Q16	6.5	1.2
2017	1.2	-4.9	-3.6	-3.6	4.2	-19.9	-16.3	-16.2	5.6	-2.3	3.2	2.0	5.6	-1.0	4.5	3.2	7.0	5.1	2Q17	4.8	1.2
2018	-0.4	-0.5	-0.9	-1.0	2.1	4.3	6.4	5.6	4.2	9.6	14.1	11.5	4.2	8.5	12.9	10.2	10.4	1.4	2Q18	10.0	1.4
2019	1.0	-0.5	0.4	0.1	2.9	1.8	4.8	3.4	4.5	5.6	10.5	8.8					9.1	7.4	3Q19	7.7	1.3
2020	0.0	0.5	0.5	0.2	0.3	1.0	1.3	-0.1	1.5	21.1	22.7	16.4					17.3	9.8	2Q20	9.4	1.1
2021	0.1	2.5	2.6	1.9	0.9	7.7	8.7	6.1									13.3	8.8	2Q21	7.0	1.1
2022	0.8	0.0	0.8	0.5	2.7	-4.3	-1.7	-3.2									0.3	-1.8	2Q22	-2.3	1.0
2023	-9.0	-1.7	-10.7	-21.8													29.5	-32.2	2Q23	-63.3	

## Portfolio Diversification – Real Estate

Property Type Diversification  
(As of 09/30/2023)

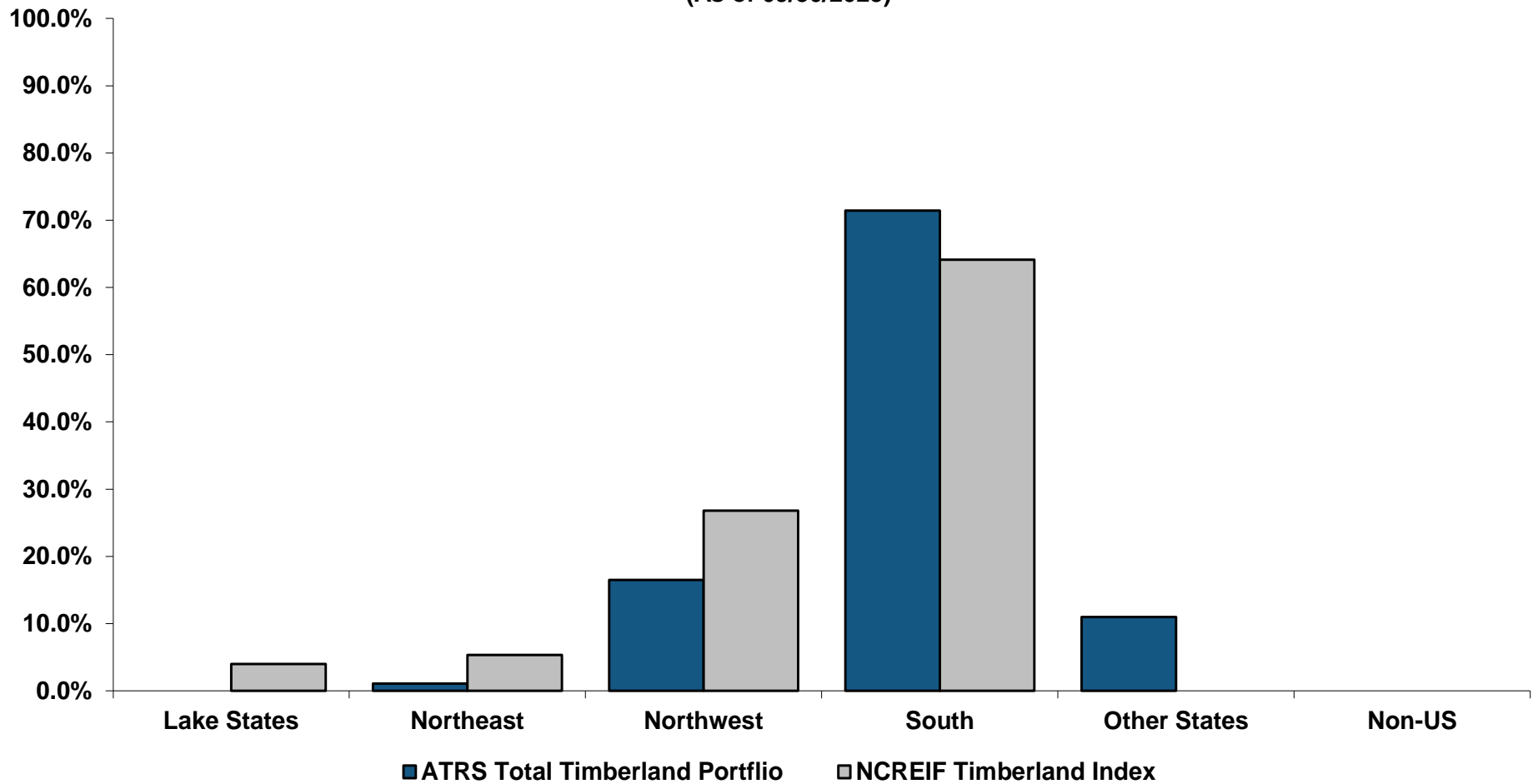


Geographic Type Diversification  
(As of 09/30/2023)



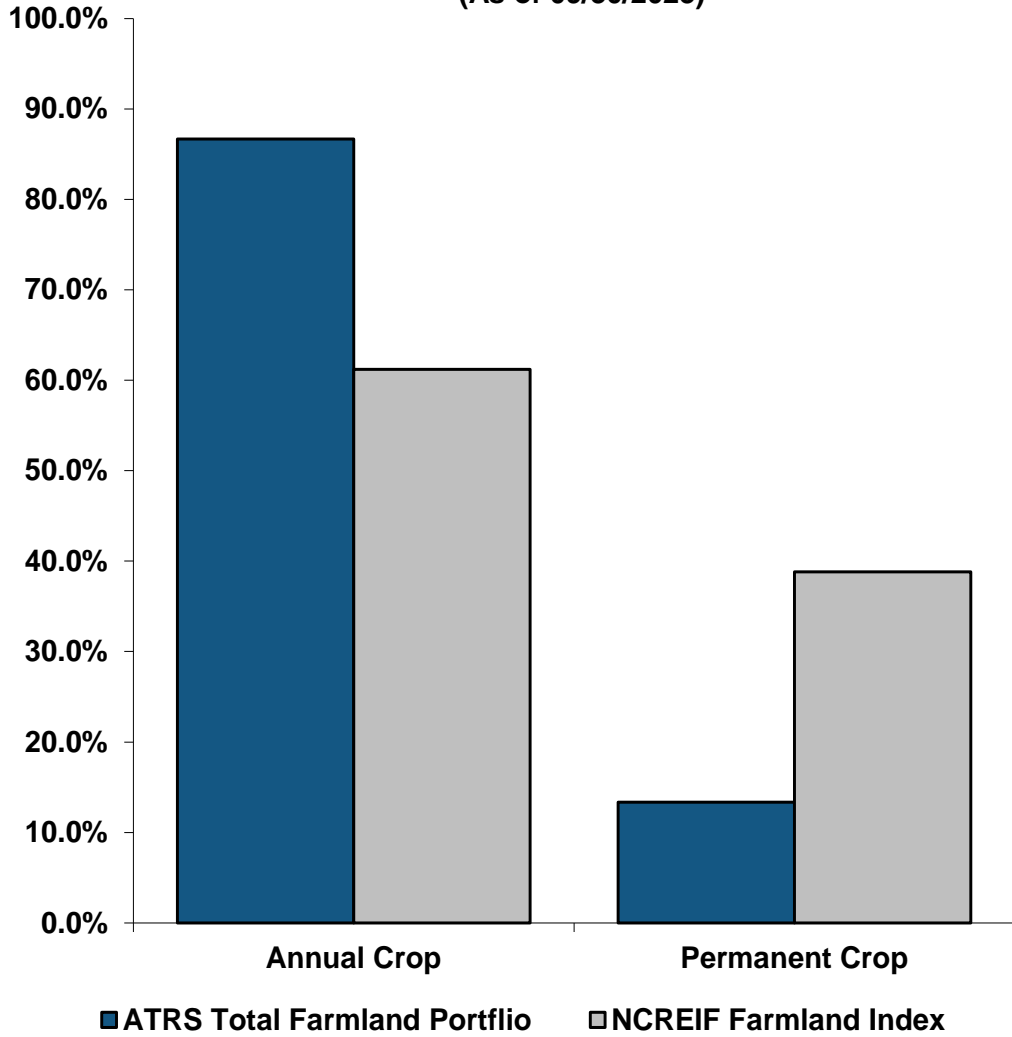
# Portfolio Diversification – Timberland

Geographic Type Diversification  
(As of 09/30/2023)

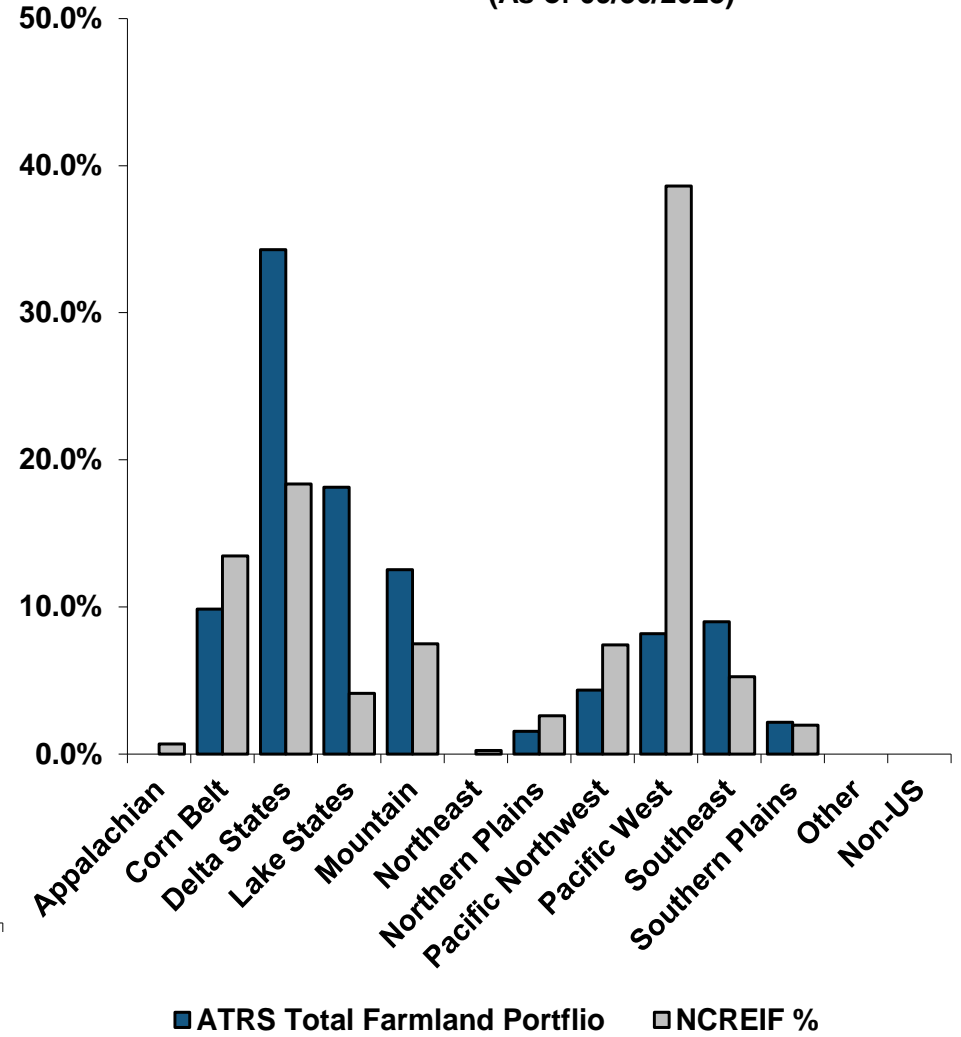


# Portfolio Diversification – Agriculture

**Crop Type Diversification  
(As of 09/30/2023)**

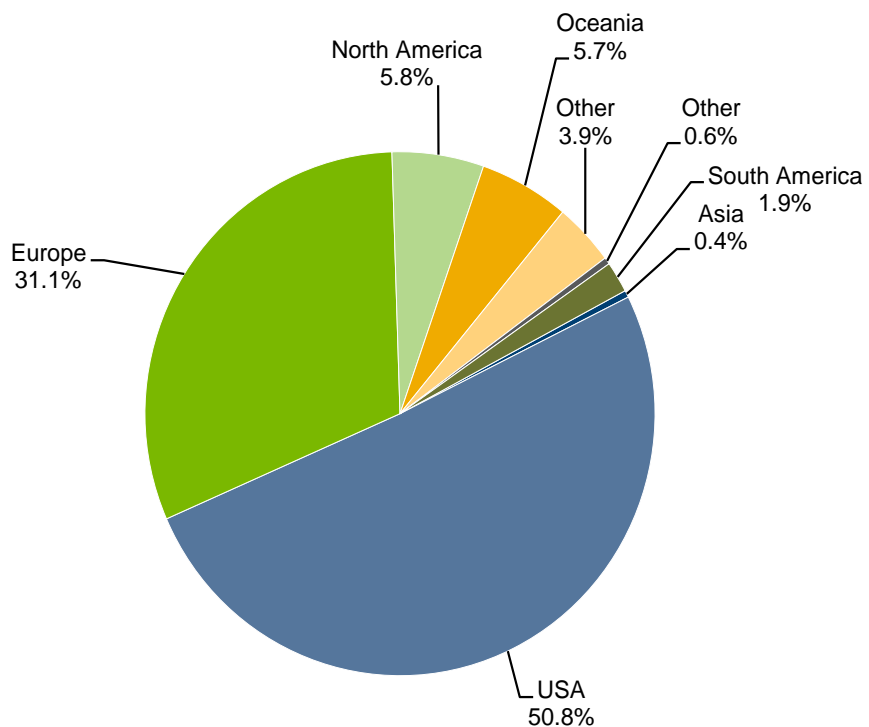


**Geographic Type Diversification  
(As of 09/30/2023)**

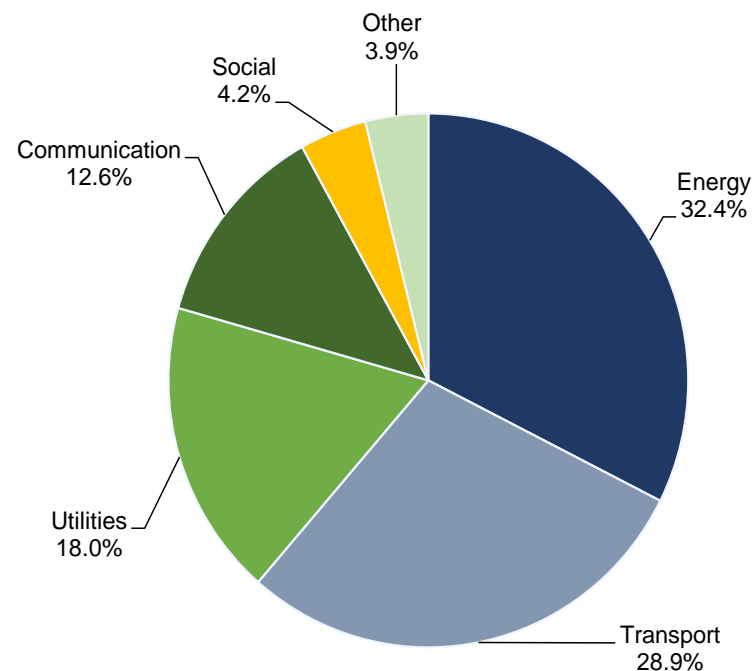


# Portfolio Diversification – Infrastructure

**Geographic Diversification  
as % of Portfolio Company Value**

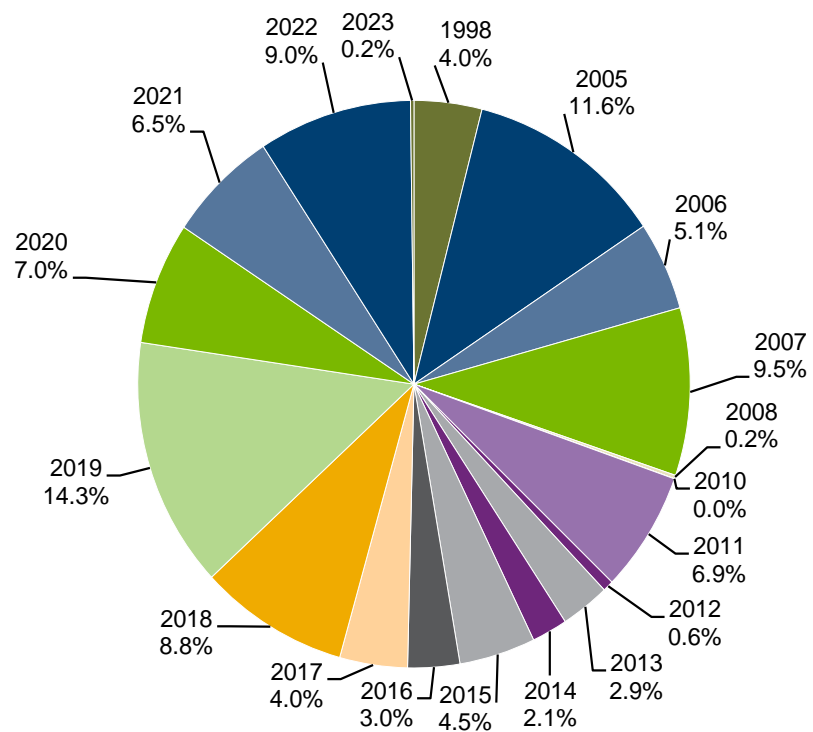


**Industry Diversification  
as % of Portfolio Company Value**

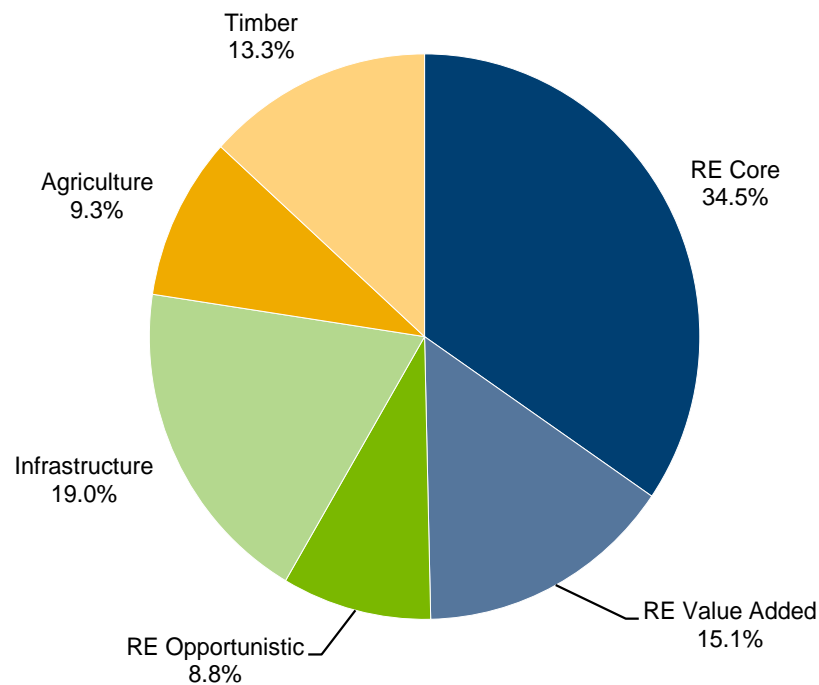


## Portfolio Diversification (cont'd)

**Vintage Year Diversification by Net Asset Value  
(As of 09/30/2023)**



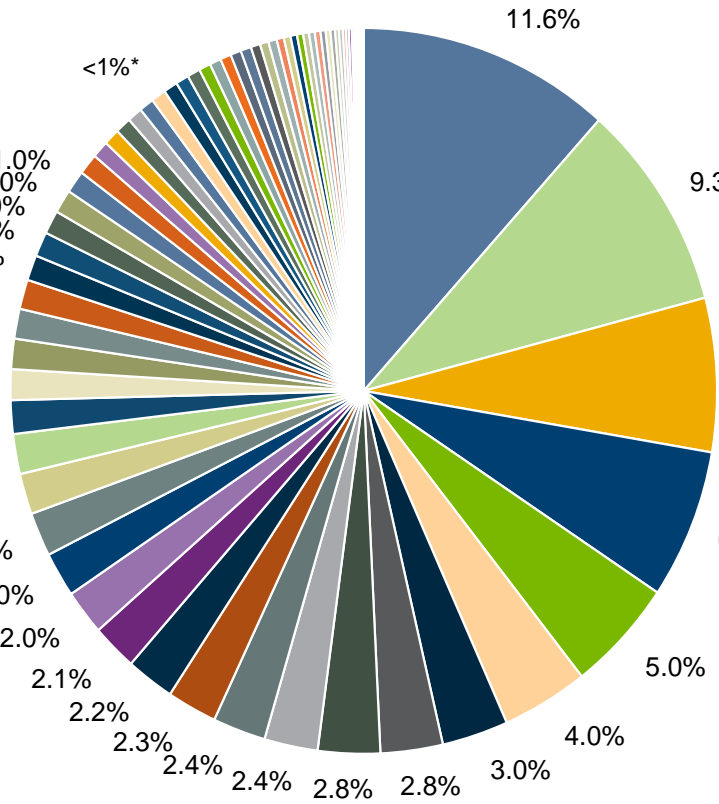
**Style Diversification by Net Asset Value  
(As of 09/30/2023)**



Note: Arkansas Investments are included in Core portfolio

# Manager Diversification

- PRISA SA
- BTG Pactual Open Ended Core U.S. Timberland Fund, LP
- HFMS Farmland Separate Account
- JP Morgan Strategic Property Fund
- UBS Trumbull Property Fund
- BTG Timber Separate Account
- KKR Diversified Core Infrastructure Fund
- Arkansas Investments
- IFM Global Infrastructure
- Agrivest Farmland Fund
- Prime Property Fund
- AxInfra NA II LP
- Macquarie Infrastructure Partners V
- UBS Trumbull Property Income Fund
- Macquarie Infrastructure Partners III
- Global Infrastructure Partners III
- RREEF Core Plus Industrial Fund L.P.
- Metlife Commercial Mortgage Income Fund
- DIF Infrastructure V
- GLP Capital Partners IV
- FPA Core Plus Fund IV
- Blackstone Real Estate Partners Europe VI (EURO Vehicle)
- Long Wharf Real Estate Partners VI, L.P.
- LaSalle Income & Growth Fund VIII
- Rockwood Capital Real Estate Partners Fund XI
- CBRE Strategic Partners U.S. Value 9
- Kayne Anderson Real Estate Partners VI
- KKR Global Infrastructure Investors II
- Torchligh Debt Fund VII, LP
- Kayne Anderson Real Estate Partners V
- LBA Logistics Value Fund IX
- Almanac Realty Securities VIII
- Torchligh Debt Opportunity Fund VI
- Almanac Realty Securities VII
- Long Wharf Real Estate Partners V
- Walton Street Real Estate Debt Fund II, L.P.
- CBRE Strategic Partners U.S. Value 8
- ISQ Global Infrastructure Fund III
- LaSalle Asia Opportunity V
- Carlyle Realty Partners VIII
- Mesa West Real Estate Income Fund V
- Global Energy & Power Infrastructure Fund II
- PGIM Real Estate Capital VII (USD Feeder) SCSp
- Calmwater Real Estate Credit Fund III
- Landmark Real Estate Fund VIII
- DIF Infrastructure Fund VII
- Cerberus Institutional Real Estate Partners III
- Blackstone Real Estate Partners VII
- Metropolitan Real Estate Partners Co-Investments Fund, L.P.
- LaSalle Income & Growth Fund VII
- Westbrook Real Estate Fund X
- Almanac Realty Securities IX, L.P.
- Carlyle Realty Partners VII
- Carlyle Realty Partners IX
- Antin Infrastructure Partners Fund II
- Lone Star Real Estate Fund IV
- O'Connor North American Property Partners II, L.P.
- Rockwood Capital Real Estate Partners Fund IX
- LaSalle Income & Growth Fund VI
- Almanac Realty Securities VI
- Blackstone Real Estate Partners X
- Torchligh Debt Opportunity Fund IV
- CBRE Strategic Partners U.S. Opportunity 5
- Landmark Real Estate Fund VI
- Lone Star Real Estate Fund VII
- LaSalle Value Partners US IX
- Landmark Real Estate Partners IX, L.P.
- LaSalle Asia Opportunity VI



\*each manager represents less than 1% of NAV



# Management Fees

Partnership Name	Current Quarter Management Fees	YTD Management Fees
<b>Core</b>		
Arkansas Investments	0	0
JP Morgan Strategic Property Fund	-368,605	-1,160,842
Metlife Commercial Mortgage Income Fund	-100,000	-300,000
Prime Property Fund	-131,867	-407,506
PRISA SA	-606,666	-1,862,077
RREEF Core Plus Industrial Fund L.P.	-88,934	-251,373
UBS Trumbull Property Fund	-247,114	-786,823
UBS Trumbull Property Income Fund	-111,956	-344,477
<b>Core</b>	<b>-1,655,142</b>	<b>-5,113,097</b>
<b>Value Added</b>		
Almanac Realty Securities IX, L.P.	-115,945	-344,055
Almanac Realty Securities V, LP	0	0
Almanac Realty Securities VI	-10,990	-32,611
Almanac Realty Securities VII	-50,441	-149,968
Almanac Realty Securities VIII	-51,706	-146,624
Calmwater Real Estate Credit Fund III	-45,588	-149,847
CBRE Strategic Partners U.S. Value 8	-45,985	-139,253
CBRE Strategic Partners U.S. Value 9	-156,249	-468,747
FPA Core Plus Fund IV	-49,925	-158,679
GLP Capital Partners IV	0	-202,739
Harbert European Real Estate Fund IV	-28,857	-90,238
LaSalle Income & Growth Fund VI	0	0
LaSalle Income & Growth Fund VII	-46,737	-141,144
LaSalle Income & Growth Fund VIII	-102,097	-350,042
LaSalle Value Partners US IX	-207,945	-413,630
LBA Logistics Value Fund IX	-158,125	-474,375
Long Wharf Real Estate Partners V	-53,884	-173,927
Long Wharf Real Estate Partners VI, L.P.	-123,287	-404,009
Mesa West Real Estate Income Fund V	-136,110	-403,891
PGIM Real Estate Capital VII (USD Feeder) SCSp	-340	-680
Rockwood Capital Real Estate Partners Fund IX	-29,454	-90,387
Rockwood Capital Real Estate Partners Fund XI	-114,405	-376,946
Walton Street Real Estate Debt Fund II, L.P.	-61,485	-182,080
Westbrook Real Estate Fund IX	-24,881	-74,553
Westbrook Real Estate Fund X	-28,710	-85,870
<b>Value Added</b>	<b>-1,768,146</b>	<b>-5,429,295</b>

## Management Fees (cont'd)

Partnership Name	Current Quarter Management Fees	YTD Management Fees
<b>Opportunistic</b>		
Blackstone Real Estate Partners Europe VI (EURO Vehicle)	-174,455	-533,291
Blackstone Real Estate Partners VII	0	0
Blackstone Real Estate Partners X	-281,250	-681,250
Carlyle Realty Partners IX	-123,507	-362,349
Carlyle Realty Partners VII	-27,407	-77,549
Carlyle Realty Partners VIII	-52,686	-163,892
CBRE Strategic Partners U.S. Opportunity 5	0	0
Cerberus Institutional Real Estate Partners III	-3,698	-14,510
Heitman European Property Partners IV	0	0
Kayne Anderson Real Estate Partners V	-68,924	-218,282
Kayne Anderson Real Estate Partners VI	-156,250	-468,750
Landmark Real Estate Fund VI	0	0
Landmark Real Estate Fund VIII	-50,023	-144,428
Landmark Real Estate Partners IX, L.P.	-125,000	-375,000
LaSalle Asia Opportunity Fund IV	-2,663	-7,902
LaSalle Asia Opportunity V	-82,198	-244,891
LaSalle Asia Opportunity VI	-176,438	-523,562
Lone Star Real Estate Fund IV	-5,165	-15,495
Lone Star Real Estate Fund VII	-181,250	-199,375
Metropolitan Real Estate Partners Co-Investments Fund, L.P.	-22,407	-69,163
O'Connor North American Property Partners II, L.P.	-9,706	-29,118
Torchlight Debt Fund VII, LP	-137,500	-412,500
Torchlight Debt Opportunity Fund IV	-5,516	-16,280
Torchlight Debt Opportunity Fund V	-5,867	-21,413
Torchlight Debt Opportunity Fund VI	-46,433	-139,536
<b>Opportunistic</b>	<b>-1,613,343</b>	<b>-4,343,536</b>
<b>Real Estate</b>	<b>-5,036,631</b>	<b>-14,885,928</b>

# Management Fees (cont'd)

Partnership Name	Current Quarter Management Fees	YTD Management Fees
<b>Infrastructure - Core</b>		
AxInfra NA II LP	-110,802	-462,716
DIF Infrastructure Fund VII	-198,245	-642,844
DIF Infrastructure V	-140,162	-432,211
IFM Global Infrastructure	-140,882	-413,732
KKR Diversified Core Infrastructure Fund	-93,914	-237,081
Macquarie Infrastructure Partners III	-106,138	-314,791
Macquarie Infrastructure Partners V	-179,282	-525,666
<b>Infrastructure - Core</b>	<b>-969,424</b>	<b>-3,029,040</b>
<b>Infrastructure - Non-Core</b>		
Antin Infrastructure Partners Fund II	-11,924	-39,199
Global Energy & Power Infrastructure Fund II	-89,075	-270,873
Global Infrastructure Partners III	-169,914	-508,854
ISQ Global Infrastructure Fund III	-194,804	-585,634
KKR Global Infrastructure Investors II	-60,269	-181,945
<b>Infrastructure - Non-Core</b>	<b>-525,986</b>	<b>-1,586,505</b>
<b>Infrastructure</b>	<b>-1,495,410</b>	<b>-4,615,545</b>
<b>Agriculture</b>		
Agrivest Farmland Fund	-155,728	-463,176
HFMS Farmland Separate Account	-500,270	-1,490,471
<b>Agriculture</b>	<b>-655,997</b>	<b>-1,953,647</b>
<b>Timber</b>		
BTG Pactual Open Ended Core U.S. Timberland Fund, LP	-584,317	-1,748,118
BTG Timber Separate Account	-147,856	-450,202
<b>Timber</b>	<b>-732,172</b>	<b>-2,198,320</b>
<b>Total Real Assets</b>	<b>-2,883,580</b>	<b>-8,767,512</b>
<b>Total Portfolio</b>		
<b>Arkansas Teachers Retirement System</b>	<b>-7,920,212</b>	<b>-23,653,441</b>

# Compliance Matrix

RISK MANAGEMENT						
Property Type - Real Estate	NFI-ODCE	Target/Constraint	Minimum	Maximum	Actual	Compliant?
Office	17.80	NFI-ODCE +/- 50%	8.90	26.70	19.72	Yes
Retail	10.00	NFI-ODCE +/- 50%	5.00	15.00	7.37	Yes
Industrial	34.40	NFI-ODCE +/- 50%	17.20	51.60	28.75	Yes
Apartment	31.10	NFI-ODCE +/- 50%	15.55	46.65	30.18	Yes
Other	6.80	n/a	0.00	20.00	13.98	Yes
Geography - Real Estate	NFI-ODCE	Target/Constraint	Minimum	Maximum	Actual	Compliant?
West	44.30	NFI-ODCE +/- 50%	22.15	66.45	47.67	Yes
East	27.10	NFI-ODCE +/- 50%	13.55	40.65	24.80	Yes
Midwest	6.00	NFI-ODCE +/- 50%	3.00	9.00	6.73	Yes
South	22.60	NFI-ODCE +/- 50%	11.30	33.90	11.63	Yes
Other	0.00	n/a	n/a	n/a	2.92	Yes
Non-U.S.	0.00	n/a	0.00	40.00	6.25	Yes
Geography – Timber	NCREIF Timberland	Target/Constraint	Minimum	Maximum	Actual	Compliant?
Lake States	4.01	0%-20%	0.00	20.00	0.00	Yes
Northeast	5.32	0%-20%	0.00	20.00	1.07	Yes
Northwest	26.78	0%-50%	0.00	50.00	16.50	Yes
South	64.12	40%-80%	40.00	80.00	71.45	Yes
Other	0.00	0%-20%	0.00	20.00	10.99	Yes

## Compliance Matrix (cont'd)

RISK MANAGEMENT						
Geography - Agriculture	NCREIF Farmland	Target/Constraint	Minimum	Maximum	Actual	Compliant?
Appalachian	0.67		0.00	50.00	0.00	Yes
Corn Belt	13.46		0.00	50.00	9.85	Yes
Delta States	18.34		0.00	50.00	34.28	Yes
Lake States	4.12		0.00	50.00	18.13	Yes
Mountain	7.49		0.00	50.00	12.52	Yes
Northeast	0.22		0.00	50.00	0.00	Yes
Northern Plains	2.59		0.00	50.00	1.54	Yes
Pacific Northwest	7.42		0.00	50.00	4.34	Yes
Pacific West	38.62		0.00	50.00	8.18	Yes
Southeast	5.25		0.00	50.00	9.00	Yes
Southern Plains	1.97		0.00	50.00	2.16	Yes
Other	0.00		0.00	50.00	0.00	Yes
Non-U.S.	0.00		0.00	50.00	0.00	Yes
Geography - Infrastructure	Target/Constraint		Minimum	Maximum	Actual	Compliant?
U.S.			40.0	100.0	50.77	Yes
Non-U.S.			0.00	60.00	49.23	Yes
Asset Type - Infrastructure	Target/Constraint		Minimum	Maximum	Actual	Compliant?
Energy/Utilities			0.00	70.00	50.45	Yes
Transportation			0.00	70.00	28.92	Yes
Social			0.00	70.00	4.16	Yes
Communications			0.00	70.00	12.56	Yes
Other			0.00	70.00	3.91	Yes
Manager	Target/Constraint		Minimum	Maximum	Max	Compliant?
			0.00	30.00	13.27	Yes
Style - Real Estate	Target/Constraint		Minimum	Maximum	Actual	Compliant?
Core			50.00	70.00	59.11	Yes
Non-Core			30.00	50.00	40.89	Yes

## Agenda

<b>Section 1</b>	Executive Summary
<b>Section 2</b>	Market Overview
<b>Section 3</b>	Real Assets Portfolio Update
<b>Section 4</b>	<b>Glossary</b>

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## Glossary of Terms

- Catch-up - The provision that dictates how cash flows from the fund will be allocated between the investors and the manager in order for the manager to receive their performance fee. This allocation of cash flows occurs once the investors have collected their capital and preferred return
- Core - The most conservative institutional real estate investing style
- Core-Plus - A style whereby investments have a slightly higher level of risk and expected return than Core, primarily through use of leverage
- Development - The construction of buildings from breaking the ground through building completion. This may also include entitlement of the land and the pursuit of permits prior to construction
- DPI – Distributions to Paid In; the ratio of distributions from investments to total invested capital
- First Closing - The point at which a manager receives and executes the subscription documents and can begin drawing capital from investors
- Final Closing - The final date at which new investors can subscribe to a fund
- Internal Rate of Return (IRR) - A method of measuring the performance of a portfolio from inception through a particular point in time. This method weights returns according to the dollars invested at each point in time. Hence, this is known as dollar-weighted return. This is a better measure when the manager controls when dollars must be invested and is the most commonly used method of real estate performance evaluation; Gross IRR is gross of fee and Net IRR is net of fee
- NFI-ODCE – NCREIF Fund Index Open-end Diversified Core Equity Index is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy; underlying funds are leveraged with gross and net returns available
  - NCREIF changed the basis of diversification for the NFI ODCE from NREA to GRE effective 1Q20
- NPI – NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only; it is reported unlevered and gross of fee



## Glossary of Terms (Cont'd)

- FTSE-NAREIT Equity REIT – An unmanaged capitalization-weighted index of all equity real estate investment trusts
- FTSE EPRA/NAREIT Global REIT – An unmanaged market-weighted total return index, which consists of many companies from Global markets whose floats are larger than \$100 million and derive more than half of their revenue from property-related activities
- Opportunistic - A style that is the riskiest form of real estate investing. The name derives from when such funds were formed after the early 1990s real estate market crash to take advantage of opportunities in unwanted properties. Such investments include ground-up development, highly-leveraged purchases, or transactions involving highly complicated legal or environmental situations
- Pre-Specified Deals – Investments that are purchased for a fund before its final close. The assets are typically warehoused on a line of credit
- Promote (Carried Interest) -The performance fee a manager receives once the investors have received their return of capital and the preferred return (return promised by the manager)
- RVPI – Residual Value to Paid In; the ratio of the residual value of an investment to total invested capital
- Time-Weighted Return - A method of measuring the performance of a portfolio over a particular period of time. Effectively, it is the return of one dollar invested in the portfolio at the beginning of the measurement period. This is a better return measure when the manager does not control when the dollars must be invested
- TVPI – Total value to paid-in ratio; the ratio of total value from an investment, including distributions, to total invested capital
- Value-Added - A style that represents moderate-risk real estate. A manager typically increases the future value of the investment by undertaking activities such as leasing, improving an existing building, or taking some risk through operating intensive assets, such as hotels or self-storage
- Vintage Year - The year in which a fund has its final closing. Typically coincides with the year a fund begins making investments

## Glossary of Terms (Cont'd)

- NCREIF Timberland Index- The National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index is a quarterly time series composite return measure of investment performance of a large pool of individual timber properties acquired in the private market for investment purposes only.
- NCREIF Farmland Index- The National Council of Real Estate Investment Fiduciaries (NCREIF) Farmland Index is a quarterly time series composite return measure of investment performance of a large pool of individual agricultural properties acquired in the private market for investment purposes only.

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Arkansas Teacher Retirement System  
Private Equity Portfolio Review  
Third Quarter 2023

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## Portfolio Overview

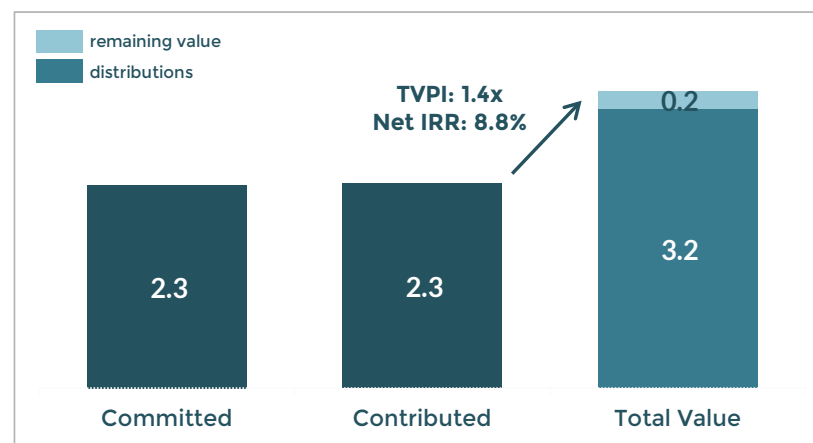
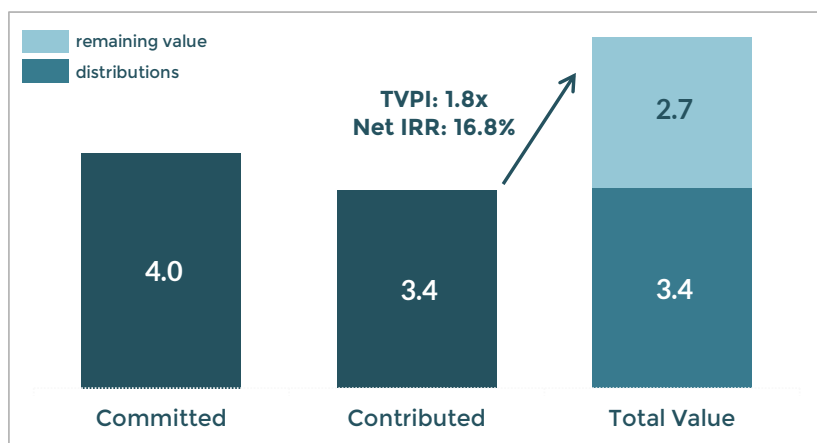
The Post 2006 Fund Portfolio has generated a net IRR of 16.8% as of September 30, 2023

### Post 2006 Fund Portfolio

Inception	2007
Total Commitments	\$4.0 billion
Number of Funds	122
% Contributed/Committed	84%
% Distributed/Contributed	101%

### Rest of Portfolio

Inception	1996
Total Commitments	\$2.3 billion
Number of Investments	29
% Contributed/Committed	101%
% Distributed/Contributed	136%



Notes:

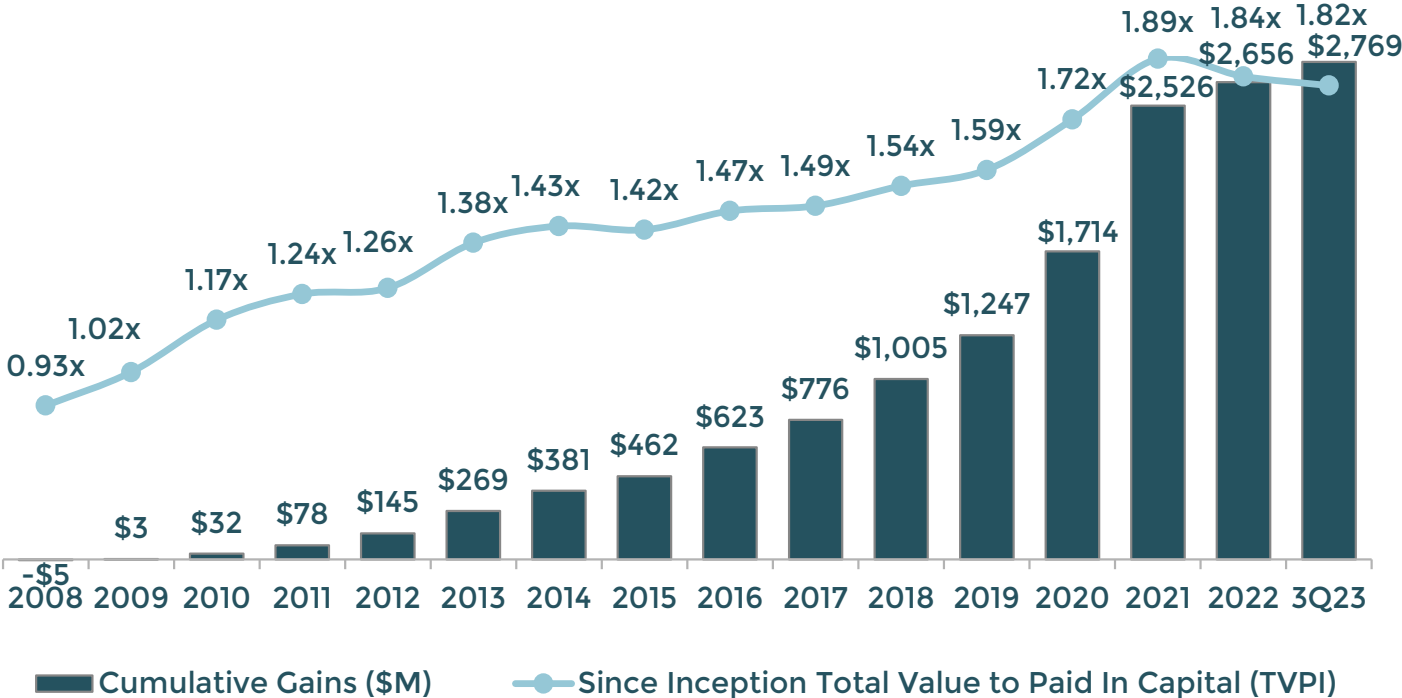
(1) Data as of September 30, 2023

(2) Performance information is net of portfolio funds' management fees, expenses and carried interest, but gross of fees and expenses paid to Franklin Park.

(3) TVPI = total value to paid-in multiple, or remaining value plus distributions divided by contributed capital.

# Post 2006 Fund Portfolio Performance Summary

The portfolio since 2006 has generated cumulative gains of \$2.8 billion since inception

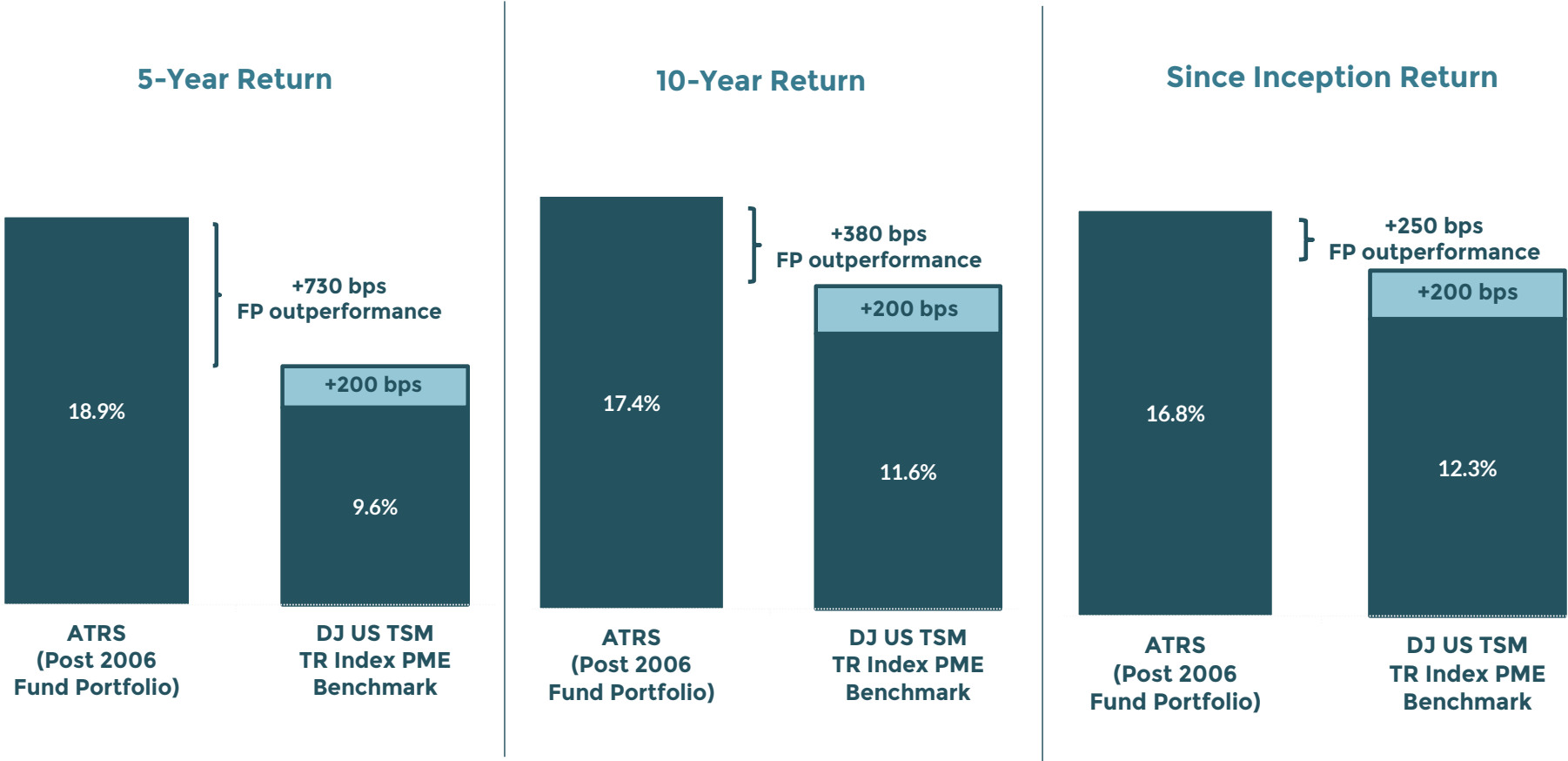


Notes:  
 (1) Performance data is net of portfolio funds' management fees, expenses and carried interest, but gross of fees and expenses paid to Franklin Park.  
 (2) Cumulative gains represent total distributions plus remaining value less total contributions



# Post 2006 Fund Portfolio Benchmarking

The portfolio since 2006 has exceeded the benchmark in the 5-Year, 10-Year and Since Inception periods



Notes:  
 (1) Data as of September 30, 2023  
 (2) Performance data is net of portfolio funds' management fees, expenses and carried interest; but gross of fees and expenses paid to Franklin Park.  
 (3) The public market equivalent (PME) represents the performance of a public market index expressed in terms of an IRR, using the same cash flows and timing as the investor's investment activity in private equity; the PME serves as a proxy for the return ATRS could have achieved by investing in the public market. The PME return assumes cash flows are invested at the end of each day





## Post 2006 Fund Portfolio Breakdown

ATRS makes commitments directly to funds as well as through specialized vehicles managed by Franklin Park

Strategy	Method of Access	% of Post-2006 Portfolio Exposure	ATRS Net IRR 9/30/23
U.S. corporate finance (core funds)	Direct Commitments	55.5%	16.1%
U.S. corporate finance (smaller funds)	Franklin Park Corporate Finance Access Funds	5.1%	22.2%
Corporate finance (co-investments)	Franklin Park Co-Investment Funds & ATRS/FP	16.6%	19.5%
Non-U.S. corporate finance	Franklin Park International Funds	8.5%	10.7%
Global Venture Capital (all stage)	Franklin Park Venture Capital Funds	14.4%	20.6%
<b>Total</b>		<b>100.0%</b>	<b>16.8%</b>

*Notes:*

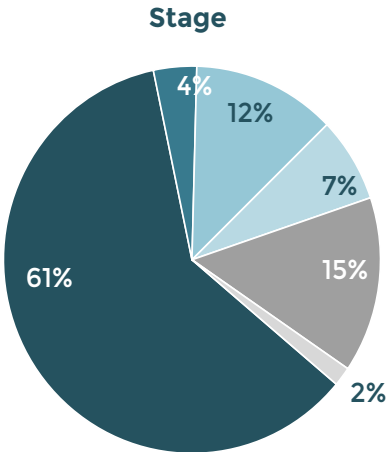
(1) Data as of September 30, 2023

(2) Performance data for all Franklin Park-managed funds are net of portfolio funds' management fees, expenses and carried interest, as well as fees and expenses paid to Franklin Park by the managed funds.

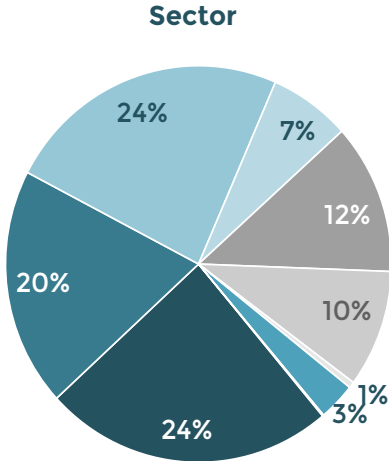
(3) Performance data for core funds (Direct Commitments) is net of portfolio funds' management fees, expenses and carried interest, but gross of fees and expenses paid to Franklin Park.

# Portfolio Composition

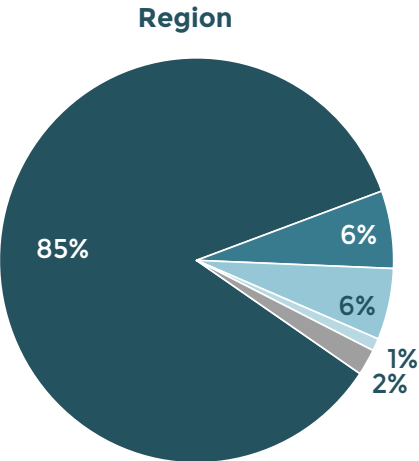
The aggregate portfolio is diversified by stage, sector, region and size as expected



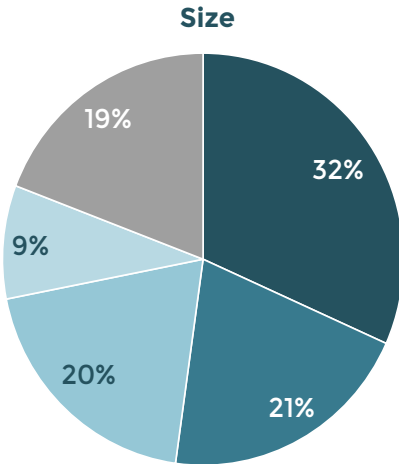
- Mature
- Distressed
- Expansion
- Diversified
- Early
- Late



- Technology
- Industrial
- Diversified
- Consumer
- Energy
- Healthcare
- Financials
- Com Services



- North America
- Europe
- Asia
- Latin America
- Other



- Small
- Lower-Mid
- Upper-Mid
- Diversified
- Large

Note: Data is as of September 30, 2023 and based on unrealized value of holdings as reported by portfolio fund managers. Values are estimated based on the investor's percent interest in each fund's portfolio holdings. Values are converted to USD where applicable, as of September 30, 2023.

## 2024 Commitment Plan

### Progress of commitment plan to date

Investment	Strategy	Region	ATRS Commitment	Board Approval
Direct Fund	Buyout/Growth/Turnaround	U.S.	\$35m	TBD
Direct Fund	Buyout/Growth/Turnaround	U.S.	\$35m	TBD
Direct Fund	Buyout/Growth/Turnaround	U.S.	\$35m	TBD
Direct Fund	Buyout/Growth/Turnaround	U.S.	\$35m	TBD
Direct Fund	Buyout/Growth/Turnaround	U.S.	\$35m	TBD
Direct Fund	Buyout/Growth/Turnaround/Debt	U.S.	\$35m	TBD
Direct Fund	Buyout/Growth/Turnaround/Debt	U.S.	\$35m	TBD
FP CF Access III <sup>2</sup>	Buyout/Growth/Turnaround	U.S.	\$40m <sup>1</sup>	TBD
FP Venture XV	Early Stage VC	U.S./Non-U.S.	\$40m <sup>1</sup>	Dec 2023
FP Co-Invest VI	Buyout/Growth/Turnaround	U.S./Non-U.S.	\$60m <sup>1</sup>	Dec 2023
<b>Total</b>			<b>\$385m</b>	

<sup>1</sup> Proposed commitment to a Franklin Park- managed private fund. See additional information in the included presentation for each respective private fund.

<sup>2</sup> Represents a planned future private fund managed by Franklin Park and is included herein for planning purposes. No assurance can be given that FP Corporate Finance Access III will be formed by Franklin Park or that it will focus on the strategy and regions indicated.

# Arkansas Teacher Retirement System Private Equity Portfolio Review

September 30, 2023

Section	Page
<b>I Portfolio Overview</b>	
Portfolio Summary	4
Portfolio Summary	5
<b>II Performance Analysis</b>	
Investment Performance by Vintage Year	7
<b>III Diversification Analysis</b>	
Exposure By Vintage Year	16
Exposure By Strategy and Type	17
Holdings by Region and Industry	18
Holdings by Stage and Size	19
Holdings by Region and Industry (ex Fund Holdings)	20
Holdings by Stage and Size (ex Fund Holdings)	21
<b>IV Recent Activity</b>	
Annual Commitments	23
Recent Commitments	24
Annual Cash Flow	25
Capital Account Change Since Prior Quarter	26
<b>V Market Update</b>	
Fundraising Activity	28
Investment Activity	29
Public and Private Pricing	30
Exit Activity	31
Public and Private Performance	32
<b>VI Glossary</b>	
Glossary	34
<b>VII End Notes</b>	
End Notes	39

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## Portfolio Overview

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## Portfolio Summary



Group	Num.	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	Remaining Value (%)	Exposure (\$)	DPI	TVPI	Net IRR
<b>By Vehicle</b>											
1996-2000: Legacy Portfolio	13	1,106,390,461	1,070,676,238	0	1,641,243,527	0	0.0%	0	1.5 x	1.5 x	9.2%
2005-2006: CSFB Portfolio	2	654,300,000	690,072,081	63,152,513	1,074,542,053	44,805,964	1.5%	107,958,477	1.6 x	1.6 x	8.9%
Post 2006 Fund Portfolio	122	4,023,323,718	3,380,344,960	1,317,485,204	3,429,953,310	2,718,961,917	93.1%	4,036,447,122	1.0 x	1.8 x	16.8%
Big River Steel	8	257,880,449	257,940,356	0	430,039,782	1,770,433	0.1%	1,770,433	1.7 x	1.7 x	14.4%
Blue Oak Arkansas	1	18,000,000	19,740,000	0	5,385,136	0	0.0%	0	0.3 x	0.3 x	-34.8%
Highland LLC	3	258,244,727	274,114,727	0	31,674,525	82,774,961	2.8%	82,774,961	0.1 x	0.4 x	-31.7%
GTLA Holdings	1	20,700,000	20,700,000	0	0	70,700,000	2.4%	70,700,000	0.0 x	3.4 x	27.9%
Hybar LLC	1	206,200	206,200	0	25,600	180,600	0.0%	180,600	0.1 x	1.0 x	0.0%
<b>Total</b>	<b>151</b>	<b>6,339,045,555</b>	<b>5,713,794,563</b>	<b>1,380,637,717</b>	<b>6,612,863,932</b>	<b>2,919,193,875</b>	<b>100.0%</b>	<b>4,299,831,593</b>	<b>1.2 x</b>	<b>1.7 x</b>	<b>11.3%</b>
<b>By Fund Type</b>											
Co-Investment Fund	2	328,823,718	432,338,201	261,767,621	387,621,719	406,640,113	13.9%	668,407,734	0.9 x	1.8 x	19.5%
Fund-of-Funds	30	1,664,300,000	1,298,650,453	463,637,776	1,600,487,032	774,066,333	26.5%	1,237,704,109	1.2 x	1.8 x	11.5%
Operating Company	14	555,031,376	572,701,284	0	467,125,042	155,425,994	5.3%	155,425,994	0.8 x	1.1 x	3.0%
Primary Fund	105	3,790,890,461	3,410,104,626	655,232,320	4,157,630,138	1,583,061,435	54.2%	2,238,293,756	1.2 x	1.7 x	11.3%
<b>Total</b>	<b>151</b>	<b>6,339,045,555</b>	<b>5,713,794,563</b>	<b>1,380,637,717</b>	<b>6,612,863,932</b>	<b>2,919,193,875</b>	<b>100.0%</b>	<b>4,299,831,593</b>	<b>1.2 x</b>	<b>1.7 x</b>	<b>11.3%</b>

## Portfolio Summary



Group	Num.	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	Remaining Value (%)	Exposure (\$)	DPI	TVPI	Net IRR
<b>By Strategy</b>											
Buyout	77	2,977,390,461	2,560,536,960	622,565,878	3,009,830,908	1,440,737,988	49.4%	2,063,303,866	1.2 x	1.7 x	11.8%
Distressed Debt	3	100,000,000	93,881,464	37,207,326	115,047,686	18,936,884	0.6%	56,144,210	1.2 x	1.4 x	6.5%
Growth Equity	4	150,000,000	111,304,590	41,557,033	250,949,882	32,262,895	1.1%	73,819,928	2.3 x	2.5 x	20.6%
Hard Assets	13	586,444,727	611,399,637	15,950,100	335,083,746	300,902,204	10.3%	316,852,304	0.5 x	1.0 x	1.2%
Infrastructure	9	271,086,649	272,882,870	0	427,225,227	1,951,033	0.1%	1,951,033	1.6 x	1.6 x	12.3%
Mezzanine	8	315,000,000	220,386,262	41,926,984	237,880,806	55,794,344	1.9%	97,721,328	1.1 x	1.3 x	10.2%
Multi-Strategy	7	1,039,123,718	1,189,398,316	325,403,134	1,497,365,419	452,968,559	15.5%	778,371,693	1.3 x	1.6 x	9.1%
Special Assets	1	30,000,000	29,445,786	4,550,588	4,121,479	25,461,042	0.9%	30,011,630	0.1 x	1.0 x	0.3%
Structured Capital	4	115,000,000	103,449,357	38,071,598	96,132,912	47,252,111	1.6%	85,323,709	0.9 x	1.4 x	11.6%
Turnaround	10	270,000,000	194,219,978	99,792,460	218,218,450	116,581,255	4.0%	216,373,715	1.1 x	1.7 x	16.3%
Venture Capital	15	485,000,000	326,889,343	153,612,617	421,007,417	426,345,560	14.6%	579,958,177	1.3 x	2.6 x	20.6%
<b>Total</b>	<b>151</b>	<b>6,339,045,555</b>	<b>5,713,794,563</b>	<b>1,380,637,717</b>	<b>6,612,863,932</b>	<b>2,919,193,875</b>	<b>100.0%</b>	<b>4,299,831,593</b>	<b>1.2 x</b>	<b>1.7 x</b>	<b>11.3%</b>
<b>By Sub-Asset Class</b>											
Corporate Finance	122	5,299,014,179	4,814,203,936	1,227,025,100	5,724,731,473	2,337,422,321	80.1%	3,564,447,422	1.2 x	1.7 x	11.2%
Direct Investments	14	555,031,376	572,701,284	0	467,125,042	155,425,994	5.3%	155,425,994	0.8 x	1.1 x	3.0%
Venture Capital	15	485,000,000	326,889,343	153,612,617	421,007,417	426,345,560	14.6%	579,958,177	1.3 x	2.6 x	20.6%
<b>Total</b>	<b>151</b>	<b>6,339,045,555</b>	<b>5,713,794,563</b>	<b>1,380,637,717</b>	<b>6,612,863,932</b>	<b>2,919,193,875</b>	<b>100.0%</b>	<b>4,299,831,593</b>	<b>1.2 x</b>	<b>1.7 x</b>	<b>11.3%</b>

- Remaining Value is defined as the investor's value as reported by the fund's manager.
- Exposure is defined as the sum of the investor's Remaining Value plus Unfunded Commitment.
- DPI is the ratio of Distributed Capital to Contributed Capital.
- TVPI is the ratio of Distributed Capital plus Remaining Value to Contributed Capital.
- Net IRR is defined as the annualized, compound rate of return using daily draws, distributions and Remaining Value as of the Report Date, net of fees and expenses, including late closing interest.
- Results include fully liquidated investments (if applicable).
- Commitments made in a foreign currency have been converted into U.S. dollars using an exchange rate as of the Report Date.



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# Performance Analysis

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## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>1996</b>								
HMTF III *	Buyout	76,743,018	76,799,039	0	87,834,289	0	1.1 x	1.8%
<b>Total 1996</b>		<b>76,743,018</b>	<b>76,799,039</b>	<b>0</b>	<b>87,834,289</b>	<b>0</b>	<b>1.1 x</b>	<b>1.8%</b>
<b>1997</b>								
Doughty Hanson III *	Buyout	100,000,000	99,374,207	0	197,482,184	0	2.0 x	13.5%
<b>Total 1997</b>		<b>100,000,000</b>	<b>99,374,207</b>	<b>0</b>	<b>197,482,184</b>	<b>0</b>	<b>2.0 x</b>	<b>13.5%</b>
<b>1998</b>								
HMTF IV *	Buyout	100,000,000	98,010,015	0	67,130,479	0	0.7 x	-6.1%
Second Cinven *	Buyout	65,281,010	65,281,010	0	104,700,661	0	1.6 x	9.3%
<b>Total 1998</b>		<b>165,281,010</b>	<b>163,291,025</b>	<b>0</b>	<b>171,831,140</b>	<b>0</b>	<b>1.1 x</b>	<b>0.9%</b>
<b>1999</b>								
Blackstone Mezzanine I *	Mezzanine	100,000,000	73,353,517	0	96,729,026	0	1.3 x	10.2%
Cypress MBP II *	Buyout	50,000,000	52,304,562	0	50,857,200	0	1.0 x	-0.5%
Diamond State *	Multi-Strategy	2,000,000	2,000,000	0	3,097,200	0	1.5 x	5.5%
DLJ Investment II *	Mezzanine	80,000,000	43,611,022	0	60,468,989	0	1.4 x	10.4%
Oak Hill I *	Buyout	50,000,000	50,786,497	0	91,264,962	0	1.8 x	10.6%
<b>Total 1999</b>		<b>282,000,000</b>	<b>222,055,598</b>	<b>0</b>	<b>302,417,377</b>	<b>0</b>	<b>1.4 x</b>	<b>7.7%</b>
<b>2000</b>								
21st Century Group I *	Buyout	25,000,000	27,141,173	0	22,841,928	0	0.8 x	-3.8%
DH Tech I *	Multi-Strategy	50,000,000	61,471,034	0	21,987,447	0	0.4 x	N/A
DLJ MBP III *	Buyout	200,000,000	215,345,711	0	458,746,671	0	2.1 x	19.4%
HMTF V *	Buyout	207,366,433	205,198,451	0	378,102,491	0	1.8 x	17.6%
<b>Total 2000</b>		<b>482,366,433</b>	<b>509,156,369</b>	<b>0</b>	<b>881,678,537</b>	<b>0</b>	<b>1.7 x</b>	<b>14.8%</b>
<b>2005</b>								
CSFB-ATRS 2005-1 Series	Multi-Strategy	250,000,000	277,750,644	10,788,513	412,280,197	16,613,353	1.5 x	7.5%
<b>Total 2005</b>		<b>250,000,000</b>	<b>277,750,644</b>	<b>10,788,513</b>	<b>412,280,197</b>	<b>16,613,353</b>	<b>1.5 x</b>	<b>7.5%</b>

## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>2006</b>								
Boston Ventures VII	Buyout	50,000,000	43,016,769	8,258,947	48,914,085	1,398,360	1.2 x	2.8%
CSFB-ATRS 2006-1 Series	Multi-Strategy	404,300,000	412,321,437	52,364,000	662,261,855	28,192,611	1.7 x	10.1%
<b>Total 2006</b>		<b>454,300,000</b>	<b>455,338,206</b>	<b>60,622,947</b>	<b>711,175,940</b>	<b>29,590,971</b>	<b>1.6 x</b>	<b>9.4%</b>
<b>2007</b>								
Diamond State II	Multi-Strategy	4,000,000	3,517,000	483,000	10,117,000	1,522,482	3.3 x	12.0%
NGP IX	Hard Assets	50,000,000	54,229,094	201,825	77,660,463	78,432	1.4 x	10.8%
Vista Equity III	Buyout	50,000,000	54,392,542	3,838,140	131,285,918	2,224,580	2.5 x	28.5%
<b>Total 2007</b>		<b>104,000,000</b>	<b>112,138,636</b>	<b>4,522,965</b>	<b>219,063,381</b>	<b>3,825,494</b>	<b>2.0 x</b>	<b>20.4%</b>
<b>2008</b>								
Advent GPE VI-A	Buyout	40,000,000	40,167,228	0	80,492,730	3,109,891	2.1 x	16.4%
FP Venture 2008	Venture Capital	30,000,000	30,000,000	261,071	77,015,774	19,398,112	3.2 x	18.0%
LLR III	Growth Equity	50,000,000	48,504,590	4,357,033	108,800,951	1,042,776	2.3 x	16.5%
<b>Total 2008</b>		<b>120,000,000</b>	<b>118,671,818</b>	<b>4,618,104</b>	<b>266,309,455</b>	<b>23,550,779</b>	<b>2.4 x</b>	<b>16.9%</b>
<b>2009</b>								
FP Venture 2009	Venture Capital	25,000,000	24,564,655	758,264	54,137,010	8,913,659	2.6 x	16.9%
Insight Equity II	Turnaround	30,000,000	31,028,312	884,343	42,854,623	6,673,599	1.6 x	8.4%
Insight Mezzanine I	Mezzanine	10,000,000	9,971,470	479,507	11,860,178	1,951,428	1.4 x	6.5%
KPS III Supplemental *	Turnaround	40,000,000	37,785,704	0	80,540,979	0	2.1 x	22.8%
Riverside IV *	Buyout	40,000,000	31,433,665	0	74,838,992	0	2.4 x	21.3%
<b>Total 2009</b>		<b>145,000,000</b>	<b>134,783,806</b>	<b>2,122,114</b>	<b>264,231,782</b>	<b>17,538,686</b>	<b>2.1 x</b>	<b>16.9%</b>
<b>2010</b>								
Altus Capital II	Buyout	20,000,000	20,248,734	2,865,445	31,867,461	3,736,185	1.8 x	13.2%
EnCap VIII	Hard Assets	47,500,000	54,128,542	0	37,304,695	18,696,878	1.0 x	0.7%
FP Venture 2010	Venture Capital	25,000,000	16,093,750	1,623,531	24,270,509	25,228,428	3.1 x	15.7%
Mason Wells III	Buyout	30,000,000	28,553,580	1,446,420	85,999,422	142,491	3.0 x	20.6%
TA XI	Growth Equity	40,000,000	39,400,000	600,000	141,922,708	6,774,621	3.8 x	26.7%
Tennenbaum VI	Distressed Debt	40,000,000	38,075,687	32,716,981	53,999,291	162,551	1.4 x	7.3%
<b>Total 2010</b>		<b>202,500,000</b>	<b>196,500,293</b>	<b>39,252,377</b>	<b>375,364,086</b>	<b>54,741,154</b>	<b>2.2 x</b>	<b>15.5%</b>

## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>2011</b>								
Audax Mezzanine III	Mezzanine	25,000,000	25,892,496	6,675,000	33,085,160	1,302,437	1.3 x	9.7%
Castlelake II	Distressed Debt	35,000,000	32,656,036	2,625,461	37,568,091	8,607,349	1.4 x	5.8%
FP Intl 2011	Buyout	25,000,000	23,027,778	2,446,738	28,864,687	9,961,008	1.7 x	9.3%
FP Venture 2011	Venture Capital	25,000,000	24,821,429	479,391	135,384,950	33,764,542	6.8 x	34.7%
JF Lehman III	Buyout	39,000,000	47,355,271	2,324,104	52,405,737	23,618,353	1.6 x	11.0%
Wellspring V	Buyout	40,000,000	46,276,462	13,988,691	65,674,196	14,361,266	1.7 x	16.2%
Wicks IV	Buyout	40,000,000	42,818,065	3,989,609	88,097,204	8,116,613	2.2 x	21.1%
<b>Total 2011</b>		<b>229,000,000</b>	<b>242,847,537</b>	<b>32,528,994</b>	<b>441,080,025</b>	<b>99,731,568</b>	<b>2.2 x</b>	<b>17.1%</b>
<b>2012</b>								
ATRS-FP PE	Multi-Strategy	263,823,718	411,238,201	217,840,471	387,621,719	383,793,959	1.9 x	19.5%
BV VIII	Buyout	30,000,000	27,779,906	2,501,280	42,916,261	21,683,387	2.3 x	45.4%
Court Square III	Buyout	40,000,000	44,730,177	1,492,217	66,198,088	32,732,298	2.2 x	20.3%
DW Healthcare III	Buyout	40,000,000	37,138,408	2,861,592	71,497,419	5,786,306	2.1 x	18.9%
FP Intl 2012	Buyout	25,000,000	17,607,143	7,684,791	17,571,415	7,273,123	1.4 x	7.6%
FP Venture 2012	Venture Capital	25,000,000	22,468,750	2,766,405	41,044,889	31,295,366	3.2 x	20.1%
NGP X	Hard Assets	35,000,000	36,566,262	127,468	32,949,753	3,283,643	1.0 x	-0.3%
<b>Total 2012</b>		<b>458,823,718</b>	<b>597,528,847</b>	<b>235,274,224</b>	<b>659,799,544</b>	<b>485,848,082</b>	<b>1.9 x</b>	<b>18.4%</b>
<b>2013</b>								
EnCap IX	Hard Assets	25,000,000	28,785,857	972,514	34,293,719	9,115,138	1.5 x	11.0%
FP Intl 2013	Buyout	20,000,000	14,226,804	5,966,456	6,477,752	15,931,283	1.6 x	7.7%
FP Venture 2013	Venture Capital	20,000,000	18,459,770	1,697,920	32,677,872	32,398,053	3.5 x	23.9%
Levine Leichtman V	Structured Capital	20,000,000	28,041,672	2,952,605	47,372,064	6,997,026	1.9 x	17.2%
Riverside V	Buyout	35,000,000	37,460,691	1,516,696	45,981,555	23,009,408	1.8 x	12.5%
Vista Foundation II	Buyout	15,000,000	16,144,193	6,990,443	25,854,133	7,221,540	2.0 x	15.0%
<b>Total 2013</b>		<b>135,000,000</b>	<b>143,118,987</b>	<b>20,096,634</b>	<b>192,657,095</b>	<b>94,672,448</b>	<b>2.0 x</b>	<b>15.0%</b>

## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>2014</b>								
Atlas Capital II	Turnaround	15,000,000	22,131,480	4,405,780	26,925,908	12,997,759	1.8 x	19.8%
Big River - Equity	Infrastructure	151,090,000	151,090,000	0	296,427,836	1,770,433	2.0 x	15.0%
Big River - Mezzanine *	Mezzanine	5,000,000	5,003,686	0	8,225,290	0	1.6 x	17.3%
Blue Oak Arkansas *	Infrastructure	18,000,000	19,740,000	0	5,385,136	0	0.3 x	-34.8%
Castlelake III	Distressed Debt	25,000,000	23,149,741	1,864,884	23,480,304	10,166,984	1.5 x	6.4%
FP Intl 2014	Buyout	25,000,000	18,144,330	7,053,627	16,787,182	14,623,820	1.7 x	13.6%
FP Venture 2014	Venture Capital	25,000,000	23,951,613	1,227,797	27,108,941	45,850,239	3.0 x	19.7%
KPS IV	Turnaround	25,000,000	22,162,384	3,548,262	35,222,646	10,769,843	2.1 x	23.8%
Lime Rock Resources III	Hard Assets	25,000,000	25,791,220	105,400	13,021,018	22,543,123	1.4 x	4.4%
NGP XI	Hard Assets	30,000,000	30,908,097	947,387	30,105,449	20,335,066	1.6 x	11.0%
Sycamore Partners II	Turnaround	25,000,000	23,698,470	2,428,272	13,705,544	14,338,583	1.2 x	4.4%
Thoma Bravo XI	Buyout	20,000,000	20,785,558	2,135,646	49,229,109	22,535,289	3.5 x	26.6%
<b>Total 2014</b>		<b>389,090,000</b>	<b>386,556,579</b>	<b>23,717,055</b>	<b>545,624,362</b>	<b>175,931,139</b>	<b>1.9 x</b>	<b>13.3%</b>
<b>2015</b>								
Big River - Sr Secured Debt *	Infrastructure	26,910,000	26,966,221	0	35,699,565	0	1.3 x	14.7%
EnCap X	Hard Assets	30,000,000	31,097,272	1,330,816	41,313,355	18,373,286	1.9 x	15.8%
FP Intl 2015	Buyout	25,000,000	20,951,327	4,203,759	9,961,037	21,800,912	1.5 x	10.6%
FP Venture 2015	Venture Capital	25,000,000	23,893,805	1,269,877	10,932,889	33,620,815	1.9 x	12.4%
Siris III	Buyout	25,000,000	32,719,124	2,391,377	24,624,269	20,708,593	1.4 x	10.8%
<b>Total 2015</b>		<b>131,910,000</b>	<b>135,627,750</b>	<b>9,195,829</b>	<b>122,531,115</b>	<b>94,503,606</b>	<b>1.6 x</b>	<b>13.1%</b>
<b>2016</b>								
American Industrial VI	Buyout	20,000,000	25,150,938	3,099,340	32,286,126	35,296,208	2.7 x	25.7%
Arlington IV	Buyout	23,000,000	24,935,565	845,465	24,979,906	33,760,899	2.4 x	23.9%
DW Healthcare IV	Buyout	30,000,000	30,628,235	900,731	28,157,299	24,625,900	1.7 x	19.0%
FP Intl 2016	Buyout	25,000,000	20,541,237	4,643,409	6,294,417	21,597,852	1.4 x	7.8%
FP Venture 2016	Venture Capital	25,000,000	22,576,220	2,621,454	9,456,384	39,388,685	2.2 x	19.9%
Highland Equity	Hard Assets	66,000,000	81,870,000	0	16,674,525	-124,487,080	-1.3 x	N/A
JF Lehman IV	Buyout	30,000,000	29,710,306	289,694	68,072,378	13,922,061	2.8 x	35.9%
PineBridge Structured III	Structured Capital	30,000,000	28,660,718	9,179,048	16,481,493	9,012,032	0.9 x	-4.0%
Thoma Bravo Discover	Buyout	10,000,000	11,350,409	1,767,370	29,239,213	5,860,327	3.1 x	35.6%
Thoma Bravo XII	Buyout	30,000,000	32,733,395	7,380,854	33,981,416	33,516,616	2.1 x	16.3%
Vista Foundation III	Buyout	30,000,000	34,574,699	6,865,934	35,340,972	31,665,417	1.9 x	22.6%
<b>Total 2016</b>		<b>319,000,000</b>	<b>342,731,722</b>	<b>37,593,299</b>	<b>300,964,129</b>	<b>124,158,917</b>	<b>1.2 x</b>	<b>6.6%</b>

## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>2017</b>								
Altaris Constellation	Buyout	20,000,000	16,329,789	5,543,214	25,996,773	20,544,892	2.9 x	24.9%
Big River - Funding *	Infrastructure	3,750,000	3,750,000	0	3,812,795	0	1.0 x	4.3%
Big River - Holdings Note *	Infrastructure	12,000,000	12,000,000	0	13,343,726	0	1.1 x	11.0%
Big River - Preferred Equity *	Infrastructure	41,980,449	41,980,449	0	51,702,368	0	1.2 x	12.5%
Bison V	Structured Capital	35,000,000	39,239,166	3,447,746	32,272,335	22,834,012	1.4 x	13.6%
BV IX	Buyout	30,000,000	30,303,661	5,696,340	27,115,390	38,607,179	2.2 x	30.5%
EnCap XI	Hard Assets	35,000,000	31,892,987	5,450,269	15,538,801	37,442,724	1.7 x	21.1%
FP Intl 2017	Buyout	25,000,000	23,290,816	1,901,856	10,947,849	25,567,169	1.6 x	15.6%
FP Venture 2017	Venture Capital	25,000,000	17,588,496	7,538,204	3,816,201	26,917,090	1.7 x	18.1%
Greyrock IV	Mezzanine	30,000,000	28,384,306	2,751,680	25,946,043	15,065,771	1.4 x	11.9%
NGP XII	Hard Assets	30,000,000	23,185,579	6,814,421	21,221,968	17,558,954	1.7 x	15.9%
One Rock II	Buyout	30,000,000	27,081,790	7,335,730	11,260,894	35,189,892	1.7 x	13.3%
<b>Total 2017</b>		<b>317,730,449</b>	<b>295,027,038</b>	<b>46,479,460</b>	<b>242,975,143</b>	<b>239,727,683</b>	<b>1.6 x</b>	<b>17.5%</b>
<b>2018</b>								
Altaris IV	Buyout	24,000,000	23,510,290	2,160,929	24,006,953	22,506,584	2.0 x	28.3%
Big River - Holdings Note 2023 *	Infrastructure	12,000,000	12,000,000	0	14,582,469	0	1.2 x	5.6%
Big River - Holdings Note 2023-2 *	Infrastructure	5,150,000	5,150,000	0	6,245,733	0	1.2 x	6.5%
Clearlake V	Buyout	30,000,000	43,124,111	6,230,695	56,227,453	34,993,683	2.1 x	39.8%
FP Intl 2018	Buyout	25,000,000	23,549,618	1,713,578	2,866,724	28,481,913	1.3 x	10.5%
FP Venture 2018	Venture Capital	25,000,000	23,105,590	2,086,113	3,186,421	36,313,554	1.7 x	19.6%
GTLA Holdings	Hard Assets	20,700,000	20,700,000	0	0	70,700,000	3.4 x	27.9%
Highland Contingent Note	Hard Assets	152,244,727	152,244,727	0	15,000,000	167,262,041	1.2 x	5.8%
SK Capital V	Buyout	30,000,000	31,301,771	2,495,896	4,038,776	33,327,646	1.2 x	7.3%
Sycamore Partners III	Turnaround	25,000,000	20,201,120	12,847,999	8,049,119	21,287,873	1.5 x	17.7%
Thoma Bravo Discover II	Buyout	17,000,000	18,094,028	4,817,467	11,876,196	22,206,493	1.9 x	23.9%
<b>Total 2018</b>		<b>366,094,727</b>	<b>372,981,255</b>	<b>32,352,677</b>	<b>146,079,843</b>	<b>437,079,787</b>	<b>1.6 x</b>	<b>16.2%</b>

## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>2019</b>								
American Industrial VII	Buyout	30,000,000	29,375,359	8,748,720	8,117,185	36,135,175	1.5 x	24.3%
Arlington V	Buyout	25,000,000	23,017,242	1,982,752	891,984	39,121,749	1.7 x	31.5%
DW Healthcare V	Buyout	30,000,000	24,760,715	5,239,285	0	33,901,043	1.4 x	14.9%
FP Intl 2019	Buyout	30,000,000	21,106,383	9,203,218	4,080,428	32,504,889	1.7 x	30.3%
FP Venture 2019	Venture Capital	30,000,000	18,894,410	11,287,129	1,280,655	28,282,915	1.6 x	17.8%
KPS Mid-Market I	Turnaround	20,000,000	11,695,407	6,715,178	2,894,727	15,229,195	1.5 x	20.7%
Riverside VI	Buyout	30,000,000	22,919,520	7,080,480	320,231	29,937,536	1.3 x	11.2%
Siris IV	Buyout	30,000,000	27,783,981	4,571,849	3,733,687	36,110,686	1.4 x	13.8%
Thoma Bravo XIII	Buyout	30,000,000	36,599,355	2,495,077	18,056,239	49,696,242	1.9 x	28.6%
WNG II	Special Assets	30,000,000	29,445,786	4,550,588	4,121,479	25,461,042	1.0 x	0.3%
<b>Total 2019</b>		<b>285,000,000</b>	<b>245,598,157</b>	<b>61,874,276</b>	<b>43,496,616</b>	<b>326,380,472</b>	<b>1.5 x</b>	<b>19.6%</b>
<b>2020</b>								
BV X	Buyout	30,000,000	25,280,105	10,719,894	7,568,151	34,169,059	1.7 x	47.2%
Clearlake VI	Buyout	30,000,000	30,928,639	1,156,395	3,796,677	45,608,340	1.6 x	23.7%
FP CF Access	Buyout	90,000,000	57,891,125	33,115,242	1,015,434	81,081,286	1.4 x	23.0%
FP Venture XIII	Venture Capital	60,000,000	36,790,647	23,484,183	573,197	42,655,595	1.2 x	9.3%
Greyrock V	Mezzanine	35,000,000	32,509,867	3,680,696	1,566,120	36,155,179	1.2 x	11.1%
JF Lehman V	Buyout	30,000,000	27,744,894	2,255,106	0	39,658,411	1.4 x	19.1%
KPS V	Turnaround	30,000,000	16,922,458	14,711,937	5,620,764	21,152,893	1.6 x	24.0%
Thoma Bravo Explore I	Buyout	20,000,000	17,661,515	3,414,756	1,076,271	24,678,757	1.5 x	25.1%
<b>Total 2020</b>		<b>325,000,000</b>	<b>245,729,250</b>	<b>92,538,209</b>	<b>21,216,615</b>	<b>325,159,520</b>	<b>1.4 x</b>	<b>21.4%</b>
<b>2021</b>								
Alpine Investors VIII	Buyout	30,000,000	16,235,817	13,764,183	0	21,779,240	1.3 x	34.0%
FP Intl X	Buyout	60,000,000	24,302,158	35,872,581	0	26,542,766	1.1 x	7.0%
Greenbriar V	Buyout	30,000,000	30,010,099	1,264,630	1,277,373	34,234,843	1.2 x	15.1%
LLR VI	Growth Equity	30,000,000	23,400,000	6,600,000	226,223	24,524,452	1.1 x	3.9%
Revelstoke III	Buyout	30,000,000	16,521,932	15,841,077	2,516,230	15,441,538	1.1 x	8.2%
Riverside Value Fund I	Turnaround	30,000,000	8,594,643	24,250,689	2,404,140	14,131,510	1.9 x	164.1%
Thoma Bravo Discover III	Buyout	20,000,000	19,679,588	320,412	0	22,257,705	1.1 x	6.8%
Thoma Bravo XIV	Buyout	20,000,000	19,701,244	298,756	5	21,936,512	1.1 x	5.4%
<b>Total 2021</b>		<b>250,000,000</b>	<b>158,445,481</b>	<b>98,212,328</b>	<b>6,423,971</b>	<b>180,848,566</b>	<b>1.2 x</b>	<b>12.7%</b>

## Investment Performance by Vintage Year



Investment	Strategy	Committed Capital (\$)	Contributed Capital (\$)	Unfunded Commitment (\$)	Distributed Capital (\$)	Remaining Value (\$)	TVPI	Net IRR
<b>2022</b>								
Bison VI	Structured Capital	30,000,000	7,507,801	22,492,199	7,020	8,409,041	1.1 x	NMF
Clearlake VII	Buyout	30,000,000	17,354,956	12,692,538	80,684	18,091,108	1.0 x	NMF
FP CF Access II	Buyout	90,000,000	14,153,270	75,846,730	69,462	15,729,199	1.1 x	NMF
FP Intl XI	Buyout	60,000,000	2,897,040	57,220,661	1,176	1,819,589	0.6 x	NMF
FP Venture Opp	Venture Capital	60,000,000	17,062,500	43,022,497	0	16,699,504	1.0 x	NMF
FP Venture XIV	Venture Capital	60,000,000	6,617,708	53,488,781	121,725	5,619,003	0.9 x	NMF
Thoma Bravo Discover IV	Buyout	15,000,000	6,276,332	8,723,668	0	6,742,786	1.1 x	NMF
Thoma Bravo XV	Buyout	15,000,000	10,185,180	4,814,820	3,250	10,704,702	1.1 x	NMF
<b>Total 2022</b>		<b>360,000,000</b>	<b>82,054,787</b>	<b>278,301,894</b>	<b>283,317</b>	<b>83,814,932</b>	<b>1.0 x</b>	<b>NMF</b>
<b>2023</b>								
Alpine Investors IX	Buyout	30,000,000	0	30,000,000	0	0	N/A	NMF
Arlington VI	Buyout	30,000,000	7,823,002	22,176,998	96	8,027,048	1.0 x	NMF
BV XI	Buyout	30,000,000	4,382,113	25,617,887	0	3,705,477	0.8 x	NMF
FP Co-Invest VI	Multi-Strategy	65,000,000	21,100,000	43,927,150	0	22,846,154	1.1 x	NMF
Greenbriar VI	Buyout	30,000,000	4,357,410	25,642,590	1,787	4,005,399	0.9 x	NMF
Greyrock VI	Mezzanine	30,000,000	1,659,899	28,340,101	0	1,319,529	0.8 x	NMF
Highland Note 2025	Hard Assets	40,000,000	40,000,000	0	0	40,000,000	1.0 x	NMF
Hybar LLC	Infrastructure	206,200	206,200	0	25,600	180,600	1.0 x	NMF
JF Lehman VI	Buyout	30,000,000	3,437,159	26,562,841	0	3,205,730	0.9 x	NMF
SK Capital VI	Buyout	30,000,000	16,721,749	13,278,251	36,305	22,265,737	1.3 x	NMF
<b>Total 2023</b>		<b>315,206,200</b>	<b>99,687,532</b>	<b>215,545,818</b>	<b>63,788</b>	<b>105,555,674</b>	<b>1.1 x</b>	<b>NMF</b>
<b>2024</b>								
KPS Mid Cap II	Turnaround	30,000,000	0	30,000,000	0	0	N/A	NMF
LLR VII	Growth Equity	30,000,000	0	30,000,000	0	-78,954	N/A	NMF
Thoma Bravo Explore II	Buyout	15,000,000	0	15,000,000	0	0	N/A	NMF
<b>Total 2024</b>		<b>75,000,000</b>	<b>0</b>	<b>75,000,000</b>	<b>0</b>	<b>-78,954</b>	<b>N/A</b>	<b>NMF</b>
<b>Total Portfolio</b>		<b>6,339,045,555</b>	<b>5,713,794,563</b>	<b>1,380,637,717</b>	<b>6,612,863,932</b>	<b>2,919,193,875</b>	<b>1.7 x</b>	<b>11.3%</b>



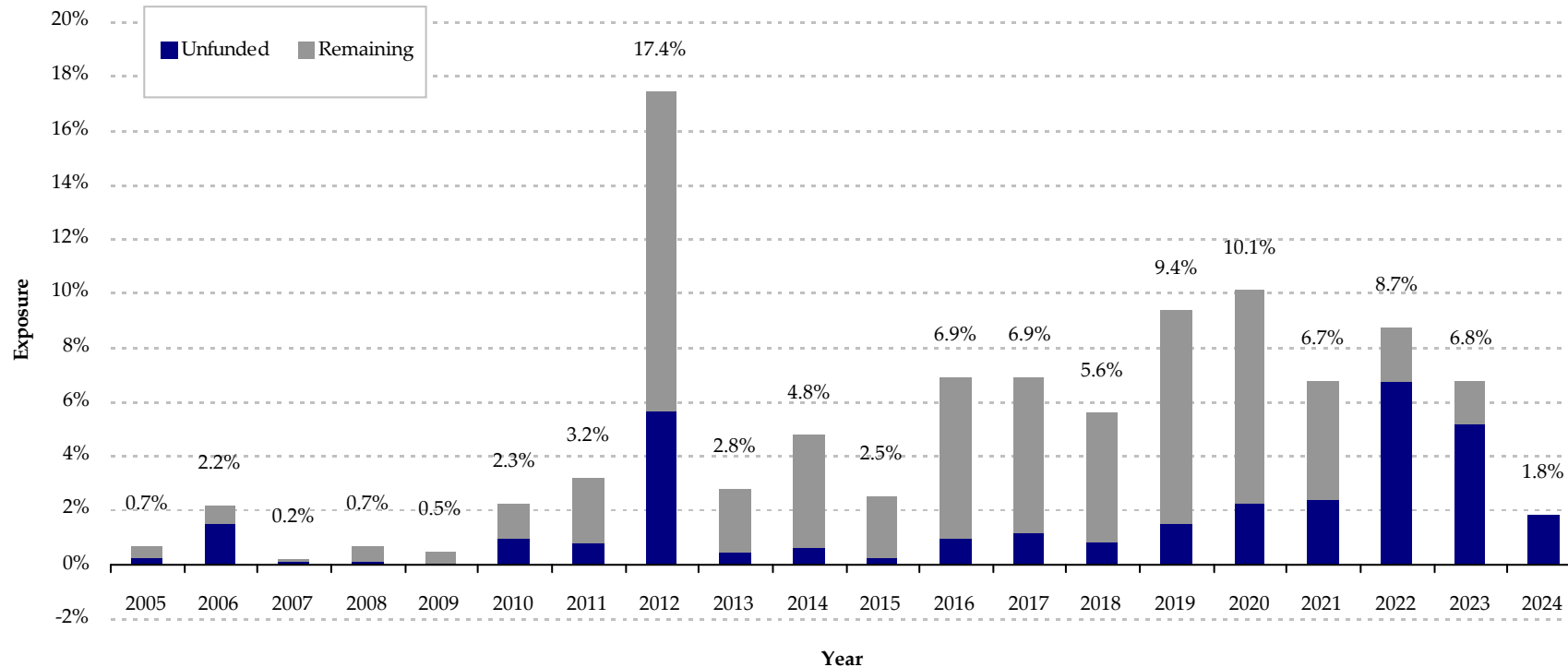
- Remaining Value is defined as the investor's value as reported by the fund's manager.
- TVPI is the ratio of Distributed Capital plus Remaining Value to Contributed Capital.
- Net IRR is defined as the annualized, compound rate of return using daily draws, distributions and Remaining Value as of the Report Date, net of fees and expenses, including late closing interest.
- An asterisk indicates an investment that is fully liquidated, if applicable.
- Commitments made in a foreign currency have been converted into U.S. dollars using an exchange rate as of the Report Date, if applicable.
- Returns calculated for funds in the early years of their lives are particularly not meaningful given the J-curve effect. During these early years, due to illiquidity, stagnant valuations, fees and expenses, fund performance tends to be negative (the bottom of the "J").

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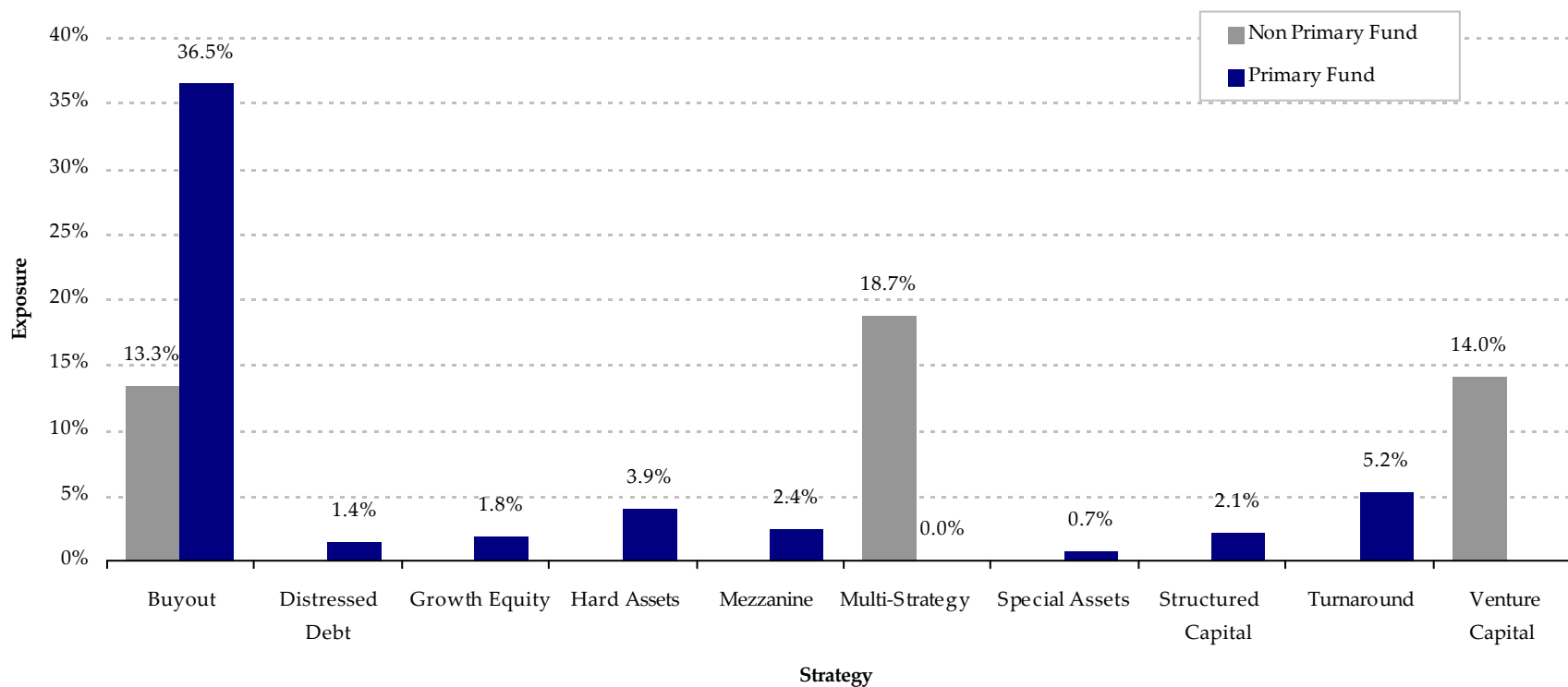
# Diversification Analysis

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## Exposure By Vintage Year

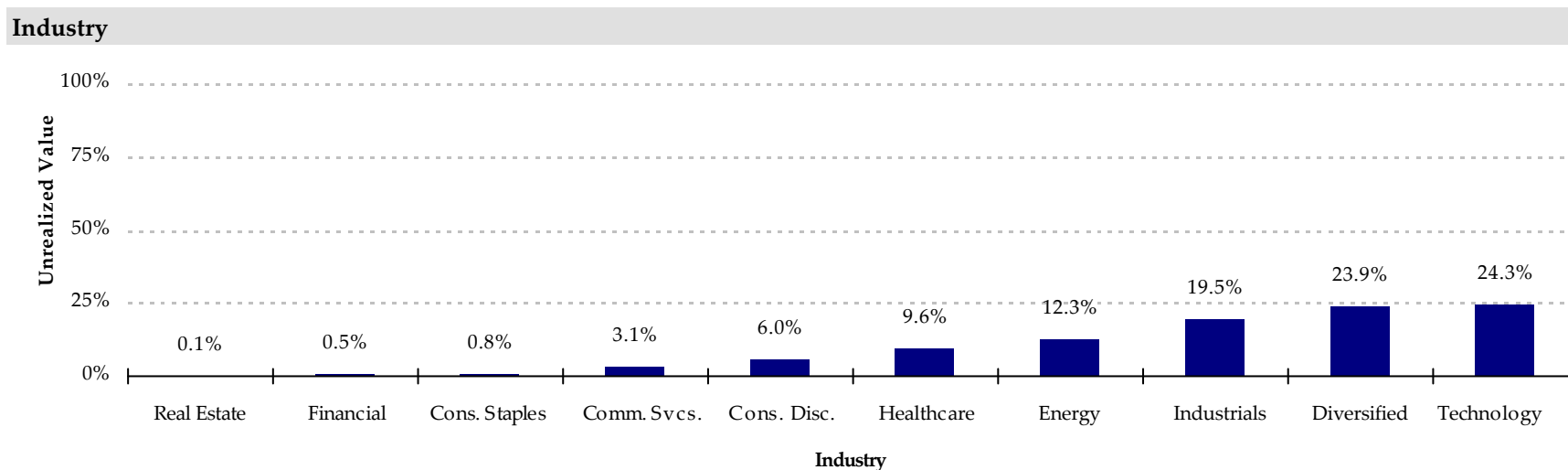
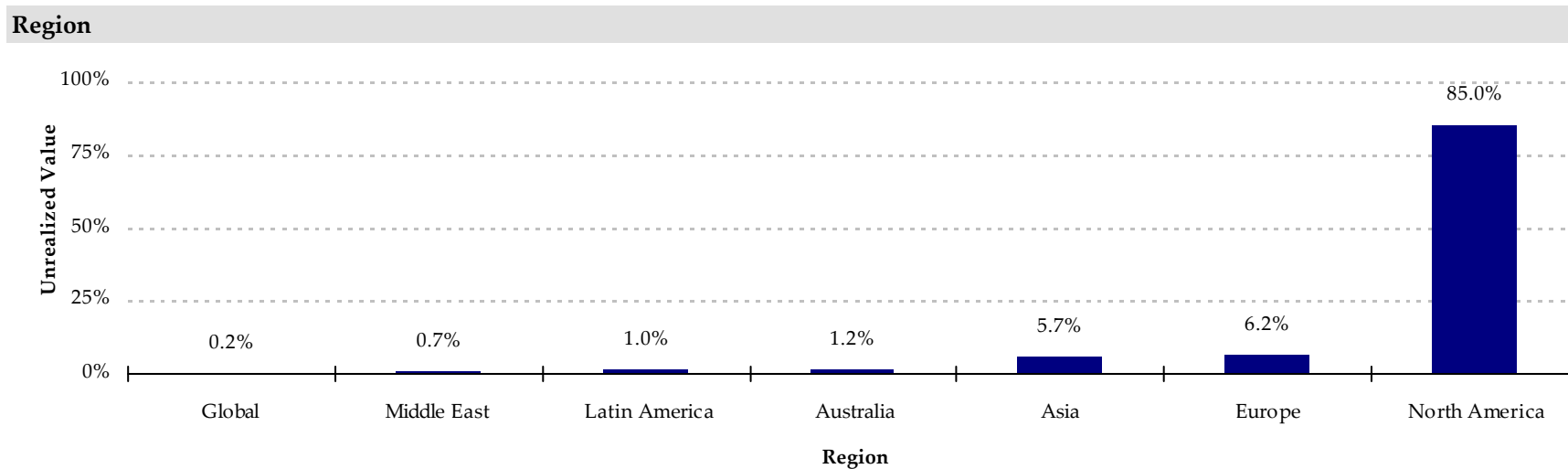


- Exposure is defined as the sum of the investor's Remaining Value plus Unfunded Commitment.
- Data includes commitments through the Report Date.



- Exposure is defined as the sum of the investor's Remaining Value plus Unfunded Commitment.
- Primary Fund represents interests in private equity funds acquired directly from the seller (i.e. fund manager). Non Primary Fund represents interests in private equity funds acquired through a commitment to a fund-of-funds or secondary fund-of-funds.

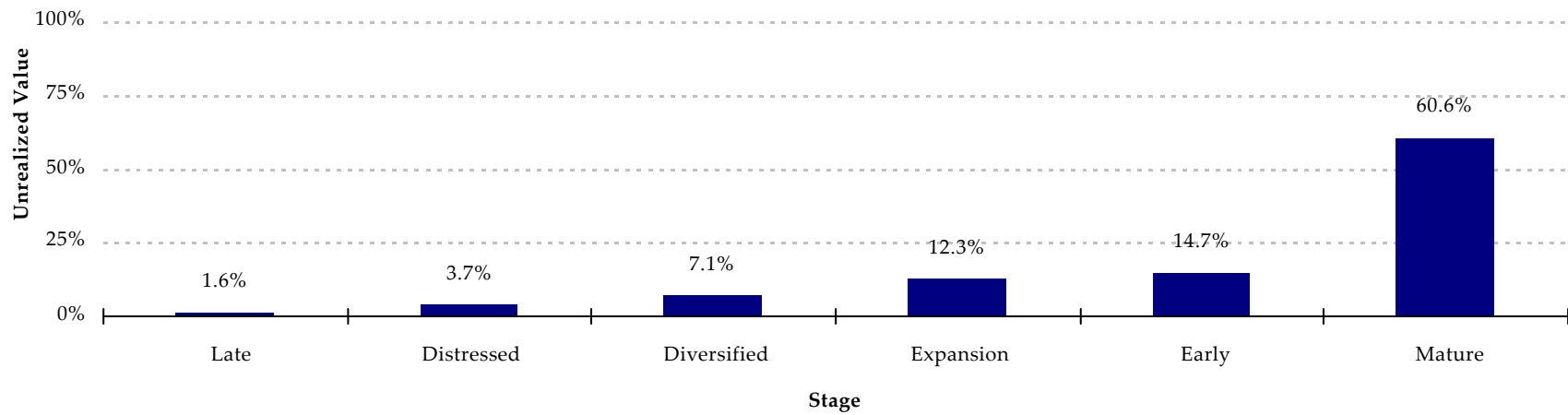
# Holdings by Region and Industry



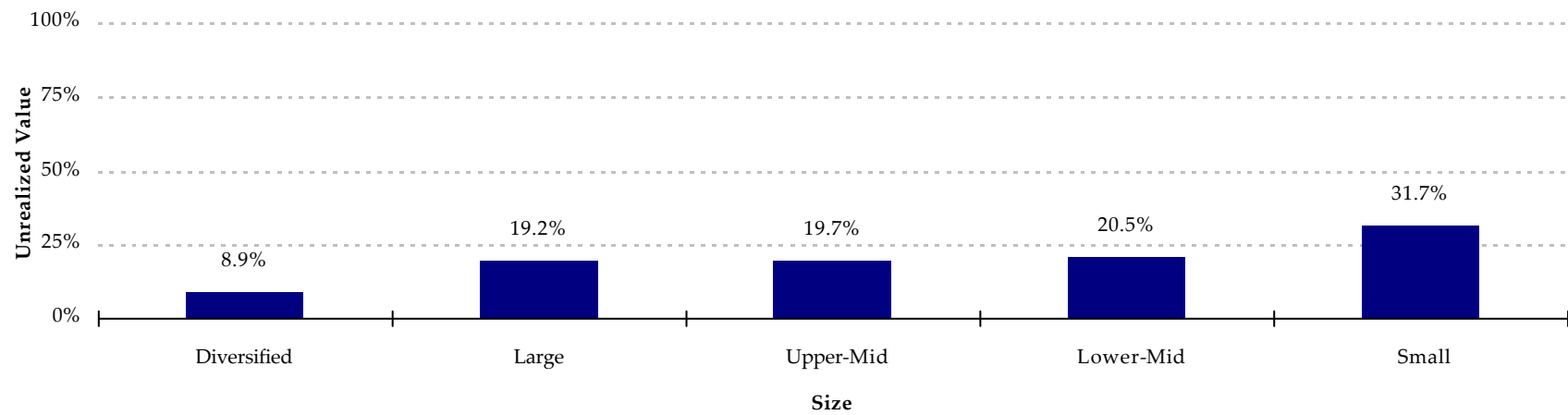
- Unrealized Value represents the value of portfolio holdings as reported by fund managers.
- Values are estimated based on the investor's percent interest in each fund's portfolio holdings.
- Values are converted to the investor's currency, when applicable, as of the Report Date.

## Holdings by Stage and Size

### Stage

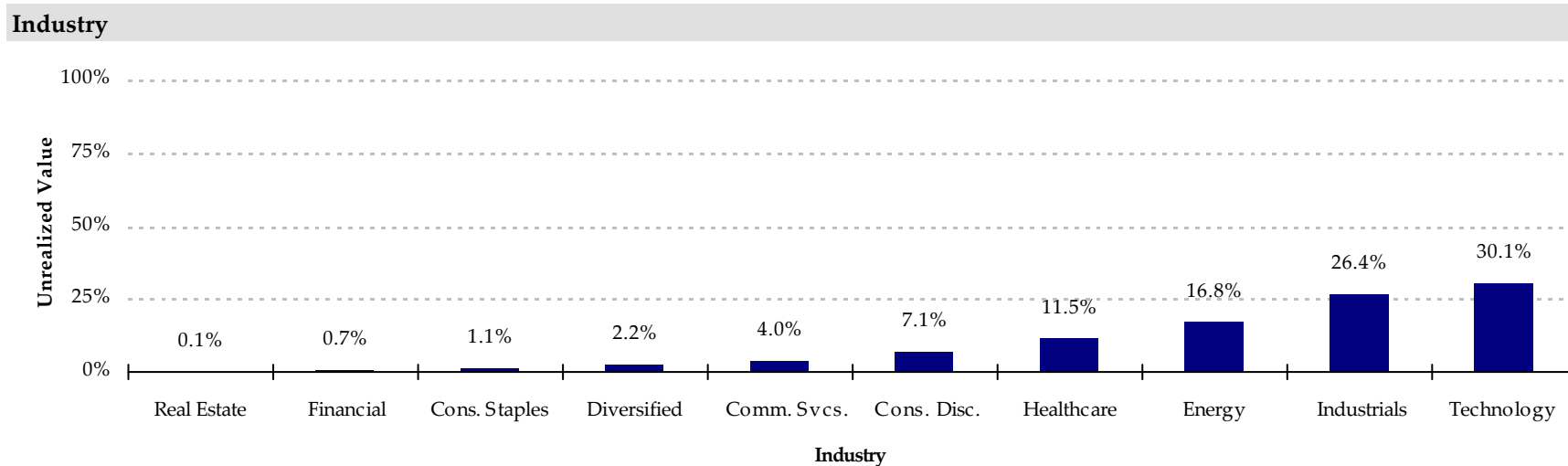
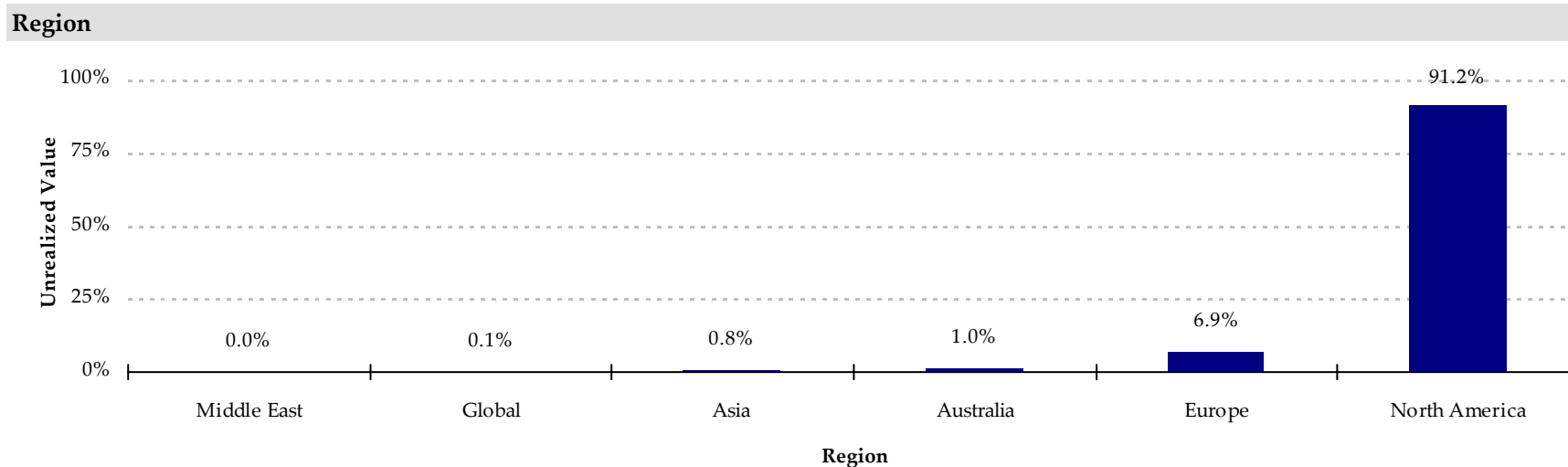


### Size



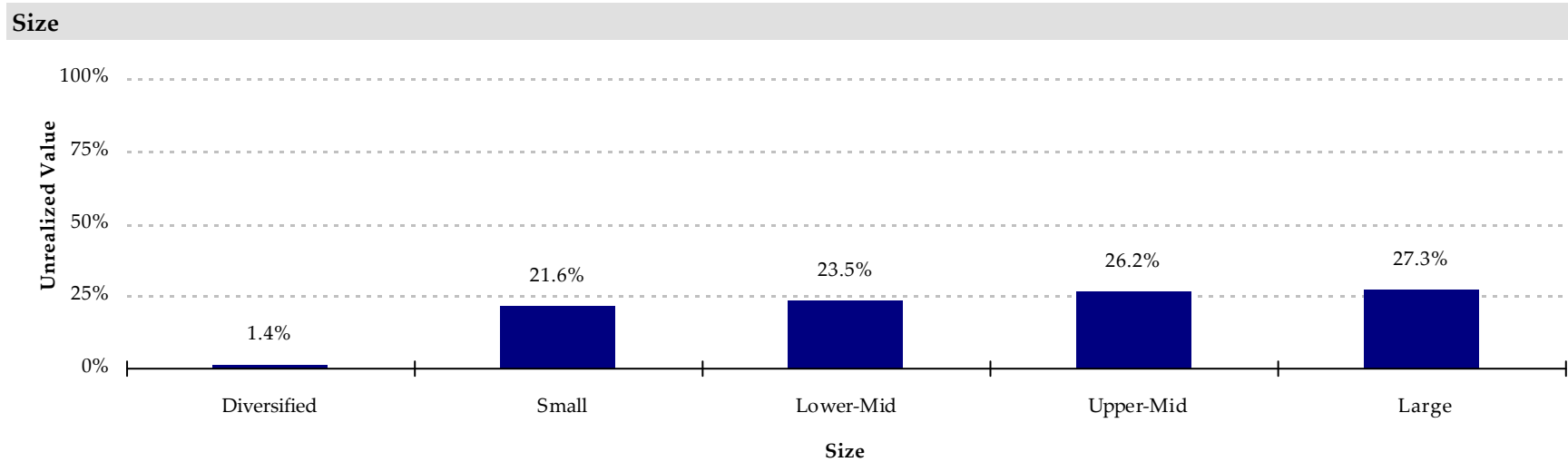
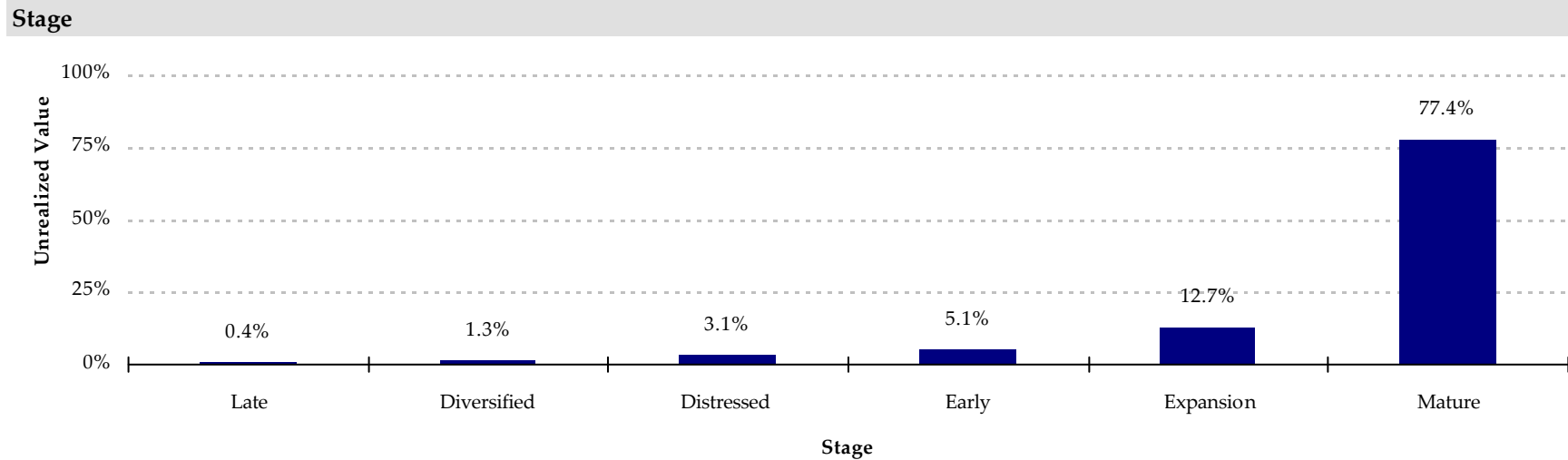
- Unrealized Value is the value of portfolio holdings as reported by the fund manager.
- Values are estimated based on the investor's percent interest in each fund's portfolio holdings.
- Values converted to the investor's currency, when applicable, as of the Report Date.

## Holdings by Region and Industry (ex Fund Holdings)



- Fund investments in other funds were excluded from this analysis.
- Unrealized Value represents the value of portfolio holdings as reported by fund managers.
- Values are estimated based on the investor's percent interest in each fund's portfolio holdings.
- Values are converted to the investor's currency, when applicable, as of the Report Date.

## Holdings by Stage and Size (ex Fund Holdings)



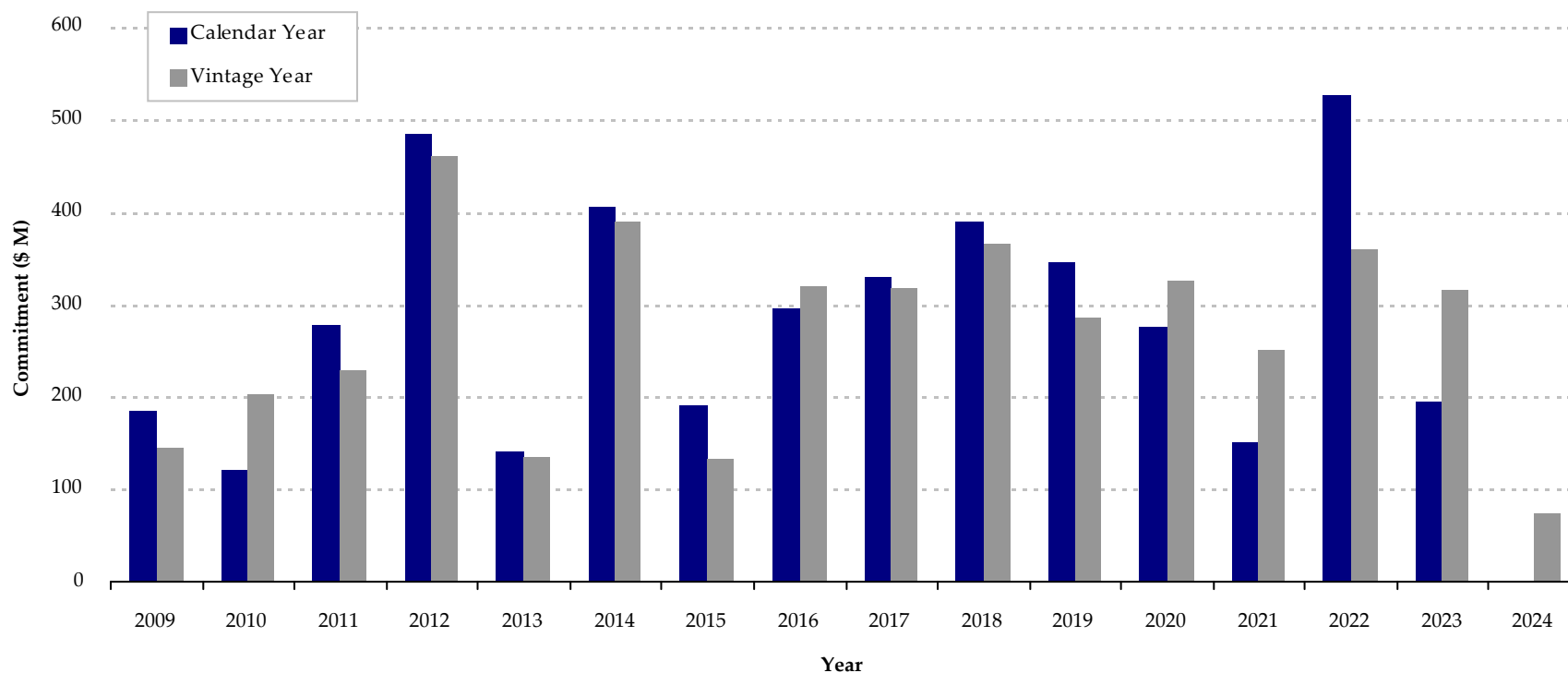
- Fund investments in other funds were excluded from this analysis.
- Unrealized Value represents the value of portfolio holdings as reported by fund managers.
- Values are estimated based on the investor's percent interest in each fund's portfolio holdings.
- Values are converted to the investor's currency, when applicable, as of the Report Date.



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**Recent Activity**

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- Vintage Year represents the year in which investors first contribute capital to a fund.
- Calendar Year represents the year in which a commitment to a fund formally closed.
- Commitments made in a foreign currency have been converted into U.S. dollars using an exchange rate as of the Report Date, if applicable.
- Commitments were compiled through the Report Date.

**Commitments for Year Ended December 31, 2023**

Fund	Strategy	Date	Commitment (\$)
FP Co-Invest VI	Multi-Strategy	Feb 2023	65,000,000
Greyrock VI	Mezzanine	Mar 2023	30,000,000
KPS Mid Cap II	Turnaround	Jun 2023	30,000,000
LLR VII	Growth Equity	Jul 2023	30,000,000
Hybar LLC	Infrastructure	Jul 2023	206,200
Highland Note 2025	Hard Assets	Sep 2023	40,000,000
Post Road III	Structured Capital	Oct 2023	30,000,000
<b>Total</b>			<b>225,206,200</b>

**Year to Date Commitments as of January 15, 2024**

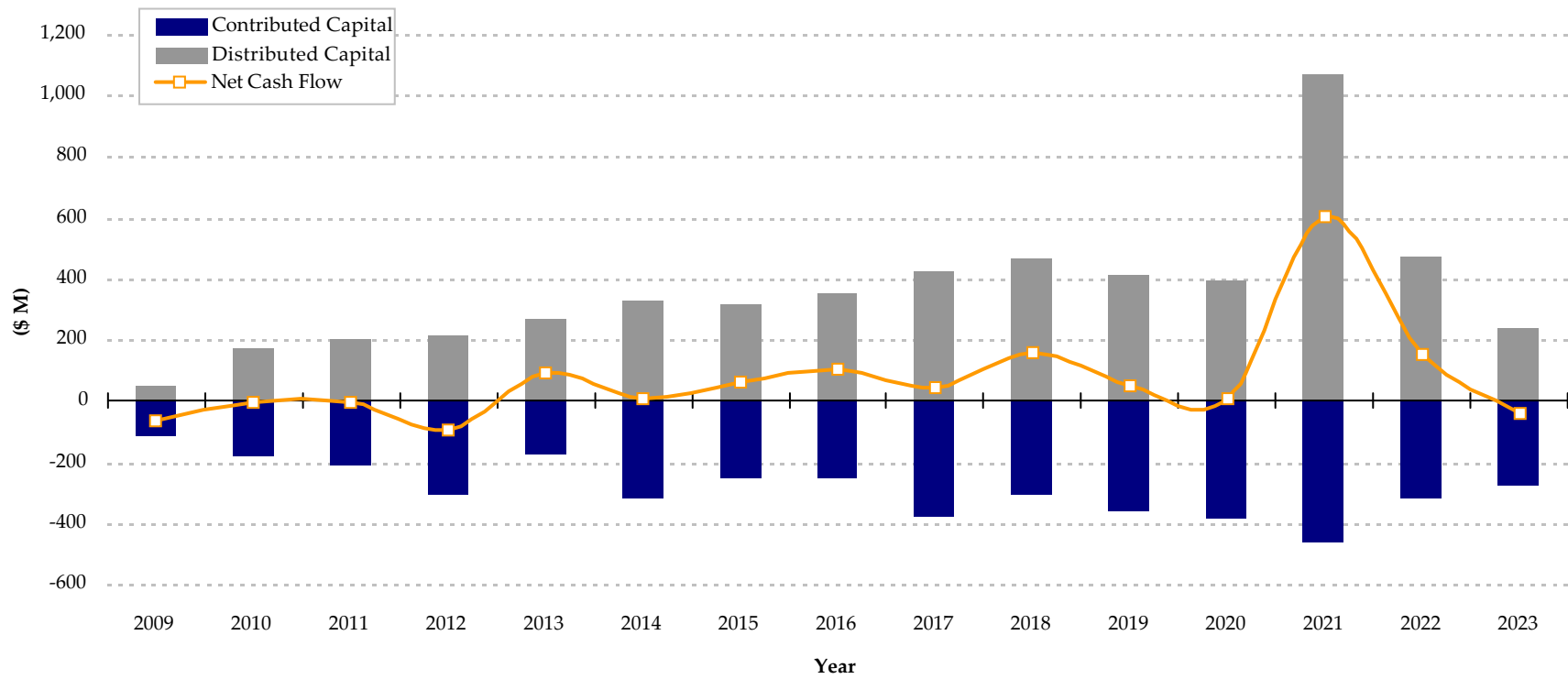
Not Applicable

**Approved and Pending Commitments as of January 15, 2024**

Fund	Strategy	Date	Target Commitment (\$)
FP Venture XV	Venture Capital	N/A	40,000,000
Clearlake VIII	Buyout	N/A	35,000,000
Beekman V	Buyout	N/A	35,000,000

- Commitments made in a foreign currency have been converted into U.S. dollars using an exchange rate as of the Report Date, if applicable.
- In February 2023, ATRS closed on additional \$30.0 million commitments to both FP International XI and FP VC Opps, bringing total commitments to each Fund to \$60.0 million.
- In December 2023, ATRS approved an additional \$60.0 million to FP Co-Invest VI, which upon closure will bring total commitments to the Fund to \$125.0 million.

# Annual Cash Flow

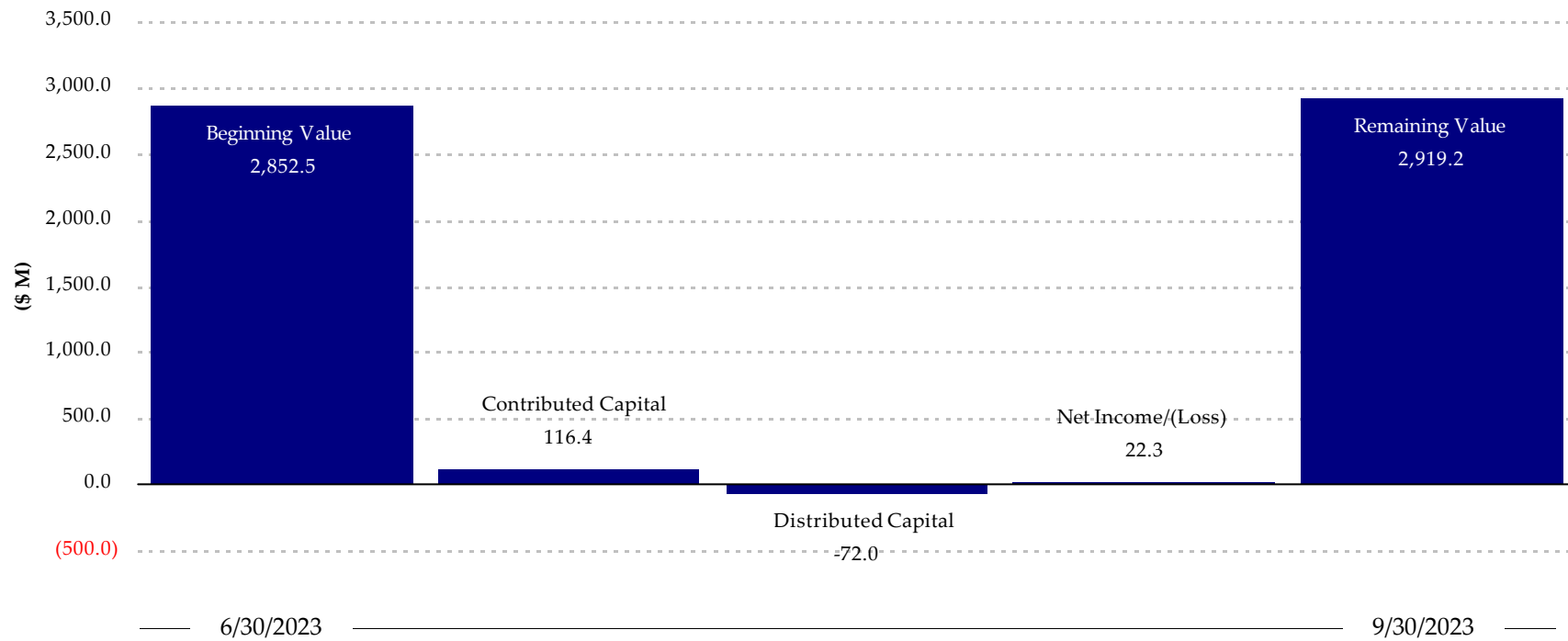


2023 (\$)		
Distributed	Contributed	Net Cash Flow
239,574,935	-277,312,807	-37,737,872

▫ Cash flow data was compiled through the Report Date.

# Capital Account Change Since Prior Quarter

## Quarterly Portfolio Activity



Percent Change in Value	0.8%
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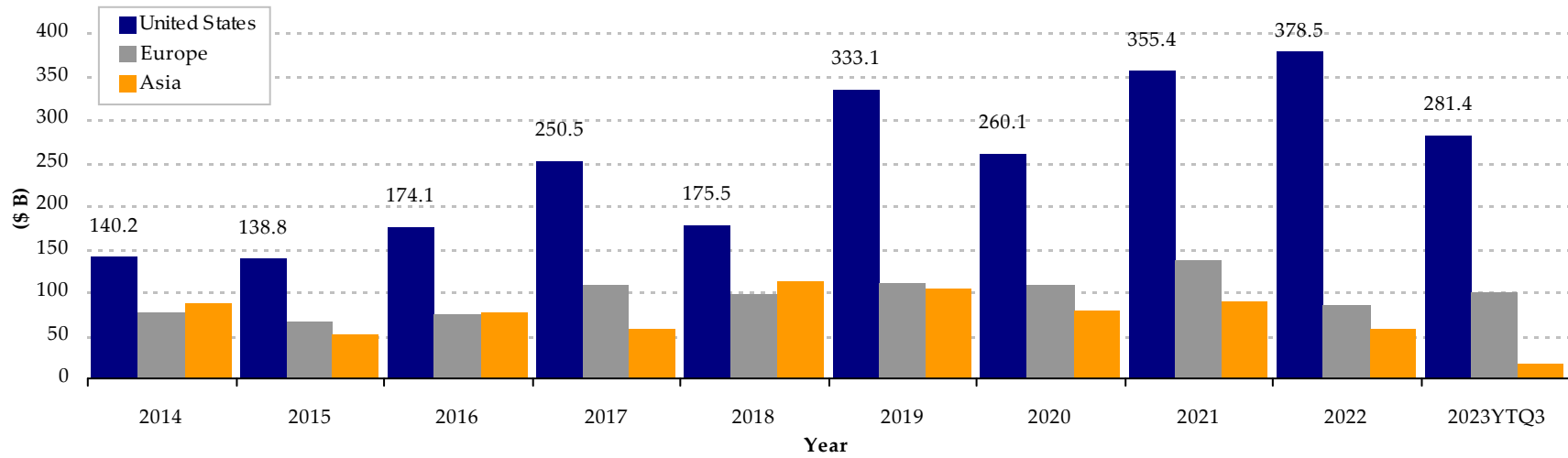
- Beginning Value represents the aggregate Remaining Value of the portfolio as of the prior quarter-end.
- Percent Change in Value is calculated by dividing Net Income / (Loss) by Beginning Value.

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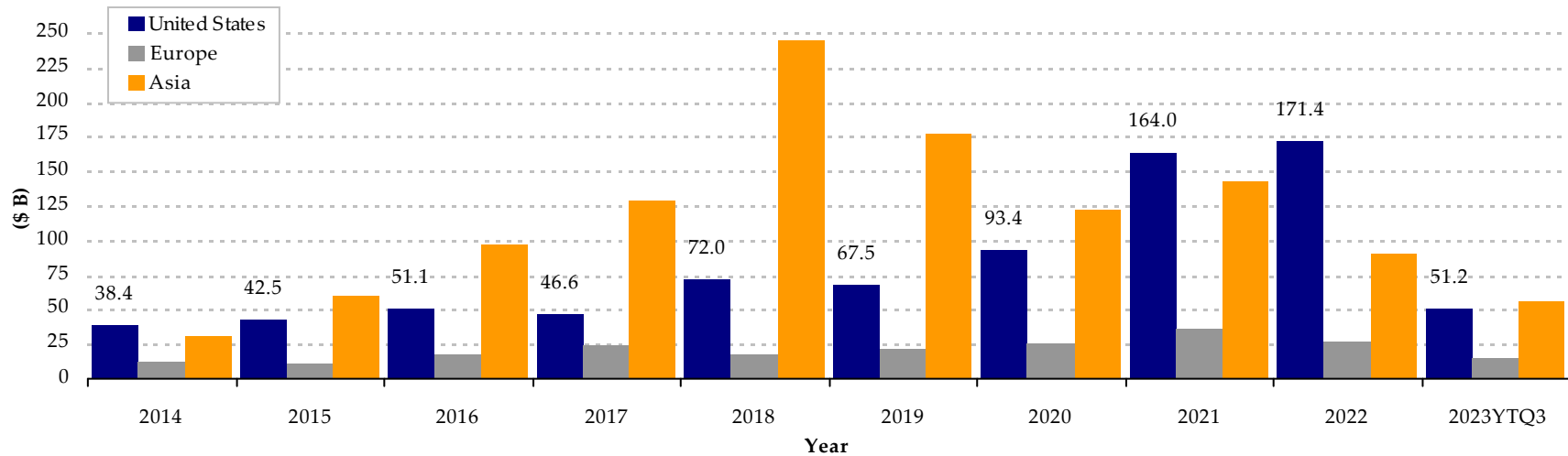
# Market Update

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Buyout Funds

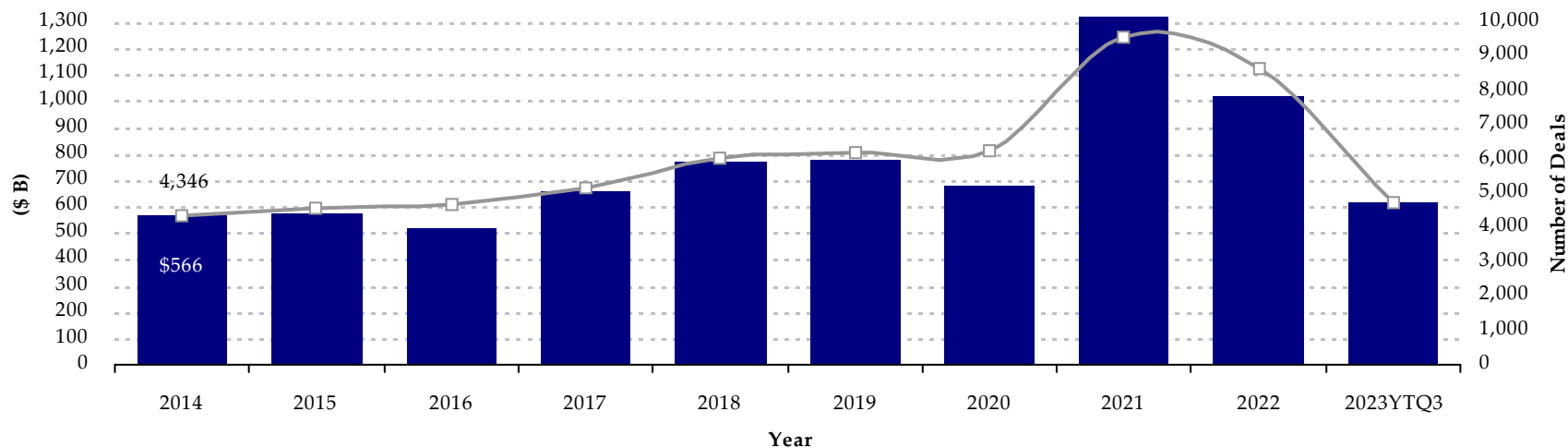


Venture Funds

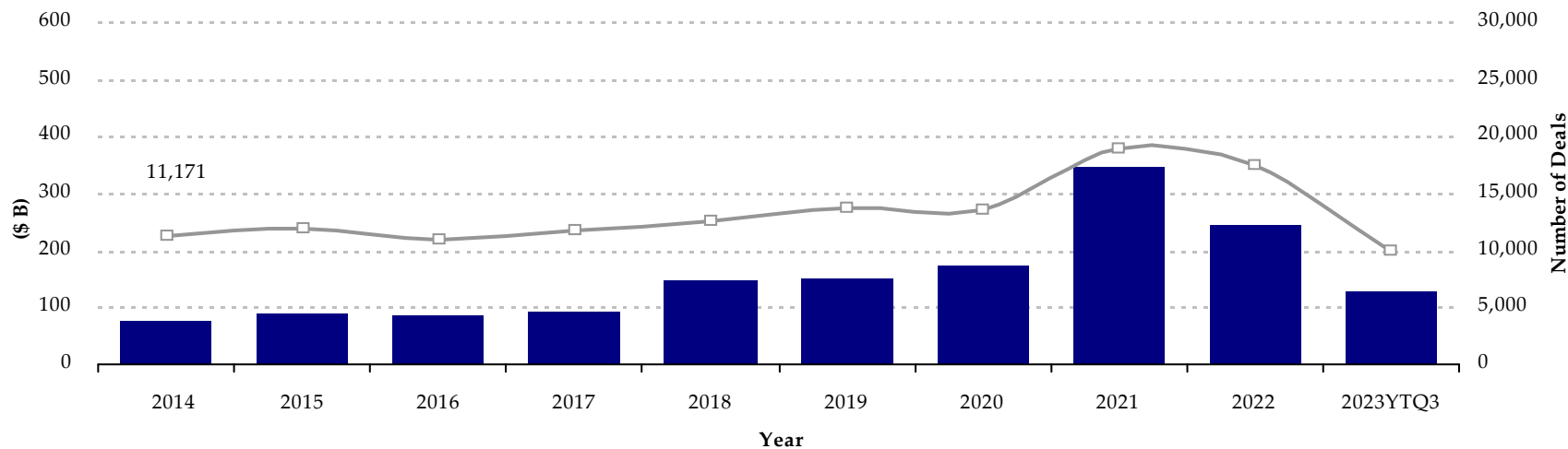


Source: Pitchbook.  
Data compiled through Q3 2023.

U.S. Buyout



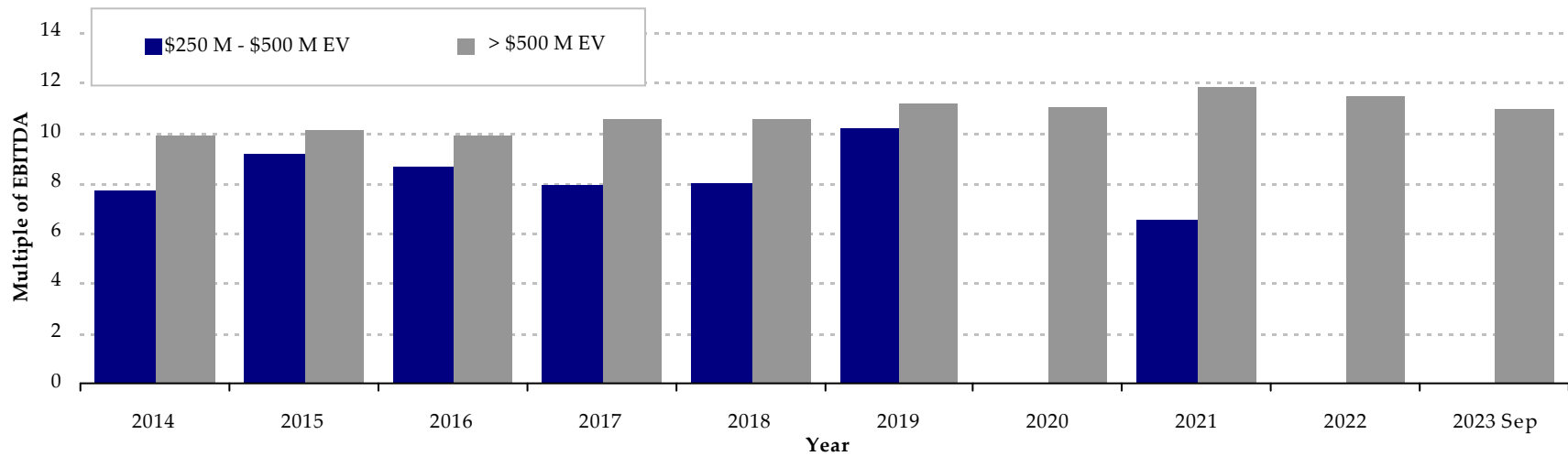
U.S. Venture



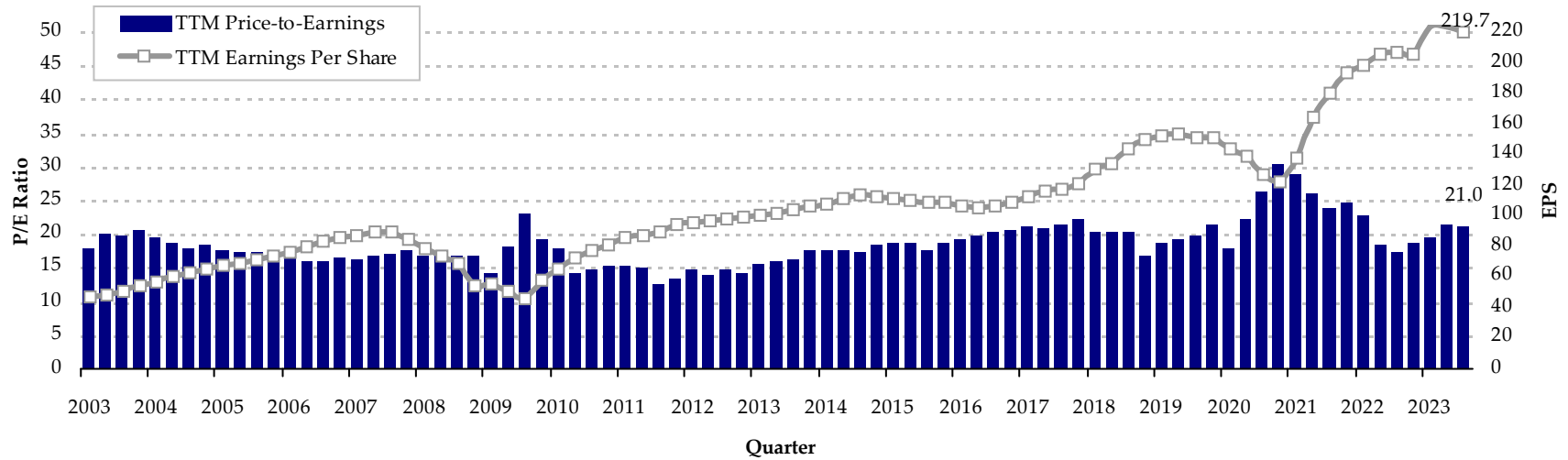
- Source: Pitchbook.
- Data compiled through Q3 2023.



U.S. LBO Pricing Multiples

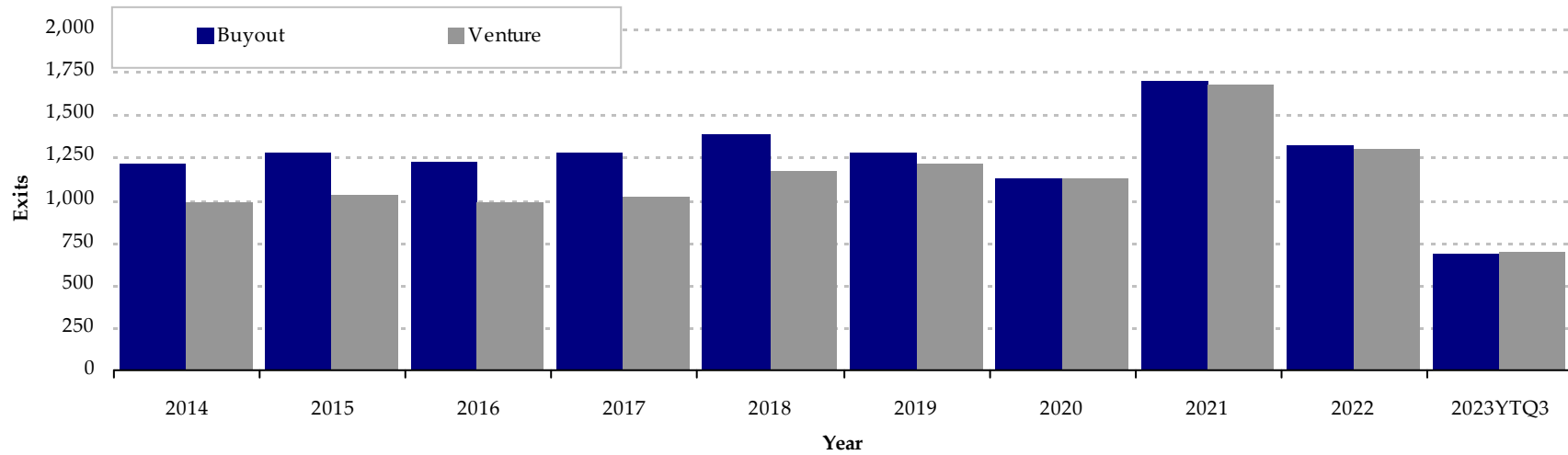


S&P 500 Valuation and Earnings

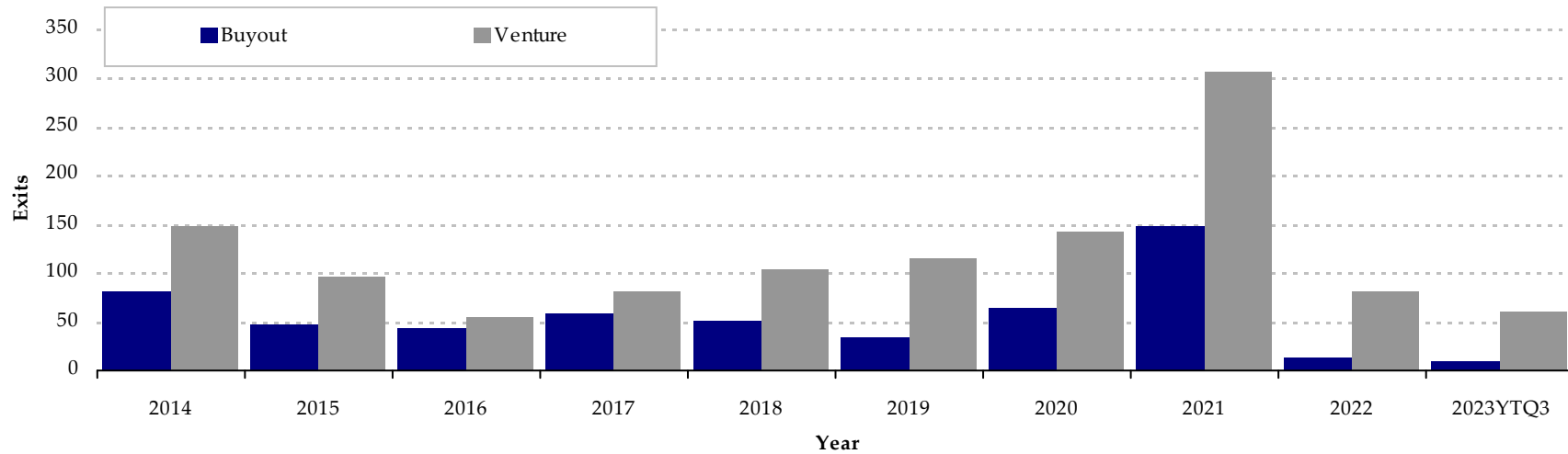


Source: Pitchbook's Leveraged Commentary; Bloomberg.

U.S. Mergers and Acquisitions



U.S. Initial Public Offerings



- Source: Pitchbook.
- Data compiled through Q3 2023.

## Vintage Returns

Group	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
U.S. All PE Median	15.2%	14.3%	17.1%	17.5%	18.8%	20.4%	19.6%	17.1%	11.9%	1.1%
U.S. All PE Top Quartile	19.8%	20.0%	23.5%	23.2%	24.7%	29.3%	27.2%	26.5%	20.0%	9.8%
U.S. Buyout Median	15.2%	15.4%	19.8%	19.1%	21.1%	23.8%	19.4%	19.3%	15.9%	4.4%
U.S. Buyout Top Quartile	23.4%	23.6%	23.8%	26.8%	27.1%	32.5%	28.4%	25.6%	20.5%	13.6%
U.S. Energy Median	-0.3%	5.2%	9.9%	8.4%	9.0%	14.9%	13.1%	13.8%	17.1%	
U.S. Energy Top Quartile	4.5%	13.3%	12.2%	15.4%	10.6%	18.6%	19.5%	25.4%	31.0%	
U.S. Real Assets Median	10.0%	9.4%	10.3%	10.3%	10.8%	12.8%	12.5%	13.8%	12.7%	5.4%
U.S. Real Assets Top Quartile	15.0%	16.5%	13.6%	14.8%	14.9%	18.8%	19.6%	19.7%	20.0%	9.7%
U.S. Real Estate Median	11.2%	10.8%	10.4%	11.0%	11.6%	12.5%	12.5%	12.6%	11.7%	4.2%
U.S. Real Estate Top Quartile	15.7%	18.1%	14.0%	14.8%	15.1%	19.0%	19.6%	18.4%	16.5%	9.5%
U.S. Venture Median	15.6%	16.2%	17.3%	16.5%	18.8%	23.2%	20.0%	14.9%	10.9%	-1.5%
U.S. Venture Top Quartile	22.1%	23.7%	25.9%	24.0%	25.8%	30.7%	26.8%	28.0%	19.4%	2.9%

▫ Source: Cambridge Associates.

▫ Data compiled through June 30, 2023.

▫ Benchmark data is not available for 2021 U.S. Energy

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## Glossary

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Term	Definition	Term	Definition
Barclays US Corporate High Yield Index	The Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.	Dow Jones US Total Stock Market Total Return Index	The Dow Jones US Total Stock Market Total Return Index measures all U.S. equity securities with readily available prices. It is a free float-adjusted market capitalization weighted index and is calculated with dividend reinvestment.
Bridge Financing	Temporary funding that will eventually be replaced by permanent capital from equity investors or debt lenders	DPI	Ratio of Distributed Capital to Contributed Capital
Buyout	Fund whose strategy is to acquire controlling interests in companies	Early Stage	A company's first Stage of development. Company is generally generating modest or no revenues
Co/Direct Investment	Investment made directly into a company, rather than indirectly through a fund	Equity	Security type that signifies ownership of a company (e.g. common stock, preferred stock, warrants, etc.)
Committed Capital	Total dollar amount of capital pledged to a fund	Expansion Stage	A company's third Stage of development. Company is generally experiencing high growth and nearing profitability
Contributed Capital	Total capital contributed to a fund for investments, fees and expenses, including late closing interest paid, less returns of excess capital called	Exposure	Sum of Remaining Value plus Unfunded Commitment
Cost Basis	Remaining amount of invested capital	Fund-of-Funds	Fund whose strategy is to make investments in other funds
Debt	Security type that signifies a repayment obligation by a company (e.g. senior debt, subordinated debt, bridge loan etc.)	Geographic Region	Market location of a company: North America, Western Europe, Africa/Middle East, Latin America, Asia/Pacific Rim
Distressed	A company's final Stage of development. Company is generally experiencing operational or financial distress	Growth Equity	Fund whose strategy is to invest in companies to expand or restructure operations, enter new markets or finance an acquisition without a change of control of the business
Distressed Debt	<ul style="list-style-type: none"> <li>• Distressed Trading – Fund whose strategy is to invest and trade debt of financially stressed companies</li> <li>• Distressed Restructuring – Fund whose strategy is to acquire and restructure debt of financially stressed companies</li> <li>• Opportunistic Credit – Fund whose strategy is to flexibly invest in debt securities and income-producing assets of any kind, where the issuer or holder is financially stressed</li> <li>• Structured Capital – Fund whose strategy is to issue hybrid debt and equity securities to mature companies</li> </ul>	Hard Assets	Fund whose strategy is to invest in natural resources or infrastructure
Distributed Capital	Capital distributed to the limited partners, including late closing interest earned	Infrastructure	Fund whose strategy is to acquire interests in physical structures and networks that provide the essential services for society's economic and social needs (e.g. roads, tunnels, communication networks, etc.)
		Internal Rate of Return (IRR)	The discount rate that results in a net present value of zero of a series of cash flows. The IRR considers both cash flow timing and amount and is the preferred performance measure for private market funds
		Invested Capital	Capital invested by a fund in portfolio holdings
		Investment Type	Classification of an investment vehicle: Primary Fund, Secondary Fund, Fund-of-Funds

Term	Definition	Term	Definition
J-Curve	Refers to the shape of the curve illustrating a fund's performance over time. During the initial years of a fund's life, as a result of illiquidity, stagnant valuations, fees and expenses, a fund's performance tends to be negative (the bottom of the "J"). Eventually, as portfolio companies are realized or increase in value and fees become a smaller percentage of overall contributions, performance improves and investors' returns move up the "J" shaped curve	Net IRR	Annualized effective compound rate of return using daily contributions, distributions and Remaining Value as of the Report Date, net of all fees and expenses, including late closing interest
Large	Company with a Size greater than \$1 billion	Percent Interest	Represents an investor's economic interest in a fund based upon the investor's commitment divided by total fund commitments
Late Stage	A company's second Stage of development. Company is generally generating high revenue growth and high losses	Primary Investment	An interest in a private equity fund acquired directly from the fund manager during the fundraising period
Lower-Mid	Company with a Size greater than \$100 million, but less than \$250 million	Public Market Equivalent (PME)	A private equity benchmark that represents the performance of a public market index expressed in terms of an IRR, using the same cash flows and timing as the investor's investment activity in private equity. The PME serves as a proxy for the return the investor could have achieved by investing in the public market. The PME benchmark return assumes cash flows are invested at the end of each day
Mature	A company's fourth Stage of development. Company is generally generating modest to no growth and operating profitably	Publication Date	Refers to the date this report was created as reflected in the Executive Summary
Mezzanine	<ul style="list-style-type: none"> <li>• Sponsored Mezzanine – Fund whose strategy is to issue subordinated loans to companies owned by private equity fund sponsors</li> <li>• Non-Sponsored Mezzanine – Fund whose strategy is to issue subordinated loans to companies not owned by private equity fund sponsors</li> </ul>	Real Assets	Fund whose strategy is to invest in assets that are tangible or physical in nature such as land, machinery, and livestock
MSCI ACWI Index - Total Return	The MSCI ACWI Total Return is a reflection of the performance of the MSCI ACWI Index, including dividend reinvestment, as calculated by Bloomberg. The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.	Real Estate	Fund whose strategy is to acquire interests in real estate property
Natural Resources	Fund whose strategy is to acquire interests in naturally-occurring, economically valuable raw materials and all physical facilities and capabilities required for the extraction, refinement, and delivery to end users (e.g. oil and gas properties, timberland, etc.)	Realized Capital	Capital distributed to a fund from portfolio holdings
NCREIF Property Index	The NCREIF Property Index is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.	Recallable / Recyclable Capital	Capital that has been previously distributed by a fund to investors but may be called again for investment purposes. It is generally associated with realizations that have occurred in the early years of a fund or refers to uninvested capital that has been temporarily returned (i.e. returns of excess capital)
		Recapitalization	The reorganization of a company's capital structure
		Remaining Value	Capital account balance as reported by the General Partner, generally on a fair value basis
		Report Date	Refers to the end date of the reporting period as reflected on the cover page
		Return on Investment (ROI)	Ratio of Realized Capital plus Unrealized Value to Invested Capital

Term	Definition	Term	Definition
Russell 1000® Total Return Index	The Russell 1000® Total Return Index measures the performance, including dividend reinvestment, of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.	Size	Capitalization size of a company: Large, Upper-Mid, Lower-Mid, Small
Russell 3000® Total Return Index	The Russell 3000® Total Return Index measures the performance, including dividend reinvestment, of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.	Small	Company with a Size of less than \$100 million
S&P 500 Price Index	The S&P 500 Price Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.	Small Business Investment Company (SBIC)	Lending and investment firms that are licensed and regulated by the Small Business Administration (SBA). The licensing enables them to borrow from the federal government to supplement the private funds of their investors
S&P 500 Total Return Index	The S&P 500 Total Return Index is a reflection of the performance of the S&P 500 Index, including dividend reinvestment. All regular cash dividends are assumed to be reinvested in the S&P 500 Index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.	Small Buyout	Fund whose strategy is to acquire or recapitalize Small businesses
Secondary Investment	Investments that involve the purchase of private equity fund interests or portfolios of direct investments in privately held companies from existing institutional investors	Special Assets	<ul style="list-style-type: none"> <li>• Healthcare Royalties – Fund whose strategy is to acquire royalty or revenue interests, or issue loans, backed by approved life science products</li> <li>• Music Royalties – Fund whose strategy is to acquire royalty or revenue interests, or issue loans, backed by music copyright assets</li> <li>• Aircraft Leasing – Fund whose strategy is to acquire and lease commercial aircraft</li> <li>• Life Settlement - Fund whose strategy is to acquire life insurance policies</li> <li>• Shipping – Fund whose strategy is to acquire and charter commercial shipping vessels</li> <li>• Asset Backed Securities – Fund whose strategy is to acquire or structure securities that are backed by income-producing assets</li> </ul>
Sector	Industry in which the company operates: technology, telecommunications, healthcare, financial services, diversified, industrial, consumer, energy, etc.	Stage	The course of development through which a company passes from its inception to its termination: Early, Late, Expansion, Mature, Distressed
Senior Debt	<ul style="list-style-type: none"> <li>• Direct Lending – Fund whose strategy is to issue senior loans to mature companies</li> <li>• Unitranche – Fund whose strategy is to issue hybrid senior and subordinated loans to mature companies</li> <li>• Venture Debt – Fund whose strategy is to issue loans to venture stage companies</li> <li>• Asset Based Lending – Fund whose strategy is to issue loans to companies where the amount of allowable borrowing outstanding is based on asset collateral value</li> <li>• Rescue Financing – Fund whose strategy is to issue loans to financially stressed companies</li> </ul>	Sub-Asset Class	Private equity investments are generally classified as Buyout, Venture Capital, Mezzanine, Distressed/Turnaround, and Fund-of-Funds
		TVPI	Ratio of Distributed Capital plus Remaining Value to Contributed Capital
		Unfunded Commitment	Amount of capital that remains to be contributed to a fund as defined in a fund's limited partnership agreement
		Unrealized Value	Holding value of a portfolio company assigned by the General Partner, which generally represents fair value
		Upper-Mid	Company with a Size greater than \$250 million but less than \$1 billion
		Venture Capital	Fund whose strategy is to make investments in Early Stage and/or Late Stage companies

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<b>Term</b>	<b>Definition</b>
Vintage Year	The calendar year in which an investor first contributes capital to a fund



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## End Notes

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The information contained in this report is confidential and may contain proprietary information and trade secret information. The information contained herein is prepared by Franklin Park and is not reviewed or approved by the general partners or affiliates of underlying portfolio fund investments and is strictly for the use of Arkansas Teacher Retirement System and, subject to applicable law, may not be reproduced, transmitted or used in whole or in part for any other purpose without the expressed written consent of Franklin Park. Franklin Park requests that investors maintain this information in confidence and that this report is not disclosed to any person other than affiliates, advisers, and accountants, who agree to maintain this information in similar confidence, without the prior written consent of Franklin Park.

Information regarding the Arkansas Teacher Retirement System portfolio, trends and performance returns are based on or derived from information and data provided by third-party sources, including Arkansas Teacher Retirement System's historical records. Franklin Park assumes that such information is accurate and that the sources from which it has been obtained are reliable. For example, the performance figures contained within this report are calculated by Franklin Park based on information provided by the managers of Arkansas Teacher Retirement System's private equity fund investments (General Partners). The General Partners have not verified the performance figures presented by Franklin Park and such figures may differ from those calculated by General Partners or other investors.

Franklin Park presents Net IRR performance as recommended by the CFA Institute. The IRR calculation is a dollar-weighted return measurement, which considers both cash flow timing and amount, and is net of fees, expenses and carried interest. The total portfolio Net IRR presented herein is net of fees, expenses and carried interest paid by underlying private equity fund investments, but is gross of fees and expenses paid to Franklin Park. The IRR is most commonly used for measuring the performance of private equity funds. Until a fund is liquidated, typically over 10 to 12 years, the IRR is only an interim estimated return. An IRR is particularly not meaningful in the first two years of a fund's life given the J-curve effect (see footnote). The actual IRR of any private equity fund investment is not known until final liquidation.

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▫ The J-curve refers to the shape of the curve that illustrates a private equity fund's performance over time. During the initial years of a fund's life, due to fees and expenses, a fund's performance tends to be negative (the bottom of the "J"). Eventually, as portfolio company investments increase in value, fund performance improves and returns move up the "J" shaped curve.

## **INVESTMENT INTRODUCTION**

A.C.A. § 24-2-613

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This investment rule has been prepared within the context of applicable Arkansas laws and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure that both prudence and care are maintained in the execution of the investment program. While safety of principal is given primary consideration, the Board may take appropriate levels of risk to earn higher levels of investment return.

The Board has arrived at this policy through careful study of the rates of return and risks associated with various investment strategies in relation to the current and projected liabilities of the ATRS System. This rule has been chosen as the most appropriate for achieving the financial objectives of the System.

The Board has adopted a long-term investment horizon so that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of the System will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. All transactions undertaken on behalf of the System will be in the sole interest of its members.

The System shall manage those assets not specifically allocated to investment managers. Notwithstanding the provisions of this investment rule, the Board may direct a specific investment activity and shall be fully responsible for any such action.

**Adopted:** October 7, 2003

## **STANDARD OF CARE**

Prudent Investor Rule set forth in A.C.A. §§ 24-2-610-619 as amended by  
Act 151 of 2001

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The standard of care for the Board and Executive Director of the assets of the ATRS System is: When investing and reinvesting trust assets and in acquiring, retaining, managing, and disposing of investments of the trust assets, the reasonable care, skill, and caution exercised by a prudent investor should be used after considering the purposes, terms, distribution requirements, and other circumstances of the trust.

Investment and management decisions respecting individual assets shall be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the trustees reasonably determine that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust.

Investment and management functions may be delegated to an agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, trustees shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the agent's performance and compliance with the terms of the delegation. In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

The standard of care set forth herein shall be applied by each party serving in a fiduciary capacity for the trust.

**Adopted:** October 7, 2003

## **ASSET ALLOCATION**

A.C.A. § 24-2-410

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~~The Board of Trustees is responsible for the prudent investment of funds and to maintain a proper allocation of the System's investment assets. The Board of Trustees, in conjunction with its advisors, shall set and adjust the System's asset allocation ranges as necessary to provide an optimal allocation to obtain its target returns.~~

### **REBALANCING**

~~The asset allocation ranges established by the Board represent the Board's judgment of a portfolio mix that provides the greatest risk/return value. Allowing the portfolio to exceed the Board limits strays from the financial discipline, which the Board believes will—over time—provide the appropriate risk-adjusted return to the Retirement System.~~

~~The Executive Director is responsible to rebalance among the allowable asset classes and individual portfolios at such time that any of the asset classes falls outside of the designated range. The Executive Director will monitor the asset values by classification and for each investment manager on a monthly basis, based on month-end data provided by the custodian bank. The Executive Director shall submit a report to the Board detailing the movement of funds necessary to carry out that rebalancing at the next scheduled meeting following the completion of such transactions.~~

~~Whenever the minimum or maximum range on any major asset class has been exceeded, a transfer of funds will occur so as to bring the actual allocation within the prescribed range. Since many alternative, timberland, and real estate investments are not liquid and valuations may be estimates or appraisals and may be time-lagged, the Executive Director shall use best efforts to use commitments, capital calls, capital contributions, and distributions to rebalance such investments.~~

~~Normal plan cash flows should be used to the extent possible to rebalance. Interest, dividends, and plan contributions should be used to the extent possible to fund asset classes that are below their target. Withdrawals should be made from asset classes that are above their target.~~

**Adopted:** ~~October 7, 2003~~

**Amended:** ~~February 11, 2008~~

## **~~RULE 5-4~~** **~~INVESTMENT GOALS~~**

~~A.C.A. §§ 24-2-610-619~~

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~~The overall goal is to achieve, over a period of years, the greatest rate of return for ATRS by balancing risk at a prudent investor level to grow and preserve capital sufficient to pay benefits to members.~~

~~The Board may adopt or amend by motion or resolution at any board meeting the ATRS investment policies, investment procedures, and investment asset allocation targets consistent with the Board's fiduciary obligations under the prudent investor rule. ATRS sets performance goals that are approved by the Board after considering recommendations by the General Consultant and ATRS staff.~~

~~**Adopted:** October 7, 2003~~

~~**Approved by Board:** October 5, 2015~~

~~**Amended:** February 1, 2016~~

~~**Effective:** February 10, 2016~~

## **~~RULE 5-6~~**

### **~~INVESTMENT CONSULTANTS~~**

~~A.C.A. § 24-7-303 and §§ 24-2-610-619~~

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~~To achieve the overall goal of ATRS as it pertains to investments, one or more investment consultants may be retained by the Board.~~

~~The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board.~~

~~Unless otherwise provided by contract, the investment consultants will:~~

- ~~▪ Assist the board in developing investment policy and making modifications thereto based on broad economic conditions and statutory changes.~~
- ~~▪ Provide general economic information and information on the market environment.~~
- ~~▪ Be responsible for the development and articulation of investment strategy, which will be a topic in quarterly reports to the Board.~~
- ~~▪ Assist the Board and Executive Director in the selection and supervision of investment managers.~~
- ~~▪ Provide recommendations on asset allocation, portfolio structure, retention, or removal of investment managers and various other topics that better equip the Board to make investment decisions for the Retirement System.~~
- ~~▪ Monitor and report periodically to the Board on the performance of the investments, the performance of the investment managers, any material changes within the investment management firms employed by the Board, and such other matters that are called for by this investment policy.~~

~~**Adopted:** October 7, 2003~~

~~**Approved by Board:** October 5, 2015~~

~~**Amended:** February 1, 2016~~

~~**Effective:** February 10, 2016~~

## **~~INVESTMENT MANAGERS~~**

~~A.C.A. § 24-7-303 and §§ 24-2-610-619~~

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~~Investment managers may be employed pursuant to procedures established by the Executive Director with advice from the Investment Consultant and as approved by the Board.~~

~~Investment managers will be given discretion to execute transactions on behalf of the System within the parameters set forth in their respective investment strategies.~~

~~The assets of the System allocated to the investment managers shall be diligently managed, which may include selling investments and realizing losses, if such action is considered advantageous to longer term return maximization.~~

~~Investment managers shall file with the Investment Consultant such reports and information as may be requested, and they may be requested to report in person to the Board.~~

~~**Adopted:** October 7, 2003~~



## **SOFT DOLLARS**

A.C.A. ~~§ 24-7-303 and §§ 24-2-610~~

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~~“Soft dollars” or “soft commissions” include any third-party or broker services an investment manager receives in addition to execution, whether these arrangements are explicit or implicit.~~

~~Commissions paid by investment managers for the purchase of equity securities are ATRS System assets and must be used for the sole benefit of the System members. Whenever possible, investment managers should seek to execute trades at the lowest possible commission rate but not to the detriment of best execution, which can result in a higher cost to the System.~~

~~So that the Board may fulfill its obligation to ensure that System assets are being used appropriately, equity investment managers shall provide a comprehensive quarterly report to the Investment Consultant on brokerage activity, commissions, services, and such other information as may be requested by the Investment Consultant or the Board. The Investment Consultant shall provide a periodic report to the Board summarizing such equity investment managers’ reports and highlighting any questionable or problem areas.~~

~~**Adopted:** October 7, 2003~~

**ATRS Rule 1**  
**Rules of Organization and Operation**

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**§ 1-101. Information for Public Guidance.**

(a)(1) This rule provides general rules for the organization and operation of the Arkansas Teacher Retirement System.

(2) Additional and more specific information on the policies, rules, and regulations of the system may be found under the Administration tab on the system's website at <https://www.artrs.gov/administration>, or obtained by contacting the office of the Executive Director of the Arkansas Teacher Retirement System at 501-682-1517.

(b) The system is located at 1400 West Third Street, Little Rock, AR 72201.

(c) A member of the public may obtain information about the system and make submissions or requests to the system by:

(1) Visiting the system's website ([www.artrs.gov](http://www.artrs.gov));

(2) E-mailing the system at [info@artrs.gov](mailto:info@artrs.gov);

(3) Phoning the system at 501-682-1517; or

(4) Sending a fax to the system at [501-682-2359](tel:501-682-2359).

(d)(1) Visits to the system may be made between the business hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except on holidays.

(2) Appointments are not required, but are encouraged.

(e)(1) The system maintains a list of persons holding certain responsibilities for handling FOIA requests and requests by the public, so that the public may obtain information about the system or make submissions or requests.

(2) This list is available to the public.

(3) The names, mailing addresses, telephone numbers, and electronic addresses can be obtained from the system office or the system's website.

(f) The system's policies, rules and regulations, and official forms may be obtained from the system's office or from the system's website, if operational.

**§ 1-102. Description of the Arkansas Teacher Retirement System.**

(a) The Arkansas Teacher Retirement System is a cost-sharing multiple-employer, defined benefit pension plan established on March 17, 1937, by authority of the Arkansas General Assembly under Arkansas Code § 24-7-101 et seq.

(b) The system is operated as a qualified trust under 26 U.S.C. § 401(a) of the Internal Revenue Code.

(c) The system is a component unit of the State of Arkansas.

(d) The General Assembly is responsible for setting benefits and contributions and amending plan provisions.

(e)(1) Ultimate authority, general administration and responsibility for the proper operation of the system, and for making effective the provisions of Arkansas Code § 24-7-201 et seq. are vested in the fifteen-member Board of Trustees of the Arkansas Teacher Retirement System.

(2) Eleven (11) members are elected and four (4) members serve as ex officio members by virtue of their [positions](#) in state government.

(3) The board appoints the Executive Director of the Arkansas Teacher Retirement System who serves as the chief executive officer of the system.

(f) The board promulgates rules as it deems necessary in the transaction of its business and in administering the system.

(g) For administrative purposes, the Executive Director may organize the system in a manner that he or she determines is most efficient for the operation of the system.

### **§ 1-103. Organization and Operation of the Board of Trustees of the Arkansas Teacher Retirement System.**

(a) The officers of the Board of Trustees of the Arkansas Teacher Retirement System are the chair and vice chair.

(b) The election of officers is held in odd numbered years at the first regular meeting of the board after the beginning of the fiscal year.

(c) The officers perform the duties prescribed by Robert's Rules of Order and the law, rules, and policies applicable to the Arkansas Teacher Retirement System.

(d)(1) The business of the system is conducted in public meeting pursuant to Robert's Rules of Order.

(2) All meetings are conducted in conformity with the Arkansas Freedom of Information Act, § 25-19-101 et seq.

(3) Regular meetings are held at least quarterly.

(4) Special meetings may be held on the call of the chair or as scheduled by action of the board in a regular meeting.

(5) A quorum for the transaction of business is a majority of the number of voting members of the board.

(e)(1) The board may create standing and ad hoc committees the membership of which is determined by the chair.

(2) A quorum for the transaction of committee business is a majority of the number of voting members of the committee.

(f)(1) The Executive Director of the Arkansas Teacher Retirement System prepares the agenda for regular and special meetings of the board.

(2) The agenda is distributed to the board and made available to the public in advance of the meeting.

(3) The agenda may be amended by appropriate motion.

(h)(1) Trustees, members, and other individuals who wish to have a matter placed as additional item on an agenda for a regular meeting of the board should submit a request to the executive director to have the matter placed on the agenda.

(2) The request should be submitted to the executive director before the regular meeting of the board at which the matter will be included as an agenda item.

### **§ 1-104. Rulemaking.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System is authorized by the legislature to promulgate rules.

(b) The Arkansas Teacher Retirement System follows the requirements of the Arkansas Administrative Procedure Act, Arkansas Code § 25-15-201 et seq., and in particular Arkansas Code §§ 25-15-203 and 25-15-204.

(c) The system is required to abide by Arkansas Code §10-3-309, which establishes a method for continuing legislative review and approval of agency rules.

(d)(1) The board or the system's staff may request the initiation of the rulemaking process, which includes adopting a new rule or amending or repealing an existing rule.

(2) Persons outside the system may petition for the issuance, amendment, or repeal of any rule.

(3) However, staff of the system shall not proceed with the rulemaking process for a rule unless the rule is approved by the board.

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**Authority: Arkansas Code § 25-15-201 et seq.**

**History**

<u>Adopted:</u>	<u>December 6, 2005</u>	
<u>Amended:</u>	<u>April 26, 2007</u>	
<u>Adopted by Board:</u>	<u>February 6, 2012</u>	
<u>Amended:</u>	<u>April 18, 2012</u>	
<u>Effective:</u>	<u>May 29, 2012</u>	
<u>Effective:</u>	<u>TBD</u>	<u>Rule 1</u>

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# **~~ATRS RULES OF ORGANIZATION AND OPERATION~~**

~~A.C.A. §§ 25-15-203 and 25-15-703~~

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## **~~I. INFORMATION FOR PUBLIC GUIDANCE~~**

~~The Arkansas Teacher Retirement System (“ATRS”) is located at 1400 West Third Street, Little Rock, AR 72201. Questions about ATRS may be addressed by visiting the ATRS website ([www.artrs.gov](http://www.artrs.gov)), emailing ATRS at [info@artrs.gov](mailto:info@artrs.gov); phoning ATRS at 1-800-666-2877 or 501-682-1517; or sending a fax to ATRS at 1-800-682-2663. Visits may be made to the ATRS office between 8:00 a.m. and 4:30 p.m. Monday through Friday, except on holidays. Appointments are not required but are suggested.~~

~~ATRS makes available a list of persons holding certain responsibilities for handling FOIA requests and requests by the public so that the public may obtain information about ATRS or make submissions or requests. The names, mailing addresses, telephone numbers, and electronic addresses can be obtained from the ATRS office or website.~~

~~The ATRS policies, rules and regulations, and official forms may be obtained from the ATRS office or from the ATRS website.~~

## **~~2. DESCRIPTION OF THE ARKANSAS TEACHER RETIREMENT SYSTEM~~**

~~The Arkansas Teacher Retirement System (“ATRS”) is a cost-sharing multipleemployer, defined benefit pension plan established on March 17, 1937, by authority of the Arkansas General Assembly under Act 266 of 1937 (Ark. Code Ann. § 24-7-101 *et seq.*). ATRS is operated as a “qualified trust” under section 401(a) of the Internal Revenue Code. ATRS is a component unit of the State of Arkansas.~~

~~The General Assembly is responsible for setting benefits and contributions and amending plan provisions.~~

~~Ultimate authority, general administration and responsibility for the proper operation of ATRS, and for making effective the provisions of A.C.A. §§ 24-7-201 *et seq.* are vested in the fifteen-member Board of Trustees. Eleven members are elected, and four members serve as ex officio members by virtue of their elected~~

~~positions in state government. The Board appoints the executive director of ATRS who serves as its chief executive officer.~~

~~The Board of Trustees promulgates rules as it deems necessary from time to time in the transaction of its business and in administering the Arkansas Teacher Retirement System~~

~~For administrative purposes, the agency is comprised of several divisions: Administration, Membership Services, Data Processing, Investments, and Fiscal Affairs.~~

### ~~3. ORGANIZATION AND OPERATION OF THE ATRS BOARD OF TRUSTEES~~

~~The officers of the ATRS Board of Trustees are a chair and vice chair. Election of officers is held in the odd numbered years at the first regular meeting after the beginning of the fiscal year. These officers perform the duties prescribed by applicable law, this rule, and *Robert's Rules of Order*.~~

~~The business of ATRS is conducted in public meeting pursuant to *Robert's Rules of Order*. All meetings are conducted in conformity with the Arkansas Freedom of Information Act. Regular meetings are held at least quarterly. Special meetings may be held on the call of the chair or as scheduled by action of the Board in a regular meeting.~~

~~A quorum for the transaction of business is a majority of the number of voting members of the Board.~~

~~The ATRS Board of Trustees may create standing and ad hoc committees whose membership is determined by the chair of the Board. A quorum for the transaction of committee business is a majority of the number of voting members of the committee.~~

~~The Executive Director prepares the agenda for regular and special meetings. The agenda is distributed to Board members and made available to the public in advance of the meeting. The agenda may be amended by appropriate motion.~~

~~Trustees, members, and other individuals wishing to have additional items considered for the agenda should submit a request to the Executive Director prior to a regularly scheduled meeting.~~

### ~~4. RULEMAKING~~

~~The ATRS Board has been authorized by the Legislature to promulgate rules. ATRS follows the procedural requirements of the Arkansas Administrative Procedure Act, in particular A.C.A. § 25-15-203 and A.C.A. § 25-15-204. Additionally, ATRS is required to abide by the provisions of A.C.A. §10-3-309.~~

~~The process of adopting a new rule or amending or repealing an existing rule (hereinafter referred to as “rulemaking”) may be initiated by request of the Board or the ATRS staff. Additionally, persons outside the agency may petition for the issuance, amendment, or repeal of any rule.~~

~~ATRS will give public notice of proposed rulemaking to be published pursuant to A.C.A. § 25-15-204. The notice will set any written comment period and will specify the time, date, and place of a public hearing, if any.~~

~~Before finalizing language of a proposed new rule or an amendment to, or repeal of, an existing rule, ATRS will receive public input through written comments and/or oral submissions. ATRS will designate in the public notice the format and timing of public comment.~~

~~A public hearing may be held; if so, it will provide affected persons and other members of the public a reasonable opportunity for presentation of evidence, arguments, and oral statements within reasonable conditions and limitations imposed by the agency to avoid duplication, irrelevant comments, unnecessary delay, or disruption of the proceedings.~~

~~Thirty days before the public comment period ends, ATRS will file with the Bureau of Legislative Research the text of the proposed rule or amendment, as well as a financial impact statement and a Bureau of Legislative Research questionnaire as provided by A.C.A. § 10-3-309. In addition, a copy of the public notice, the text of the proposed rule or amendment, and a summary will be filed with the Secretary of State. Also, a copy of the public notice and the text of the proposed rule or amendment will be published on the ATRS website, if available.~~

~~Generally proposed rules or amendments will be reviewed by the appropriate committee of the ATRS Board of Trustees for recommendation prior to submission to the full Board for consideration and final action.~~

~~ATRS will not finalize language of the rule or decide whether to adopt a rule until the period for public comment has expired.~~

~~After the ATRS Board formally adopts a new rule or amends a current rule or repeals an existing rule, and after the rule change has been reviewed by the Legislative Council, ATRS staff will file final copies of the rule with the Secretary of State, the Arkansas State Library, and the Bureau of Legislative Research, or as otherwise provided by A.C.A. § 25-15-204(d).~~

~~Proof of filing a copy of the rule, amendment, or repeal with the Secretary of State, the Arkansas State Library, and the Bureau of Legislative Research will be kept in a file maintained by the Executive Director’s office.~~

Notice of the rule change will be posted on the agency website, if available, and rules will be made available to interested persons.

## **5. EMERGENCY RULEMAKING**

Upon receipt of a written statement requesting emergency rulemaking or other evidence to support an assertion that an emergency exists, ATRS will make an independent judgment whether the circumstances and facts constitute an imminent peril to the public health, safety, or welfare requiring adoption of the rule with fewer than 30 days notice. If it is determined that the circumstances warrant emergency rulemaking, a written determination setting out the reasons for the finding that an emergency exists will be made. Upon making this finding, the ATRS Board may proceed to adopt the rule without any prior notice or hearing, or it may determine to provide an abbreviated notice and hearing.

The emergency rule will be effective immediately upon filing, or at a stated time less than thirty (30) days thereafter, if ATRS finds that this effective date is necessary because of imminent peril to the public health, safety, or welfare. ATRS will file with the rule its written findings justifying the determination that emergency rulemaking is appropriate and, if applicable, the basis for the effective date of the emergency rule being less than ten days after the filing of the rule pursuant to A.C.A. § 25-15-204(e).

## **6. APPEALS**

An ATRS member, beneficiary, survivor, retiree, or employer may request a staff determination letter from an ATRS staff member responsible for staff decisions relating to the member's, beneficiary's, survivor's retiree's or employer's issues. If the member disagrees with the staff determination letter, then the member may seek a review by the executive director using the procedures set forth in Section 13 of the ATRS rules. The executive director's decision upon review may be appealed to the ATRS Board of Trustees using the procedures set forth in Section 13 of the ATRS rules. A description of the appeals process may be obtained by contacting ATRS or from the ATRS website.

**NOTE:** These are general rules for the organization and operation of the system. Additional and more specific information is provided in the Policies, Rules and Regulations of ATRS, which may be found on the ATRS website ([www.arts.gov](http://www.arts.gov) under "Publications") or which may be obtained by contacting the Executive Director's office at 501-682-1517 or 1-800-666-2877).

**Adopted:** \_\_\_\_\_ December 6, 2005

**Amended:** \_\_\_\_\_ April 26, 2007

**Adopted by Board:** February 6, 2012

**Amended:** \_\_\_\_\_ April 18, 2012

**Effective:** \_\_\_\_\_ May 29, 2012



**ATRS Rule 4**  
**Election of Board of Trustees of the Arkansas Teacher Retirement System**

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**§ 4-101. General rules for candidacy and voting in trustee elections – Definitions.**

(a) An undefined term in the rules of the Arkansas Teacher Retirement System shall have the same meaning as provided in Arkansas Code § 24-7-202.

(b) As used in this rule:

(1) “Active member” for the purposes of eligibility for the active member trustee position and voting, means:

(A) An active member as defined in Arkansas Code § 24-7-202; or

(B) A member who:

(i) Participates in T-DROP;

(ii) Is employed by a covered employer; and

(iii) Receives T-DROP plan deposits;

(2) “Administrator” for the purposes of eligibility for the administrator trustee position and voting for an administrator trustee position means a person who has a current administrator’s license and is either:

(A) An employee of a covered employer who is employed in one (1) of the following positions:

(i) Public school superintendent, assistant superintendent, principal, or vice-principal;

(ii) Higher education president, chancellor, or director; or

(iii) Director, president, or vice-president of a community college, vocational or technical school, or educational cooperative; or

(B) An employee who is:

(i) An employee of an education-related agency participating in the system;

(ii) An active member of the system through his or her employment with the education-related agency; and

(iii) Employed in a GS13 grade position, its equivalent, or above;

(3) “Licensure” for the purposes of eligibility for the licensed trustee position or voting for the licensed trustee position means a person who is not an administrator and is employed either in:

(A) A position requiring a state teaching license; or

(B) An education institution GS09-GS12 grade position of its equivalent;

and:

(4) “Nonlicensed” for the purposes of eligibility for the nonlicensed trustee position and voting for the nonlicensed trustee position means a person who is:

(A) Employed in a position with a covered employer that does not require a state teaching license;

(B) Employed in a position with an education-related agency in a position that:

(i) Does not require a state teaching license; and

(ii) Is no higher than a GS08 grade position or its equivalent; and

(C) Not an administrator as that term is defined in Arkansas Code § 24-7-202 and this rule.

**§ 4-102. Membership and Authority of the Board of Trustees of the Arkansas Teacher Retirement System.**

(a) The general administration and proper operation of the Arkansas Teacher Retirement System is vested in the Board of Trustees of the Arkansas Teacher Retirement System. The board shall consist of eleven (11) elected members and four (4) ex officio members.

(b) In accordance with Arkansas Code § 24-7-301, the board shall adopt rules and regulations for the election of a trustee and a vacancy on the board.

**§ 4-103. Candidacy and voting in trustee elections — Generally.**

(a) A candidate who is employed in more than one (1) position with a covered employer shall have his or her eligibility determined based on his or her primary position for which he or she receives the greater percentage of covered salary.

(b)(1) Only members of the Arkansas Teacher Retirement System shall vote in a trustee election.

(2) Guardians, attorneys-in-fact, or others shall not vote on behalf of a member.

(c)(1) An employee of the system shall not be elected or appointed to the board.

(3) An employee of the system shall not be a candidate for election or appointment to the board.

**§ 4-104. Qualifications and voter eligibility for elected trustee positions — Active Member Trustee Positions one through four.**

(a) The Arkansas congressional district boundaries as defined on the first day of the fiscal year in which an election for an active member trustee position occurs shall be used to determine:

(1) Whether a person is qualified to become a candidate for an active member trustee position; and

(2) The eligibility of a member to vote in an election for an active member trustee position.

(b) There shall be four (4) active member trustees each of whom shall represent one (1) of the four (4) congressional districts in Arkansas.

(c) A person is qualified to become a candidate for an active member trustee position if the person is:

(1) An active member with at least five (5) years of actual service credit in the Arkansas Teacher Retirement System;

(2) Employed by a covered employer located in the congressional district for which he or she is seeking election; and

(3) Employed in a position requiring state teaching licensure or the equivalent under this rule.

(d) A member is eligible to vote in an election for an active member trustee if the member is:

(1) An active member, regardless of credited service;

(2) Employed by a covered employer located in the congressional district for which the active member trustee election is being held; and

(3) Otherwise eligible to be a candidate under this rule.

**§ 4-105. Qualifications and voter eligibility for elected trustee positions — Active Administrator Trustee Positions five through six.**

(a) There shall be two (2) active member trustees each of whom shall be employed as an administrator as defined in this rule.

(b) A person is qualified to become a candidate for an active administrator trustee position if the person is:

(1) An active member with at least five (5) years of actual service credit in the Arkansas Teacher Retirement System; and

(2)(A) Employed in a position requiring an administrator's license.

(B)(i) As provided in Arkansas Code § 24-7-301, at least one (1) of the administrators serving as an active administrator trustee shall be employed by a covered employer as a school superintendent or educational cooperative director;

(ii) If there is an open administrator active member trustee position and the other filled administrator active member trustee position is held by a person who is not a superintendent or an educational cooperative director, a candidate for the open administrator active member trustee position shall be a superintendent or an educational cooperative director and the notice of election shall state that a candidate for the open administrator active member trustee position is required to be a superintendent or an educational cooperative director.

(c) A member is eligible to vote in an election for an active administrator trustee position if the member is:

(1) An active member, regardless of the amount of credited service that the member has in the system; and

(2) Employed as a licensed administrator in a position requiring and administrator's license.

**§ 4-106. Qualifications and voter eligibility for elected trustee positions — Nonlicensed trustee position seven.**

(a) A person is qualified to become a candidate for the nonlicensed trustee position if the person is:

(1) An active member with at least five (5) years of actual service credit in the Arkansas Teacher Retirement System; and

(2) Employed in a position that does not require state licensure.

(b) A member is eligible to vote in an election for the nonlicensed trustee position if the member is:

(1) An active member, regardless of the amount of credited service that the member has in the system; and

(2) Employed by a covered employer in a nonlicensed position.

**§ 4-107. Qualifications and voter eligibility for elected trustee positions — Minority trustee position eight.**

(a) There shall be one (1) member trustee of a minority racial ethnic group.

(b) A person is qualified to become a candidate for the minority trustee position if the person is a member of a minority racial or ethnic group and either a retired member or an

active member with at least five (5) years of actual service credit in the Arkansas Teacher Retirement System.

(c) A member is eligible to vote in an election for the minority trustee position if the member is a retired member or an active member, regardless of the amount of credited service that the member has in the system.

**§ 4-108. Qualifications and voter eligibility for elected trustee positions — At-large retired member trustee positions nine through eleven.**

(a) There shall be three (3) retired member trustees who shall be retirees as defined by Arkansas Code § 24-7-202.

(b) A person is qualified to become a candidate for a retired member trustee position if the person is a retiree and a resident of the State of Arkansas.

(c) A member is eligible to vote in an election for a retired member trustee position if the member is a retiree, regardless of his or her present employment status or residency.

**§ 4-109. Elected trustee nominations — Scheduling and notice of election.**

(a) The Arkansas Teacher Retirement System may publish electronically any public notice required by this rule.

(b)(1) During December in a year in which an elected trustee position is subject to a regular or special election, the Arkansas Teacher Retirement System shall publish public notice of the upcoming trustee position election in a statewide newspaper for at least five (5) consecutive days.

(2) The notice will also be sent to each person or group that requests notice of a trustee vacancy.

(3) The notice shall also be posted on the system's website from December until the closing of the nomination period.

**§ 4-110. Elected trustee nominations — Candidate petitions and verification of member signatures.**

(a)(1) For all elected positions, a candidate must submit a petition signed legibly by at least twenty-five (25) system members who are eligible to vote for the trustee position for which the member is seeking nomination.

(2) The petition shall include the last four (4) digits of each signatory's Social Security number for verification of the member's eligibility to vote for the position.

(3)(A) The original petitions shall be submitted to the Executive Director of the Arkansas Teacher Retirement System no later than January 10.

(B) Actual delivery shall be made by January 10, regardless of postmark date or other methods used to attempt delivery.

(C) Upon receipt of a petition, the Arkansas Teacher Retirement System shall confirm receipt of the petition and verify the eligibility of the candidate for the trustee position.

(D) The system shall verify the signature of each member who signs the petition as an eligible voter.

(b) The system shall:

(1) Notify each candidate who submits a petition of whether or not his or her petition has been accepted; and

(2) Provide each candidate who submits a petition with a list of other candidates who were certified to participate in the election for the trustee position for which the candidate sought nomination.

**§ 4-111. Elected trustee nominations — Ballots.**

(a) Before ballots are mailed, the Arkansas Teacher Retirement System or its designee shall conduct a random drawing for ballot positions.

(b) At least two (2) independent witnesses shall witness and certify the drawing of the ballot positions.

(c) The system shall notify each candidate who was certified to participate in election for the trustee position of the order in which the candidate will be listed on the ballot.

**§ 4-112. Elected trustee nominations — Campaign materials.**

(a) Upon request of a candidate who is certified to participate in the election for the trustee position, the Arkansas Teacher Retirement System shall provide a list of mailing addresses of all eligible voters for the distribution of a candidate's campaign materials.

(b) The candidate's message shall not contain information that:

(1) Would constitute defamation of another candidate; or

(2) Claims or appears to claim the endorsement of the system or the Board of the Arkansas Teacher Retirement System.

(c) Campaign materials shall be mailed by the election vendor from the election vendor's place of business.

(d) All postage for campaign materials shall be paid for by the candidate distributing the campaign materials.

**§ 4-113. Trustee elections.**

(a) The Arkansas Teacher Retirement System shall employ an independent election vendor to conduct the trustee elections.

(b)(1) The system shall publish ballots and submit the published ballots to the election vendor to be mailed by March 15 to the address of record of each member who is eligible to vote in the election.

(2)(A) A completed ballot shall be counted if it is received by the election vendor on or before April 15, regardless of postmark date or other methods used to attempt delivery.

(B) Only ballots that are correctly completed shall be counted.

(c) If any position receives only one (1) nomination and the position is uncontested, the Board of Trustees of the Arkansas Teacher Retirement System, at its next regular or special meeting, may certify the nomination and declare the candidate duly elected as a trustee before the trustee's term begins.

(d) The election vendor shall certify the results for positions not subject to a runoff election to the system by April 20.

(e)(1) A run-off election shall be held between the two (2) candidates who receive the highest number of votes for a trustee position if:

(A) The election vendor certifies the outcome of the trustee election; and

(B) A single candidate does not receive at least fifty percent (50%) of the votes cast by eligible voters.

(2) The election vendor shall mail run-off ballots to each member who is eligible to vote in the election on or before May 1.

(3) Completed ballots for a run-off election that are received by the election vendor after June 1 shall not be counted.

(4) The election vendor shall certify the results of a run-off election to the system by June 5.

(f)(1) A candidate included on a ballot may challenge to the election vendor's certified results for an elected trustee position by submitting a written challenge to the Executive Director of the Arkansas Teacher Retirement System within five (5) calendar days of the date on which the election results are certified by the election vendor.

(2)(A) A written challenge to the election vendor's certified results for an election shall not be considered if it is submitted more than (5) calendar days after the date on which the election results are certified to the system by the election vendor.

(B) After a written challenge to a certified election result is received by the system, the board shall hold a special meeting to consider the challenge.

(C) The Executive Director of the Arkansas Teacher Retirement System shall issue a recommendation to the board along with the administrative record concerning the certified election results of the position being challenged.

(3) If a candidate challenges the election results, the election process shall be suspended for the same number of days that the resolution of the challenge requires and the remaining election schedule shall be adjusted accordingly.

(g) Upon completion of an election, all elected trustee terms, except for special elections, shall begin on July 1 following the election.

(h) For any fixed date in the election schedule that falls on a holiday or a weekend, the official date shall become the next business day.

#### **§ 4-114. Unexpired terms of elected trustees.**

(a) The Arkansas Teacher Retirement System staff shall notify the Board of Trustees of the Arkansas Teacher Retirement System of a resignation or vacancy by other cause in a trustee position as soon as possible after staff has knowledge of the resignation or vacancy.

(b) The board shall take appropriate action authorized by law to fill the vacancy.

(c)(1) The board by majority vote may appoint a trustee until the next system election.

(2) The appointment of a trustee shall be effective as of the date on which the trustee is appointed by the board.

(d)(1) A special election to fill a trustee position caused by resignation or vacancy by other cause shall be scheduled and held if the board by majority vote determines that the vacancy should be filled by a special election.

(2) If an elected trustee position is declared vacant by the board and the board determines that the vacancy should be filled by a special election, the system shall:

(A) Publish notice that a special election will be held; and

(B)(i) Announce the schedule for the special election.

(ii) The schedule for the special election shall include the following:

(a) The date the vacancy occurred and position being vacated;

(b) The time period for circulating petitions for nominating

signatures;

- (c) The deadline for filing petitions with the system;
- (d) The date the system will verify the validity of petitions;
- (e) The date ballots will be sent to eligible voters;
- (f) The election date; and
- (g) The date the term shall begin.

(3) The system may publish public notices related to a special election in accordance with the rules governing a regular election of the system.

#### **§ 4-115. Elected and appointed trustee terms.**

(a)(1) The term of office of each elected trustee shall be six (6) years unless the trustee is elected in a special election.

(2) Each trustee shall continue to serve as trustee until the expiration of his or her term unless he or she resigns or is otherwise ineligible to continue serving as a trustee under this rule.

(3) In a year in which a six-year term of a trustee expires, the trustee position shall be filled under the regular election schedule provided in this rule.

(b) A trustee who is elected in a special election shall serve for the remainder of the six-year term of the vacating trustee.

(c)(1) A trustee who is appointed to the Board of Trustees of the Arkansas Teacher Retirement System shall serve until the next election of the Arkansas Teacher Retirement System that is held to fill the trustee position to which the trustee was appointed.

(2) The term of office of the person who is elected to fill the trustee position to which a trustee was appointed shall be six (6) years.

#### **§ 4-116. Elected trustee vacancies.**

(a) An active member trustee shall be ineligible to serve if he or she:

(1) Becomes inactive;

(2) Retires; or

(3) Changes his or her employment category during his or her term of office and the employment category is a requirement of the trustee position.

(b) A retiree member trustee shall be ineligible to serve after becoming an active member.

(c)(1) A trustee vacancy may occur if a trustee is absent from meetings.

(2) The Board of the Arkansas Teacher Retirement System or its designee shall notify the trustee after the trustee's second consecutive absence.

(3) The board by resolution shall vote to declare a position vacant if:

(A)(i) A trustee has three (3) consecutive unexcused absences from regular meetings of the board.

(ii) An absence that is excused by a majority of the members of the board shall not be counted towards a vacancy.

(iii) Attendance on either day of a two-day meeting of the board is sufficient to meet the attendance requirement for the two-day meeting of the board;

(B) A trustee becomes ineligible to serve on the board due to a change in status under Arkansas Code § 24-7-302 that results in the trustee being absent from three

(3) consecutive regular meetings of the board before the expiration of the trustee's term;  
or

(C) A trustee resigns or dies.

(d)(1) If the board by resolution declares a vacancy as provided under this rule, the board may vote to hold a special election to fill an unexpired term using the board's procedures to fill unexpired terms for elected trustees.

(2) If the board does not declare a vacancy by resolution under this rule, the vacancy shall be filled during the next regular system election held after the expiration of the vacating trustee's term.

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**Authority: Arkansas Code §§ 24-7-301, 24-7-302, and 24-7-305**

**History**

<u>Approved:</u>	<u>May 10, 2000</u>	<u>4-2</u>
<u>Amended:</u>	<u>April 26, 2007</u>	<u>4-1</u>
	<u>February 11, 2008</u>	<u>4-1,4-2</u>
	<u>December 18, 2009</u>	<u>4-1,4-2</u>
	<u>July 1, 2011</u>	<u>4-2 (Emergency)</u>
<u>Adopted:</u>	<u>August 8, 2011</u>	<u>4-2</u>
<u>Effective:</u>	<u>November 11, 2011</u>	<u>4-2</u>
<u>Approved by Board:</u>	<u>October 5, 2015</u>	<u>4-1</u>
<u>Amended:</u>	<u>February 1, 2016</u>	<u>4-1</u>
<u>Effective:</u>	<u>February 10, 2016</u>	<u>4-1</u>
<u>Effective:</u>	<u>August 5, 2019</u>	<u>Rule 4</u>
<u>Effective:</u>	<u>May 20, 2022</u>	<u>Rule4</u>
<u>Effective:</u>	<u>TBD</u>	<u>Rule 4</u>



**ATRS RULE 4**  
**ELECTION OF BOARD OF TRUSTEES**  
Arkansas Code §§ 24-7-301, 24-7-302, and 24-7-305

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**I. Definitions<sup>4</sup>**

a. ~~“Active member” for the purposes of eligibility for an active member trustee position and voting for an active member trustee position means:~~

1. ~~An active member as defined in Arkansas Code § 24-7-202; or~~

2. ~~A member who:~~

A. ~~Participates in the Teacher Deferred Retirement Option Plan (T-DROP);~~

B. ~~Is employed by a covered employer; and~~

C. ~~Receives T-DROP plan deposits;~~

b. ~~“Administrator” for the purposes of eligibility for an administrator trustee position and voting for an administrator trustee position means a person who:~~

1. ~~Has a current administrator’s license; and~~

2. ~~Is either:~~

A. ~~An employee of a covered employer who is employed in one (1) of the following positions:~~

i. ~~Public school superintendent, assistant superintendent, principal, or vice-principal;~~

ii. ~~Higher education president, chancellor, or director; or~~

iii. ~~Director, president, or vice president of a community college, vocational or technical school, or educational cooperative; or B. A~~

~~classified or unclassified employee who is:~~

i. ~~An employee of an education-related agency that participates in ATRS; and ii. Employed in a GS13 grade position, its equivalent, or above.~~

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<sup>4</sup> A term that is not defined in these ATRS Rules shall have the same meaning as provided in Arkansas Code § 247-202.

- c. ~~“Licensure” for the purposes of eligibility for a licensed trustee position or voting for a licensed trustee position means a person who is:~~
  - 1. ~~Not an administrator; and~~
  - 2. ~~Either employed in:~~
    - A. ~~A position requiring state teaching licensure; or~~
    - B. ~~An education institution GS09-GS12 grade position or its equivalent; and~~
- d. ~~“Nonlicensed” for the purposes of eligibility for a nonlicensed trustee position and voting for a nonlicensed trustee position means a person who is:~~
  - 1. ~~Employed in a position with a covered employer that does not require state teaching licensure;~~
  - 2. ~~Employed in a position with an education-related agency in a position that:~~
    - A. ~~Does not require state teaching licensure; and~~
    - B. ~~Is no higher than a GS08 grade position or its equivalent; and~~
  - 3. ~~Not an administrator as that term is defined in Arkansas Code § 24-7-202 and this ATRS Rule 4.~~

**II. ~~Board of Trustees of the Arkansas Teacher Retirement System~~**

- a. ~~The general administration and proper operation of the Arkansas Teacher Retirement System (ATRS) is vested in the Board of Trustees of the Arkansas Teacher Retirement System (Board).~~
- b. ~~The Board shall consist of eleven (11) elected members and four (4) ex officio members.~~
- c. ~~Pursuant to Arkansas Code § 24-7-301, the Board shall adopt rules and regulations regarding the election of a trustee and a vacancy on the Board.~~

**III. ~~Candidacy and Voting in Trustee Elections — Generally~~**

- a. ~~Candidates~~
  - 1. ~~If a candidate for a trustee position on the Board is employed in more than one (1) position with a covered employer, the candidate’s eligibility shall be determined based on the candidate’s primary position for which the candidate receives the greater percentage of covered salary.~~
- b. ~~Eligibility to Vote~~
  - 1. ~~Only members of ATRS shall vote in a trustee election.~~

- ~~2. Guardians, attorneys-in-fact, or others shall not vote on behalf of a member.~~
- ~~3. An employee working for ATRS is ineligible to be:
  - ~~A. Elected to the Board;~~
  - ~~B. Appointed to the Board; or~~
  - ~~C. A candidate for election or appointment to the Board.~~~~

#### ~~IV. Qualifications and Voter Eligibility for Elected Trustee Positions~~

##### ~~a. Active Member Trustee Positions 1-4 — Congressional Districts~~

###### ~~1. Generally~~

- ~~A. The Arkansas congressional district boundaries as defined on the first day of the fiscal year in which an election for an active member trustee position occurs shall be used to determine:
  - ~~i. Whether a person is qualified to become a candidate for an active member trustee position; and~~
  - ~~ii. The eligibility of a member to vote in an election for active member trustee position.~~~~
- ~~B. There shall be four (4) active member trustees.~~
- ~~C. Each active member trustee shall represent one (1) of the four (4) congressional districts in Arkansas.~~

###### ~~2. Qualifications for Candidacy~~

- ~~A. A person is qualified to become a candidate for active member trustee positions 1-4 if he or she is:
  - ~~i. An active member with a minimum of five (5) years of actual service;~~
  - ~~ii. Employed by a covered employer located in the congressional district for which he or she is seeking election; and~~
  - ~~iii. Employed in a position requiring state teaching licensure or the equivalent under this ATRS Rule 4.~~~~

###### ~~3. Eligibility to Vote~~

- ~~A. A member is eligible to vote in an election for active member trustee positions 1-4 if he or she is:
  - ~~i. An active member, regardless of credited service;~~
  - ~~ii. Employed by a covered employer located in the respective congressional districts; and~~~~

~~iii. Otherwise eligible to be a candidate under this ATRS Rule 4.~~

~~b. Active Administrator Trustee Positions 5-6~~

~~1. Generally~~

~~A. There shall be two (2) active member trustee each of whom shall be employed as an administrator as defined in this ATRS Rule 4.~~

~~2. Qualifications for Candidacy~~

~~A. A person is qualified to become a candidate for active administrator trustee positions 5-6 if he or she is:~~

~~i. An active member with a minimum of five (5) years of actual service; and~~

~~ii. Employed in a position requiring an administrator's license.~~

~~a. Pursuant to Arkansas § 24-7-301, at least one (1) of the administrators serving as an active administrator trustee shall be employed by a covered employer as a school superintendent or an educational cooperative director.~~

~~b. If there is an open administrator active member trustee position and the other administrator active member trustee position is held by a person who is not a superintendent or an educational cooperative director, a candidate for the open administrator active member trustee position shall be a superintendent or an educational cooperative director and the notice of election shall state that a candidate for the open administrator active member trustee position is required to be a superintendent or an educational cooperative director.~~

~~3. Eligibility to Vote~~

~~A. A member is eligible to vote in an election for administrator active member trustee positions 5-6 if he or she is:~~

~~i. An active member, regardless of credited service; and~~

~~ii. Employed as a licensed administrator in a position requiring an administrator's license~~

~~c. Nonlicensed Trustee Position 7~~

~~1. Qualifications for Candidacy~~

~~A. A person is qualified to become a candidate for nonlicensed trustee position 7 if he or she is:~~

- ~~i. An active member with a minimum of five (5) years of actual service; and~~
- ~~ii. Employed in a position not requiring state licensure.~~

~~2. Eligibility to Vote~~

~~A. A member is eligible to vote in an election for nonlicensed trustee position 7 if he or she is:~~

- ~~i. An active member, regardless of credited service; and~~
- ~~ii. Employed by a covered employer in a nonlicensed position.~~

~~d. Minority Trustee Position 8~~

~~1. Generally~~

~~A. There shall be one (1) member trustee of a minority racial ethnic group.~~

~~2. Qualifications for Candidacy~~

~~A. A person is qualified to become a candidate for minority trustee position 8~~

~~if he or she is:~~

- ~~i. An active or retiree member with a minimum of five (5) years of actual service; and~~
- ~~ii. A member of a minority racial or ethnic group.~~

~~3. Eligibility to Vote~~

~~A. A member is eligible to vote in an election for minority trustee position 8 if he or she is:~~

- ~~i. An active member, regardless of credited service; or~~
- ~~ii. Retiree.~~

~~e. Retired Member Trustee (At-Large) Positions 9-11~~

~~1. Generally~~

~~A. There shall be three (3) retired member trustees who shall be retirees as defined under Arkansas Code § 24-7-202.~~

~~2. Qualifications for Candidacy~~

~~A. A person is qualified to become a candidate for retired member trustee positions 9-11 if he or she is a:~~

- ~~i. Retiree; and~~
- ~~ii. Resident of the State of Arkansas.~~

~~3. Eligibility to Vote~~

~~A. A retiree, regardless of present employment status or residency is eligible to vote in an election for retired member trustee positions 9-11.~~

## ~~V. Rules on Elected Trustee Nominations~~

### ~~a. Scheduling and Notice of Regular Election~~

- ~~1. ATRS may publish electronically a public notice required by this ATRS Rule 4.~~
- ~~2. During December in a year in which an elected trustee position is subject to election or a special election is required to fill a vacancy, ATRS shall publish public notice of an upcoming trustee position election in a statewide newspaper for at least five (5) consecutive days.~~
- ~~3. The notice shall be sent to each person of group that requests notice of a trustee vacancy.~~
- ~~4. The notice shall be posted on ATRS' website from December until the closing of the nomination period.~~

### ~~b. Candidate Petitions and Verification of Member Signatures~~

- ~~1. For all elected positions, a candidate shall submit a petition signed legibly by at least twenty five (25) ATRS members who are eligible to vote for the trustee position for which the candidate is seeking nomination.~~
- ~~2. The petition shall include the last four (4) digits of each signatory's Social Security number for verification of the member's eligibility to vote for the position.~~
- ~~3. The original petitions for nomination shall be submitted to the ATRS Executive Director no later than January 10.~~
- ~~4. Actual delivery of the original petitions for nomination shall be made by January 10, regardless of postmark date or other methods to attempt delivery.~~
- ~~5. Upon receipt of a petition, ATRS shall confirm receipt of the petition and shall verify the eligibility of the candidate for the trustee position under Arkansas Code § 24-7-301.~~
- ~~6. ATRS shall verify each signature of each member who signs the petition as an eligible voter.~~
- ~~7. ATRS shall:~~
  - ~~a. Notify each candidate who submits a petition for nomination if his or her petition is accepted; and~~
  - ~~b. Provide the candidate with a list of other members who were certified to participate in the election for the trustee position for which the nomination is sought.~~

~~c. Ballots~~

- ~~1. ATRS or its designee shall conduct a random drawing for a ballot position before ballots are mailed.~~
- ~~2. At least two (2) independent witnesses shall be present to certify the drawing of the ballot position.~~
- ~~3. ATRS shall notify each candidate of the order in which the candidate will be listed on the ballot.~~

~~d. Campaign Materials~~

- ~~1. A candidate's message shall not include information that:
  - ~~A. Would constitute defamation of another candidate; or~~
  - ~~B. Claims or appears to claim the endorsement of ATRS or the Board.~~~~
- ~~2. At the request of a candidate, ATRS shall provide a list of the mailing addresses of each eligible voter to the election vendor for the distribution of the candidate's campaign materials.~~
- ~~3. Campaign materials shall be mailed by the election vendor from the election vendor's place of business.~~
- ~~4. All postage for campaign materials shall be paid for by the candidate distributing the campaign materials.~~

**~~VI Rules on Trustee Elections~~**

~~a. Election Vendor~~

- ~~1. ATRS shall employ an independent election vendor to conduct the trustee elections.~~

~~b. Ballots~~

- ~~1. ATRS shall publish ballots and submit the published ballots to the election vendor by March 15 for mailing to the address of record for each member who is eligible to vote in the election.~~
- ~~2. A completed ballot shall be counted if it is received by the election vendor on or before April 15.~~
- ~~3. The election vendor shall count only ballots that are correctly completed.~~

~~c. Uncontested Elections~~

- ~~1. If any position receives only one (1) nomination and the position is uncontested, the Board at its next regular or special meeting may certify the~~

~~nomination and declare the candidate duly elected as a trustee before the trustee's term begins.~~

~~d. Run-off Elections~~

- ~~1. The election vendor shall certify to ATRS, by April 20, the election results for a position that is not subject to a run-off election.~~
- ~~2. A run-off election shall be held between the two (2) candidates who receive the highest number of votes for a trustee position if:
  - ~~A. The election vendor certifies the outcome of the trustee election; and~~
  - ~~B. A single candidate does not receive at least fifty percent (50%) of the votes cast by eligible voters.~~~~
- ~~3. The election vendor shall mail run-off ballots to each member who is eligible to vote in the election on or before May 1.~~
- ~~4. Completed ballots for a run-off election that are received by the election vendor after June 1 shall not be counted.~~
- ~~5. The election vendor shall certify the results of a run-off election to ATRS by June 5~~

~~e. Election Result Challenge~~

- ~~1. A candidate who is included on the ballot may challenge the election vendor's certified results for an elected trustee position by submitting a written challenge to the ATRS Executive Director within five (5) calendar days of the date on which the election results are certified by the election vendor.~~
- ~~2. A written challenge to the election vendor's certified results for an election shall not be considered if it is submitted more than (5) calendar days after the date on which the election results are certified by the election vendor.~~
- ~~3. If a candidate challenges the election results, the election process shall be suspended for the same number of days that the resolution of the challenge requires, and the remaining election schedule shall be adjusted accordingly.~~
- ~~4. After a written challenge to a certified election result is received by ATRS, the Board shall hold a special meeting to consider the challenge.~~
- ~~5. The ATRS Executive Director shall issue an ATRS recommendation to the Board along with the administrative record relating to the certified election results of the position being challenged.~~

~~f. Election Schedule — Official Dates~~



1. ~~For any fixed date in the election schedule that falls on a holiday or a weekend, the official date shall become the next business day.~~

~~g. Beginning of Elected Trustee Terms~~

1. ~~Upon completion of an election, all elected trustee terms, except for special elections, shall begin on July 1 following the election.~~

**~~VII. Board Procedures to Fill Unexpired Terms for Elected Trustees~~**

~~a. Notice~~

~~ATRS staff shall notify the Board of a resignation or vacancy by other cause in a trustee position as soon as possible after ATRS staff has knowledge of the resignation or vacancy by other cause.~~

~~b. Board Action Upon Receiving Vacancy Notice~~

1. ~~The Board shall take appropriate action authorized by law to fill the vacancy.~~
2. ~~The Board, by majority vote, may appoint a trustee until the next ATRS election.~~

~~c. Scheduling and Notice of Special Election~~

1. ~~A special election to fill a trustee position caused by resignation or vacancy by other cause shall be scheduled and held if the Board, by majority vote, determines that the vacancy should be filled by a special election.~~
2. ~~If an elected trustee position is declared vacant by the Board and the Board determines that the vacancy should be filled by a special election, ATRS shall:~~
  - A. ~~Publish notice that a special election shall be held; and~~
  - B. ~~Announce the schedule for the special election.~~
3. ~~The schedule for the special election shall include the following:~~
  - A. ~~The date the vacancy occurred and position being vacated;~~
  - B. ~~The time period for circulating petitions for nominating signatures;~~
  - C. ~~The deadline for filing petitions with ATRS;~~
  - D. ~~The date ATRS will verify the validity of petitions;~~
  - E. ~~The date ballots will be sent to eligible voters;~~
  - F. ~~The election date; and~~
  - G. ~~The date the term shall begin.~~

4. ~~ATRS may follow or use as a guideline the rules concerning the publishing of public notice in this ATRS Rule 4 VII for publishing notice during a special election.~~

#### ~~VIII. Term of Elected Trustee Office and Vacancies~~

##### ~~a. Duration of Term~~

1. ~~The term of office of each elected trustee shall be six (6) years unless the trustee is elected in a special election.~~
2. ~~A trustee who is elected in a special election shall serve for the remainder of the six-year term of the vacating trustee.~~
3. ~~A trustee who is appointed to the Board shall serve until the next system election that is held to fill the trustee position to which the trustee was appointed.~~
4. ~~Each trustee shall continue to serve as trustee until his or her term expires unless he or she resigns or is otherwise ineligible under this ATRS Rule 4.~~
5. ~~In a year in which a six-year term of a trustee expires, the position shall be filled under the regular election schedule in this rule.~~

#### ~~IX. Rules on Elected Trustee Vacancies~~

##### ~~a. Ineligibility of Active Member Trustee~~

1. ~~An active member trustee shall be ineligible to serve if he or she:~~
  - A. ~~Becomes inactive;~~
  - B. ~~Retires; or~~
  - C. ~~Changes his or her employment category during his or her term of office and the employment category is a requirement of the trustee position.~~

##### ~~b. Ineligibility of Retiree Member Trustee~~

1. ~~A retiree member trustee shall be ineligible to serve after becoming an active member.~~

##### ~~d. Trustee Absence from Board Meetings~~

1. ~~A trustee vacancy may occur if a trustee is absent from meetings.~~
2. ~~The Board or its designee shall notify the trustee after the trustee's second consecutive absence.~~
3. ~~The Board shall vote to declare, by resolution, a position vacant if:~~
  - A. ~~A trustee has three (3) consecutive unexcused absences from regular meetings of the Board.~~

- i. ~~An absence that is excused by a majority of the members of the Board shall not be counted towards a vacancy.~~
    - ii. ~~Attendance on either day of a two-day meeting of the Board is sufficient to meet the attendance requirement for the two-day meeting of the Board;~~
  - B. ~~A trustee becomes ineligible to serve on the Board due to a change in status under Arkansas Code § 24-7-302 that results in the trustee being absent from three (3) consecutive regular meetings of the Board before the expiration of the trustee's term; or C. A trustee resigns or dies.~~
- 4. ~~If the Board declares a vacancy by resolution as provided under this ATRS Rule 4 IX, the Board may vote to hold a special election to fill an unexpired term using the Board's procedures to fill unexpired terms for elected trustees.~~
- 5. ~~If the Board does not certify a vacancy by resolution under this ATRS Rule 4 IX, the vacancy shall be filled, using approved election procedures for the position, during the next annual ATRS election held after the expiration of the elected trustee's term.~~

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**HISTORY**

Approved:	May 10, 2000	4-2
Amended:	April 26, 2007	4-1
	February 11, 2008	4-1, 4-2
	December 18, 2009	4-1, 4-2
	July 1, 2011	4-2 (Emergency)
Adopted:	August 8, 2011	4-2
Effective:	November 11, 2011	4-2
Approved by Board:	October 5, 2015	4-1
Amended:	February 1, 2016	4-1
Effective:	February 10, 2016	4-1
Effective:	August 5, 2019-May	Rule 4
Effective:	20, 2022	Rule 4



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**Public Comments**

**Proposed Rule 6 – Membership and Employer Participation**

**1. Page 5, § 6-108(c)(2).**

- a. **ATRS Staff Comment:** Should § 6-108(c)(2) read “**A new employee of a PSHE**” instead of “**An employee of a PSHE employer**”?
- b. **Response:** Yes. This recommend change aligns with Ark. Code Ann. § 24-7-1605(a)(2). The rule has been amended.

**2. Page 9, § 6-116(b)(3).**

- a. **BLR Comment:** In this section, which concerns member contracts for contributory election, is there a meaningful difference between the terms “prorate” and “adjust”, with respect to determining the number of contracted days a member is credited for?
- b. **Response:** Yes. “Adjust” will allow ATRS to appropriately change the number of contracted days used to determine contributory or noncontributory status without being limited to only using a proration method. No changes to the rule have been made based on this comment.

**ATRS RULE 6**  
**MEMBERSHIP AND EMPLOYER PARTICIPATION**

~~Arkansas Code §§ 24-2-202, 24-2-401 — 24-2-408, 24-7-202, 24-7-406,  
24-7-501, 24-7-502, and 24-7-1601 — 24-7-1607~~

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**I. Definitions**

- a. ~~"Administrator" means:~~
1. ~~An employee of a covered employer in one (1) of the following positions:~~
    - A. ~~Public school superintendent, assistant superintendent, principal, or vice principal;~~
    - B. ~~A higher education president, chancellor, or director;~~
    - C. ~~A community college, vocational or technical school, or educational cooperative director, president, or vice president; or~~
  2. ~~An employee of an education-related agency participating in the Arkansas Teacher Retirement System (ATRS) who is an active member employed in a GS13 grade position, its equivalent, or above;~~
- b. ~~"Contributory service" means service on which a member makes or made member contributions to ATRS;~~
- c. ~~"Contributory election" means a member's written election to make member contributions to ATRS;~~
- d. ~~"Noncontributory service" means service on which a member does not make member contributions to ATRS and for which the member accepts a reduced retirement annuity for the member's years of noncontributory service;~~
- e. ~~"Nonteacher" means a member who is not a teacher or administrator;~~
- f. ~~"Organization" means:~~
1. ~~A private entity that:~~
    - A. ~~Provides services for a public school district; and~~
    - B. ~~Has employees who were previously employed by the public school district and members of ATRS; or~~
  2. ~~An educational nonprofit corporation licensed and regulated by the Division of Developmental Disabilities Services of the Department of Human Services;~~
- g. ~~"Preceding System" means a previous reciprocal retirement system of record;~~
- h. ~~"Post-secondary higher education plan" or "PSHE plan" means a plan establishing the right of a new employee of a post-secondary or higher education employer to participate in ATRS on or after July 1, 2011;~~
- i. ~~"Reciprocal System" means:~~

- ~~1. ATRS operations as of June 30, 1957, and continued by statutes;~~
  - ~~2. The Arkansas State Highway Employees' Retirement System (ASHERS), established by Arkansas Code § 24-5-103;~~
  - ~~3. The Arkansas Public Employees' Retirement System (APERS) established by Arkansas Code § 24-4-103;~~
  - ~~4. The Arkansas State Police Retirement System (ASPRS) established by Arkansas Code § 24-6-203;~~
  - ~~5. The Arkansas Judicial Retirement System (AJRS) established by Arkansas Code § 24-8-201;~~
  - ~~6. The Arkansas District Judge Retirement System (ADJRS) established by Arkansas Code §§ 24-8-801[repealed] 24-8-824 [repealed];~~
  - ~~7. The Arkansas Local Police and Fire Retirement System (ALOPFI) provided for under Arkansas Code § 24-10-101; or~~
  - ~~8. An alternate retirement plan for:
 
    - ~~A. A college, university, or the Division of Higher Education provided for under Arkansas Code § 24-7-801 et seq.;~~
    - ~~B. A vocational technical school or the Division of Career and Technical Education, the Adult Education Section of the Division of Workforce Services, the Division of Higher Education, and the Office of Skills Development provided for under Arkansas Code § 24-7-901 et seq.; or~~
    - ~~C. An agency that may be assigned the duties under one (1) or more of the agencies listed in this ATRS Rule 6 I.i. 1-8 through a state reorganization or transformation plan;~~~~
- ~~j. "State Employer" means:~~
- ~~1. A public employer whose employees are covered under the:
 
    - ~~A. ATRS;~~
    - ~~B. ASHERS (Arkansas Code § 24-5-103);~~
    - ~~C. APERS (Arkansas Code § 24-4-103);~~
    - ~~D. ASPRS (Arkansas Code § 24-6-203);~~
    - ~~E. AJRS (Arkansas Code § 24-8-201); or~~
    - ~~F. ADJRS (Arkansas Code §§ 24-8-801[repealed]— 24-8-824 [repealed]);~~

~~or~~~~
  - ~~2. A public employer that is:
 
    - ~~A. A college, university, or the Division of Higher Education whose employees are covered by an alternate retirement plan provided for under Arkansas Code § 24-7-801 et seq.;~~
    - ~~B. A vocational technical school of the Division of Career and Technical Education, the Adult Education Section, and the Office of Skills~~~~

~~Development, whose employees are covered by an alternate retirement plan provided for under Arkansas Code § 24-7-901 et seq.; or~~

~~G. An agency that may be assigned the duties of one (1) or more of the agencies listed in this ATRS Rule 6 I.j.1. and 2. through a state reorganization or transformation plan;~~

~~k. "Succeeding System" means the current reciprocal retirement system of record that follows a person's membership in a preceding retirement system; and~~

~~l. "Teacher" means a person employed by a school for the purpose of giving instruction and whose employment requires state teaching licensure.~~

## **II. Membership and Employer Participation Rules**

### ~~a. Employee Membership in Another State Retirement System~~

~~1. Excluding service as a member of the General Assembly, an employee who is eligible for membership in ATRS is ineligible for membership in another state retirement system while he or she is employed in a position covered by ATRS.~~

### ~~b. Erroneous Membership of Employees~~

#### ~~1. Erroneous Enrollment Before January 1, 1979 — Employees~~

~~A. An employee who was erroneously enrolled in ATRS before January 1, 1979, shall continue to be a member of ATRS if the employee's contributions were not refunded before July 1, 1979. B. The employee shall:~~

~~i. Receive service credit for all paid membership service in ATRS and any free service creditable under Acts 1973, No. 427 as amended; and~~

~~ii. Be entitled to reciprocal service credit as provided by Arkansas Code §§ 24-7-401 — 24-7-408.~~

#### ~~2. Erroneous Enrollment on or after January 1, 1979 — Employees~~

~~A. An employee who is erroneously enrolled in a state retirement system on or after January 1, 1979, may:~~

~~i. Elect to remain a member of the system of record; or~~

~~ii. Become a member of the eligible retirement system.~~

#### ~~3. Correction of Erroneous Enrollment Occurring Before January 1, 1979 — ATRS Obligations~~

~~A. Effective July 1, 1979, ATRS shall not:~~

~~i. Be required to correct the state retirement system membership of an employee who was erroneously enrolled in another state retirement system before January 1, 1979; and~~

~~ii. Accept an employee who was erroneously enrolled in another state retirement system before January 1, 1979, as a member of ATRS~~

~~unless the employee's contributions were refunded before July 1, 1979.~~

~~4. Correction of Erroneous Enrollment Occurring on or after January 1, 1979—  
ATRS Obligations~~

~~A. If ATRS discovers that an employee is erroneously enrolled in a state retirement system on or after January 1, 1979, ATRS shall notify both the covered employer and employee that the:~~

~~i. Employee is erroneously enrolled in the state retirement system;  
and~~

~~ii. Error may be corrected as provided by Acts 1991, No. 13 or  
Arkansas Code § 24-2-302 et seq.~~

~~c. Employee Membership Eligibility— School Janitors, Bus Drivers, and  
Cafeteria Workers Employed Before July 1, 1989~~

~~1. An employee shall continue to be a member of APERS if the employee:~~

~~A. Was employed before July 1, 1989, as a school janitor, bus driver, or  
cafeteria worker;~~

~~B. Was enrolled in APERS under the provision of Acts 1965, No. 63;~~

~~C. Was promoted to a position of school maintenance worker or supervisor,  
bus mechanic or transportation supervisor, or cafeteria manager,  
respectively; and~~

~~D. Remains employed in the position to which he or she was promoted.~~

~~d. Employee Membership Eligibility— Nonteaching Service Employees~~

~~1. Effective July 1, 2001, an employee whose nonteaching service began before  
July 1, 1989, and is covered or coverable by APERS may elect to be covered  
by ATRS.~~

~~2. An employee shall submit his or her election to be covered by ATRS before  
May 31 on a form provided by ATRS.~~

~~3. An employee's timely submitted election to be covered by ATRS is effective  
on July 1 of the following year. (Arkansas Code § 24-7-501(a)(2)(C))~~

~~e. Employee Membership Eligibility— College Plans~~

~~1. Employees of Nonmandatory Employers~~

~~A. A member of ATRS who was employed by a nonmandatory employer  
before July 1, 2011, may continue to participate in ATRS instead of an  
alternative program offered by the nonmandatory employer if the member  
continues providing consistent service to the nonmandatory employer.~~

~~B. A nonmandatory employer shall be considered a post-secondary or higher  
education employer (PSHE employer) if the nonmandatory employer  
enrolls a new eligible member with ATRS on or after July 1, 2011.~~



~~C. If an eligible nonmandatory employer college elects to offer ATRS participation to its employees, the nonmandatory employer shall report information regularly to ATRS, on forms approved by ATRS, as required or permitted by the law applicable to ATRS.~~

~~2. Employees of PSHE Employers~~

~~A. A PSHE employer may elect to offer ATRS participation to its employees by fulfilling the requirements of Arkansas Code § 24-7-1605.~~

~~B. In addition to standard ATRS reporting forms, a PSHE Employer shall provide supplemental reports on any form required, approved, and adopted by the Board.~~

~~3. PSHE Employees Hired After July 1, 2011~~

~~A. The participation of new employees hired by a PSHE employer after July 1, 2011, is governed by Arkansas Code § 24-7-1601 et seq.~~

~~B. An employee of a PSHE employer who is hired after July 1, 2011, may participate in a PSHE plan if the employee:~~

~~i. Is benefits-eligible as determined by the PSHE employer;~~

~~ii. Is a vested member of ATRS at the time of initial employment;~~

~~iii. Is not a vested member of ATRS, but meets the requirements of a less restrictive PSHE plan adopted by the specific PSHE employer; and~~

~~iv. Signs an irrevocable PSHE plan participation form provided by ATRS~~

~~C. A PSHE plan employee shall remain a member of ATRS as long as he or she is employed by a PSHE employer.~~

~~D. A PSHE plan employee's election to participate in ATRS is irrevocable unless the PSHE plan employee obtains a termination refund from ATRS after his or her election to participate.~~

~~f. Employer Participation in ATRS~~

~~1. Executive Director Review of Employer Participation~~

~~A. This ATRS Rule 6 II.f.1. applies to an employer that participates in ATRS under the provisions of Arkansas Code § 24-7-202(D), (E), or (F).~~

~~B. Every five (5) years from the effective start date of an employer's participation in ATRS, the Executive Director of ATRS (executive director) shall review the employer's participation in ATRS to ensure that the employer meets both federal and state requirements for participation and continued participation in ATRS.~~

~~C. If the executive director determines that an employer no longer meets the requirements for continued participation in ATRS, the executive director shall notify the Board of Trustees of the Arkansas Teachers Retirement System (Board) to allow appropriate review and action by the Board.~~

~~2. Application for Employer Participation~~

~~A. An employer that would prefer to participate in and have its employees become members of ATRS may submit a written application to the executive director.~~

~~B. The application shall:~~

~~i. Specify a proposed effective date for participation in ATRS; and~~

~~ii. Include the following information and materials:~~

~~a. A certified copy of the articles of incorporation, bylaws, and other organizational documents of employer;~~

~~b. A copy of the employer's:~~

~~1. Most recent three (3) years' annual financial statements, including balance sheet, financial statements, and statement of cash flows; or~~

~~2. If the employer does not have audited financial statements, the year-end compilation reports or internal balance sheet and income statements for the employer;~~

~~c. A copy of the employer's most recent three (3) years' federal and state income tax returns;~~

~~d. A description of the employer's sources of funding, including the percentage of the funds that is provided by federal or state government and the type of government funding provided;~~

~~e. A description of how the employer's board of directors or board of trustees is selected and whether any governmental agency has input in the selection of the board members;~~

~~f. A description of the types of services provided by the employer; and~~

~~g. A description of each government agency that would be responsible for providing the types of services provided by the employer if the employer did not provide the services.~~

~~C. After ATRS reviews the employer's application and accompanying information and materials, ATRS shall:~~

~~i. Determine whether an Internal Revenue Service ruling (IRS Ruling) should be requested concerning whether or not the participation of the employees of the employer jeopardizes ATRS' status as a governmental plan; and~~

~~ii. Request any necessary additional information and statements from the employer if ATRS determines that an IRS Ruling should be requested.~~

- ~~D. The employer shall provide ATRS with any additional information and statements requested by ATRS in relation to the IRS Ruling.~~
- ~~E. The employer shall pay ATRS three thousand dollars (\$3,000) or the actual cost for fees and costs associated with obtaining the IRS Ruling if ATRS determines that an IRS Ruling should be requested.~~
- ~~F. The Board shall consider and vote on an application for employer participation.~~
  - ~~i. When considering an application for employer participation, the Board:~~
    - ~~a. Shall consider any relevant constitutional arguments brought to the attention of the executive director concerning the employer's application for employer participation;~~
    - ~~b. Shall consider Rev. Rul. 89-49; and~~
    - ~~c. May consider any other relevant rulings issued by the Internal Revenue Service or the Department of Labor.~~

~~3. Employer Participation — Education Related Agency or Organization~~

- ~~A. Pursuant to Arkansas Code § 24-7-202(19)(D), an individual may be eligible to become a member of ATRS if the:~~
  - ~~i. Individual is employed in a position with an education-related agency or organization;~~
  - ~~ii. Individual's employment is related to:~~
    - ~~a. Training public school employees or school board members;~~
    - ~~b. Teaching public school students; or~~
    - ~~c. Adult education programs;~~
  - ~~iii. Individual's employment is unrelated to private schools;~~
  - ~~iv. Individual is or has been a member of ATRS for a minimum of five (5) years; and~~
  - ~~v. Individual elects to become or remain a member of ATRS.~~
- ~~B. A member described in this ATRS Rule 6.II.f.3 may become a member of ATRS if the:~~
  - ~~i. Board determines, pursuant to rules adopted by the Board, that the participation of employees employed by the education-related agency or organization will not:~~
    - ~~a. Impair ATRS' legal status, including:~~
      - ~~1. ATRS' tax-qualified and governmental plan status under the Internal Revenue Code, 26 U.S.C. § 1 et seq.; and~~

~~2. ATRS' governmental plan status under the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001 et seq.;~~

~~b. Subject ATRS to additional federal requirements;~~

~~c. Have a substantial adverse impact on ATRS' actuarial soundness; and~~

~~ii. Education-related agency or organization:~~

~~a. Elects to participate in ATRS;~~

~~b. Assumes responsibility for employer contributions;~~

~~c. Assumes responsibility for fees for obtaining IRS Rulings or Employee Retirement Income Security Act of 1974 opinions; and~~

~~d. Is approved as a covered employer by the Board according to rules adopted by the Board.~~

#### ~~4. Employer Participation — Private Provider Employees~~

~~A. Pursuant to Arkansas Code § 24-7-202(19)(E), effective July 1, 1997, if a public school district privatizes any of its services, an individual who is or was employed by the public school district in one (1) or more of the privatized services and who is or has been a member of ATRS may elect to remain a member of ATRS if the:~~

~~i. Board determines, pursuant to rules adopted by the Board, that the participation of employees described in this ATRS Rule 6.II.f.4. will not:~~

~~a. Impair ATRS' legal status, including:~~

~~1. ATRS' tax-qualified and governmental plan status under the Internal Revenue Code, 26 U.S.C. § 1 et seq.; and~~

~~2. ATRS' governmental plan status under the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001 et seq.;~~

~~ii. Subject ATRS to additional federal requirements;~~

~~iii. Have a substantial adverse impact on ATRS' actuarial soundness; and~~

~~iv. Private provider assumes responsibility for:~~

~~a. Required employer contributions; and~~

~~b. Fees for obtaining IRS Rulings or Employee Retirement Income Security Act of 1974 opinions.~~

#### ~~5. Employer Participation — Nonprofit Corporation Employees~~

~~A. Pursuant to Arkansas Code § 24-7-202(19)(F), effective July 1, 1997, an individual who meets the following requirements may be eligible to become a member of ATRS:~~

~~i. The individual is employed in a position with an educational nonprofit corporation that is licensed and regulated by the Division of Developmental Disabilities Services of the Department of Human Services; ii. The individual's employment is related to:~~

~~a. Training public school employees or school board members;~~

~~b. Teaching public school students; or~~

~~c. Adult education programs; and~~

~~iii. The individual's employment is unrelated to private schools.~~

~~B. A member described in this ATRS Rule 6.II.f.5 may become a member of ATRS if the:~~

~~i. Board determines, pursuant to rules adopted by the Board, that the participation of employees employed by the educational nonprofit corporation will not:~~

~~a. Impair ATRS' legal status, including:~~

~~1. ATRS' tax-qualified and governmental plan status under the Internal Revenue Code, 26 U.S.C. § 1 et seq.; and~~

~~2. ATRS' governmental plan status under the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001 et seq.;~~

~~b. Subject ATRS to additional federal requirements;~~

~~c. Have a substantial adverse impact on ATRS' actuarial soundness; and~~

~~ii. Nonprofit corporation:~~

~~a. Elects to participate in ATRS;~~

~~b. Assumes responsibility for employer contributions;~~

~~c. Assumes responsibility for fees for obtaining IRS Rulings or~~

~~Employee Retirement Income Security Act of 1974 opinions; and~~

~~d. Is approved as a covered employer by the Board according to rules adopted by the Board.~~

### **III. Contributory Election**

a. Contributory Election — Generally

- ~~1. The year in which a person becomes a member of ATRS shall determine whether or not the person is considered a contributory or noncontributory member of ATRS.~~
  - ~~2. A member's contributory status is irrevocable once the member becomes a contributory member of ATRS.~~
  - ~~3. All service rendered before July 1, 1986, is contributory service.~~
  - ~~4. A contributory member shall not elect to become a noncontributory member.~~
  - ~~5. A contributory election is valid if the contributory election is:
 
    - ~~A. Made on an election form provided by ATRS; and~~
    - ~~B. Signed by both the member and the covered employer.~~~~
  - ~~6. If a member makes a contributory election before the preparation of his or her first salary payment in the fiscal year, the contributory election is effective immediately.~~
  - ~~7. If a member makes a contributory election after the preparation of his or her first salary payment in the fiscal year, the contributory election is effective July 1 of the next fiscal year.~~
- ~~b. Contributory Election — Member Contracts~~
- ~~1. Members Not Under Contract
 
    - ~~A. A member who is not under contract may make a contributory election.~~~~
  - ~~2. Members Under Contract
 
    - ~~A. A member under contract for one hundred eighty-five (185) days or more shall make contributions to ATRS.~~
    - ~~B. A member under contract for one hundred eighty-four (184) days or less may make a contributory election.~~~~
  - ~~3. Contributory Elections Based on Status Change from Nonteacher to Teacher or Administrator Under Contract
 
    - ~~A. Regardless of a member's earlier noncontributory election, an active member whose status changes from nonteacher to teacher or administrator under contract for one hundred eighty-five days (185) or more shall make member contributions to ATRS.~~
    - ~~B. An active member's change from noncontributory status to contributory status due to the status change described in this ATRS Rule III.b.3.A is effective on the first day of the next fiscal year if the active member:
 
      - ~~i. Changes status from nonteacher to teacher or administrator during a year in which the active member's service has already been reported as noncontributory; and~~
      - ~~ii. Is under contract for one hundred eighty-five (185) days or more.~~~~~~
- ~~c. Contributory Election – Noncontributory Members~~

- ~~1. A noncontributory member may make a contributory election.~~
  - ~~2. If a noncontributory member makes a contributory election before the preparation of the first salary payment to the noncontributory member in the fiscal year, the contributory election is effective immediately.~~
  - ~~3. If a noncontributory member makes a contributory election after the preparation of the first payroll containing the first salary payment to the noncontributory member in the fiscal year, the contributory election is effective July 1 of the next fiscal year.~~
  - ~~4. All service rendered after a contributory election is filed with ATRS shall be contributory.~~
  - ~~5. A noncontributory member's contributory election that is filed with ATRS is irrevocable.~~
- ~~d. Contributory Election — Noncontributory Inactive Members and Rescinding Retirees~~
- ~~1. Previously Contributory Inactive Members~~
    - ~~A. An inactive member shall make contributions on his or her full salary if the inactive member:
 
      - ~~i. Was contributory and earned a maximum salary of seven thousand eight hundred dollars (\$7,800); and~~
      - ~~ii. Returns to work on or after July 1, 1995.~~~~
  - ~~2. Previously Noncontributory Inactive Members and Retirees~~
    - ~~A. An inactive member or rescinding retiree may make a contributory election if the inactive member or rescinding retiree:
 
      - ~~i. Was noncontributory; and~~
      - ~~ii. Reenters ATRS after June 30, 2007.~~~~
      - ~~B. If the inactive member or rescinding retiree does not make a contributory election, the inactive member or rescinding retiree shall be enrolled in the plan that he or she was enrolled in before reentering ATRS.~~
- ~~e. Contributory Election — State Agency Employees~~
- ~~1. Full-time Employees~~
    - ~~A. A full-time employee of a state agency covered by ATRS shall be contributory.~~
  - ~~2. Part-time Employees~~
    - ~~A. A part-time employee of a state agency covered by ATRS shall be noncontributory.~~
    - ~~B. A part-time employee of a state agency covered by ATRS may make a contributory election.~~

~~f. Contributory Election—Employer Reporting Errors~~

~~1. Inactive Members~~

~~A. ATRS shall consider a member as noncontributory if the member:~~

- ~~i. Was an inactive member who returned to covered employment as an active member after July 1, 1999;~~
- ~~ii. Is reported incorrectly as noncontributory by his or her covered employer for his or her first year of service with the covered employer.~~

~~B. ATRS shall notify the covered employer of the member's contributory status.~~

~~C. Effective the next July 1, the member shall make contributions to ATRS.~~

~~2. New Members~~

~~A. ATRS shall consider a member as noncontributory for his or her first year of service with a covered employer if the member is a new member of ATRS and incorrectly reported as noncontributory by his or her covered employer for the first year.~~

~~B. ATRS shall notify the covered employer of the member's contributory status.~~

~~C. Effective the next July 1, the member shall make contributions to ATRS and the covered employer shall correctly report the member as contributory.~~

**IV. Confidentiality of Member Accounts**

~~a. In compliance with the ATRS Code of Ethics, ATRS shall keep each member's salary, employment history, retirement account, and other personal data or other information compiled by ATRS for purposes of establishing and maintaining the member's retirement account confidential.~~

~~b. Disclosure~~

~~1. All member information compiled by ATRS for the purpose of establishing and maintaining the member's retirement account shall not be disclosed to a third-party unless:~~

~~A. The member provides ATRS with his or her written consent; or~~

~~B. A valid legal process requires the disclosure of the member's information.~~

~~2. Individual member records that are kept for the purpose of compiling information for a member's retirement or Social Security records shall not be open to the public under Arkansas Code § 24-4-1003.~~

**V. Reciprocal Service Credit**

~~a. Generally~~



- ~~1. A member who leaves a position covered by ATRS, becomes employed by a reciprocal system, and files a reciprocal service agreement shall become an inactive member of ATRS and may be eligible for an annuity benefit according to the annuity benefit formula in effect at the time of the member's effective retirement date.~~
  - ~~2. Minimum benefits under Acts 1965, No. 488, Arkansas Code § 24-2402(5)(E), as amended, for reciprocal service shall not apply unless a member has five (5) or more years of credited service in ATRS.~~
  - ~~3. If ATRS is a member's preceding system, ATRS shall not pay annuity benefits to the member under reciprocity unless the member:
    - ~~A. Attains the normal retirement age; or~~
    - ~~B. Leaves his or her employment with his or her state employer.~~~~
  - ~~4. If ATRS is a member's preceding system, the member, after attaining the normal retirement age, is eligible to apply for retirement benefits without leaving his or her employment with his or her last state employer.~~
  - ~~5. The member's annuity benefit payments shall begin after the member attains the normal age of retirement or on the first day of the month following the month in which the member's application is filed, whichever occurs last.~~
  - ~~6. ATRS shall only consider service credited to the member and salaries earned by the member before the member's effective retirement date to calculate the member's annuity benefit.~~
- ~~b. Reciprocal Service Credit—Calculation of Service Credit~~
- ~~1. If a member of ATRS has service credited during the same fiscal year with another reciprocal system and the combined service is greater than one (1) year of service credit, ATRS shall credit service as follows:
    - ~~A. If credit by the reciprocal system is less than three (3) months, ATRS shall credit service for one (1) year;~~
    - ~~B. If credit by the reciprocal system is three (3) or more months but less than six (6) months, ATRS shall credit service for three-fourths (3/4) year;~~
    - ~~C. If credit by the reciprocal system is six (6) or more months but less than nine (9) months, ATRS shall credit service for one-half (1/2) year; and~~
    - ~~D. If credit by the reciprocal system is for nine (9) months but less than twelve (12) months, ATRS shall credit service for one-fourth (1/4) year.~~~~
- ~~c. Reciprocal Service Credit—Contributions and Repayments~~
- ~~1. While an employee participates in a reciprocal system, back contributions, additional contributions, and repayment of refund payments made to ATRS shall be made in accordance with the payment method provisions of ATRS Rule 8.~~

2. ~~Employer pick-up is prohibited while the employee works for a noncovered ATRS employer.~~

~~d. Reciprocal Service Credit—Concurrent Service~~

1. ~~Unless the reciprocal system is APERS or an alternate retirement plan, beginning July 1, 2013, ATRS shall allow a member who earns concurrent service in both ATRS and a reciprocal system to receive full service credit in ATRS without reduction of service credit due to the concurrent service.~~
2. ~~ATRS shall not recognize concurrent service added to a member's credited service in ATRS that, for the purpose of vesting, retirement eligibility, or calculating final average salary, either:~~
  - A. ~~Credits the member with more than one (1) year of credited service for a fiscal year; or~~
  - B. ~~Combines salary earned in ATRS and a reciprocal system in a fiscal year.~~
3. ~~A member may waive all or part of the concurrent service credited to him or her in ATRS and have the concurrent service credited to him or her under a reciprocal system if:~~
  - A. ~~The member acknowledges that the waiver is a voluntary surrender of the member's concurrent service credit in ATRS;~~
  - B. ~~The member acknowledges that the waiver cancels his or her concurrent service credit in ATRS; and~~
  - C. ~~The member submits an ATRS approved concurrent service credit waiver form to ATRS. (Arkansas Code § 24-7-601).~~
4. ~~If a member waives all or part of the concurrent service credited to him or her in ATRS and has the concurrent service credited to him or her under a reciprocal system, ATRS may refund the employer-accrued contributions and employee-accrued contributions.~~

~~e. Reciprocal Service Credit—Alternate Reciprocal Retirement System~~

1. ~~A member of ATRS may establish reciprocal service credit from an alternate retirement plan if he or she submits an appropriate, approved, and completed ATRS form concerning the reciprocal service credit to ATRS.~~
2. ~~Distributions from an alternate retirement plan may prevent reciprocal service from being established if ATRS is unable to verify that the withdrawals were made without penalty under Internal Revenue Service guidelines concerning rollovers to eligible plans, withdrawals, that are not subject to early withdrawal, etc.~~

~~f. Reciprocal Service Credit—Active Members of APERS~~

1. ~~From July 1, 1991, until December 31, 1991, an active member of APERS may establish reciprocity between APERS and ATRS and purchase out-of-state service rendered before January 1, 1978, in accordance with Arkansas Code §§ 24-7-601 and 24-7-603, if the active member:~~

- A. ~~Was an active member of ATRS before January 1, 1978; and~~
  - B. ~~Became a member of APERS within thirty (30) days of leaving ATRS.~~
- g. ~~Reciprocal Service Credit—Arkansas Rehabilitation Services Employees~~
- 1. ~~Effective July 1, 1993, for a ninety (90) day period, an employee of the Arkansas Rehabilitation Services may transfer his or her membership from APERS to ATRS under Acts 1993, No. 574.~~
  - 2. ~~An employee who transfers his or her membership from APERS to ATRS shall establish reciprocity between the two (2) systems and Acts 1977, No. 793 shall not apply to the employee.~~
- h. ~~Reciprocal Service Credit—Department of Human Services Employees~~
- 1. ~~The law applicable to ATRS shall be used to determine the annuity benefits to which an employee is entitled for service provided before or after Acts 1977, No. 793 if the employee:~~
    - A. ~~Was an employee of the Department of Human Services and became a member of APERS under the provisions of Acts 1977, No. 793, as amended; and~~
    - B. ~~Left employment with the Department of Human Services and became employed in a position covered by ATRS.~~
  - 2. ~~A member meeting the description of this ATRS Rule 6 V.H.1. may establish reciprocity under Acts 1965, No. 488, as amended.~~
- i. ~~Reciprocal Service Credit—Member Entitlement to Deferred Annuity~~
- 1. ~~Pursuant to Arkansas Code § 24-4-401 et seq., a member is entitled to a deferred annuity benefit if the member:~~
    - A. ~~Leaves his or her state employment in a position that is covered by one (1) of the reciprocal systems; and~~
    - B. ~~Enters subsequent state employment in a position that is covered by another of the reciprocal systems.~~
- j. ~~Reciprocal Service Credit—Age and Service Retirement~~
- 1. ~~Annuity Benefit Payments~~
    - A. ~~If ATRS is a member's preceding system, the member's annuity benefit payments shall begin after the member attains the normal age of retirement or on the first day of the month following the month in which the member's retirement application was filed, whichever is later.~~
    - B. ~~If the member has combined service of at least twenty-five (25) years, the normal retirement age requirement shall not apply.~~
    - C. ~~Deferred annuity benefit payments to the member shall not begin before the date on which the member leaves employment with his or her last state employer unless the member attains the normal retirement age.~~

~~2. Applying for Retirement Benefits Before Leaving Employment~~

- ~~A. If ATRS is member's preceding system, the member is eligible to apply for retirement benefits without leaving employment with his or her last state employer upon attaining the normal retirement age.~~
- ~~B. The member's annuity benefit payments shall begin after the member attains the normal retirement age or on the first day of the month following the month in which the member's retirement application is filed, whichever is later.~~
- ~~C. ATRS shall use only service credited to the member and salaries earned by the member before the member's effective retirement date to calculate the member's annuity benefit.~~

~~k. Reciprocal Service Credit — Disability Retirement~~

- ~~1. A member is eligible to apply for disability retirement benefits from each reciprocal system in which the member has credited service according to the rules for eligibility promulgated by that reciprocal system. (Arkansas Code § 24-2-405)~~
- ~~2. The member's disability retirement benefits payable by the preceding reciprocal system shall:
  - ~~A. Begin the first day of the month following the month in which the member's disability retirement application is filed with the preceding system; and~~
  - ~~B. Not begin before the date on which the member leaves employment with his or her last state employer.~~~~

~~l. Reciprocal Service Credit — Survivor Annuity Benefits~~

- ~~1. If survivor annuity benefits are payable by more than one (1) reciprocal system to an eligible survivor of a deceased member, a survivor who receives annuity benefit payments shall not receive, as a percentage of the deceased member's final salary or as a minimum dollar amount, more than the largest amount payable by a single reciprocal system.~~
- ~~2. ATRS shall prorate minimum benefits payable to a survivor with other reciprocal systems that have a minimum benefit provision in their plans.~~
- ~~3. Each reciprocal system shall pay a proportionate share of the minimum benefit based on the ratio of the member's service in that reciprocal system to the member's total service in all the reciprocal systems.~~
- ~~4. If the reciprocal system is an alternate retirement plan, survivor annuity benefits shall be contingent on whether the:
  - ~~A. Alternate retirement plan provides survivor annuity benefits; and~~
  - ~~B. Member selected survivor annuity benefits as a benefit under the alternate retirement plan. (Arkansas Code § 24-2-402(5)).~~~~

**VI. Contributory and Noncontributory Service Chart by Year of Entry into System**

(Elections and Re-entry may affect Individual Member Service Status)

<b>All Members</b>		
<b>1937 - 1986</b>	All Members	Contributory
<b>1986 - 1991</b>	All Members	Contributory unless elect Noncontributory
<b>1991 - 1999</b>	All Members	Noncontributory unless elect Contributory
<b>School District Employees</b>		
<b>1999 - 2007</b>	Active	One-time election to be Contributory or Noncontributory, no election made by 7/1/2000, status on 6/30/2000
	Inactive	One-time election to be Contributory or Noncontributory upon reentering system, no election then enrolled in the plan that he or she was enrolled in before reentering ATRS
	New	Contract one hundred eighty-one (181) days or more - Contributory - Contract one hundred eighty (180) days or less - Noncontributory, may elect Contributory, election must be made one (1) year from hire date - No contract, member must be noncontributory
<b>2005 - 2021</b>	Nonteacher to Teacher or Administrator	Contract one hundred eighty-one (181) days or more - Contributory. If position change happens during the year, election is effective first of next fiscal year - All Noncontributory members may elect Contributory
	All Members	May elect Contributory

<b>2007 – 2021</b>	New	<del>Contract one hundred eighty-one (181) days or more – Contributory</del> - <del>Contract 180 days or less –</del> <ul style="list-style-type: none"> <li>• Noncontributory, may elect Contributory</li> <li>• No contract – Noncontributory, may elect Contributory</li> </ul>
	Inactive	May elect Contributory
<b>2021</b>	Nonteacher to Teacher or Administrator	<del>Contract one hundred eighty-five (185) days or more – Contributory. If position change happens during the year, election is effective first of next fiscal year.</del>  All Noncontributory members may elect Contributory
<b>2021 –</b>	All Members	May elect Contributory
	A member with	<del>Contract one hundred eighty-five (185) days or more – Contributory</del>
	A member with	<del>Contract one hundred eight four (184) days or less – Noncontributory, may elect Contributory</del>
	New	<del>No contract – Noncontributory, may elect Contributory unless already Contributory</del>
	Inactive	May elect Contributory
<b>State Agency Employees</b>		
<b>1999 – 2007</b>	Full-Time Employment	<del>Must be Contributory</del>
	Part-Time Employment	<del>Must be Noncontributory</del>
<b>2007 –</b>	Full-Time Employment	<del>Must be Contributory</del>
	Part-Time Employment	<del>Noncontributory, may elect to be Contributory</del>

**HISTORY**

Adopted:	August 11, 1998	6-10
Amended:	June 15, 2004	6-1
Amended:	July 18, 2005	6-1, 6-2, 6-10
	April 26, 2007	6-1, 6-2, 6-11
	July 1, 2011	(Emergency) 6-1, 6-12
Adopted:	August 8, 2011	6-1, 6-12
Effective:	November 11, 2011	6-1, 6-12
Adopted by Board:	April 2, 2012	6-1
Amended:	May 2, 2012	6-1
Effective:	September 4, 2012	6-1
Amended:	May 2, 2012	6-2
Effective:	September 4, 2012	6-2
Approved by Board:	July 26, 2013	6-2, 6-12
Amended:	October 9, 2013	6-2, 6-12
Effective:	November 8, 2013	
Approved by Board:	February 5, 2018	6-2
Effective:	February 16, 2018	6-2
Effective:	May 28, 2020	Rule 6
Effective:	May 20, 2022	Rule 6



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**Public Comments**

**Proposed Rule 7 – Service Credit, Contributions, Reporting, and Final Average Salary**

**1. Page 1, § 7-101(3).**

- a. **BLR Comment:** Section 7-101 – The definition for “covered employer” appears to track the definition found in Arkansas Code Annotated § 24-7-506(a)(1)(A). Is there a reason why the proposed rule does not also set out what the definition of a covered employer does not include, as is done in Ark. Code Ann. § 24-7-506(a)(1)(B), as amended by Act 64 of 2023, § 1?
- b. **Response:** No. The rule has been amended to incorporate what entities are not covered employers as it relates to outsourcing.

**2. Page 2, § 7-102(d)(3).**

- a. **ATRS Staff Comment:** Should disability retirement be added to following, “*The system shall not permit a member to use unearned future service credit or nonqualified service credit purchased through a contract buyout settlement agreement with a school district to retire under age and service retirement before the member’s employment contract with the school district would naturally have terminated.*”?
- b. **Response:** Yes. The rule has been amended to add disability retirement.



## ATRS Rule 7

### Service Credit, Contributions, and Reporting

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#### § 7-101. Definitions.

As used in this rule:

(1) "Actual service" means service rendered in a position covered by the Arkansas Teacher Retirement System, not including purchased service credit, free service credit, or reciprocal service;

(2) "Credited service" means service that is credited as service by the system;

(3) "Covered employer" as it relates to outsourcing means a public school, public educational agency, or other eligible employer participating in the system, but does not include a nonmandatory employer or a PSHE employer as defined in Arkansas Code § 24-7-1602 or a covered employer that reports through the Arkansas Administrative Statewide Information System;

(4) "Embedded Employee" means a person who:

(A) Provides an outsourced service on the premises of a covered employer;

(B) Is employed and paid by an outsource contractor; and

(C) Is not employed by:

(i) A covered employer listed under Arkansas Code § 24-7-202; or

(ii) An employer that offers the system as an optional retirement plan

as of the date of outsourcing;

(5) "Full service year" means employment with a covered employer for one hundred sixty (160) days or more in a fiscal year;

(6) "Participating employer" means a covered employer that outsources and opts for the embedded employees of all of the covered employer's outsource contractors to become members of the system;

(7) "Service" means employment rendered as an employee;

(8) "Specialized support position" means a position that:

(A) Requires less than eight (8) working hours per day, including without limitation the positions of bus driver, custodial worker, and cafeteria worker; and

(B) A covered employer certifies as a specialized support position to the system;

(9) "Surcharge employer" means a covered employer that outsources and pays a surcharge to the system; and

(10) "Youth participant" means a person:

(A) Who is:

(i) Enrolled in a secondary public school as a student; and

(ii) Employed through his or her participation in a summer work program for a period between the first day of June and the last day of August; and

(B) Whose compensation is disbursed by a covered employer as part of an agreement between the covered employer and an administrator of the summer work program that designates the covered employer as a passthrough fiscal agent.

**§ 7-102. Service credit.**

(a) The Board of the Arkansas Teacher Retirement System shall determine the:

(1) Number of years and corresponding fractions for service that may be credited to a member; and

(2) Amount of service to be credited to a member.

(b)(1) A member shall earn one (1) year of credited service if the member completes a full service year.

(2) A member shall not earn more than one (1) year of credited service in a fiscal year.

(3) The Arkansas Teacher Retirement System shall certify proof of a member's service on forms and with documentation required by the system.

(c)(1) Unless otherwise provided by law, paid or unpaid accrued, unused sick leave shall not be credited as service in the system.

(2) If a member dies during active service on or after July 1, 2013, the member's unused catastrophic leave and unused donated leave shall not be credited as service.

(d)(1) A member shall not accumulate service credit in the system during the time that payments under a contract buyout agreement, settlement, claim, judgment, arbitration award, decree, or court-ordered payment are paid to the member by a covered employer unless the member continues to work on-site for the covered employer.

(2) A member shall not receive service credit or additional salary from the system under a settlement agreement or court order unless purchased at actuarial cost.

(3) The system shall not permit a member to use unearned future service credit or nonqualified service credit purchased through a contract buyout settlement agreement with a school district to retire under age and service retirement or disability retirement before the member's employment contract with the school district would naturally have terminated.

(e) Actual service credited to a member with service after July 1, 1971, shall be as follows:

<u>Number of Days Worked in a Fiscal Year</u>	<u>Service Credit Earned</u>
<u>1 –39</u>	<u>None</u>
<u>40-79</u>	<u>0.25 year</u>
<u>80-119</u>	<u>0.50 year</u>
<u>120-159</u>	<u>0.75 year</u>
<u>160 days or over</u>	<u>1.00 year</u>

(f) Unless otherwise provided by the law or rules applicable to the system, a member who is employed for less than forty (40) days during a fiscal year is ineligible for credited service or retirement benefits for that fiscal year.

(g)(1) Beginning in the 2011-2012 fiscal year, a contributory member's service days shall be carried forward from previous fiscal years until at least forty (40) days of service are earned by the member.

(2) Service days shall not be carried forward for a contributory member if the

member earns at least forty (40) days of service in a fiscal year by using regular service days, accumulated service days, or both regular service and accumulated service days.  
(h) A member who is employed full-time or employed in a position for which a regular or typical work day includes at least eight (8) working hours shall earn one (1) day of credited service if the member works for at least four (4) hours of the eight-hour working day.  
(i)(1) Beginning July 1, 2011, a member employed in a specialized support position shall earn one (1) day of credited service for each day of service provided by the member if the:

(A) Specialized support position is certified as a specialized support position to the system by the covered employer at the time the covered employer first reports the employment of the member to the system; and

(B) Covered employer reasonably determines that the member performed the regular and usual service expected of an employee in that position during the work day.

(2)(A) A member who is employed in a specialized support position and does not have a contract specifying the number of service days shall earn one (1) day of service credit for each day of service provided by the member if the:

(i) Specialized support position is certified as a specialized support position to the system by the covered employer at the time the covered employer first reports the employment of the member to the system; and

(ii) Covered employer reasonably determines that the member performed the regular and usual service expected of an employee in that position during the days worked by the member.

(B) A member described in this § 7-102(g)(2) of this rule shall earn one (1) day of credited service for each day of service provided by the member regardless of whether the member works for less than four (4) hours on a work day.

(3) The credited service earned by a member who is employed in a nonspecialized support position and does not work for at least four (4) hours each working day shall be calculated by totaling the number of hours worked by the member in a fiscal quarter and then dividing the totaled number of hours worked by four (4).

### **§ 7-103. Member and employer contributions.**

(a)(1) The Board of Trustees of the Arkansas Teacher Retirement System shall annually set member and employer contribution rates for the following fiscal year.

(2) The Arkansas Teacher Retirement System shall notify annually each covered employer of the contribution rates set by the board.

(3)(A) The board shall not set the member contribution rate at less than six percent (6%).

(B) The board may increase the member contribution rate to maintain actuarial soundness.

(4)(A) A member's and covered employer's contributions are due monthly, regardless of the member's concurrent membership status.

(B) A contributory member shall contribute the percentage of his or her salary that is set by the board.

(b)(1) A covered employer shall remit member contributions by pick-up from the salary earned by each member.

(2) Member contributions shall be treated as employer contributions under the applicable provisions of the Income Tax Act of 1929, Arkansas Code § 26-51-101 et seq. and the Internal Revenue Code.

(3) A covered employer may remit a member's contributions by implementing a:

(A) Reduction in the cash salary of the member;

(B) Setoff against the member's future salary increases; or

(C) Both a reduction in the cash salary of the member and a setoff against the member's future salary increases.

(c)(1) A covered employer's employer contributions shall be the sum of the current employer contribution rate set by the board for the fiscal year multiplied by the total gross salaries of all the covered employer's employees.

(2) A public school employer shall pay up to fourteen percent (14%) of the employer contribution rate.

(3) Up to fifteen percent (15%) of any additional employer contributions required from a public school employer shall be paid from additional funds appropriated by the state for the purpose of paying employer contributions to the system.

(d)(1) A covered employer shall pay employer contributions **monthly** for all employees of the covered employer for whom the Department of Education does not pay employer contributions.

(2) The employer contribution rate shall be the current state contribution percent multiplied by the total covered salaries of the covered employer's employees in the fiscal year.

(3)(A) In accordance with rules established by the board and the department's appropriations act, the department shall pay employer contributions due for eligible employees of covered employers, including without limitation the following:

(i) State agencies as allowed under the Transformation and Efficiencies Act, Acts 2019, No. 910;

(ii) Cooperative Education Services Areas;

(iii) Vocational Centers;

(iv) Arkansas Easter Seals; and

(v) A school operated by the Corrections School System.

(B) The department shall pay the employer contributions for eligible employees of covered employers from the Public School Fund.

(C) At the close of each quarterly report, ATRS shall report the amount of employer contributions due from the department.

(D) The employer contributions due from the department shall be based on the salaries of the eligible employees reported to ATRS by each covered employer.

(e) The board shall annually notify each participating employer of the employer contribution rate established by the board for the upcoming fiscal year.

(f) A surcharge employer's employer contributions shall be a monthly surcharge applied on the total salaries paid to all the surcharge employer's embedded employees on an aggregate basis as provided under Arkansas Code § 24-7-506(c).

**§ 7-104. Member and employer contributions — Overpayments, underpayments, and refunds.**

(a) A conflict in a member's service history due to concurrent service shall be resolved at the end of the fiscal year and the Arkansas Teacher Retirement System shall issue refunds as appropriate.

(b)(1) The system shall return overpayments of employee contributions and employer contributions resulting from erroneous contribution submissions or incorrect reporting of Salary Option 2 member salaries (first seven thousand eight hundred dollars (\$7,800)) to the appropriate covered employer.

(2)(A) The system shall send written notification to a member or covered employer, as appropriate, of a contribution overpayment that is less than the de minimis amount that may be refunded.

(B) The de minimis amount shall be periodically set by the Board of Trustees of the Arkansas Teacher Retirement System and shall remain the same amount until adjusted by the board.

(C)(i) A contribution overpayment that is less than the de minimis amount shall not be refunded to the covered employer unless the covered employer submits a written request for a refund to the system within fourteen (14) days of receiving the written notice of the contribution overpayment from the system.

(ii) If a covered employer does not submit a written request for a refund within fourteen (14) days of receiving the written notice of the contribution overpayment from the system, the amount of the contribution overpayment shall be forfeited to the trust assets of the system.

(D)(i) A contribution overpayment that is less than the de minimis amount shall not be refunded to the member unless the member submits a written request for a refund to the system within fourteen (14) days of receiving the written notice of the contribution overpayment from the system.

(ii) If the member does not submit a written request for a refund within fourteen (14) days of receiving the written notice of the contribution overpayment from the system, the amount of the contribution overpayment shall be forfeited to the trust assets of the system.

(3) The total amount of contributions reported by the covered employer shall be credited to contributions.

(c)(1) For refunded contributions, the rate of regular interest compounded annually after the first year of contributions shall be credited as follows:

<u>Service</u>	<u>Regular Interest Rate</u>
<u>Before July 1, 1984</u>	<u>3%</u>
<u>For July 1, 1984 through June 30, 2009</u>	<u>6%</u>
<u>For July 1, 2010, through June 30, 2011</u>	<u>2%</u>
<u>For July 1, 2012, through June 30, 2017</u>	<u>1%</u>
<u>For July 1, 2017 and after</u>	<u>0.08%</u>

(2) Payable regular interest shall be computed:

(A) On each member's individual account on June 30; and

(B) By multiplying the balance in the member's individual account as of July 1, including contributions and regular interest credit from previous years, plus one-half (1/2) of the contributions for the year ending June 30 by the annual applicable regular interest percentage rate.

(3) The board by resolution, may change the regular interest rate on refunded contributions for subsequent years by stating the new regular interest rate, the date that the new regular interest rate is effective, and any other features necessary for implementing the regular interest rate.

(4) Regular interest shall not be paid on contributions made in the year in which a refund of contributions is paid to a member.

(5) The system shall issue a refund for a member's contributions that are closed on the system's books after receiving the member's properly completed refund application.

(6) If a second refund payment is required to complete the refund of contributions, the second payment shall be made when all quarters of service the member works are closed on the system's books.

(7) A rollover payment shall be made in one (1) payment when all quarters of service the member works are closed on the system's books.

(8) A refund is effective on the date on which the system first issues a payment of the refund.

(d) The system shall not collect a contribution underpayment of less than the de minimis amount from a covered employer.

#### **§ 7-105. Employer reports — Submission requirements.**

(a) A covered employer shall submit:

(1) Reports and supporting documentation required by the Arkansas Teacher Retirement System on a monthly and quarterly basis; and

(2) Reports and supporting documentation electronically to the system on forms approved by the system.

(b)(1) At the request of the system, a covered employer shall provide the system with a memorandum of understanding, partnership agreement, or another similar document related to the covered employer's actions as a passthrough fiscal agent for a youth participant in a summer work program.

(2) A covered employer shall provide the system with all documents related to the agreement designating the covered employer as a pass-through fiscal agent before disbursing compensation to a youth participant.

(3) A covered employer that acts as a pass-through fiscal agent shall not report a youth participant as an employee for system purposes.

(c)(1) A covered employer that uses a twenty-six-week payroll system shall report an employee's salary, contributions, and actual working days through the current fiscal year ending June 30 if the employee is a member of the system and retiring.

(2) If an employee is a member of the system and retiring effective July 1, a covered employer shall not:

(A) Withhold contributions on a salary earned by the member after the close of payroll for the current fiscal year; and

(B) Report any salary paid to the member or actual working days performed

by the member after the close of payroll for the current fiscal year.

(3) The system shall refund employee contributions and employer contributions remitted to the system from a salary paid to the employee after the end of the current fiscal year or payroll period for the current fiscal year.

(d) A covered employer may submit a request to the system for a determination on whether a service or position is subject to the provisions of Arkansas Code § 24-7-506.

(e)(1) A surcharge employer shall submit a surcharge report monthly to the system with all other reports required by the system.

(2) A participating employer shall submit a contribution report monthly to the system with all other reports required by the system.

(f) Beginning on July 1, 2022, a covered employer shall:

(1) Electronically report employee contributions and employer contributions made by the covered employer through the system portal; and

(2) Pay employee contributions and employer contributions through electronic transfer.

#### **§ 7-106. Employer reports — Reporting deadline and penalties.**

(a) A report and supporting documentation submitted by a covered employer shall not be considered untimely if the report and supporting documentation are received by Arkansas Teacher Retirement System on the tenth (10th) day of the month in which the report and supporting documentation are due.

(b)(1) A one hundred fifty dollar (\$150) late fee shall be assessed on a covered employer for each occurrence in which a report and supporting documentation is untimely submitted to the system.

(2) In their discretionary authority, the Board of Trustees of the Arkansas Teacher Retirement System or the Executive Director of the Arkansas Teacher Retirement System may waive any late fees assessed against a covered employer for their untimely submission of a report and supporting documentation to the system if the requirements of Arkansas Code § 24-7-411(c) are met.

(c)(1) If a covered employer does not remit member or employer contributions, including surcharge contributions, by the monthly due date, the system shall assess an interest penalty equal to the system's actuarially assumed rate of return on investments and daily interest accrual against the covered employer until the member or employer contributions, whichever is applicable, are paid.

(2)(A) In their discretionary authority, the board or the executive director may waive any interest penalty assessed against a covered employer if the requirements of Arkansas Code § 24-7-411(c) are met.

(B) One (1) or more interest penalties assessed against a covered employer shall not be waived if the amount of the interest penalties assessed against the covered employer will exceed one thousand dollars (\$1,000) for the fiscal year.

(C) A covered employer may submit an interest penalty waiver request for one (1) or more interest penalties exceeding one thousand dollars (\$1,000) for the fiscal year to the board.

(4) The executive director shall report each interest penalty waived under this rule to the board.

(d)(1) The system may certify the names of each covered employer that fails to timely report and remit member or employer contributions, including surcharge contributions, to the Chief Fiscal Officer of the State.

(2) After receiving the certification from the system, the Chief Fiscal Officer of the State may direct a transfer of funds on deposit in the State Treasury for the payment of delinquent member or employer contributions and an assessed interest penalty.

**§ 7-107. Employer reports — Payments after member’s death.**

(a)(1) A salary earned by a member before the member’s death and paid after the member’s death is subject to deductions by the Arkansas Teacher Retirement System and the member’s covered employer shall report the member’s total salary and days of service in the covered employer’s quarterly report.

(2) Gratuitous payments made by a covered employer to a member after the death of the member shall not be:

- (A) Considered the salary of the member;
- (B) Subject to contribution requirements; and
- (C) Included in the covered employer’s quarterly report to the system.

**Authority: Arkansas Code §§ 24-2-701, 24-7-103, 24-7-202, 24-7-401, 24-7-406, 24-7-411, 24-7-601 — 24-7-611, 24-7-705, 24-7-708, and 24-7-1303.**

**History**

<u>Amended:</u>	<u>August 11, 1998</u>	<u>7-1, 7-3</u>
<u>Amended:</u>	<u>June 17, 2003</u>	<u>7-4</u>
<u>Amended:</u>	<u>April 6, 2004</u>	<u>7-4</u>
<u>Reaffirmed:</u>	<u>June 15, 2004</u>	<u>7-4</u>
<u>Amended:</u>	<u>July 18, 2005</u>	<u>7-1, 7-2, 7-3, 7-4</u>
<u>Amended:</u>	<u>April 26, 2007</u>	<u>7-4</u>
<u>Amended:</u>	<u>February 11, 2008</u>	<u>7-3, 7-4</u>
<u>Amended:</u>	<u>June 16, 2009</u>	<u>7-1, 7-2 (Emergency)</u>
<u>Amended:</u>	<u>October 5, 2009</u>	<u>7-1, 7-2 (Permanent)</u>
<u>Amended:</u>	<u>December 18, 2009</u>	<u>7-3, 7-4</u>
<u>Amended:</u>	<u>July 1, 2011</u>	<u>7-1, 7-2 (Emergency)</u>
<u>Adopted:</u>	<u>August 8, 2011</u>	<u>7-1, 7-2</u>
<u>Effective:</u>	<u>November 11, 2011</u>	<u>7-1, 7-2</u>
<u>Board Approved:</u>	<u>February 6, 2012</u>	<u>7-2, 7-4</u>
<u>Amended:</u>	<u>April 2, 2012</u>	<u>7-2 (Emergency)</u>
<u>Amended:</u>	<u>April 18, 2012</u>	<u>7-4</u>
<u>Effective:</u>	<u>May 29, 2012</u>	<u>7-2, 7-4</u>
<u>Approved by Board:</u>	<u>July 26, 2013</u>	<u>7-1, 7-3</u>
<u>Amended:</u>	<u>October 9, 2013</u>	<u>7-1, 7-3</u>
<u>Effective</u>	<u>November 8, 2013</u>	<u>7-1, 7-3</u>
<u>Approved by Board:</u>	<u>January 8, 2014</u>	<u>7-1</u>
<u>Amended:</u>	<u>February 17, 2014</u>	<u>7-1</u>



<u>Effective:</u>	<u>March 18, 2014</u>	<u>7-1</u>
<u>Effective:</u>	<u>August 5m 2019</u>	<u>Rule 7</u>
<u>Effective:</u>	<u>May 28, 2020</u>	<u>Rule 7</u>
<u>Effective:</u>	<u>May 20, 2022</u>	<u>Rule 7</u>
<u>Effective:</u>	<u>TBD</u>	<u>Rule 7</u>

**ATRS RULE 7**  
**SERVICE CREDIT, CONTRIBUTIONS, REPORTING, AND FINAL AVERAGE**  
**SALARY**

Arkansas Code §§ ~~24-2-701, 24-7-103, 24-7-202, 24-7-401, 24-7-406, 24-7-411,~~  
~~24-7-601 — 24-7-611, 24-7-705, 24-7-708, 24-7-736, and 24-7-1303~~

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**I. Definitions**

- a. ~~“Actual service” means service rendered in a position covered by the Arkansas Teacher Retirement System (ATRS), not including purchased service credit, free service credit, or reciprocal service;~~
- b. ~~“Credited service” means service that is creditable as service by ATRS;~~
- c. ~~“Covered employer” as it relates to outsourcing means a public school, public educational agency, or other eligible employer participating in ATRS;~~
- d. ~~“Eligible employee” for the purpose of salary or compensation limitations concerning the calculation of a final average salary means a person who was a member of ATRS before the first plan year beginning after December 31, 1995;~~
- e. ~~“Embedded Employee” means a person who:~~
  - 1. ~~Provides an outsourced service on the premises of a covered employer; and~~
  - 2. ~~Is employed and paid by an outsource contractor;~~
  - 3. ~~Is not employed by:~~
    - A. ~~A covered employer listed under Arkansas Code § 24-7-202; or~~
    - B. ~~An employer that offers ATRS as optional retirement plan as of the date of outsourcing;~~
- f. ~~“Full service year” means employment by with a covered employer for one hundred sixty (160) days or more in a fiscal year;~~
- g. ~~“Partial service year” means employment with a covered employer for less than one hundred sixty (160) days in a fiscal year;~~
- h. ~~“Participating employer” means a covered employer that outsources and opts for the embedded employees of all of the covered employer’s outsource contractors to become members of ATRS;~~
- i. ~~“Service” means employment rendered as an employee;~~
- j. ~~“Specialized support position” means a position requiring less than eight (8) working hours per day, including without limitation the positions of bus driver, custodial worker, and cafeteria worker;~~
- k. ~~“Surcharge employer” means a covered employer that outsources and pays a surcharge to ATRS in lieu of opting for the embedded employees of outsource contractors to accrue credited service in ATRS; and~~

~~I. "Youth participant" means an individual:~~

~~1. Who is:~~

~~A. Enrolled in a secondary public school as a student; and~~

~~B. Employed through his or her participation in a summer work program for a period between the first day of June and the last day of August; and~~

~~2. Whose compensation is disbursed by a covered employer as part of an agreement between the covered employer and an administrator of the summer work program that designates the covered employer as a passthrough fiscal agent.~~

## **II. Service Credit**

~~a. Generally~~

~~1. The Board of the Arkansas Teacher Retirement System (Board) shall determine the:~~

~~A. Number of years and corresponding fractions for service that may be credited to a member; and~~

~~B. Amount of service to be credited to a member.~~

~~2. A member shall earn one (1) year of credited service if the member completes a full service year.~~

~~3. A member shall not earn more than one (1) year of credited service in a fiscal year.~~

~~4. ATRS shall certify proof of a member's service on forms and with documentation required by ATRS.~~

~~b. Unused Leave~~

~~1. Unless otherwise provided by law, paid or unpaid accrued, unused sick leave shall not be credited as service in ATRS.~~

~~2. If a member dies during active service on or after July 1, 2013, the member's unused catastrophic leave and unused donated leave shall not be credited as service.~~

~~c. Contract Buyouts, Settlements, Claims, Awards, and Court-Ordered Payments~~

~~1. A member shall not accumulate service credit in ATRS during the time that payments under a contract buyout agreement, settlement, claim, judgment, arbitration award, decree, or court-ordered payment are paid to the member by a covered employer unless the member continues to work on-site for the covered employer.~~

~~2. A member shall not receive service credit or additional salary from ATRS under a settlement agreement or court order unless purchased at actuarial cost.~~

~~d. Service Provided After July 1, 1971~~

- ~~1. Actual service credited to a member with service after July 1, 1971, shall be as follows:~~

<del>Number of Days Worked in a Fiscal Year</del>	<del>Service Credit Earned</del>
<del>1-39</del>	<del>None</del>
<del>40-79</del>	<del>0.25 year</del>
<del>80-119</del>	<del>0.50 year</del>
<del>120-159</del>	<del>0.75 year</del>
<del>160 days or over</del>	<del>1.00 year</del>

~~e. Members Employed for Less Than Forty (40) Days~~

- ~~1. Unless otherwise provided by the law applicable to ATRS or the ATRS Rules, a member who is employed for less than forty (40) days during a fiscal year is ineligible for credited service or retirement benefits for that fiscal year.~~

~~f. Rollover Service Days~~

- ~~1. Beginning in the 2011-2012 fiscal year, a contributory member's service days shall be carried forward from previous fiscal years until at least forty (40) days of service are earned by the member.~~
- ~~2. Service days shall not be carried forward for a contributory member if the member earns at least forty (40) days of service in a fiscal year by using regular service days, accumulated service days, or both regular service and accumulated service days.~~

~~g. Full-Time Employees~~

- ~~1. A member who is employed full-time or employed in a position for which a regular or typical work day includes at least eight (8) working hours shall earn one (1) day of credited service if the member works for at least four (4) hours of the eight-hour working day.~~

~~h. Employees in Specialized Support Positions~~

~~1. Employment with Less Than Eight-Hour Working Days~~

- ~~A. Beginning July 1, 2011, a member employed in a specialized support position shall earn one (1) day of credited service if the:~~

~~i. Specialized support position is certified as a specialized support position to ATRS; and~~

- ~~ii. Covered employer reasonably determines that the member performed the regular and usual service expected of an employee in that position during the work day.~~

~~2. Employment with Unspecified Contractual Work Days~~

~~A. A member who is employed in a specialized support position and does not have a contractual obligation to work a specified number of days shall earn one (1) day of credited service for each day of service provided by the member.~~

~~B. A member described in this ATRS Rule 7 II.h.2.A shall earn one (1) day of credited service for each day of service provided by the member regardless of whether the member works for less than four (4) hours on a work day.~~

~~i. Employees in Non-Specialized Support Positions~~

~~1. The credited service earned by a member who is employed in a nonspecialized support position and does not work for at least four (4) hours each working day shall be calculated by dividing the total number of hours worked by the member in a fiscal quarter by four (4).~~

**III. Member and Employer Contributions**

~~a. Contributions — Generally~~

~~1. The Board shall annually set member and employer contribution rates for the following fiscal year.~~

~~2. ATRS shall notify annually each covered employer of the contribution rates set by the Board.~~

~~3. A member's and covered employer's contributions are due monthly, regardless of the member's concurrent membership status.~~

~~b. Member Contributions~~

~~1. Authority of the Board~~

~~A. The Board shall not set the member contribution rate at less than six percent (6%).~~

~~B. The Board may increase the member contribution rate to maintain actuarial soundness.~~

~~2. Contribution Rate~~

~~A. A contributory member shall contribute the percentage of his or her salary that is set by the Board.~~

~~B. A member's contribution is due monthly, regardless of the member's concurrent membership status.~~

~~3. Remittance of Member Contributions by Covered Employer~~

~~A. A covered employer shall remit member contributions by pick-up from the salary earned by each member.~~

~~B. Member contributions shall be treated as employer contributions under the applicable provisions of the Internal Revenue Code and the Income Tax Act of 1929, Arkansas Code § 26-51-101 et seq.~~

- C. ~~A covered employer may remit a member's contributions by implementing a:
  - i. ~~Reduction in the cash salary of the member;~~
  - ii. ~~Setoff against the member's future salary increases;~~
  - iii. ~~Both a reduction in the cash salary of the member and a setoff against the member's future salary increases.~~~~

~~c. Employer Contributions — Public School Employers and Covered Employers~~

~~1. Covered Employers and Public School Employers~~

- A. ~~A covered employer's employer contributions shall be the sum of the current employer contribution rate set by the Board for the fiscal year multiplied by the total gross salaries of all the covered employer's employees.~~
- B. ~~A public school employer shall pay up to fourteen percent (14%) of the employer contribution rate.~~
- C. ~~Up to fifteen percent (15%) of any additional employer contributions required from a public school employer shall be paid from additional funds appropriated by the state for the purpose of paying employer contributions to ATRS.~~

~~2. Employer Contributions Not Paid by the Department of Education~~

- A. ~~A covered employer shall pay annually, for its employees, employer contributions that are not required to be paid by the Department of Education.~~
- B. ~~The employer contribution rate shall be the current state contribution percent multiplied by the total covered salaries of the covered employer's employees in the fiscal year.~~

~~3. Employer Contributions Paid by the Department of Education~~

- A. ~~In accordance with rules established by the Board and the Department of Education's appropriations act, the Department of Education shall pay employer contributions due for eligible employees of covered employers, including without limitation the following:
  - i. ~~State agencies as allowed under the Transformation and Efficiencies Act, Acts 2019, No. 910;~~
  - ii. ~~Cooperative Education Services Areas;~~
  - iii. ~~Vocational Centers;~~
  - iv. ~~Arkansas Easter Seals; and~~
  - v. ~~A school operated by the Corrections School System.~~~~
- B. ~~The Department of Education shall pay the employer contributions for eligible employees of covered employers from the Public School Fund.~~

~~C. At the close of each quarterly report, ATRS shall report the amount of employer contributions due from the Department of Education.~~

~~D. The employer contributions due from the Department of Education shall be based on the salaries of the eligible employees reported to ATRS by each covered employer.~~

~~d. Employer Contributions — Participating Employers~~

~~1. The Board shall annually notify each participating employer of the employer contribution rate established by the Board for the upcoming fiscal year.~~

~~e. Employer Contributions — Surcharge Employers 1. A surcharge employer's employer contributions shall be a monthly surcharge on the total salaries paid to all the surcharge employer's embedded employees on an aggregate basis as provided under Arkansas Code § 24-7506(c).~~

#### **IV. Employer Reports**

~~a. Generally~~

~~1. A covered employer shall submit:~~

~~A. Reports and supporting documentation required by ATRS on a monthly and quarterly basis; and~~

~~B. Reports and supporting documentation electronically to ATRS on forms approved by ATRS.~~

~~b. Covered Employers~~

~~1. Youth Participant — Summer Work Programs~~

~~A. At the request of ATRS, a covered employer shall provide ATRS with a memorandum of understanding, partnership agreement, or another similar document related to the covered employer's actions as a passthrough fiscal agent for a youth participant in a summer work program.~~

~~B. A covered employer shall provide ATRS with all documents related to the agreement designating the covered employer as a pass-through fiscal agent before disbursing compensation to a youth participant.~~

~~C. A covered employer that acts as a pass-through fiscal agent shall not report a youth participant as an employee for ATRS purposes.~~

~~2. Twenty-Six (26) Week Payroll~~

~~A. A covered employer that uses a twenty-six week payroll system shall report an employee's salary, contributions, and actual working days through the current fiscal year ending June 30 if the employee is a member of ATRS and retiring.~~

~~B. If an employee is a member of ATRS and retiring effective July 1, a covered employer shall not:~~

~~i. Withhold contributions on a salary earned by the member after the close of payroll for the current fiscal year; and~~

- ii. ~~Report any salary paid to the member or actual working days performed by the member after the close of payroll for the current fiscal year.~~
    - C. ~~ATRS shall refund employee contributions and employer contributions remitted to ATRS from a salary paid to the employee after the end of the current fiscal year or payroll period for the current fiscal year.~~
  - e. ~~Surcharge Employers and Participating Employers~~
    - 1. ~~Generally~~
      - A. ~~A covered employer may submit a request to ATRS for a determination on whether a service or position is subject to the provisions of Arkansas Code § 24-7-506.~~
    - 2. ~~Surcharge Employers~~
      - A. ~~A surcharge employer shall submit a surcharge report monthly to ATRS with all other reports required by ATRS.~~
    - 3. ~~Participating Employers~~
      - A. ~~A participating employer shall submit a contribution report monthly to ATRS with all other reports required by ATRS.~~
  - d. ~~Employer Submission of Reports~~
    - 1. ~~Electronic Submission of Reports~~
      - A. ~~Beginning on July 1, 2022, a covered employer shall:~~
        - i. ~~Electronically report employee contributions and employer contributions made by the covered employer through the ATRS portal; and~~
        - ii. ~~Pay employee contributions and employer contributions through electronic transfer.~~
    - 2. ~~Electronic Submission of Reports — Waiver~~
      - A. ~~A covered employer shall submit a written request for a temporary waiver to the Board by July 1, 2022, if the covered employer is unable to:~~
        - i. ~~Electronically report employee contributions or employer contributions; or~~
        - ii. ~~Pay employee contributions or employer contributions through electronic transfer.~~
      - B. ~~A request for a temporary waiver shall include a timeline for when the employer will be able to comply with submitting reports electronically and paying employee contributions or employer contributions through electronic transfer.~~
    - 3. ~~Deadline for Submission of Reports~~



~~A. A report and supporting documentation submitted by a covered employer shall not be considered untimely if:~~

~~i. The report and supporting documentation are received by ATRS on the tenth (10<sup>th</sup>) day of the month in which the report and supporting documentation are due; or~~

~~ii. In the case of a covered employer that obtains a waiver as provided under this ATRS Rule 7 IV.d.2. or is unable to electronically submit a report and supporting documentation, the report and supporting documentation are mailed and postmarked by the fourteenth (14<sup>th</sup>) day of the month.~~

~~a. If the fourteenth (14<sup>th</sup>) day of the month falls on a Saturday, Sunday, or holiday, the postmarked date shall be the next business day.~~

#### ~~4. Failure to Submit Report or Remit Contributions and Penalties~~

##### ~~A. Late Fee for Untimely Reports~~

~~i. A one hundred fifty dollar (\$150) late fee shall be assessed on a covered employer for each occurrence in which a report and supporting documentation is untimely submitted to ATRS.~~

##### ~~B. Interest Penalty~~

~~i. If a covered employer does not remit member or employer contributions, including surcharge contributions, by the monthly due date, ATRS shall assess an interest penalty equal to ATRS' actuarially assumed rate of return on investments and daily interest accrual against the covered employer until the member or employer contributions, whichever is applicable, are paid.~~

~~ii. The Board or its designee, in its discretionary authority, may waive an interest penalty assessed against a covered employer if:~~

~~a. The delinquency is not a result of the covered employer's nondisclosure, fraud, or other misrepresentation; and~~

~~b. Based on the facts and circumstances, payment of the penalty interest would be unduly penal, burdensome, or manifestly unjust.~~

~~iii. The Board shall not instruct the Executive Director of ATRS (executive director) to waive one (1) or more interest penalties assessed against a covered employer if the amount will exceed one thousand dollars (\$1,000) for the fiscal year.~~

~~iv. A covered employer may submit an interest penalty waiver request for one (1) or more interest penalties exceeding one thousand dollars (\$1,000) for the fiscal year to the Board.~~

~~v. The executive director shall report each interest penalty waived under this ATRS Rule 7 IV.d.4.B to the Board.~~

~~5. Report to Chief Fiscal Officer of the State~~

- ~~A. ATRS may certify the names of each covered employer that fails to timely report and remit member or employer contributions, including surcharge contributions, to the Chief Fiscal Officer of the State.~~
- ~~B. After receiving the certification from ATRS, the Chief Fiscal Officer of the State may direct a transfer of funds on deposit in the State Treasury for the payment of delinquent member or employer contributions and an assessed interest penalty. (Arkansas Code § 19-5-106)~~

~~6. Refunds~~

~~A. Service History Conflicts~~

- ~~i. A conflict in a member's service history due to concurrent service shall be resolved at the end of the fiscal year and ATRS shall issue refunds as appropriate.~~

~~B. Overpayments and Underpayments~~

- ~~i. ATRS shall return overpayments of employee contributions and employer contributions resulting from erroneous contribution submissions or incorrect reporting of Salary Option 2 member salaries (first seven thousand eight hundred dollars (\$7,800)) to the appropriate covered employer.~~
- ~~ii. Contribution Overpayments~~
  - ~~a. ATRS shall send written notification to a covered employer of a contribution overpayment that is less than the de minimis amount that may be refunded.~~
  - ~~b. A contribution overpayment that is less than the de minimis amount shall not be refunded to the appropriate covered employer unless the covered employer submits a written request for a refund to ATRS within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS.~~
  - ~~c. If a covered employer does not submit a written request for a refund within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS, the amount of the contribution overpayment shall be forfeited to the trust assets of ATRS.~~

~~iii. Contribution Underpayments~~

- ~~a. ATRS shall not collect a contribution underpayment of less than the de minimis amount from a covered employer.~~

~~V. Final Average Salary~~

~~a. Salary Limitations~~

1. Authority of the Board
  - A. The Board may adopt rules to modify the definition of salary for the purpose of calculating ATRS retirement benefits. (Arkansas Code § 24-7202)
2. Salary—Multiple Covered Employers
  - A. ATRS shall include the salary received from each of a member's covered employers when calculating the member's final average salary.
3. Internal Revenue Code § 401(a)(17)
  - A. Regardless of any provision in a state statute, rule, or regulation to the contrary, remuneration, salary, or other compensation that exceeds the limitations set forth provided in the Internal Revenue Code of 1986, 26 U.S.C. § 401(a)(17), as it existed on January 1, 2011, shall not be used for the purposes of calculating the final average salary on which ATRS benefits are based.
  - B. The limitation on remuneration, salary, or compensation for an eligible employee shall not be less than the amount that was allowed to be considered by ATRS as in effect on July 1, 1993.
4. Excluded Remuneration, Salary, or Compensation
  - A. ATRS shall not consider remuneration, salary, or compensation paid by a covered employer to a member as a salary earned by the member if the:
    - i. Remuneration, salary, or compensation is paid as an incentive payment, bonus, separation payment, additional salary, or special payment in consideration for the member's agreement to retire, terminate employment, or not renew a contract with the covered employer;
    - ii. Offer described in this ATRS Rule 7 V.a.4.A.i. is extended by the covered employer to two (2) or more members;
    - iii. Remuneration, salary, or compensation is not offered as an additional salary or payment for the purchase of service credit that is part of a separation agreement resulting from the resolution of a claim of wrongful termination;
    - iv. Remuneration, salary, or compensation is not payment for accumulated, unused sick leave that:
      - a. Accrued in the years immediately preceding the member's termination of covered employment; and
      - b. Were in excess of the number of sick days that the covered employer allowed the member to carry forward;

- v. ~~Covered employer offers a voluntary early retirement incentive plan, staff reduction plan, or buyout plan that would require the member as a participant of the plan to retire or terminate his or her employment with the covered employer; and~~
  - vi. ~~Member voluntarily participates in the plan in exchange for the remuneration, salary, or compensation offered by the covered employer.~~
- B. ~~A covered employer shall not withhold a member's contributions or pay employer contributions from a remuneration, salary, or compensation paid to a member if the remuneration, salary, or compensation is subject to a salary limitation as provided by this ATRS Rule 7.~~
- C. ~~A covered employer that offers an early retirement plan, separation, plan, or contract nonrenewal plan and intends to pay remuneration, salary, or compensation that is subject to a salary limitation as provided by this ATRS Rule 7 shall notify ATRS before making a payment under the plan.~~
- D. ~~At the request of a covered employer, ATRS shall:~~
- i. ~~Review a potential plan or payment that may be subject to a salary limitation as provided by this ATRS RULE 7; and~~
  - ii. ~~Provide guidance to the covered employer concerning the applicability of the salary limitation to the plan or payment.~~
- E. ~~A covered employer may appeal ATRS' decision concerning the applicability of a salary limitation to a plan or payment to the Board using ATRS' appeal procedures provided in ATRS Rule 13.~~
5. ~~Conflict of Laws~~
- A. ~~The law applicable to ATRS and the ATRS Rules shall be controlling if a conflict exists between ATRS' calculation of final average salary and a covered employer's laws or policies concerning the compensation of final average salary.~~
- b. ~~Service Years Included in Computation of Final Average Salary~~
- 1. ~~Unused Leave~~
    - A. ~~If a member dies during active service on or after July 1, 2013, the member's paid or unpaid accrued, unused sick leave, shall be credited as service in the fiscal year of the member's death for the purpose of determining the member's retirement eligibility, final average salary, and eligibility for other ATRS benefits.~~
  - 2. ~~Full Service and Partial Service Years~~
    - A. ~~A partial service year shall be excluded from the calculation of a member's final average salary unless the:~~
      - i. ~~Partial service year is higher than a full service year; or~~
      - ii. ~~Member has less than the required number of years to calculate a~~

final average salary.

3. ~~Number of Service Years Used to Calculate Final Average Salary~~
  - A. ~~The Board shall set annually the applicable number of years to be used in computing final average salary for retirement benefits at not less three (3) years and not more than five (5) years.~~
  - B. ~~Unless otherwise provided by law applicable to ATRS or the ATRS Rules, effective July 1, 2018, ATRS shall calculate a member's final average salary using the five (5) years in which the member received the highest salary from a covered employer.~~
  - C. ~~Members with Insufficient Credited Service or Full Service Years~~
    - i. ~~If a member has less than the minimum number of years of credited service that would be used to calculate a final average salary, the member's final average salary shall be the total salary paid to the member for his or her years of credited service divided by the member's total credited years of service.~~
    - ii. ~~If a member does not have full service years for the total years of service used in the calculation of final average salary, the Board may establish by rule a fair base salary for a member's final average salary for purposes of comparing the member's highest salary years.~~
  - D. ~~Active Members with Three (3) Full Service Years as of July 1, 2018~~
    - i. ~~For an active member who has three (3) or more full service years as of July 1, 2018, ATRS shall:~~
      - a. ~~Treat the active member as if he or she was retiring or entering the Teacher Deferred Retirement Option Plan (TDROP) as of June 30, 2018; and~~
      - b. ~~Determine the benchmark final average salary using the highest salary from the member's three (3) full service years through fiscal year 2018.~~
    - ii. ~~A final average salary calculation using three (3) full service years shall be the benchmark comparison for a five-year final average salary calculation to which the active member may be entitled.~~
    - iii. ~~ATRS shall calculate the active member's final average salary using the five (5) years in which the active member received the highest salary from a covered employer if at the time of the active member's retirement using a five-year calculation of the final average salary is higher than using a three-year calculation.~~
  - E. ~~Inactive Members Who May Have Three (3) Full Service Years of July 1, 2018~~
    - i. ~~ATRS shall not use a benchmark final average salary for an inactive member unless the inactive member provides ATRS with~~

appropriate documentation showing that the inactive member was active in a reciprocal system or alternate retirement plan during the 2018 fiscal year.

F. Members with Reciprocal Service Credit

- i. For a member with reciprocal service credit, ATRS shall use the highest final average salary calculated, at the time of the member's retirement, by ATRS or a reciprocal system in which the member has at least two (2) years of service credit pursuant to Arkansas Code § 24-2-402.

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<b>HISTORY</b>		
Amended:	August 11, 1998	7-1, 7-3
Amended:	June 17, 2003	7-4
Amended:	April 6, 2004	7-4
Reaffirmed:	June 15, 2004	7-4
Amended:	July 18, 2005	7-1, 7-2, 7-3, 7-4
Amended:	April 26, 2007	7-4
Amended:	February 11, 2008	7-3, 7-4
Amended:	June 16, 2009	7-1, 7-2 (Emergency)
Amended:	October 5, 2009	7-1, 7-2 (Permanent)
Amended:	December 18, 2009	7-3, 7-4
Amended:	July 1, 2011	7-1, 7-2 (Emergency)
Adopted:	August 8, 2011	7-1, 7-2
Effective:	November 11, 2011	7-1, 7-2
Board Approved:	February 6, 2012	7-2, 7-4
Amended:	April 2, 2012	7-2 (Emergency)
Amended:	April 18, 2012	7-4
Effective:	May 29, 2012	7-2, 7-4
Approved by Board:	July 26, 2013	7-1, 7-3
Amended:	October 9, 2013	7-1, 7-3
Effective:	November 8, 2013	7-1, 7-3
Approved by Board:	January 8, 2014	7-1
Amended:	February 17, 2014	7-1
Effective:	March 18, 2014	7-1
Effective:	August 5, 2019	Rule 7

~~Effective: May 28, 2020 Rule 7~~

~~Effective: May 20, 2022 Rule 7~~



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**Public Comments**

**Proposed Rule 8 – Free Service Credit, Purchasable Service Credit, and Purchase Accounts**

**1. Page 1, § 8-101(8).**

- a. **BLR Comment:** Section 8-101(8) – Under the definition for “Qualified service”, should the reference to the United States Code be to Title 26, as opposed to Title 46, as it appears in Ark. Code Ann. § 24-7-202 and Act 125 of 2023?
- b. **Response:** Yes. The rule has been amended to change “46” to “26”.

**2. Page 3, § 8-104.**

- a. **ATRS Staff Comment:** Should the rules state that members may receive concurrent service for National Guard service purchases?
- b. **Response:** Yes. This comment aligns with Ark. Code Ann. § 24-7-610(e). The rule has been amended.

**3. Page 5, § 8-107.**

- a. **ATRS Staff Comment:** Should the rules concerning the purchase of overseas service credit also state that a fraction of a year can be credited in accordance with Ark. Code Ann. § 24-7-601?
- b. **Response:** Yes. This comment aligns with Ark. Code Ann. § 24-7-604(b)(3)(B). The rule has been amended.

**4. Page 10, § 8-113(f).**

- a. **ATRS Staff Comment:** Should disability retirement be added to following, “*The system shall not permit a member to use unearned future service credit or nonqualified service credit purchased through a contract buyout settlement agreement with a school district to retire under age and service retirement before the member’s employment contract with the school district would naturally have terminated.*”?
- b. **Response:** Yes. The rule has been amended to add disability retirement.



**ATRS Rule 8**  
**Free Service Credit, Purchasable Service Credit, and Purchase**  
**Accounts**

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**§ 8-101. Definitions.**

As used in this rule:

(1) "Armed forces reserve" means one (1) of the reserve components of the United States Armed Forces;

(2) "Domestic federal service" means service rendered as a teacher or administrator in a school or similar institution located on a military base or installation that is administered by the United States Department of Defense;

(3) "Gap year" means a period of time:

(A) In which a member was an inactive member and either:

(i) Unemployed; or

(ii) Did not provide qualified service; and

(B) For which the Arkansas Teacher Retirement System may grant the member permissive service credit;

(4) "Out-of-state service" means service performed in a state other than Arkansas and in a position that would have been covered by the Arkansas Teacher Retirement System if the service had been actual service performed in Arkansas and covered by the system;

(5) "Overseas service" means service in:

(A) An American-related overseas school that is sponsored and approved by either the United States Department of State or the United States Department of Defense; or

(B) The Peace Corps or AmeriCorps VISTA, Volunteers in Service to America;

(6) "Permissive service credit" means service:

(A) That is credited under the system for the purpose of calculating a member's benefit;

(B) That has not previously been credited under the system; and

(C) For which a member contributes or pays the amount necessary to fund the benefit attributable to the service as required by the system;

(7) "Private school service" means:

(A) Service rendered in a private school, or agency that would have been covered by the system if the:

(i) Service had been rendered in a public school; or

(ii) Private school or agency;

(B) Has positions that would require the issuance of a teaching license in a public school based on a determination by the system; or

(C) Is recognized as a private education-related entity by resolution adopted by the Board of Trustees of the Arkansas Teacher Retirement System;

(8) "Qualified service" means the service described in 26 U.S.C. § 415(n)(3)(C)(i)-(iv), as it existed on January 1, 2023; and

(9) "Uniformed Services of the United States" means service in the:

- (A) United States Armed Forces;
- (B) Army National Guard;
- (C) Air National Guard when engaged in active duty for training, state active duty, inactive duty training, or full-time National Guard duty;
- (D) United States Commissioned Corps of the Public Health Service; and
- (E) Any other category of persons designated by the President of the United States in time of war or emergency.

**§ 8-102. Free service credit - Military service.**

(a)(1) A person may establish free military service credit with the Arkansas Teacher Retirement System at any time after becoming a member.

(2) Free military service credit established with the system is effective after the member completes five (5) years of actual service in the system, excluding military service credit.

(b) A member who by draft or voluntary enlistment entered the United States Armed Forces during a period that a federal military draft was in effect and obtained a refund of contributions from the system may establish free military service credit with the system if the member:

(1) Is honorably discharged from the United States Armed Forces; and

(2) Before retirement, repays the system the actuarial equivalent of the member's refunded service.

(c) A member who by draft or voluntary enlistment entered the United States Armed Forces during any period that a federal military draft was in effect and becomes an active member after an honorable discharge from the United States Armed Forces is eligible to establish free military service credit with the system, regardless of whether or not the member has five (5) or more years of credited service in the system at the time of the member's reemployment.

(d) A member who is first employed after serving in the United States Armed Forces during a period of time in which the military draft was in effect is eligible to establish free military service credit with the system if the member:

(1) Completes five (5) or more years of actual service in the system; and

(2) Receives an honorable discharge.

(d) The system shall provide a member with free military service credit after the member:

(1) Applies to establish free military service credit with the system by submitting a completed application form approved by the system; and

(2) Submits official military documentation listing the entry and discharge dates of the member's first enlistment or induction into the United States Armed Forces.

(e)(1) Free military service credited to a member before July 1, 1986, shall be considered contributory service.

(2) Free military service shall be credited to a member's account on a prorated basis if the member has both contributory and noncontributory service.

(f) Military service credited to a member shall not exceed five (5) years unless the member is entitled to service credit for service in the uniformed services of the United States.

(g) Military service shall be credited in order of the years that are chronologically closest to the member's service with a covered employer.

(h) A member shall not receive military service credit for military service years resulting

from the member's reenlistment or voluntary extension of his or her initial enlistment.

**§ 8-103. Purchasable service credit — Military service.**

(a) A member shall receive service credit for service in the United States Armed Forces that cannot be credited to the member under Arkansas Code § 24-7-602(a) if the member pays the Arkansas Teacher Retirement System the actuarial equivalent for the service credit.

(b)(1) Effective December 12, 1994, a member shall be treated as not having incurred a break in service with a covered employer if the member:

(A) Leaves employment with a school to voluntarily or involuntarily serve in the uniformed services of the United States; and

(B) Returns to employment with a school.

(2) A member described in § 8-103(b)(1) of this rule shall accrue benefits for the time he or she served in the uniformed services of the United States if:

(A) The member pays the employee contributions as provided in Arkansas Code § 24-7-406; and

(B) Employer contributions are paid for the time the member served in the uniformed services of the United States.

(c) A member's absence from his or her employment with a school due to his or her service in the uniformed services of the United States shall not exceed five (5) years.

(d) At the member's request, a member's payment for United States Armed Forces service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the United States Armed Forces service credit is established as credited service in the system; or

(2) United States Armed Forces service credit is not otherwise used to establish the member's eligibility for retirement under the system.

**§ 8-104. Purchasable service credit — National Guard and armed forces reserve.**

(a) A member may purchase up to five (5) years of service for his or her service in the National Guard or armed forces reserve.

(b) A member shall receive credit for service in the National Guard or armed forces reserve if the member:

(1) Applies to the Board of Trustees of the Arkansas Teacher Retirement System to purchase National Guard or armed forces reserve service credit by submitting a completed application form approved by the Arkansas Teacher Retirement System;

(2) Provides the system with satisfactory proof of his or her service in the National Guard or armed forces reserve;

(3) Pays the system, in full, the actuarial equivalent of the member's benefits for each year of National Guard or armed forces reserve service credit being purchased; and

(4) Has established at least five (5) years of actual service with the system, excluding National Guard or armed forces reserve service.

(c) The system shall not credit a member with more than five (5) years of service for service in the National Guard or armed forces reserve.

(d) Purchased National Guard or armed forces reserve service credit shall be credited to the year in which the member rendered the service even if the member has concurrent service with a covered employer.

(e) At the member's request, a member's payment for National Guard or armed forces reserve service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the National Guard or armed forces reserve service credit is established as credited service in the system; or

(2) National Guard or armed forces reserve service credit is not otherwise used to establish the member's eligibility for retirement under the system.

**§ 8-105. Purchasable service credit — Domestic federal service.**

(a) Beginning January 1, 2003, a member may purchase up to ten (10) years of domestic federal service that shall be credited if:

(1) The member:

(A) Has contributions left on deposit with another system and the domestic federal service credit being purchased is limited to service for which another system similar in purpose to the Arkansas Teacher Retirement System, except for Social Security, could not pay a benefit;

(B) Pays the system, in full, the actuarial equivalent of benefits for each year of domestic federal service credit being purchased; and

(C) Has established at least five (5) years of actual service, excluding federal domestic service; and

(2) All other requirements set by rules adopted by the Board of Trustees of the Arkansas Teacher Retirement System are met.

(b) A member may purchase a fraction of a year of domestic federal service that shall be credited if the:

(1) Member has at least one-fourth (1/4) of a year of domestic federal service in a fiscal year; and

(2) Fraction of a year of domestic federal service can be credited in accordance with Arkansas Code § 24-7-601.

(c) At the member's request, a member's payment for domestic federal service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the domestic federal service credit is established as credited service in the system; or

(2) Domestic federal service credit is not otherwise used to establish the member's eligibility for retirement under the system.

**§ 8-106. Purchasable service credit — Out-of-state service.**

(a)(1) Out-of-state service purchased before July 1, 1987, shall be credited as service in accordance with the law in effect before July 1, 1987.

(2) A member may purchase up to fifteen (15) years of out-of-state service if the out-of-state service is purchased on and after July 1, 1987.

(b) Out-of-state service shall be credited if:

(1) The member:

(A) Has contributions left on deposit with another system and the out-of-state service credit being purchased is limited to service for which another system similar in purpose to the Arkansas Teacher Retirement System, except for Social Security, could not pay a benefit;

(B) Pays the system, in full, the actuarial equivalent of benefits for each year

of out-of-state service credit being purchased; and

(C) Has established at least five (5) years of actual service, excluding out-of-state service; and

(2) All other requirements set by rules adopted by the Board of Trustees of the Arkansas Teacher Retirement System are met.

(c) A member may purchase a fraction of a year of out-of-state service that shall be credited if the:

(1) Member has at least one-fourth (1/4) of a year of out-of-state service in a fiscal year; and

(2) Fraction of a year of out-of-state service can be credited in accordance with Arkansas Code § 24-7-601.

(d) At the member's request, a member's payment for out-of-state service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the out-of-state service credit is established as credited service in the system; or

(2) Out-of-state service credit is not otherwise used to establish the member's eligibility for retirement under the system.

#### **§ 8-107. Purchasable service credit — Overseas service.**

(a) A member may purchase service credit for service in an overseas school if:

(1) The member:

(A) Has at least five (5) years of service in a position covered by the Arkansas Teacher Retirement System; and

(B) Performs the minimum days of service at the overseas school required for a fiscal year of service credit;

(2) The overseas service credit is limited to service for which another system similar in purpose to the system, except Social Security, could not pay a benefit; and

(3) The actuarial equivalent of the member's benefits is paid to the system.

(b) The system shall not credit a member with more than ten (10) years of overseas service credit.

(c) A member may be credited with fractions of years of service as provided by Arkansas Code § 24-7-601.

(c) At the member's request, a member's payment for overseas service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the overseas service credit is established as credited service in the system; or

(2) Overseas service credit is not otherwise used to establish the member's eligibility for retirement under the system.

#### **§ 8-108. Purchasable service credit — General Assembly.**

(a) A member of the Senate or House of Representatives of the General Assembly who is a member of the Arkansas Teacher Retirement System shall receive credited service and salary in the system for his or her full contract salary if the:

(1) School district requires the member's salary to be reduced during the member's attendance at:

(A) Regular or extraordinary sessions of the General Assembly; or

(B) Interim meetings of regular or special committees of the General Assembly;

(2) Member applies for General Assembly service credit by submitting to the system a completed application form approved by the system;

(3) Member pays the system the necessary member contributions; and

(4) Required employer contributions are paid to the system for the amount of the salary reduction during periods of the member's attendance at regular or extraordinary sessions of the General Assembly or sessions of legislative committees.

(b) A member of the Senate or House of Representatives who currently serves in the General Assembly or has served in the legislative committees for any year that is within five (5) years of July 6, 1977, shall receive credited service and salary for his or her full contract if the:

(1) Member applies for General Assembly service credit by submitting to the system a completed application form approved by the system;

(2) Member pays the employee contributions; and

(3) Required employer contributions are paid from the Public School Fund to the system for the portion of the contractual period in which the member's salary was reduced during the member's legislative service.

(c) A member of the Senate or House of Representatives of the General Assembly who is an employee and member of the system shall receive credited service and salary for his or her full contract salary if:

(1) Either the member or school district decides it is in the best interest of the member to take a leave of absence for up to one (1) full calendar year at a time in order for the member to attend his or her duties as a member of the General Assembly; and

(2) Both the required employee and employer contributions are paid to the system for the amount of the member's contract salary during periods in which the member attended sessions of the General Assembly or legislative committees.

(d) At the member's request, a member's payment for General Assembly service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the General Assembly service credit is established as credited service in the system; or

(2) General Assembly service credit is not otherwise used to establish the member's eligibility for retirement under the system.

#### **§ 8-109. Purchasable service credit — Advanced degree service.**

(a) A member who is a public school teacher or administrator and takes a leave of absence from a school in order to obtain an advanced degree at an institution of higher learning or to fulfill the requirements of a scholarship or grant shall receive credited service for the time of the member's actual enrollment in the institution if the member:

(1) Applies for advanced degree service credit by submitting to the system a completed application form approved by the Arkansas Teacher Retirement System; and

(2) Pays the actuarial equivalent of the member's benefits to the system for each year of service credit being purchased.

(b) At the member's request, a member's payment for advanced degree service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the advanced degree service

credit is established as credited service in the system; or

(2) Advanced degree service credit is not otherwise used to establish the member's eligibility for retirement under the system.

**§ 8-110. Purchasable service credit — Private school service.**

(a) Employment with a Head Start program shall be considered private school service.

(b)(1) A member may purchase up to fifteen (15) years of private school service to be credited as certified service if:

(A) The member:

(i) Has contributions left on deposit with another system and the private school service credit being purchased is limited to service for which another system similar in purpose to the Arkansas Teacher Retirement System, except for Social Security, could not pay a benefit;

(ii) Pays the system, in full, the actuarial equivalent of benefits for each year of private school service credit being purchased; and

(iii) Has established at least five (5) years of actual service, excluding private school service; and

(B) All other requirements set by rules adopted by the Board of Trustees of the Arkansas Teacher Retirement System are met.

(2) At the member's request, a member's payment for certified private school service credit shall be refunded by the system if the:

(A) Member ceased to be an active member before the certified private school service credit is established as credited service in the system; or

(B) Certified private school service credit is not otherwise used to establish the member's eligibility for retirement under the system.

(c)(1) A member may purchase up to five (5) years of noncertified private school service that shall be credited as noncertified service if:

(A) The member:

(i) Applies for noncertified private school service credit by submitting to the system a completed application form approved by the system;

(ii) Has contributions left on deposit with another system and the noncertified service credit being purchased is limited to service for which another state-supported pension system or system similar in purpose to the system could not pay a benefit;

Pays the system, in full, the actuarial equivalent of benefits for each year of service credit being purchased; and

(iii) Has established at least five (5) years of actual service; and

(B) All other requirements set by rules adopted by the board are met.

(2) At the member's request, a member's payment for noncertified private school service credit shall be refunded by the system if the:

(A) Member ceased to be an active member before the noncertified private school service credit is established as credited service in the system; or

(B) Noncertified private school service credit is not otherwise used to establish the member's eligibility for retirement under the system.

(d)(1) A member may purchase up to five (5) years of private education-related entity private school service that shall be credited as noncertified service if:

(A) The member:

(i) Applies for private education-related entity private school service by submitting to the system a completed application approved by the system;

(ii) Has contributions left on deposit with another system and the private education-related entity private school service credit being purchased is limited to service for which another state-supported pension system or system similar in purpose to the system could not pay a benefit;

(iii) Pays the system, in full, the actuarial equivalent of benefits for each year of service credit being purchased;

(iv) Has established at least five (5) years of actual service; and

(B) All other requirements set by rules adopted by the Board are met.

(2) At the member's request, a member's payment for private education-related entity private school service credit shall be refunded by the system if the:

(A) Member ceased to be an active member before the private education-related entity private school service is established as credited service in the system; or

(B) Private education-related entity private school service credit is not otherwise used to establish the member's eligibility for retirement under the system.

(e) A member may purchase a fraction of a year of private school service that shall be credited if the:

(1) Member has at least one-fourth (1/4) of a year of private school service in a fiscal year; and

(2) Fraction of a year of private school service can be credited in accordance with Arkansas Code § 24-7-601.

### **§ 8-111. Purchasable service credit — Federal retirement service.**

(a) An active member may purchase up to ten (10) years of federal retirement service that shall be credited if the:

(1) Federal retirement service being purchased is limited to service for which the federal retirement system could not pay a benefit to the member;

(2) Member applies for federal retirement service by submitting to the Arkansas Teacher Retirement System a completed application form approved by the system;

(3) Member provides certification of his or her federal retirement service to the system on a form approved by the system;

(3) Member pays the system, in full, the actuarial equivalent of benefits for each year of service credit being purchased; and

(4) Member has established at least five (5) years of actual service, excluding federal retirement service.

(b)(1) A member shall complete at least one hundred sixty (160) working days before the member may establish one (1) year of federal retirement service credit.

(2) One (1) month of federal service shall be considered twenty (20) days of service.

(c) A member may purchase a fraction of a year of federal retirement service that shall be credited if the:

(1) Member has at least one-fourth (1/4) of a year of federal retirement service in a fiscal year; and

(2) Fraction of a year of federal retirement service can be credited in accordance



with Arkansas Code § 24-7-601.

(d) Federal retirement service credit shall be considered contributory service.

(e) Purchased federal retirement service shall be credited to the fiscal year in which the service was rendered.

(f) If a member is not an active member before establishing federal retirement service with the system, the member's contribution payments and regular interest shall be refunded.

(g) At the member's request, a member's payment for federal retirement service credit shall be refunded by the system if the:

(1) Member ceased to be an active member before the federal retirement service is established as credited service in the system; or

(2) Federal retirement service credit is not otherwise used to establish the member's eligibility for retirement under the system.

(h) Purchase account payments made through employer pick-up are subject to restrictions specified in this rule, regulations, and the Internal Revenue Code.

### **§ 8-112. Purchasable service credit — Gap year service.**

(a) A member may purchase permissive service credit for one (1) or more consecutive or nonconsecutive gap years if:

(1) The member:

(A) Has five (5) years of actual service in the system;

(B) Has left his or her position as a classroom teacher immediately before each nonconsecutive gap year or the initial gap year of consecutive gap years;

(C) Returns to his or her position as a classroom teacher after one (1) or more gap years;

(D) Accrues at least one-half (1/2) year of service credit after returning to his or her position as a classroom teacher;

(E) Was inactive during the gap year or gap years; and

(F) Is ineligible to receive free service credit for each gap year under another provision of the law applicable to the system; and

(2) Each gap year amounts to an entire fiscal year.

(b)(1) A member shall not:

(A) Be permitted to purchase permissive service credit unless the total gap year service for which permissive service credit is being purchased amounts to one (1) fiscal year;

(B) Purchase more than five (5) years of permissive service credit; or

(C) Purchase one (1) or more gap years after the member retires from the system.

(2) A member's purchased permissive service credit shall be credited in accordance with Arkansas Code § 24-7-601.

(c)(1) A member shall purchase permissive service credit for one (1) or more gap years at the actuarial cost.

(2) At the member's request, a member's payment for permissive service credit shall be refunded by the system if the:

(A) Member ceased to be an active member before the permissive service is established as credited service in the system; or

(B) Permissive service credit is not otherwise used to establish the member's eligibility for retirement under the system.

**§ 8-113. Purchasable service credit — Contact Buyouts, Settlements, and Court Ordered Payments.**

(a)(1) A member shall only earn service credit for actual, on-site work performed for a covered employer for the period specified in a contract buyout, settlement, or court ordered payment unless the member purchases service or salary that would have been received by the member if the member had been successful in his or her legal claim.

(2)(A) If a member is on call with a covered employer and not subject to either a contract buyout, settlement, or court ordered payment, the salary paid to the member as a regular employee shall be credited to the member.

(B) On call credit shall not be added to a member's salary with another covered employer.

(c) The Arkansas Teacher Retirement System shall not adjust a member's service history until the:

(1) Member or the member's covered employer provides a copy of the settlement, a file-marked court order, or a certified copy of the contract buyout to the system; and

(2)(A) Actuarial cost to purchase the service has been paid in full to the system.

(B) A member shall purchase service or salary at the actuarial cost for service and salary that the member would have earned if the member had not been terminated.

(d)(1) Service credit purchased under a settlement agreement or court order shall offset service credit that is earned through covered employment with another covered employer during the same period of time covered by the service credit purchased under the settlement agreement or court order.

(2) Service credit purchased under a settlement agreement or court order shall not be applied in a manner that allows a member to earn more than one (1) year of service credit in a fiscal year.

(e)(1) The system shall credit a member with additional salary credit purchased through a settlement agreement or court order only if the:

(A) Additional salary being purchased is being paid to the member in order to resolve a claim of wrongful termination or employment discrimination that culminated in a settlement agreement or court order; and

(B) Additional salary is salary that the member would have been paid but for the employment discrimination.

(2) Only qualifying additional salary credit purchased through a contract buyout may be used in the final average salary calculation.

(f) The system shall not permit a member to use unearned future service credit or nonqualified service credit purchased through a contract buyout settlement agreement with a school district to retire under age and service retirement or disability retirement before the member's employment contract with the school district would naturally have terminated.

**§ 8-114. Cost of purchased service.**

(a) A member shall purchase service using forms approved by the Arkansas Teacher Retirement System.

(b)(1) A member who purchases service shall receive credit for the purchased service if the actuarial equivalent of both the employee and employer contributions, as calculated by the system, are paid to the system.

(2) Service purchased at the actuarial cost shall be contributory.

(3) The requirement for service to be purchased at the actuarial cost shall not apply to free military service credit established with the system.

(c) The actuarial cost for service to be purchased shall not include adjustments to salary and service that are made in order to properly reflect the member's mandatory salary and service record.

(d) A salary earned for service purchased at the actuarial cost:

(1) Shall not be used to calculate a member's final average salary; and

(2) May be used to determine repaid refunds for service that is required to be reported within the refunded service.

(e)(1) A member's highest salary shall be used as the base year when calculating the actuarial cost for service being purchased by the member.

(2) A member's base year shall be the member's highest salary year unless the highest salary year is more than one hundred fifty percent (150%) greater than the next highest salary year.

(3) If a member's highest salary year is more than one hundred fifty percent (150%) greater than the next highest salary year, the highest two (2) salary years shall be added together and divided by two (2) to determine the base year to be used for calculating the actuarial cost for service being purchased.

(4) If a member does not have enough full service years to determine a base year for the purchase formula, a full year salary shall be used to determine the base year.

(5) A full year salary shall be calculated by dividing each partial year's service percentage into each partial year's salary.

**§ 8-115. Purchase accounts.**

(a) Purchase account payments shall be applied to the member's account on the date the payment is received by the system.

(b)(1) The system shall accept participant rollover contributions and direct rollovers for the purchase of service credit from a qualified retirement plan.

(2) A depository trustee from a qualified retirement plan shall certify to the system that the rollover deposit account is qualified and eligible to receive rollover distributions before a distribution of a member's account monies.

(3)(A) If the depository trustee is unable to certify the rollover deposit account as qualified and eligible to receive rollover distributions, the system shall accept a certification from a public accountant who has an active certified public accountant's license.

(B) The system shall not accept a certification from a public accountant that certifies a rollover deposit account as qualified and eligible to receive rollover distributions if the public accountant has an interest in the rollover deposit account as a member, spouse, or designated beneficiary.

(c)(1) If a member with an active purchase account dies, the member's spouse, beneficiary, or legal representative shall have up to six (6) months from the member's date of death to pay the balance of the purchase account unless the deadline is extended by the Executive Director of the Arkansas Teacher Retirement System for good cause.

(2) If the member's purchase account is not paid in full within six (6) months of the member's date of death, the purchase account shall be closed and payments made towards the purchase account shall be considered as part of the member's residual account balance.

(d)(1) A purchase account that is paid in full after a final payment has been tendered shall not be cancelled.

(2) A member's purchase account may be cancelled if:

(A) The member submits a written cancellation request to the system; and

(B)(i) The system approves the cancellation request.

(ii) The system may approve a cancellation request and refund a member's purchase account if the purchase account:

(a) Is an account that has been paid only with after-tax contributions;

(b) Is an account that has been paid only with employer pick-up contributions and one (1) of the following applies:

(1) All payments on the irrevocable payroll authorization have been completed;

(2) The member terminates employment with the employer; or

(3) The member retires; or

(c) Is an account that has been paid only with rollover or transfer contributions and the rollover or transfer contributions may be rolled over or transferred to another qualified plan or refunded to the member after the deduction and payment of federal taxes.

(iii)(a) If a member's cancellation request is approved, the system shall refund the balance of the member's purchase account without interest to the member.

(b) The system shall refund interest to a member if a refund of interest is statutorily mandated under Arkansas Code § 24-7-612 or another applicable provision of the Arkansas Code.

#### **§ 8-116. Purchase of refunded service.**

(a) A member shall not purchase refunded service unless he or she purchases the total credited service forfeited by a refund.

(b)(1) A repayment of refunded contributions shall be made in inverse order if the member has received more than one (1) refund of contributions.

(2) The most recent refund account shall be paid in full before a member may purchase a previous refund account.

**Authority: Arkansas Code §§ 24-1-107, 24-7-406, 24-7-601, 24-7-602, 24-7-607, 24-7-711, 24-7-719, and 24-7-735.**

**History**

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	<u>October 6, 2008</u>	<u>8-7</u>
	<u>February 1, 2010</u>	<u>8-2 under emergency rules</u>
	<u>June 7, 2010</u>	<u>8-2 Permanent</u>
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<u>Effective:</u>	<u>TBD</u>	<u>Rule 8</u>

**ATRS RULE 8**  
**FREE SERVICE CREDIT, PURCHASABLE SERVICE CREDIT, AND**  
**PURCHASE ACCOUNTS**

Arkansas Code §§ 24-1-107, 24-7-406, 24-7-601, 24-7-602, 24-7-607, 24-7-711,  
24-7-719, and 24-7-735

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**I.—Definitions**

- a. ~~“Armed forces reserve” means one (1) of the reserve components of the United States Armed Forces;~~
- b. ~~“Domestic federal service” means service rendered as a teacher or administrator in a school or similar institution located on a military base or installation that is administered by the United States Department of Defense;~~
- c. ~~“Out-of-state service” means service performed in a state other than Arkansas and in a position that would have been covered by the Arkansas Teacher Retirement System (ATRS) if the service had been actual service performed in Arkansas and covered by ATRS;~~
- d. ~~“Overseas service” means service in:~~
  - 1. ~~An American-related overseas school that is sponsored and approved by either the United States Department of State or the United States Department of Defense; or~~
  - 2. ~~The Peace Corps or AmeriCorps VISTA, Volunteers in Service to America;~~
- e. ~~“Private school service” means:~~
  - 1. ~~Service rendered in a private school, or agency that would have been covered by ATRS if the:~~
    - A. ~~Service had been rendered in a public school; and~~
    - B. ~~Private school or agency:~~
      - i. ~~Has positions that would require the issuance of a teaching license in a public school based on a determination by ATRS; or~~
      - ii. ~~Is recognized as a private education-related entity by resolution adopted by the Board of Trustees of the Arkansas Teacher Retirement System (Board); and~~
- f. ~~“Uniformed Services of the United States” means service in the:~~
  - 1. ~~United States Armed Forces;~~
  - 2. ~~Army National Guard;~~
  - 3. ~~Air National Guard when engaged in active duty for training, state active duty, inactive duty training, or full-time National Guard duty;~~

- ~~4. United States Commissioned Corps of the Public Health Service; and~~
- ~~5. Any other category of persons designated by the President of the United States in time of war or emergency.~~

## ~~II. Free Service Credit~~

### ~~a. Military Service Credit~~

#### ~~1. Generally~~

- ~~A. A person may establish military service credit with ATRS at any time after becoming a member.~~
- ~~B. Military service credit established with ATRS is effective after the member completes five (5) years of actual service in ATRS, excluding military service credit.~~
- ~~C. ATRS shall provide a member with military service credit after the member:
  - ~~i. Completes and submits Form M-1 to ATRS; and~~
  - ~~ii. Submits official military documentation listing the entry and discharge dates of the member's first enlistment or induction into the United States Armed Forces.~~~~
- ~~D. Military service credited to a member before July 1, 1986, shall be considered contributory service.~~
- ~~E. Military service credited to a member shall not exceed five (5) years unless the member is entitled to service credit for service in the uniformed services of the United States. (Arkansas Code § 24-7-602(c)).~~
- ~~F. Military service shall be credited in order of the years that are chronologically closest to the member's service with a covered employer.~~
- ~~G. A member shall not receive military service credit for military service years resulting from the member's reenlistment or voluntary extension of his or her initial enlistment.~~
- ~~H. Free military service shall be credited to a member's account on a prorated basis if the member has both contributory and noncontributory service.~~

#### ~~2. Federal Military Draft~~

##### ~~A. New Members~~

- ~~i. A member who is first employed after serving in the United States Armed Forces during a period of time in which the military draft was in effect is eligible to receive free military service credit if the member:~~
- ~~ii. Completes five (5) or more years of actual service in ATRS; and~~
- ~~iii. Receives an honorable discharge.~~

~~B. Active Members~~

- ~~i. An active member who enters the United States Armed Forces during any period that a federal military draft was in effect and who becomes an active member after an honorable discharge from the United States Armed Forces may receive free military service credit regardless of whether the member has five (5) or more years of credited service at the time of his or her reemployment.~~
- ~~ii. An active member who enters the United States Armed Forces during a period that a federal military draft was in effect and obtains a refund of member contributions from ATRS may receive free military service credit if the member:
  - ~~a. Receives an honorable discharge from the United States Armed Forces; and~~
  - ~~b. Repays the actuarial equivalent of the member's refunded service to ATRS before retiring.~~~~

**III. Purchasable Service Credit**

~~a. Military Service Credit~~

~~1. Service in the United States Armed Forces~~

- ~~A. A member shall receive service credit for service in the United States Armed Forces that cannot be credited to the member under Arkansas Code § 24-7-602(a) if the member pays ATRS the actuarial equivalent for the service credit.~~

~~2. Service in the Uniformed Services of the United States~~

- ~~A. Effective December 12, 1994, a member shall be treated as not having incurred a break in service with a covered employer if the member:
  - ~~i. Leaves employment with a school to voluntarily or involuntarily serve in the uniformed services of the United States; and~~
  - ~~ii. Returns to employment with a school.~~~~
- ~~B. A member's absence from his or her employment with a school due to his or her service in the uniformed services of the United States shall not exceed five (5) years.~~
- ~~C. A member described in this ATRS Rule 8 III.a.2.A shall accrue benefits for the time he or she served in the uniformed services of the United States if:
  - ~~i. The member pays the employee contributions as provided in Arkansas Code § 24-7-406; and~~
  - ~~ii. Employer contributions are paid for the time the member served in the uniformed services of the United States.~~~~

~~b. Service in National Guard and Armed Forces~~



- ~~1. A member may purchase up to five (5) years of service for his or her service in the National Guard or armed forces reserve.~~
  - ~~2. A member shall receive credit for service in the National Guard or armed forces reserve if the member:
 
    - ~~A. Submits an application for National Guard or armed forces reserve service credit to the Board;~~
    - ~~B. Provides ATRS with satisfactory proof of his or her service in the National Guard or armed forces reserve;~~
    - ~~C. Pays ATRS, in full, the actuarial equivalent of the member's benefits for each year of National Guard or armed forces reserve service credit being purchased; and~~
    - ~~D. Has established at least five (5) years of actual service with ATRS, excluding National Guard or armed forces reserve service.~~~~
  - ~~3. ATRS shall not credit a member with more than five (5) years of service for service in the National Guard of armed forces reserve.~~
- ~~c. Domestic Federal Service~~
- ~~1. Beginning January 1, 2003, a member may purchase up to ten (10) years of domestic federal service that shall be credited if:
 
    - ~~i. The member:
 
      - ~~i. Has contributions left on deposit with another system and the domestic federal service credit being purchased is limited to service for which another system similar in purpose to ATRS, except for Social Security, could not pay a benefit;~~
      - ~~ii. Pays ATRS, in full, the actuarial equivalent of benefits for each year of domestic federal service credit being purchased; and~~
      - ~~iii. Has established at least five (5) years of actual service, excluding federal domestic service; and~~~~
    - ~~ii. All other requirements set by rules adopted by the Board are met.~~~~
  - ~~2. A member may purchase a fraction of a year of domestic federal service that shall be credited if the:
 
    - ~~A. Member has at least one-fourth (1/4) of a year of domestic federal service in a fiscal year; and~~
    - ~~B. Fraction of a year of domestic federal service can be credited in accordance with Arkansas Code § 24-7-601.~~~~
- ~~d. Out-of-State Service~~
- ~~1. Out-of-State Service — Purchased Before July 1, 1987
 
    - ~~A. Out-of-state service purchased before July 1, 1987, shall be credited as service in accordance with the law in effect before July 1, 1987.~~~~
  - ~~2. Out-of-State Service — Purchased on and after July 1, 1987~~

~~A. A member may purchase up to fifteen (15) years of out-of-state service.~~

~~B. Out-of-state service shall be credited if:~~

~~i. The member:~~

~~a. Has contributions left on deposit with another system and the out-of-state service credit being purchased is limited to service for which another system similar in purpose to ATRS, except for Social Security, could not pay a benefit;~~

~~b. Pays ATRS, in full, the actuarial equivalent of benefits for each year of out-of-state service credit being purchased; and~~

~~c. Has established at least five (5) years of actual service, excluding out-of-state service; and~~

~~ii. All other requirements set by rules adopted by the Board are met.~~

~~C. A member may purchase a fraction of a year of out-of-state service that shall be credited if the:~~

~~i. Member has at least one-fourth (1/4) of a year of out-of-state service in a fiscal year; and~~

~~ii. Fraction of a year of out-of-state service can be credited in accordance with Arkansas Code § 24-7-601.~~

~~e. Overseas Service~~

~~1. A member may purchase service credit for service in an overseas school if:~~

~~A. The member:~~

~~i. Has at least five (5) years of service in a position covered by ATRS; and~~

~~ii. Performs the minimum days of service at the overseas school required for a fiscal year of service credit;~~

~~B. The overseas service credit is limited to service for which another system similar in purpose to ATRS, except Social Security, could not pay a benefit; and~~

~~C. The actuarial equivalent of the member's benefits is paid to ATRS~~

~~2. ATRS shall not credit a member with more than ten (10) years of overseas service credit.~~

~~f. Service in the General Assembly~~

~~1. A member of the Senate or House of Representatives of the General Assembly who is a member of ATRS shall receive credited service and salary in ATRS for his or her full contract salary if the:~~

~~A. School district requires the member's salary to be reduced during the member's attendance at:~~

- i. ~~Regular or extraordinary sessions of the General Assembly; or~~
  - ii. ~~Interim meetings of regular or special committees of the General Assembly;~~
- B. ~~Member submits an application for General Assembly service credit to ATRS;~~
- C. ~~Member pays ATRS the necessary member contributions; and~~
- D. ~~Required employer contributions are paid to ATRS for the amount of the salary reduction during periods of the member's attendance at regular or extraordinary sessions of the General Assembly or sessions of legislative committees.~~
- 2. ~~A member of the Senate or House of Representatives who currently serves in the General Assembly or has served in the legislative committees for any year that is within five (5) years of July 6, 1977, shall receive credited service and salary for his or her full contract if the:~~
  - A. ~~Member submits an application for General Assembly service credit to ATRS and pays the employee contributions; and~~
  - B. ~~Required employer contributions are paid from the Public School Fund to ATRS for the portion of the contractual period in which the member's salary was reduced during the member's legislative service.~~
- 3. ~~A member of the Senate or House of Representatives of the General Assembly who is an employee and member of ATRS shall receive credited service and salary for his or her full contract salary if:~~
  - A. ~~Either the member or school district decides it is in the best interest of the member to take a leave of absence for up to one (1) full calendar year at a time in order for the member to attend his or her duties as a member of the General Assembly; and~~
  - B. ~~Both the required employee and employer contributions are paid to ATRS for the amount of the member's contract salary during periods in which the member attended sessions of the General Assembly or legislative committees.~~
- g. ~~Advanced Degree Service~~
  - 1. ~~Beginning June 28, 1985, a member who is a public school teacher or administrator and takes a leave of absence from a school in order to obtain an advanced degree at an institution of higher learning or to fulfill the requirements of a scholarship or grant shall receive credited service for the time of the member's actual enrollment in the institution if the member:~~
    - A. ~~Submits an application for the advanced degree service credit to ATRS; and~~
    - B. ~~Pays the actuarial equivalent of the member's benefits to the system for each year of service credit being purchased.~~

~~h. Private School Service~~

~~1. Head Start Programs~~

~~A. Employment with a Head Start program shall be considered private school service.~~

~~2. Certified Private School Service Credit~~

~~A. A member may purchase up to fifteen (15) years of private school service to be credited as certified service if:~~

~~i. The member:~~

- ~~a. Has contributions left on deposit with another system and the private school service credit being purchased is limited to service for which another system similar in purpose to ATRS, except for Social Security, could not pay a benefit;~~
- ~~b. Pays ATRS, in full, the actuarial equivalent of benefits for each year of private school service credit being purchased; and~~
- ~~c. Has established at least five (5) years of actual service, excluding private school service; and~~

~~ii. All other requirements set by rules adopted by the Board are met.~~

~~2. Noncertified Private School Service Credit~~

~~A. A member may purchase up to five (5) years of noncertified private school service that shall be credited as noncertified service if:~~

~~i. The member:~~

- ~~a. Submits an application to purchase noncertified private school service to ATRS;~~
- ~~b. Has contributions left on deposit with another system and the noncertified service credit being purchased is limited to service for which another state-supported pension system or system similar in purpose to ATRS could not pay a benefit;~~
- ~~c. Pays ATRS, in full, the actuarial equivalent of benefits for each year of service credit being purchased; and~~
- ~~d. Has established at least five (5) years of actual service; and~~

~~ii. All other requirements set by rules adopted by the Board are met.~~

~~B. A member may purchase a fraction of a year of private school service that shall be credited if the:~~

- ~~i. Member has at least one-fourth (1/4) of a year of private school service in a fiscal year; and~~
- ~~ii. Fraction of a year of private school service can be credited in accordance with Arkansas Code § 24-7-601.~~

~~3. Private Education-Related Entity Private School Service~~

~~A. A member may purchase up to five (5) years of private education-related entity private school service that shall be credited as noncertified service if:~~

~~i. The member:~~

- ~~a. Submits an application to purchase private education-related entity private school service to ATRS;~~
- ~~b. Has contributions left on deposit with another system and the private education-related entity private school service credit being purchased is limited to service for which another statesupported pension system or system similar in purpose to ATRS could not pay a benefit;~~
- ~~c. Pays ATRS, in full, the actuarial equivalent of benefits for each year of service credit being purchased;~~
- ~~d. Has established at least five (5) years of actual service; and~~

~~ii. All other requirements set by rules adopted by the Board are met.~~

~~—— i. Federal Retirement Service~~

~~1. An active member may purchase up to ten (10) years of federal retirement service that shall be credited if the:~~

- ~~A. Federal retirement service being purchased is limited to service for which the federal retirement system could not pay a benefit to the member;~~
- ~~B. Member submits an application to purchase federal retirement service to ATRS;~~
- ~~C. Member provides certification of his or her federal retirement service to ATRS on a form approved by ATRS;~~
- ~~D. Member pays ATRS, in full, the actuarial equivalent of benefits for each year of service credit being purchased; and~~
- ~~E. Member has established at least five (5) years of actual service, excluding federal retirement service.~~

~~2. A member shall complete at least one hundred sixty (160) working days before the member may establish one (1) year of federal retirement service credit.~~

~~3. One (1) month of federal service shall be considered twenty (20) days of service.~~

~~4. A member may purchase a fraction of a year of federal retirement service that shall be credited if the:~~

- ~~A. Member has at least one-fourth (1/4) of a year of federal retirement service in a fiscal year; and~~

~~B. Fraction of a year of federal retirement service can be credited in accordance with Arkansas Code § 24-7-601.~~

~~5. Federal retirement service credit shall be considered contributory service.~~

~~6. Purchased federal retirement service shall be credited to the fiscal year in which the service was rendered.~~

~~7. If a member is not an active member before establishing federal retirement service with ATRS, the member's contribution payments and regular interest shall be refunded.~~

~~8. Purchase account payments made through employer pick-up are subject to restrictions specified in this ATRS Rule 8, regulations, and the Internal Revenue Code.~~

#### **~~IV. Cost of Service and Purchase Accounts~~**

##### ~~a. Generally~~

~~1. A member shall purchase service using ATRS approved forms.~~

~~2. A member who purchases service shall receive credit for the purchased service if the actuarial equivalent of both the employee and employer contributions, as calculated by ATRS, are paid to ATRS.~~

~~3. The requirement for service to be purchased at the actuarial cost shall not apply to free military service credit established with ATRS.~~

~~4. A salary earned for service purchased at the actuarial cost:~~

~~A. Shall not be used to calculate a member's final average salary; and~~

~~B. May be used to determine repaid refunds for service that is required to be reported within the refunded service.~~

##### ~~b. Contract Buyouts, Settlements, and Court Ordered Payments~~

~~1. A member shall only earn service credit for actual, on-site work performed for a covered employer for the period specified in a contract buyout, settlement, or court ordered payment unless the member purchases service or salary that would have been received by the member if the member had been successful in his or her legal claim.~~

~~2. A member shall purchase service or salary at the actuarial cost for service and salary that the member would have earned if the member had not been terminated.~~

~~3. If a member is on call with a covered employer and not subject to either a contract buyout, settlement, or court ordered payment, the salary paid to the member as a regular employee shall be credited to the member.~~

~~4. On call credit shall not be added to a member's salary with another covered employer.~~

~~5. ATRS shall not adjust a member's service history until the:~~

~~A. Member or the member's covered employer provides a copy of the settlement, a file-marked court order, or a certified copy of the contract buyout to ATRS; and~~

~~B. Actuarial cost to purchase the service has been paid in full to ATRS.~~

~~c. Actuarial Cost of Service — Purchase Formula~~

~~1. A member's highest salary shall be used as the base year when calculating the actuarial cost for service being purchased by the member.~~

~~2. A member's base year shall be the member's highest salary year unless the highest salary year is more than one hundred fifty percent (150%) greater than the next highest salary year.~~

~~3. If a member's highest salary year is more than one hundred fifty percent (150%) greater than the next highest salary year, the highest two (2) salary years shall be added together and divided by two (2) to determine the base year to be used for calculating the actuarial cost for service being purchased.~~

~~4. If a member does not have enough full service years to determine a base year for the purchase formula, a full year salary shall be used to determine the base year.~~

~~5. A full year salary shall be calculated by dividing each partial year's service percentage into each partial year's salary.~~

~~6. The actuarial cost for service to be purchased shall not include adjustments to salary and service that are made in order to properly reflect the member's mandatory salary and service record.~~

~~7. Service purchased at the actuarial cost shall be contributory.~~

~~d. Purchase Accounts~~

~~1. Purchase Account Commitment Statement~~

~~A. A purchase account established before July 1, 2011, shall have an approved Purchase Account Commitment Statement (PACS) on file with ATRS detailing the member's payment plan.~~

~~B. A PACS may be modified with the agreement of the member and ATRS.~~

~~C. A modification of a PACS may include changes to the type of payment, the duration of the service purchase agreement, and a decrease of the service purchased policy.~~

~~D. The service purchased under a PACS shall not be increased.~~

~~E. ATRS shall cancel a service purchase agreement with a member if the member fails to comply with the terms of the agreement.~~

~~F. Purchase account payments shall be applied to the member's account on the date the payment is received by ATRS.~~

~~2. Rollover Payments~~

- ~~A. ATRS shall accept participant rollover contributions and direct rollovers for the purchase of service credit from a qualified retirement plan.~~
- ~~B. A depository trustee from a qualified retirement plan shall certify to ATRS that the rollover deposit account is qualified and eligible to receive rollover distributions before a distribution of a member's account monies.~~
- ~~C. If the depository trustee is unable to certify the rollover deposit account as qualified and eligible to receive rollover distributions, ATRS shall accept a certification from a public accountant who has an active certified public accountant's license.~~
- ~~D. A public accountant shall not certify a rollover deposit account as qualified and eligible to receive rollover distributions if the public accountant has an interest in the rollover deposit account as a member, spouse, or designated beneficiary.~~

### ~~3. Deceased Member~~

- ~~A. If a member with an active purchase account dies, the member's spouse, beneficiary, or legal representative shall have up to six (6) months from the member's date of death to pay the balance of the purchase account unless the deadline is extended by ATRS for good cause.~~
- ~~B. If the member's purchase account is not paid in full within six (6) months of the member's date of death, the purchase account shall be closed and payments made towards the purchase account shall be considered as part of the member's residual account balance.~~

### ~~4. Cancellation of Purchase Accounts~~

- ~~A. A purchase account that is paid in full after a final payment has been tendered shall not be cancelled.~~
- ~~B. A member's purchase account may be cancelled if:
  - ~~i. The member submits a written cancellation request to ATRS; and~~
  - ~~ii. ATRS approves the cancellation request.~~~~
- ~~C. ATRS may approve a cancellation request and refund a member's purchase account if the purchase account:
  - ~~i. Is an account that has been paid only with after tax contributions;~~
  - ~~ii. Is an account that has been paid only with employer pick-up contributions and one (1) of the following applies:
    - ~~a. All payments on the irrevocable payroll authorization have been completed;~~
    - ~~b. The member terminates employment with the employer; or~~
    - ~~c. The member retires; or~~~~
  - ~~iii. Is an account that has been paid only with rollover or transfer contributions and the rollover or transfer contributions may be rolled~~~~



~~over or transferred to another qualified plan or refunded to the member after the deduction and payment of federal taxes.~~

~~D. If a member's cancellation request is approved by ATRS, ATRS shall refund the balance of the member's purchase account without interest to the member.~~

~~E. ATRS shall refund interest to a member if a refund of interest is statutorily mandated under Arkansas Code § 24-7-612 or another applicable provision of the Arkansas Code.~~

## **V. Refunds**

### ~~a. Purchase of Refunded Service~~

- ~~1. A member shall not purchase refunded service unless he or she purchases the total credited service forfeited by a refund.~~
- ~~2. A repayment of refunded contributions shall be made in inverse order if the member has received more than one (1) refund of contributions.~~
- ~~3. The most recent refund account shall be paid in full before a member may purchase a previous refund account.~~

### ~~b. Refund of Member and Employer Contributions~~

#### ~~1. Overpayments~~

~~A. ATRS shall send written notification to a member or covered employer, as appropriate, of a contribution overpayment that is less than the de minimis amount that may be refunded.~~

~~B. ATRS shall not refund an overpayment of the member's contributions that is equal to or less than the de minimis amount unless the member submits a written request for a refund to ATRS within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS.~~

~~C. ATRS shall not refund an overpayment of employee contributions and employer contributions paid by the covered employer that is equal to or less than the de minimis amount unless the covered employer submits a written request for a refund to ATRS within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS.~~

~~D. If the member or covered employer does not submit a written request for a refund within fourteen (14) days of receiving the written notice of the contribution overpayment from ATRS, the amount of the contribution overpayment shall be forfeited to the trust assets of ATRS.~~

- ~~2. The total amount reported by the covered employer shall be credited to contributions.~~
- ~~3. The de minimis amount shall be periodically set by the Board, by board resolution, and shall remain the same amount until adjusted by the Board.~~
- ~~4. For refunded contributions, the rate of regular interest compounded annually after the first year of contributions shall be credited as follows:~~

Service	Regular Interest Rate
Before July 1, 1984	3%
For July 1, 1984 through June 30, 2009	6%
For July 1, 2010, through June 30, 2011	2%
For July 1, 2012, through June 30, 2017	1%
For July 1, 2017 and after	0.08%

5. ~~Payable regular interest shall be computed:
 
  - A. ~~On each member's individual account on June 30; and~~
  - B. ~~By multiplying the balance in the member's individual account as of July 1, including contributions and regular interest credit from previous years, plus one-half (1/2) of the contributions for the year ending June 30 by the annual applicable regular interest percentage rate.~~~~
6. ~~The Board, by board resolution, may change the regular interest rate on refunded contributions for subsequent years by stating the new regular interest rate, the date that the new regular interest rate is effective, and any other features necessary for implementing the regular interest rate.~~
7. ~~Regular interest shall not be paid on contributions made in the year in which a refund of contributions is paid to a member.~~
8. ~~ATRS shall issue a refund for a member's contributions that are closed on ATRS' books after receiving the member's properly completed refund application.~~
9. ~~If a second refund payment is required to complete the refund of contributions, the second payment shall be made when all quarters of service the member works are closed on ATRS' books.~~
10. ~~A rollover payment shall be made in one (1) payment when all quarters of service the member works are closed on ATRS' books.~~
11. ~~A refund is effective on the date on which ATRS first issues a payment of the refund.~~

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**HISTORY**

Adopted:	February 3, 2004	8-4
Adopted:	June 15, 2004	8-1, 8-4, 8-5, 8-6
Amended:	July 18, 2005	8-2
Amended:	April 26, 2007	8-1, 8-4, 8-7
Adopted:	February 11, 2008	8-19
	October 6, 2008	8-7
	February 1, 2010	8-2 under emergency rules.
	June 7, 2010	8-2 Permanent

	<del>July 1, 2011</del>	<del>8-1, 8-2, 8-4, 8-7, 8-19, 8-20 (Emergency)</del>
Adopted:	<del>August 8, 2011</del>	<del>8-1, 8-2, 8-4, 8-7, 8-19, 8-20</del>
Effective:	<del>November 11, 2011</del>	<del>8-1, 8-2, 8-4, 8-7, 8-19, 8-20</del>
Approved by Board:	<del>February 6, 2012</del>	<del>8-1, 8-2, 8-5, 8-6</del>
Amended:	<del>April 2, 2012</del>	<del>8-2 (Emergency)</del>
Amended:	<del>April 18, 2012</del>	<del>8-1, 8-5, 8-6</del>
Effective:	<del>May 29, 2012</del>	<del>8-1, 8-2, 8-5, 8-6</del>
Approved by Board:	<del>July 26, 2013</del>	<del>8-20</del>
Amended:	<del>October 9, 2013</del>	<del>8-20</del>
Effective:	<del>November 8, 2013</del>	<del>8-20</del>
Approved by Board:	<del>October 5, 2015</del>	<del>8-1, 8-7</del>
Amended:	<del>February 1, 2016</del>	<del>8-1, 8-7</del>
Effective:	<del>February 10, 2016</del>	<del>8-1, 8-7</del>
Effective:	<del>August 5, 2019</del>	<del>Rule 8</del>
Effective:	<del>May 28, 2020</del>	<del>Rule 8</del>
Effective:	<del>May 20, 2022</del>	<del>Rule 8</del>

**Public Comments**  
**Proposed Rule 9 – Retirement and Benefits**

**1. Page 1, § 9-101(11).**

- a. **ATRS Staff Comment:** Can the definition of “medical committee” be amended at this time to include medical professionals other than physicians?
- b. **Response:** Ark. Code Ann. § 24- 7-303(f) requires three (3) physicians to be appointed to the medical committee. As such, it would be more appropriate to pursue a legislative change before amending the definition of “medical committee” in this rule. No changes to the rule have been made.

**2. Page 6, § 9-106.**

- a. **BLR Comment:** Section 9-106(a) of the proposed rule, which concerns the submission of additional documents in support of age and service retirement applications, provides that a member shall submit a completed application and additional documents by the end of the sixth full calendar month “immediately following the member’s effective retirement date”. Ark. Code Ann. § 24-7-701(a)(1)(B), which concerns voluntary retirement under the Arkansas Teacher Retirement System, requires a member to submit a complete retirement application by the end of the sixth full calendar month immediately following “the effective date of benefits”, including all additional documentation required by the system. Is there a meaningful difference between the terms “effective retirement date” and “effective date of benefits”, for the purposes of the proposed rule?
- b. **Response:** No, the effective retirement date and the effective date of benefits are the same. No changes to the rule have been made.

3. Page 18, § 9-113(g)(4).

- a. **BLR Comment:** Section 9-113(g)(4) of the proposed rule, which concerns residue beneficiaries, appears to track Ark. Code Ann. § 24-7-709, which concerns disposition of retiree contributions and residue. The agency has indicated that this statutory provision was incorrectly amended by Act 107 of 2023, with respect to the payment of residue when all designated beneficiaries predecease the retiree. Can the agency expound on how it elected to amend this provision of the proposed rule, in light of Act 107?
- b. **Response:** ATRS has elected to include this provision under § 9-113(g)(4)(C) by providing, “If all residue beneficiaries predecease the retiree, the residue shall be paid to either the retiree’s estate or the estate of the most recently deceased designated beneficiary.” This revision will allow ATRS to comply with Ark. Code Ann. § 24-7-709(a)(3) and Ark. Code Ann. § 24-7-709(a)(4), which is the codification of Act 107.

## ATRS Rule 9 Retirement and Benefits

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### § 9-101. Definitions.

As used in this rule:

(1) "Act 808 Employee" means an employee of a state agency who:

(A) On April 8, 1987, was an active member of the Arkansas Teacher Retirement System;

(B) Qualified to retire before January 1, 1988, under the Early Retirement Incentive Law of 1987 (Acts 1987, No. 187); and

(C) Could elect to become a member of the Arkansas Public Employees' Retirement System and have his or her credited service in the Arkansas Teacher Retirement System transferred to the Arkansas Public Employees' Retirement System;

(2) "Annuity options" means one (1) or more options that:

(A) Concern how an annuity benefit shall be paid, in accordance with Arkansas Code § 24-7-706, to a member for his or her lifetime after the member's retirement; and

(B) Are available for a member's election at the time of the member's retirement;

(3) "Application" for the purposes of retirement eligibility means an application form and any other documents required by the Arkansas Teacher Retirement System to establish a member's eligibility to retire;

(4) "Covered employer" or "employer" means an employer who participates in the Arkansas Teacher Retirement System and whose employees are eligible for membership in the Arkansas Teacher Retirement System;

(5) "Dependent child" means a child of a member or retiree who:

(A) Is a minor; or

(C) Has been adjudged physically or mentally incapacitated by a court of competent jurisdiction;

(6) "Effective retirement date" means the first day of the month in which a member requests to receive retirement benefits and for which the member submits a timely retirement application;

(7) "Eligible employee" for the purposes of salary or compensation limitations concerning the calculation of a final average salary means a person who was a member of the Arkansas Teacher Retirement System before the first plan year beginning after December 31, 1995;

(8) "Full service year" means employment with a covered employer for one hundred sixty (160) days or more in a fiscal year;

(9) "Incapacitated child" means a child who has been adjudged physically or mentally incapacitated by a court of competent jurisdiction;

(10) "Marriage dissolution" means a final decree of divorce, separate maintenance, or annulment executed by a court of competent jurisdiction and filed of record in the Office of the Ex Officio Recorder;

(11) "Medical committee" means the committee of three (3) physicians appointed by the Board of Trustees of the Arkansas Teacher Retirement System for the purpose of

evaluating disability retirement applications;

(12) "Option beneficiary" means a person who:

(A) A member nominates by written designation, before or after the member's retirement, to receive annuity payments after the member's death in accordance with the annuity option selected by the member; and

(B) If eligible, shall receive annuity payments after the member's death in accordance with the annuity option selected by the member;

(13) "Partial service year" means employment with a covered employer for less than one hundred sixty (160) days in a fiscal year;

(14) "Person" means an individual, trust, estate, corporation, partnership, or other legal entity;

(15) "Residue" means a member's accumulated contributions, including regular interest standing in the member's credit at the time of his or her retirement;

(16) "Residue beneficiary" means a person who a member nominates by written designation to receive the member's residue, if any, under Arkansas Code § 247-709;

(17) "Receivable" means monies due to the Arkansas Teacher Retirement System from a member, former member, covered employer, contributor, retiree, beneficiary, or alternate payee under a qualified domestic relations order or QDRO as a result of an overpayment of any payment or benefit by the Arkansas Teacher Retirement System;

(18) "Retiree" means a retired member who receives an annuity from the Arkansas Teacher Retirement System;

(19) "Service" means employment rendered as an employee.

### **§ 9-102. State employee transfers to the Arkansas Public Employees' Retirement System.**

(a) An Act 808 employee shall make the election to transfer to the Arkansas Public Employees' Retirement System on a form approved by the Arkansas Teacher Retirement System.

(b) The transfer from the Arkansas Teacher Retirement System to the Arkansas Public Employees' Retirement System shall be effective on the employee's effective date of retirement.

(c) The Arkansas Teacher Retirement System shall certify to the Arkansas Public Employees' Retirement System a record of the Act 808 employee's service credit in the Arkansas Teacher Retirement System.

(d)(1) If an Act 808 employee is a non-contributory member of the Arkansas Teacher Retirement System at the time of his or her retirement, the Act 808 employee shall retire under the non-contributory provisions of Acts 1987, No. 187 and shall be entitled to a refund of his or her Act 808 employee contributions made since January 1, 1978, to the Arkansas Teacher Retirement System.

(2) If an Act 808 employee was a contributory member of the Arkansas Teacher Retirement System at the time of his or her retirement, the Act 808 employee shall retire under the contributory provisions of Acts 1987, No. 187.

(e)(1) The Arkansas Public Employees' Retirement System shall pay the monthly benefits of an Act 808 employee who elects to transfer to the Arkansas Public Employees' Retirement System.

(2) The Arkansas Public Employees' Retirement System shall certify monthly to

the Arkansas Teacher Retirement System the amount of monthly benefits paid and the Arkansas Teacher Retirement System shall transfer its pro-rata portion to the Arkansas Public Employees' Retirement System.

(f) Upon receipt of a death certificate from the Arkansas Public Employees' Retirement System for a retiree who chose a straight life annuity and has a balance remaining in his or her account, the Arkansas Teacher Retirement System shall transfer the remaining balance in the retiree's account to the Arkansas Public Employees' Retirement System for refunding to the retiree's designated beneficiary.

### **§ 9-103. Retirement eligibility.**

To be eligible for age and service retirement or disability retirement under the Arkansas Teacher Retirement System, a member shall:

(1) Satisfy the credited service requirements under one of the retirement statutes, Arkansas Code §§ 24-7-701—707;

(2) Be credited with all required covered employer and member contributions in the member's deposit account, with no amounts owed to the system;

(3) Pay all amounts owed to the system for underpayments, overpayments, or purchase service accounts; and

(4) Terminate employment with each of his or her covered employers or reach the normal retirement age.

### **§ 9-104. Age and service retirement — Effective retirement date.**

(a) For a member who is inactive, vested, and immediately eligible to retire, retirement benefits shall be payable the month after the Arkansas Teacher Retirement System receives the member's application for age and service retirement.

(b)(1) If a member meets all eligibility requirements for age and service retirement and is approved for retirement, annuity benefits shall be effective on the month proposed in the member's application.

(2) If the member does not file an application at least one (1) calendar month before the proposed effective retirement date, then the proposed retirement effective date in the member's application shall not be used, and the member's effective retirement date shall be the following month.

(c) If a member has signed an employment contract for the fiscal year and has been paid in full without providing service for the full period of the employment contract, the member's effective retirement date shall not be before July 1 of the subsequent fiscal year.

(d) If a member has accrued a full year of service credit equal or greater to one hundred sixty (160) days in a fiscal year, the member's retirement date shall not begin earlier than July 1 of the subsequent fiscal year, unless the member:

(A) Has attained the normal retirement age and is not separating from employment;

or

(B) Is not licensed or otherwise certified as a classroom teacher and vacating a classroom.

(e)(1) A member who attains the normal retirement age may:

(A) Apply for retirement benefits without terminating employment; and

(B) Begin drawing retirement benefits.



(2) The retirement benefits of a member who attains the normal retirement age shall not be affected if the member applies for and draws retirement benefits.

**§ 9-105. Age and service retirement — Application.**

(a) A copy of the age and service retirement application may be downloaded from the system's website or requested from the system.

(b)(1) If eligible, an active or inactive member who attains age sixty (60) and has five (5) or more years of actual and reciprocal service credit may voluntarily retire by filing a written application with the Arkansas Teacher Retirement System.

(2) If eligible, an active or inactive member who has not reached age sixty (60) and has twenty-five (25) or more years of actual and reciprocal service credit, including purchased or free credited service, may voluntarily retire by filing a written application with the system.

(c)(1) In order for a retirement application to be timely filed, there is a three-month "window" to apply for retirement benefits.

(2) An active member who is currently employed by a covered employer shall file his or her retirement application:

(A) No sooner than four (4) months before the active member's effective retirement date; and

(B) No later than one (1) month before the active member's effective retirement date.

(d)(1) The system's procedure for handling a retirement application received by the system from a member shall include the following:

(A) If a retirement application is received by the system before the three-month window begins for the member's anticipated effective retirement date, the system shall:

(i) Consider the retirement application untimely;

(ii) Reject the retirement application;

(iii) Notify the member of one (1) or more dates on which the member may timely file a retirement application; and

(iv) Notify the member of the procedure to use in order to timely file a retirement application.

(2) If a retirement application is received after the three-month window ends for the member's anticipated effective retirement date, the system shall:

(i) Consider the retirement application untimely; and

(ii) Provide the member with a new effective retirement date that begins on the first day of the month following the member's previously anticipated effective retirement date.

(e) Section 9-105(d) and (e) of this rule do not apply to a disability retirement application or an application for survivor benefits.

(f) The following table shows examples of the windows for filing a retirement application:

<u>EXAMPLE OF RETIREMENT FILING DATES</u>			
<u>Effective Date of Retirement</u>	<u>Retirement Application Must be Filed In:</u>	<u>Last Date of Employment</u>	<u>First Retirement Check</u>
<u>January 1</u>	<u>September, October or November</u>	<u>December 31</u>	<u>End of January</u>
<u>February 1</u>	<u>October, November or December</u>	<u>January 31</u>	<u>End of February</u>
<u>March 1</u>	<u>November, December or January</u>	<u>Feb 28/29 (Leap year)</u>	<u>End of March</u>
<u>April 1</u>	<u>December, January or February</u>	<u>March 31</u>	<u>End of April</u>
<u>May 1</u>	<u>January, February or March</u>	<u>April 30</u>	<u>End of May</u>
<u>June 1</u>	<u>February, March or April</u>	<u>May 31</u>	<u>End of June</u>
<u>July 1</u>	<u>March, April or May</u>	<u>June 30</u>	<u>End of July</u>
<u>August 1</u>	<u>April, May or June</u>	<u>July 31</u>	<u>End of August</u>
<u>September 1</u>	<u>May, June or July</u>	<u>August 31</u>	<u>End of September</u>
<u>October 1</u>	<u>June, July or August</u>	<u>September 30</u>	<u>End of October</u>
<u>November 1</u>	<u>July, August or September</u>	<u>October 31</u>	<u>End of November</u>
<u>December 1</u>	<u>August, September or October</u>	<u>November 30</u>	<u>End of December</u>

(g) The following table is the only window for filing a Teacher Deferred Retirement Option Participation application:

<u>Effective Date of Retirement</u>	<u>Retirement Application Must be Filed In:</u>
<u>July 1</u>	<u>March, April, or May</u>

**§ 9-106. Age and service retirement — Additional documents.**

(a) Unless an extension is granted by the Executive Director of the Arkansas Teacher Retirement System, in addition to a completed application for retirement, a member shall submit the following additional documents to the Arkansas Teacher Retirement System by the end of the sixth full calendar month immediately following the member's effective retirement date:

(1) For members who elect a straight life annuity:

(A) Proof of the member's birthdate from a birth certificate or other authenticating documents; and

(B) Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents.

(2) For members who elect an Option A or Option B annuity and designate their spouse as the beneficiary:

(A) Proof of the member's birthdate from a birth certificate or other authenticating documents;

(B) Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents;

(C) Proof of the spouse's birthdate from a birth certificate or other authenticating documents;

(D) Proof of the spouse's taxpayer identification number from a Social Security card or other authenticating documents; and

(E) Proof of the marriage between the member and spouse from a marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage.

(3) For members who elect an Option A or Option B annuity and designate a dependent child as their beneficiary:

(A) Proof of the member's birthdate from a birth certificate or other authenticating documents;

(B) Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents;

(C)(i) Proof of guardianship

(ii) Adequate proof of the existence of a guardianship due to the incapacity of the member's dependent child that preexists the member's official retirement date.

(iii) Authenticating documents may include the order appointing guardianship of the person, letters of guardianship, or other adequate proof of the existence of the guardianship;

(D) Proof of the dependent child's birthdate from a birth certificate or other authenticating documents; and

(E) Proof of the dependent child's taxpayer identification number from a Social Security card or other authenticating documents.

(4) For members who elect an Option C annuity:

(A) Proof of the member's birthdate from a birth certificate or other authenticating documents; and

(B) Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents.

(b)(1) Unless an extension is granted by the executive director, a member shall submit by the end of the sixth full calendar month immediately following the member's effective retirement date all additional documents required by the system in order to begin issuing benefit payments to the member.

(2) If all additional documents required by the system are not submitted by the deadline or any extension granted by the executive director, the member's retirement application shall be void and without effect.

#### **§ 9-107. Disability retirement — Application.**

(a)(1) A member shall submit a completed application for disability retirement and all accompanying documentation required by the Arkansas Teacher Retirement System by the end of the sixth full calendar month immediately following the date of the member's disability retirement application.

(2) If a member does not submit all accompanying documentation by the end of the sixth full calendar month immediately following the date of the member's disability retirement application, the system shall:

(A) Submit the disability retirement application to the medical committee for review as complete; or

(B) Withdraw the application at the request of the member unless an extension is granted by the Executive Director of the Arkansas Teacher Retirement System.

(b)(1) Disability retirement benefits shall begin on the first of the month in which a member files a disability retirement application with the system if the:

(A) Member is eligible for disability retirement;

(B) Member is no longer employed by a covered employer at the time he or she files the disability retirement application; and

(C) Medical committee determines that the member has a disability.

(2) If the member is still employed by a covered employer at the time the member files the disability retirement application, then, once approved by the medical committee and then the Board of Trustees of the Arkansas Teacher Retirement System, the member's disability retirement shall begin on the first of the month following the last day of the member's covered employment.

(c) If a member's initial application for disability retirement is denied and the member elects and qualifies for age and service retirement, the member's effective retirement date shall be determined by the date the member's initial disability retirement application is filed.

(d)(1) A member may request a second review of his or her initial disability retirement application if the:

(A) Member's initial disability retirement application is denied; and

(B) Member submits additional medical documentation for the medical committee's consideration.

(2) A member may only request a second review one (1) time.

(3) If a member requests a second review, unless an extension is granted by the executive director, the member has until the end of the sixth full calendar month immediately following the date of the written notice of the medical committee's denial of the member's initial application for disability retirement to submit additional medical

documentation.

(4)(A) If a member's initial disability retirement application is denied after the second review, the member may file another subsequent disability retirement application and submit additional information for consideration if the member is active and eligible for disability retirement.

(B) If a member's initial disability retirement application is denied and the member is ineligible to apply for disability retirement benefits or is inactive, the member may apply for **age and service retirement** if the member meets the requirements **age and service retirement**.

(e) If a member dies after the disability application is received by the system, but before his or her disability retirement application is approved, then the:

(A) Member shall be considered as having died in active service; and

(B) Survivor benefits under Arkansas Code § 24-7-710 shall be paid, unless the member designated one (1) or more alternative residual beneficiaries.

(f)(1) If a disability retirement application is approved by the medical committee after May 31, 2011, the board shall allow the member to designate an Option A or Option B beneficiary at the time of retirement.

(2) An Option C beneficiary shall not be designated by a member who applies for disability retirement or a disability retiree.

(g)(1) The same rules that apply to an active member's surviving spouse under Arkansas Code § 24-7-710(b) shall apply to a disability retiree's surviving spouse if the disability retiree:

(A) Designates his or her spouse as Option A or Option B beneficiary at the time of retirement; and

(B) Dies before reaching sixty (60) years of age.

(2) The same rules that apply to a surviving spouse of an active member under Arkansas Code § 24-7-710(b) shall apply to the surviving spouse of a disability retiree if the disability retiree:

(A) Dies after disability retirement benefit payments to the disability retiree begin;

(B) Does not designate his or her spouse as an Option A or Option B beneficiary; and

(C) Does not designate a residue beneficiary.

(3) The same rules that apply to a surviving spouse of an active member under Arkansas Code § 24-7-710(b)(1)(B) shall apply to the surviving spouse of a disability retiree if the disability retiree:

(A) Dies after disability retirement benefit payments to the disability retiree began;

(B) Does not designate his or her spouse as an Option A or Option B beneficiary; and

(C) Designates his or her spouse as a residue beneficiary.

(4) The same procedures used under Arkansas Code § 24-7-710 that are used to determine when an active member's surviving spouse is entitled to begin receiving benefit payments shall be used to determine when benefit payments shall begin for a residue beneficiary who is the surviving spouse of a disability retiree and elects an Option A – 100% Survivor Annuity

(5) If a disability retiree designates his or her dependent child as an Option A or Option B beneficiary, and the disability retiree dies before reaching age sixty (60), then:

(A) The same rules that apply under Arkansas Code § 24-7-710(c) to an active member's surviving child shall apply to the disability retiree's Option A or Option B dependent child beneficiary until the date on which the disability retiree would have turned sixty (60) years of age; and

(B) On the date on which the disability retiree would have turned sixty (60) years of age, the Option A or Option B dependent child beneficiary shall receive the greater of the surviving child annuity under Arkansas Code § 24-7-710(c) or the Option A spouse annuity under Arkansas Code § 24-7-710(b).

### **§ 9-108. Disability retirement — Disability review.**

(a) A deadline imposed by this rule may be extended as provided by this rule and Arkansas Code § 24-7-704.

(b)(1) A retiree shall submit to the Arkansas Teacher Retirement System a Social Security Administration (SSA) determination letter that finds the retiree disabled within thirty-six (36) months from:

(A) July 1, 2015, if the retiree's effective retirement date is before July 1, 2015; or

(B) The retiree's effective retirement date if the effective date of retirement is on or after July 1, 2015.

(2) A retiree may apply to the system for an extension of the thirty-six-month deadline if:

(A) The retiree demonstrates through an administrative or judicial confirmation of an active SSA claim that the claim is:

(i) Still under review; and

(ii) Part of a continuous claim without voluntary dismissal or withdrawal; and

(iii) The SSA disability claim was filed and remained active for at least twenty-four (24) months before the thirty-six-month deadline.

(c) The system shall suspend disability retirement benefit payments to a retiree if the retiree does not:

(1) Provide the system with a SSA determination letter finding the retiree disabled within the thirty-six-month deadline;

(2) Receive an extension of the thirty-six-month deadline to provide the system with a SSA determination letter finding the retiree disabled; or

(3) Apply to the medical committee for a review **by the end of the third full calendar month immediately following the system's suspension of** disability retirement benefit payments to the retiree due to the retiree's failure to provide a SSA determination letter finding the retiree disabled.

(d)(1) A retiree who attempts and is unable to receive a SSA determination letter finding the retiree disabled may apply for a review by the medical committee **if the member submits either an unfavorable SSA determination letter finding that the retiree is not disabled or documentation showing that the retiree applied for SSA benefits before the thirty-six-month deadline to submit a favorable SSA determination letter finding the retiree disabled expired.**

(2) A retiree may apply for a review by the medical committee:

(A) No earlier than **three (3) full calendar months** before the date on which the retiree's disability retirement benefit payment would otherwise be suspended; and

(B) No later **than by the end of the third full calendar month immediately following the system's suspension of** disability retirement benefit payments to the retiree.

(3) A review performed by the medical committee shall follow the standards and procedures in Arkansas Code § 24-7-704(a)(1)(E).

(4)(A) After a disability review is held due to the SSA finding that a member is not disabled, the medical committee's recommendations shall be submitted to the Board of Trustees of the Arkansas Teacher Retirement System for a final order.

(B) If a member is denied further disability benefits after a disability review by the medical committee, the member may:

(i) Offer additional medical information within thirty (30) days of the date of the disability review; and

(ii) Request that the board return the matter to the medical committee for reconsideration.

(C)(i) Disability retirement benefit payments to a member shall resume in the month immediately following the board's entry of an order finding the member eligible to receive disability retirement benefits if the board had previously entered an order finding the member ineligible to receive disability retirement benefits.

(ii) If the board enters an order finding a member eligible to receive disability retirement benefits, the member shall not be entitled to retroactive backpay of disability retirement benefits if the:

(a) Board had previously entered an order finding the member ineligible to receive disability retirement benefits;

(b) Member did not submit a favorable SSA determination letter within thirty-six (36) months of his or her effective date of disability retirement; and

(c) Member submits a favorable SSA determination letter after the board entered the order finding the member ineligible to receive disability retirement benefits.

(e) A member's option to request a second review of his or her initial disability retirement application does not apply to a retiree who seeks a disability review due to his or her inability to obtain a SSA determination letter finding him or her disabled.

(f) A retiree shall begin receiving regular retirement benefits as if the retiree voluntarily retired and a SSA determination letter shall not be required if the retiree

(1) Attains fifty-seven (57) years of age in the month the retiree's disability retirement benefits become effective; or

(2) Attains sixty (60) years of age.

### **§ 9-109. Disability retirement — Employment after disability retirement.**

(a) A member's disability retirement is effective from the date the member files a disability retirement application with the Arkansas Teacher Retirement System and terminates employment with each of his or her covered employers.

(b)(1) A member is considered active if the member is using earned sick leave, Family Medical Leave Act leave, annual leave, and catastrophic leave.

(2) Worker's compensation, which may or may not include the use of leave granted

by an employer, shall not:

(A) Be considered leave by which a member is considered active; and

(B) Extend the date of active membership.

(c)(1) A member shall not receive disability retirement benefit payments if the member indirectly performs work for a covered employer as described in [Arkansas Code § 24-7-502](#).

(2) If a member is approved for disability retirement and continues to work either directly or indirectly for a covered employer, the member shall:

(A) Terminate direct or indirect employment with the covered employer by the proposed disability effective retirement date; or

(B) If the member is finalizing work for the covered employer, terminate employment no later than two (2) full calendar months after the medical committee's final decision.

(3) If the member does not terminate employment in accordance with the ATRS Rules and [Arkansas Code § 24-7-502](#), the member's disability retirement application shall be considered rescinded and the member may reapply for disability retirement if eligible.

(d)(1) A retiree under the age of sixty (60) may be employed by a covered employer and also receive disability retirement benefit payments if the retiree performs less than eighty (80) days of actual service during a fiscal year.

(2)(A) After receiving approval for disability retirement under the system, a retiree may choose to return to covered employment and relinquish his or her disability retirement.

(B) If a retiree chooses to return to covered employment, the member shall:

(i) Not receive disability retirement benefit payments;

(ii) Be considered an active member; and

(iii) Comply with [Arkansas Code § 24-7-738](#) (Acts 2017, No. 549).

(3) A retiree shall become an active member and his or her disability retirement shall be immediately terminated if:

(A) The retiree notifies the system in writing of his or her intent to perform more than eighty (80) days of actual service during a fiscal year; or

(B) The system receives written notification of the retiree's intent to perform more than eighty (80) days of actual service during a fiscal year through a termination and status sheet, membership data form, or any other reasonably reliable documentation.

(e) A disability retiree shall not be permitted to transfer his or her disability retiree status to that of an age and service retiree.

### **§ 9-110. Benefit formula and Compound Cost of Living Adjustment.**

(a) The annuity formula for computing disability retirement benefits shall be the same annuity formula used to compute age and service retirement benefits.

(b)(1) The retirement benefits payable to a retiree shall be the total number of contributory years of credited service, multiplied by a factor that is not less than one and seventy-five hundredths percent (1.75%) and not more than two and fifteen hundredths percent (2.15%) of the final average salary as set by the Board of Trustees of the Arkansas Teacher Retirement System, plus the total number of noncontributory years of credited service multiplied by a factor that is not less than five-tenths percent (0.5%) and not more than one and thirty-ninth hundredths percent (1.39%) of the final average salary, as set



by the Board of Trustees of the Arkansas Teacher Retirement System.

(2) The board shall modify the standard multipliers for credited service of ten (10) years as necessary to maintain actuarial soundness.

(c)(1) The board by resolution may reverse a compound cost of living adjustment as needed to maintain the actuarial soundness of the system.

(3) A reversal may be phased in as the board determines appropriate.

(d)(1) If a covered employer reports additional salary for a member and the additional salary does not cause the member's annual benefit to increase or decrease by more than the de minimis amount, then the member's contributions on the additional salary shall be transferred from the member's deposit account to the employer accumulation account without making any change to the member's annual benefit.

(2) If the additional salary does increase or decrease the member's annual benefit by more than the de minimis amount, then the member's annual benefit shall be recalculated.

### **§ 9-111. Final average salary — Salary limitations.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System may adopt rules to modify the definition of salary for the purpose of calculating retirement benefits available under the Arkansas Teacher Retirement System.

(b) The system shall include the salary received from each of a member's covered employers when calculating the member's final average salary.

(c)(1) Regardless of any provision in a state statute, rule, or regulation to the contrary, remuneration, salary, or other compensation that exceeds the limitations set forth provided in the Internal Revenue Code of 1986, 26 U.S.C. § 401(a)(17), as it existed on January 1, 2011, shall not be used for the purposes of calculating the final average salary on which benefits available under the system are based.

(2) The limitation on remuneration, salary, or compensation for an eligible employee shall not be less than the amount that was allowed to be considered by the Arkansas Teacher Retirement System as in effect on July 1, 1993.

(d)(1) A salary earned by a member before the member's death and paid after the member's death is subject to deductions by the system and the member's covered employer shall report the member's total salary and days of service in the covered employer's quarterly report.

(2) Gratuitous payments made by a covered employer to a member after the death of the member shall not be:

(A) Considered the salary of the member;

(B) Subject to contribution requirements; and

(C) Included in the covered employer's quarterly report to the system.

(e) The system shall not consider remuneration, salary, or compensation paid by a covered employer to a member as a salary earned by the member if the:

(1) Remuneration, salary, or compensation is paid as an incentive payment, bonus, separation payment, additional salary, or special payment in consideration for the member's agreement to retire, terminate employment, or not renew a contract with the covered employer;

(2) Offer described in § 9-111(d)(1) of this rule is extended by the covered employer to two (2) or more members;

(3) Remuneration, salary, or compensation is not offered as an additional salary or payment for the purchase of service credit that is part of a separation agreement resulting from the resolution of a claim of wrongful termination;

(4) Remuneration, salary, or compensation is not payment for accumulated, unused sick leave that:

(A) Accrued in the years immediately preceding the member's termination of covered employment; and

(B) Were in excess of the number of sick days that the covered employer allowed the member to carry forward;

(5) Covered employer offers a voluntary early retirement incentive plan, staff reduction plan, or buyout plan that would require the member as a participant of the plan to retire or terminate his or her employment with the covered employer; and

(6) Member voluntarily participates in the plan in exchange for the remuneration, salary, or compensation offered by the covered employer.

(f)(1) A covered employer shall not withhold a member's contributions or pay employer contributions from a remuneration, salary, or compensation paid to a member if the remuneration, salary, or compensation is subject to a salary limitation as provided by this rule.

(2) A covered employer that offers an early retirement plan, separation, plan, or contract nonrenewal plan and intends to pay remuneration, salary, or compensation that is subject to a salary limitation as provided by this rule shall notify the system before making a payment under the plan.

(g)(1) At the request of a covered employer, the system shall:

(A) Review a potential plan or payment that may be subject to a salary limitation as provided by this rule; and

(B) Provide written guidance to the covered employer concerning the applicability of the salary limitation to the plan or payment.

(2) The system's written determination on the applicability of a salary limitation to a plan or payment shall be treated as a staff determination letter, which may be appealed by the covered employer using the procedures in ATRS Rule 13-1.

(3) The law, rules, and policies applicable to the system shall be controlling if a conflict exists between the system's calculation of final average salary and a covered employer's laws, rules, or policies concerning the compensation of final average salary.

### **§ 9-112. Final average salary — Service years.**

(a) If a member dies during active service on or after July 1, 2013, the member's paid or unpaid accrued, unused sick leave, shall be credited as service in the fiscal year of the member's death for the purpose of determining the member's retirement eligibility, final average salary, and eligibility for other benefits under the Arkansas Teacher Retirement System.

(b)(1) A partial service year shall be excluded from the calculation of a member's final average salary unless the:

(A) Partial service year is higher than a full service year; or

(B) Member has less than the required number of years to calculate a final average salary.

(2) Anti-spiking calculations shall not be applied to a partial service year or a fiscal

year immediately following a partial service year.

(c)(1) The Board of the Arkansas Teacher Retirement System shall set annually the applicable number of years to be used in computing final average salary for retirement benefits at not less three (3) years and not more than five (5) years.

(2) Unless otherwise provided by law, rules, or policies applicable to the Arkansas Teacher Retirement System, effective July 1, 2018, the Arkansas Teacher Retirement System shall calculate a member's final average salary using the five (5) years in which the member received the highest salary from a covered employer.

(d)(1) If a member has less than the minimum number of years of credited service that would be used to calculate a final average salary, the member's final average salary shall be the total salary paid to the member for his or her years of credited service divided by the member's total credited years of service.

(2) If a member does not have full service years for the total years of service used in the calculation of final average salary, the board may establish by rule a fair base salary for a member's final average salary for purposes of comparing the member's highest salary years.

(e)(1) For an active member who has three (3) or more full service years as of July 1, 2018, the Arkansas Teacher Retirement System shall:

(A) Treat the active member as if he or she was retiring or entering the Teacher Deferred Retirement Option Plan as of June 30, 2018; and

(B) Determine the benchmark final average salary using the highest salary from the member's three (3) full service years through fiscal year 2018.

(2) A final average salary calculation using three (3) full service years shall be the benchmark comparison for a five-year final average salary calculation to which the active member may be entitled.

(3) The Arkansas Teacher Retirement System shall calculate the active member's final average salary using the five (5) years in which the active member received the highest salary from a covered employer if at the time of the active member's retirement using a five-year calculation of the final average salary is higher than using a three-year calculation.

(4) The Arkansas Teacher Retirement System shall not use a benchmark final average salary for an inactive member unless the inactive member provides the Arkansas Teacher Retirement System with appropriate documentation showing that the inactive member was active in a reciprocal system or alternate retirement plan during the 2018 fiscal year.

(f) For a member with reciprocal service credit, the Arkansas Teacher Retirement System shall use the highest final average salary calculated, at the time of the member's retirement, by the Arkansas Teacher Retirement System or a reciprocal system in which the member has at least two (2) years of service credit pursuant to Arkansas Code § 24-2-402.

### **§ 9-113. Annuity options.**

(a) Before the date the first benefit payment of an annuity becomes due, a member retiring with age or service may elect one (1) of the following annuity options:

(1) Option 1 – straight life annuity, which is a straight life annuity payable monthly for the life of the retiree.

(2)(A) Option 2 – reduced straight life annuity with option beneficiaries, under which a retiree shall receive the actuarial equivalent of his or her straight life annuity in a reduced annuity payable for the retiree’s lifetime.

(B) Under Option 2, at the time of his or her retirement, a member may designate one (1) or more beneficiaries to receive one (1) of the following annuity options:

(i)(a) Option A – one hundred percent (100%) survivor annuity. Upon the death of the retiree, the retiree’s reduced annuity shall be continued and paid throughout the life of the retiree’s designated beneficiary.

(b) A member’s eligible spouse, one (1) or more of the member’s children who qualify as a dependent child, or both may be designated as an Option A beneficiary.

(c) If both a spouse and one (1) dependent child are designated as Option A beneficiaries, the retiree’s reduced annuity shall be paid in equal shares to the spouse and the dependent child.

(d) If both a spouse and more than one (1) dependent child are designated as Option A beneficiaries, the spouse shall receive fifty percent (50%) of the retiree’s reduced annuity and the remaining fifty percent (50%) shall be paid in equal shares to the dependent children.

(e) If more than one (1) dependent child is designated as an Option A beneficiary and a spouse is not designated as an Option A beneficiary, the retiree’s reduced annuity shall be paid in equal shares to each dependent child.

(f) A dependent child’s portion of the annuity shall not revert to the spouse or any other dependent children if the dependent child becomes ineligible to continue receiving annuity payments or predeceases the spouse or any other dependent children.

(g) A spouse’s portion of the annuity shall not revert to any dependent child if the spouse becomes ineligible to continue receiving annuity payments or predeceases one (1) or more dependent children.

(ii)(a) Option B – fifty percent (50%) survivor annuity. Upon the death of the retiree, one-half (1/2) of the retiree’s reduced annuity shall be continued and paid throughout the life of the retiree’s designated beneficiary.

(b) A member’s eligible spouse, one (1) or more of the member’s children who qualify as a dependent child, or both may be designated as an Option B beneficiary.

(c) If both a spouse and one (1) dependent child are designated as Option B beneficiaries, one-half (1/2) of the retiree’s reduced annuity shall be paid in equal shares to the spouse and the dependent child.

(d) If both a spouse and more than one (1) dependent child are designated as Option B beneficiaries, the spouse shall receive fifty percent (50%) of one-half (1/2) of the retiree’s reduced annuity and the remaining fifty percent (50%) of one-half (1/2) of the retiree’s reduced annuity shall be paid in equal shares to the dependent children.

(e) If more than one (1) dependent child is designated as an Option A beneficiary and a spouse is not designated as an Option B beneficiary, one-half (1/2) of the retiree’s reduced annuity shall be paid in equal shares to each dependent child.

(f) A dependent child's portion of the annuity shall not revert to the spouse or any other dependent children if the dependent child becomes ineligible to continue receiving annuity payments or predeceases the spouse or any other dependent children.

(g) A spouse's portion of the annuity shall not revert to any dependent child if the spouse becomes ineligible to continue receiving annuity payments or predeceases one (1) or more dependent children.

(C)(i) Option C – annuity for ten (10) years certain and life thereafter. The retiree shall receive a reduced annuity payable throughout the retiree's life.

(ii) If the retiree dies before receiving one hundred twenty (120) monthly annuity payments, the payments shall be continued for the remainder of the period of one hundred twenty (120) months and paid to one (1) or more of the retiree's designated beneficiaries in equal shares.

(iii) A member may designate one (1) or more beneficiaries under Option C.

(b) The following persons are eligible to be designated as an Option A or Option B beneficiary:

(1) The retiree's spouse if the retiree and his or her spouse have been married to each other for at least one (1) year before the first annuity benefit payment to the retiree;

(2) A retiree's dependent child who has been adjudged physically or mentally incapacitated by a court of competent jurisdiction, regardless of the age of the dependent child.

(c) If an Option 1 retiree dies within one (1) year of retirement, and his or her spouse qualifies for Option A benefits, the spouse may elect to cancel the Option 1 annuity in effect and elect Option A, one hundred percent (100%) survivor annuity, at that time.

(1) The election shall be effective the first day of the month following receipt of the election form from the Arkansas Teacher Retirement System.

(2) If the spouse elects Option A benefits, the residue, if any, shall not be paid until the Option A beneficiary's death.

(3) A spouse who is eligible to elect Option A benefits may elect to receive a lump-sum distribution of the retiree's residue in lieu of the spousal annuity if the spouse waives his or her right to the spousal annuity and the retiree did not designate one (1) or more dependent children as a beneficiary.

(d)(1) After his or her retirement, a retiree may designate his or her spouse as an Option A or Option B beneficiary if the retiree:

(A) Has been married to his or her spouse for one (1) year; and

(B) Either:

(i) Was married to his or her spouse for less than one (1) year upon his or her effective retirement date; or

(ii) Marries his or her spouse after his or her effective retirement date.

(2)(A) Upon meeting the one-year marriage requirement, the retiree shall have six (6) months to file a written nomination designating his or her spouse as either an Option A or Option B beneficiary.

(B) The designation shall be filed on a form approved by the system.

(e) After a retiree's effective retirement date, the retiree may designate an Option A or Option B dependent child beneficiary if the:

(1) Retiree previously designated his or her spouse as the Option A or Option B beneficiary;

(2) Spouse designated as the retiree's Option A or Option B beneficiary predeceases the retiree; and

(3) Dependent child has been adjudged physically or mentally incapacitated by a court of competent jurisdiction.

(f)(1) A member may request that the system remove an incapacitated child as his or her Option A or Option B beneficiary if:

(A) The member designated the incapacitated child as his or her Option A or Option B dependent child beneficiary; and

(B) One (1) of the following applies:

(i) A court finds that the incapacitated child is no longer incapacitated;

(ii) The incapacitated child is emancipated through marriage; or

(iii) The incapacitated child dies.

(2) The following forms of proof shall be submitted, as appropriate, with the member's request to remove an incapacitated child as his or her Option A or Option B:

(A) A file-marked copy of the court's order finding that the incapacitated child is no longer incapacitated;

(B) A copy of the incapacitated child's marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage; or

(C) A copy of the incapacitated child's death certificate.

(3) Once the proof required to remove an incapacitated child as the member's Option A or Option B beneficiary is submitted to the system, the member may:

(A) Elect to return to an Option 1; or

(B)(i) If the member is married, designate his or her spouse as the Option A or Option B beneficiary within six (6) months of the date on which the system receives the proof required under this rule.

(ii) The member's election shall be effective on the first day of the month following the date on which the system receives the election form.

(g)(1) A member may designate any person as a residue beneficiary.

(2) A retiree's residue, if any, shall be paid to the retiree's residue beneficiary if the:

(A) Retiree dies before receiving annuity benefit payments equal to the residue amount; and

(B) Option beneficiary dies before receiving annuity benefit payments equal to the residue amount.

(3) If a residue beneficiary is not nominated or does not survive the death of the option beneficiary, the residue shall be paid to the retiree's estate.

(4) (A) If a residue beneficiary survives the death of the retiree and the option beneficiary, but dies before payment of the residue can be issued by the system, the residue shall be paid to the residue beneficiary's estate.

(B) If more than one (1) residue beneficiary survives the death of the retiree and option beneficiary, but all the residue beneficiaries die before payment of the residue can be issued by the system, the residue shall be paid to the estate of the most recently deceased residue beneficiary.

(C) If all residue beneficiaries predecease the retiree, the residue shall be paid to either the retiree's estate or the estate of the most recently deceased designated beneficiary.

**§ 9-114. Change of marital status.**

(a)(1) If the marital status of a retiree changes due to the death of the retiree's spouse or a marriage dissolution, the retiree may choose to:

(A) Cancel his or her designation of the former spouse as a beneficiary; or

(B) Designate a dependent child as a replacement beneficiary if the:

(i) Retiree previously designated the former spouse as his or her Option A or Option B beneficiary; and

(ii) Former spouse predeceases the retiree.

(2) If the retiree chooses to cancel the designation of his or her former spouse as his or her Option A or Option B beneficiary or chooses to designate a dependent child as a replacement Option A or Option B beneficiary, the retiree shall file with the Arkansas Teacher Retirement System a change of option beneficiary on a form approved by the system, and any change in the benefit amount shall become effective the month after the system receives the approved form.

(b)(1) If a member designates one (1) or more alternative residual beneficiaries in lieu of his or her spouse, the member shall submit the names of each alternative residue beneficiary to the system on a form approved by the system.

(2) If a member designates one (1) or more alternative residue beneficiaries in lieu of his or her spouse, each alternative residue beneficiary shall receive an appropriate lump-sum payment of the greater of either:

(A) The member's residue from the Teacher Deferred Retirement Option Plan (T-DROP); or

(B) The member's contributions.

**§ 9-115. Final benefit check.**

(a)(1)(A) In the case of a retiree, benefits are payable through the month in which the retiree's death occurs.

(B) If a final benefit payment is not delivered in the normal course of business, the benefit payment shall be sent in the following order until delivered:

(i) To the member's residue beneficiary, if any;

(ii) To the member's lump-sum death beneficiary, if any;

(iii) To the member's estate' if any; or

(iv) To the trust assets of the Arkansas Teacher Retirement System.

(2)(A) In the case of an option beneficiary, benefits are payable through the month in which the last option beneficiary's death occurs.

(B)(i) If an option beneficiary dies before receiving the last check, the Arkansas Teacher Retirement System shall pay the final check in the normal manner paid before death.

(ii) If payment of the final check in the normal course becomes impossible, the final option beneficiary's annuity check shall be returned the system.

(b) The Board of the Arkansas Teacher Retirement System shall direct a benefit payment amount forfeited to the trust assets of the system if the:

(1) Benefit payment cannot be made five (5) years after the benefit payment is due because the location of the member or the identity and location of the member's beneficiary or personal representative cannot be ascertained by mailing the benefit payment to the last known address of the member, beneficiary, or personal representative in ATRS' records; and

(2) Neither the member, beneficiary, or personal representative submitted paperwork or forms approved by the system updating his or her location or last known address to the system before the expiration of five (5) years from when the benefit payment is due.

**§ 9-116. Correction of errors and collection of overpayments.**

(a)(1) If a change or error in the records of the Arkansas Teacher Retirement System is discovered during the look-back period and results in either an overpayment or underpayment to the system, the Board of Trustees of the Arkansas Teacher Retirement System shall authorize the system's staff to:

(A) Correct the error in the records;

(B) Adjust a benefit or any other amount payable to the corrected amount as far as practice able; and

(C) Take all necessary and appropriate action, including without limitation the options allowed under Arkansas Code § 24-7-205(b).

(2)(A) The board or its designee may adjust the records of the system, a covered employer, and a member beyond the look-back period if the board determines that the time limitation imposed by the look-back period will result in a manifest injustice in a specific case.

(B) Before making an adjustment of benefits that causes a reduction of the benefits or pursuing any other collection action, the system shall provide notice to the person who is the subject of the adjustment and the notice shall:

(i) State the amount determined to be a receivable;

(ii) State the reasons underlying the determination;

(iii) Describe the process for disputing an adjustment of benefits; and

(iv) Suggest alternate methods for payment of the receivable.

(b)(1) The manifest injustice process shall not be used to address a change, omission, or error in the records of the system that may be corrected within the look-back period.

(2) The manifest injustice process may be used to correct a change, omission, or error in the records of the system discovered after the look-back period if the board determines that the time limitation imposed by the look-back period would cause a manifest injustice.

(c) If a member is subject to a qualified domestic relations order and is paid a benefit or payment by the system to which the member is not entitled, and it is discovered during the look-back period, then a receivable is created and the board or its designee, may collect the amount due to the system.

(d)(1) Appeals to dispute collections shall be made according to the procedures in ATRS Rule 13.

(2) During the appeal process, retirement benefits may continue to be paid.  
Correction and Adjustment Limitations

(3) Actions that affect benefit rights shall not be corrected or adjusted further than



a five-year look-back period unless a manifest injustice has occurred or an exception exists under Arkansas Code § 24-7-205(c).

(4) A determination by the system of a manifest injustice in a particular instance due to a technical error or error in judgment is discretionary and governed by Arkansas Code § 24-7-205.

(e)(1) The Executive Director of the Arkansas Teacher Retirement System may waive interest on required contributions in an amount not to exceed \$5,000.

(2) A request to excuse an interest amount exceeding \$5,000 shall be submitted to the board for review.

(3) The executive director shall report any amounts excused under § 9-116 of this rule to the board.

(f)(1) The executive director may approve the correction of a change, omission, or error in the records of the system and implement a resolution that has a direct financial impact to the system of up to five thousand dollars (\$5,000) without obtaining board approval.

(2) Board approval shall be required to implement a resolution that has a direct financial impact to the system in excess of five thousand dollars (\$5,000).

(g) If required, a receivable under § 9-116 of this rule that is found by the board or its designee to be uncollectible or for which adjustment or payment has been waived shall be submitted to the Chief Fiscal Officer of the State for abatement pursuant to Arkansas Code §§ 19-2-301 — 19-2-307.

**Authority: Arkansas Code §§ 24-7-202, 24-7-205, 24-7-502, 24-7-701 — 24-7-707, 24-7-709, 24-7-710, 24-7-727, 24-7-732, 24-7-734, and Acts 1987, No. 808.**

## History

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**ATRS RULE 9**  
**RETIREMENT AND BENEFITS**

Arkansas Code §§ ~~24-7-202, 24-7-205, 24-7-502, 24-7-701 — 24-7-707, 24-7709, 24-7-710, 24-7-727, 24-4-732, 24-7-734, and Acts 1987, No. 808~~

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**I. Definitions**

- a. ~~"Act 808 Employee" means an employee of a state agency who:~~
- ~~1. On April 8, 1987, was an active member of the Arkansas Teacher Retirement System (ATRS);~~
  - ~~2. Qualified to retire before January 1, 1988, under the Early Retirement Incentive Law of 1987 (Acts 1987, No. 187); and~~
  - ~~3. Could elect to become a member of the Arkansas Public Employees Retirement System (APERS) and have his or her credited service in ATRS transferred to APERS;~~
- b. ~~"Annuity options" means one (1) or more options that:~~
- ~~1. Concern how an annuity benefit shall be paid, in accordance with Arkansas Code § 24-7-706, to a member for his or her lifetime after the member's retirement; and~~
  - ~~2. Are available for a member's election at the time of the member's retirement;~~
- c. ~~"Application" for the purposes of retirement eligibility means an application form and any other documents required by ATRS to establish a member's eligibility to retire;~~
- d. ~~"Covered employer" or "employer" means an employer who participates in ATRS and whose employees are eligible for membership under Arkansas Code §§ 247-202, 24-7-501, or other applicable law;~~
- e. ~~"Dependent child" means a child of a member or retiree who:~~
- ~~1. Is a minor;~~
  - ~~2. Is between eighteen (18) and twenty-three (23) years of age and continuously enrolled as a full-time student at an accredited secondary school, college, or university; or~~
  - ~~3. Has been adjudged physically or mentally incapacitated by a court of competent jurisdiction;~~
- f. ~~"Effective retirement date" means, for purposes of ATRS' retirement benefits, the first day of the month in which a member requests to receive retirement benefits and for which the member submits a timely retirement application;~~

- g. ~~"Incapacitated child" means a child who has been adjudged physically or mentally incapacitated by a court of competent jurisdiction;~~
- h. ~~"Marriage dissolution" means a final decree of divorce, separate maintenance, or annulment executed by a court of competent jurisdiction and filed of record in the Office of the Ex Officio Recorder;~~
- i. ~~"Medical committee" means the committee of three (3) physicians appointed by the Board of Trustees of the Arkansas Teacher Retirement System (Board) under Arkansas Code § 24-7-303 for the purpose of evaluating disability retirement applications;~~
- j. ~~"Option beneficiary" means a person who: 1. A member nominates by written designation, before or after the member's retirement, to receive annuity payments after the member's death in accordance with the annuity option selected by the member; and~~
  - 2. ~~If eligible, shall receive annuity payments after the member's death in accordance with the annuity option selected by the member;~~
- k. ~~"Person" means an individual, trust, estate, corporation, partnership, or other legal entity;~~
- l. ~~"Residue" means a member's accumulated contributions, including regular interest standing in the member's credit at the time of his or her retirement;~~ m. ~~"Residue beneficiary" means a person who a member nominates by written designation to receive the member's residue, if any, under Arkansas Code § 247-709;~~
- n. ~~"Receivable" means monies due to ATRS from a member, former member, covered employer, contributor, retiree, beneficiary, or alternate payee under a qualified domestic relations order (QDRO) as a result of an overpayment of any payment or benefit by ATRS; and~~
- o. ~~"Retiree" means a retired member who receives an annuity from ATRS.~~

## **~~II. Age and Service Retirement Eligibility~~**

- a. ~~If eligible, an active or inactive member who attains age sixty (60) and has five (5) or more years of actual and reciprocal service credit may voluntarily retire by filing a written application with ATRS.~~
- b. ~~If eligible, an active or inactive member who has not reached age sixty (60) and has twenty-five (25) or more years of actual and reciprocal service credit, including purchased or free credited service, may voluntarily retire by filing a written application with ATRS.~~
- c. ~~To be eligible for retirement, a member shall:~~
  - 1. ~~Satisfy the credited service requirements under one of ATRS' retirement statutes, Arkansas Code §§ 24-7-701—707;~~

- ~~2. Be credited with all required covered employer and member contributions in the member's deposit account, with no amounts owed to ATRS;~~
- ~~3. Pay all amounts owed to ATRS for underpayments or purchase service accounts; and~~
- ~~4. Terminate employment with each of his or her covered employers or reach the normal retirement age.~~

### **III. Benefits**

#### **a. Benefits Formula**

- ~~1. The retirement benefits payable to a retiree shall be the total number of contributory years of credited service, multiplied by a factor between one and seventy-five hundredths percent (1.75%) and two and fifteen hundredths percent (2.15%) of the final average salary as set by the Board, plus the total number of noncontributory years of credited service multiplied by a factor between five-tenths percent (0.5%) and one and thirty-ninth hundredths percent (1.39%) of the final average salary, as set by the Board.~~
- ~~2. The Board shall modify the standard multipliers for credited service of ten (10) years as necessary to maintain actuarial soundness. (Arkansas Code § 24-7705).~~

#### **b. B. Effective Date of Retirement (Arkansas Code § 24-7-701)**

- ~~1. If a member meets all eligibility requirements for retirement and is approved for retirement, annuity benefits shall be effective on the month proposed in the member's application.~~
- ~~2. If the member does not file an application at least one (1) calendar month before the proposed effective retirement date, then the proposed retirement effective date in the member's application shall not be used, and the member's effective retirement date shall be the following month.~~
- ~~3. If a member has signed an employment contract for the fiscal year and has been paid in full without providing service for the full period of the employment contract, the member's effective retirement date shall not be before July 1 of the subsequent fiscal year.~~
- ~~4. If a member has accrued a full year of service credit equal or greater to one hundred sixty (160) days in a fiscal year, the member's retirement date shall not begin earlier than July 1 of the subsequent fiscal year. year unless the member:
 
  - ~~A. Has attained the normal retirement age and is not separating from employment; or~~
  - ~~B. Is not licensed or otherwise certified as a classroom teacher and vacating a classroom.~~~~

#### **c. Normal Retirement Age**

- ~~1. A member who attains the normal retirement age may:~~

- A. ~~Apply for retirement benefits without terminating employment; and~~
  - B. ~~Begin drawing retirement benefits.~~
2. ~~The retirement benefits of a member who attains the normal retirement age shall not be affected if the member applies for and draws retirement benefits.~~
- d. ~~Compound Cost of Living Adjustment (Arkansas Code § 24-7-727)~~
- 1. ~~The Board may, by resolution, reverse a compound cost of living adjustment as needed to maintain the actuarial soundness of ATRS.~~
  - 2. ~~A reversal may be phased in as the Board determines appropriate.~~
- e. ~~Change of Marital Status (Arkansas Code § 24-7-706)~~
- 1. ~~If the marital status of a retiree changes due to the death of the retiree's spouse or a marriage dissolution, the retiree may choose to:~~
    - A. ~~Cancel his or her designation of the former spouse as a beneficiary; or~~
    - B. ~~Designate a dependent child as a replacement beneficiary if the:~~
      - i. ~~Retiree previously designated the former spouse as his or her Option A or Option B beneficiary; and~~
      - ii. ~~Former spouse predeceases the retiree.~~
  - 2. ~~If the retiree chooses to cancel the designation of his or her former spouse as his or her Option A or Option B beneficiary or chooses to designate a dependent child as a replacement Option A or Option B beneficiary, the retiree shall file with ATRS a change of option beneficiary on an ATRS approved form, and any change in the benefit amount shall become effective the month after ATRS receives the approved form.~~
- f. ~~Alternative Residue Beneficiary Designation~~
- 1. ~~If a member designates one (1) or more alternative residual beneficiaries in lieu of his or her spouse, the member shall submit the names of each alternative residue beneficiary on ATRS approved form to ATRS.~~
  - 2. ~~If a member designates one (1) or more alternative residue beneficiaries in lieu of his or her spouse, each alternative residue beneficiary shall receive an appropriate lump-sum payment of the greater of either:~~
    - A. ~~The member's residue from the Teacher Deferred Retirement Option Plan (T-DROP); or~~
    - B. ~~The member's contributions.~~
- g. ~~Final Benefit Payments and Lost Payees (Arkansas Code § 24-7-734)~~
- 1. ~~Benefits are payable through the month in which the retiree's death occurs.~~
  - 2. ~~If a final benefit payment is not delivered in the normal course of business, the benefit payment shall be sent in the following order until delivered:~~

- A. ~~To the member's residue beneficiary, if any;~~
  - B. ~~To the member's lump-sum death beneficiary, if any;~~
  - C. ~~To the member's estate' if any; or~~
  - D. ~~To the trust assets of ATRS.~~
3. ~~The Board shall direct a benefit payment amount forfeited to the trust assets of ATRS if the:~~
- A. ~~Benefit payment cannot be made five (5) years after the benefit payment is due because the location of the member or the identity and location of the member's beneficiary or personal representative cannot be ascertained by mailing the benefit payment to the last known address of the member, beneficiary, or personal representative in ATRS' records; and~~
  - B. ~~Neither the member, beneficiary, or personal representative submitted paperwork or forms approved by ATRS updating his or her location or last known address to ATRS before the expiration of five (5) years from when the benefit payment is due.~~

#### **~~IV—Retirement Application and Other Documents~~**

##### ~~a.—Generally~~

- 1. ~~A copy of the ATRS retirement application may be downloaded from the ATRS website or requested from ATRS.~~
- 2. ~~For a member who is inactive, vested, and immediately eligible to retire, retirement benefits shall be payable the month after ATRS receives the member's retirement application.~~

##### ~~b.—Time Period for Filing Retirement Application~~

- 1. ~~In order for a retirement application to be timely filed, there is a three-month "window" to apply for retirement benefits.~~
- 2. ~~An active member who is currently employed by a covered employer shall file his or her retirement application:~~
  - A. ~~No sooner than four (4) months before the active member's effective retirement date; and~~
  - B. ~~No later than one (1) month before the active member's effective retirement date.~~

##### ~~3.—Procedure for Handling Received Retirement Applications~~

- A. ~~ATRS' procedure for handling a retirement application received by ATRS shall be as follows:~~
  - i. ~~If a retirement application is received by ATRS before the threemonth window begins for the member's anticipated effective retirement date, ATRS shall:~~

- a. ~~Consider the retirement application untimely;~~
  - b. ~~Reject the retirement application;~~
  - c. ~~Notify the member of one (1) or more dates on which the member may timely file a retirement application; and~~
  - d. ~~Notify the member of the procedure to use in order to timely file a retirement application.~~
- ii. ~~If a retirement application is received after the three-month window ends for the member's anticipated effective retirement date, ATRS shall:~~
- a. ~~Consider the retirement application untimely; and~~
  - b. ~~Provide the member with a new effective retirement date that begins on the first day of the month following the member's previously anticipated effective retirement date.~~
4. ~~This ATRS Rule 9 IV.b. does not apply to a disability retirement application or an application for survivor benefits.~~
5. ~~The following table shows examples of the windows for filing a retirement application:~~

EXAMPLE OF RETIREMENT FILING DATES			
Effective Date of Retirement	Retirement Application Must be Filed In:	Last Date of Employment	First Retirement Check
January 1	September, October or November	December 31	End of January
February 1	October, November or December	January 31	End of February
March 1	November, December or January	Feb 28/29 (Leap year)	End of March
April 1	December, January or February	March 31	End of April
May 1	January, February or March	April 30	End of May
June 1	February, March or April	May 31	End of June
July 1	March, April or May	June 30	End of July
August 1	April, May or June	July 31	End of August



September 1	May, June or July	August 31	End of September
October 1	June, July or August	September 30	End of October
November 1	July, August or September	October 31	End of November
December 1	August, September or October	November 30	End of December

6. The following table is the only "window" for filing a T-DROP application:

Effective Date of Retirement	Retirement Application Must be Filed In:
July 1	March, April, or May

c. Retirement Application and Other Documents Required by ATRS

1. In addition to a complete retirement application, the following documents required by ATRS in order to begin making benefit payments shall be submitted to ATRS within six (6) months of the effective date of retirement unless an extension is granted by ATRS: A. Member elects a straight life annuity:

- i. Proof of member's birthdate from a birth certificate or other authenticating documents.; and
- ii. Proof of member's taxpayer identification number from a Social Security card or other authenticating documents.

B. Member elects Option A or Option B benefit with Spouse as the beneficiary:

- i. Proof of the member's birthdate from a birth certificate or other authenticating documents.;
- ii. Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents.;
- iii. Proof of the spouse's birthdate from a birth certificate or other authenticating documents.;
- iv. Proof of the spouse's taxpayer identification number from a Social Security card or other authenticating documents.;
- v. Proof of the marriage between the member and spouse from a marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage.

C. Member elects Option A or Option B benefit with a dependent child as the beneficiary:

- ~~i. Proof of the member's birthdate from a birth certificate or other authenticating documents;~~
  - ~~ii. Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents;~~ ~~iii. Proof of Guardianship~~
    - ~~A. Adequate proof of the existence of a guardianship due to the incapacity of the member's dependent child that preexists the member's official retirement date.~~
    - ~~B. Authenticating documents may include the order appointing guardianship of the person, letters of guardianship, or other adequate proof of the existence of the guardianship;~~
  - ~~iv. Proof of the dependent child's birthdate from a birth certificate or other authenticating documents; and~~
  - ~~v. Proof of the dependent child's taxpayer identification number from a Social Security card or other authenticating documents.~~ ~~D. Member elects Option C annuity:~~
    - ~~i. Proof of the member's birthdate from a birth certificate or other authenticating documents; and~~
    - ~~ii. Proof of the member's taxpayer identification number from a Social Security card or other authenticating documents.~~
- ~~d. Submission Deadlines — Age and Service Retirement and Early Retirement Applications — Additional Documents~~
- ~~1. If a member files an age and service retirement application or early retirement application, all additional documents required by ATRS in order to begin making benefit payments shall be submitted within six (6) calendar months after the member's effective retirement date unless an extension is granted by ATRS.~~
  - ~~2. If all additional documents required by ATRS are not submitted by the sixmonth deadline or any extension granted by ATRS, the retirement application shall be void and without effect.~~

**~~V. State Employee Transfers to APERS (Act 808) Rules~~**

- ~~a. An Act 808 employee shall make the election to transfer to APERS on a form approved by ATRS.~~
- ~~b. The transfer from ATRS to APERS shall be effective on the employee's effective date of retirement.~~
- ~~c. ATRS shall certify to APERS a record of the Act 808 employee's service credit in ATRS.~~
- ~~d. If an Act 808 employee is a non-contributory member of ATRS at the time of his or her retirement, the Act 808 employee shall retire under the non-contributory~~

~~provisions of Acts 1987, No. 187 and shall be entitled to a refund of his or her Act 808 employee contributions made since January 1, 1978, to ATRS.~~

~~e. If an Act 808 employee was a contributory member of ATRS at the time of his or her retirement, the Act 808 employee shall retire under the contributory provisions of Acts 1987, No. 187.~~

~~f. APERS shall pay the monthly benefits of an Act 808 employee who elects to transfer to APERS.~~

~~g. APERS shall certify monthly to ATRS the amount of monthly benefits paid and ATRS shall transfer its pro-rata portion to APERS.~~

~~h. Upon receipt of a death certificate from APERS for a retiree who chose straight life annuity and has a balance remaining in his or her account, ATRS shall transfer the remaining balance in the retiree's account to APERS for refunding to the retiree's designated beneficiary.~~

## **VI. Disability Retirement Rules**

~~a. Submission Deadlines and Commencement of Disability Retirement Benefit Payments~~

~~1. A member has six (6) calendar months from the date of the member's disability retirement application to submit a completed application and all accompanying documentation required by ATRS.~~

~~2. If a member does not submit all accompanying documentation required by ATRS within the six-month deadline, ATRS shall:~~

~~i. Submit the disability retirement application to the medical committee for review as complete; or~~

~~ii. Withdraw the application at the request of the member unless an extension is granted by ATRS.~~

~~3. Disability retirement benefits shall begin on the first of the month in which a member files a disability retirement application with ATRS if the:~~

~~A. Member is eligible for disability retirement under Arkansas Code § 24-7704 and the ATRS Rules;~~

~~B. Member is no longer employed by a covered employer at the time he or she files the disability retirement application; and~~

~~C. Medical committee determines that the member has a disability.~~

~~4. If the member is still employed a covered employer at the time the member files the disability retirement application, then, once approved by the medical committee and then the Board, the disability retirement shall begin on the first of the month following the last day of the member's covered employment.~~

~~b. Effective Retirement Date and Employment After Disability Retirement~~

~~1. Effective Retirement Date~~

- ~~a. A member's disability retirement is effective from the date the member files a disability retirement application with ATRS and terminates employment with each of his or her covered employers.~~

## ~~2. Leave~~

- ~~A. A member is considered active if the member is using earned sick leave, Family Medical Leave Act (FMLA) leave, annual leave, and catastrophic leave.~~
- ~~B. Worker's compensation, which may or may not include the use of leave granted by an employer, shall not:
  - ~~i. Be considered leave by which a member is considered active; and~~
  - ~~ii. Extend the date of active membership.~~~~

## ~~3. Direct or Indirect Employment~~

- ~~A. A member shall not receive disability retirement benefit payments if the member indirectly performs work for an ATRS covered employer as described in Arkansas Code § 24-7-704(a)(4)(B).~~
- ~~B. If a member is approved for disability retirement and continues to work either directly or indirectly for a covered employer, the member shall:
  - ~~i. Terminate direct or indirect employment with the covered employer by the proposed disability effective retirement date; or~~
  - ~~ii. If the member is finalizing work for the covered employer, terminate employment no later than two (2) full calendar months after the medical committee's final decision.~~~~
- ~~C. If the member does not terminate employment under the ATRS Rules and the termination requirement under Arkansas Code § 24-7-502, the member's disability retirement application shall be considered rescinded and the member may reapply if eligible.~~

## ~~4. Continued Employment Under Age Sixty (60)~~

- ~~A. A retiree under the age of sixty (60) may be employed by an ATRS covered employer and also receive ATRS disability retirement benefit payments if the retiree performs less than eighty (80) days of actual service during a fiscal year.~~

## ~~5. Return to Employment~~

- ~~A. After receiving ATRS approval for disability retirement a retiree may choose to return to covered employment with an ATRS covered employer and relinquish his or her disability retirement.~~
- ~~B. If a retiree chooses to return to covered employment, the member shall:
  - ~~i. Not receive disability retirement benefit payments;~~
  - ~~ii. Be considered an active member; and~~~~

~~iii. Comply with Arkansas Code § 24-7-738 (Acts 2017, No. 549).~~

~~C. A retiree shall become an active member and his or her disability retirement shall be immediately terminated if:~~

~~i. The retiree notifies ATRS in writing of his or her intent to perform more than eighty (80) days of actual service during a fiscal year; or~~

~~ii. ATRS receives written notification of the retiree's intent to perform more than eighty (80) days of actual service during a fiscal year through a termination and status sheet, membership data form, or any other reasonably reliable documentation.~~

~~c. Social Security Determination Letter~~

~~1. Deadlines—Generally~~

~~A. A deadline imposed by this ATRS Rule 9 VI may be extended as provided by this ATRS Rule 9 and Arkansas Code § 24-7-704.~~

~~2. Thirty-Six-Month Deadline~~

~~A. A retiree shall submit to ATRS a Social Security Administration (SSA) determination letter that finds the retiree disabled within thirty-six (36) months from:~~

~~i. July 1, 2015, if the retiree's effective retirement date is before July 1, 2015; or~~

~~ii. The retiree's effective retirement date if the effective date of retirement is on or after July 1, 2015.~~

~~B. A retiree may apply for an extension of the thirty-six-month deadline to submit the SSA determination letter to ATRS if:~~

~~i. The retiree demonstrates through an administrative or judicial confirmation of an active SSA claim that the claim is:~~

~~a. Still under review; and~~

~~b. Part of a continuous claim without voluntary dismissal or withdrawal; and~~

~~ii. The SSA disability claim was filed and remained active for at least twenty-four (24) months before the thirty-six-month deadline.~~

~~3. Suspension of Disability Retirement Benefit Payments~~

~~A. ATRS shall suspend disability retirement benefit payments to a retiree if the retiree does not:~~

~~i. Provide ATRS with a SSA determination letter finding the retiree disabled within the thirty-six-month deadline;~~

~~ii. Receive an extension of the thirty-six-month deadline to provide~~

~~ATRS with a SSA determination letter finding the retiree disabled; or  
iii.—Apply to the medical committee for a review within three (3) months  
of ATRS suspending disability retirement benefit payments to the retiree  
due to the retiree's failure to provide ATRS with a SSA determination  
letter finding the retiree disabled.~~

~~4.—Inability to Obtain SSA Determination Letter — Medical Committee Review~~

~~A.—A retiree who attempts and is unable to receive a SSA determination  
letter finding the retiree disabled may apply for a review by the medical  
committee.~~

~~B.—A retiree may apply for a review by the medical committee:~~

~~i.—No earlier than three (3) months before the date on which the  
retiree's disability retirement benefit payment would otherwise be  
suspended; and~~

~~ii.—No later than three (3) months after disability retirement benefit  
payments to the retiree is suspended.~~

~~C.—A review performed by the medical committee shall follow the standards  
and procedures in Arkansas Code § 24-7-704(a)(1)(E).~~

~~D.—A member's option to request a second review as provided by Arkansas  
Code § 24-7-704(a)(1)(H) shall not apply to a retiree who seeks disability  
review under Arkansas Code § 24-7-704(b)(3)(D).~~

~~5.—Denial of Disability Review~~

~~1.—After a disability review is held due to the SSA finding that a member is  
not disabled, the medical committee's recommendations shall be  
submitted to the Board for a final order.~~

~~2.—If a member is denied further disability benefits after a disability review by  
the medical committee, the member may:~~

~~i.—Offer additional medical information within thirty (30) days of the  
date of the disability review; and~~

~~ii.—Request that the Board return the matter to the medical committee  
for reconsideration.~~

~~6.—SSA Determination Letter No Longer Required~~

~~A.—A retiree shall begin receiving regular retirement benefits as if the retiree  
voluntarily retired and a SSA determination letter shall not be required if  
the retiree~~

~~i.—Attains fifty-seven (57) years of age in the month the retiree's  
disability retirement benefits become effective; or~~

~~ii.—Attains sixty (60) years of age.~~

~~d.—Denial of Disability Retirement~~

- ~~1. If a member's initial application for disability retirement is denied and the member elects and qualifies for voluntary retirement, the member's effective retirement date shall be determined by the date the member's initial disability retirement application is filed.~~
  - ~~2. A member may request a second review if the member's initial disability retirement application is denied and the member submits additional medical documentation for the medical committee's consideration.~~
  - ~~3. A member may only request a second review one (1) time.~~
  - ~~4. If a member requests a second review, unless an extension is granted by ATRS, the member has six (6) calendar months from the date of the letter notifying the member of the denial of his or her initial disability retirement application to submit additional medical documentation.~~
  - ~~5. If a member's initial disability retirement application is denied after the second review, the member may file another subsequent disability retirement application and submit additional information for consideration if the member is active and eligible for disability retirement under Arkansas Code § 24-7-704.~~
  - ~~6. If a member's initial disability retirement application is denied and the member is ineligible to apply for disability retirement benefits under Arkansas Code § 24-7-704 or is inactive, the member may apply for age and service retirement or early voluntary retirement if the member meets the requirements for age and service retirement or early voluntary retirement.~~
- ~~e. Member Death Before Determination on Disability Retirement Application~~
- ~~1. If the member dies after the disability application is received by ATRS, but before his or her disability retirement application is approved, then the: A. Member shall be considered as having died in active service; and~~
  - ~~B. Survivor benefits under Arkansas Code § 24-7-710 shall be paid, unless the member designated one (1) or more alternative residual beneficiaries.~~
- ~~f. Disability Retirement Benefit Formula~~
- ~~1. The annuity formula for computing disability retirement benefits is shall be the same annuity formula used to compute voluntary age and service retirement benefits.~~
- ~~g. Beneficiary Designation After Approval of Disability Retirement~~
- ~~1. If a disability retirement application is approved by the medical committee after May 31, 2011, the Board shall allow the member to designate an Option A or Option B beneficiary at the time of retirement.~~
  - ~~2. An Option C beneficiary shall not be designated by a member who applies for disability retirement or a disability retiree. (Arkansas Code § 24-7-706(a)(3))~~
  - ~~3. The same rules that apply to an active member's surviving spouse under Arkansas Code § 24-7-710(b) shall apply to a disability retiree's surviving spouse if the disability retiree:~~

- ~~A. Designates his or her spouse as Option A or Option B beneficiary at the time of retirement; and~~
- ~~B. Dies before reaching sixty (60) years of age.~~
- ~~4. The same rules that apply to a surviving spouse of an active member under Arkansas Code § 24-7-710(b) shall apply to the surviving spouse of a disability retiree if the disability retiree:~~
  - ~~A. Dies after disability retirement benefit payments to the disability retiree begin;~~
  - ~~B. Does not designate his or her spouse as an Option A or Option B beneficiary; and~~
  - ~~C. Does not designate a residue beneficiary.~~
- ~~5. The same rules that apply to a surviving spouse of an active member under Arkansas Code § 24-7-710(b)(1)(B) shall apply to the surviving spouse of a disability retiree if the disability retiree:~~
  - ~~A. Dies after disability retirement benefit payments to the disability retiree began;~~
  - ~~B. Does not designate his or her spouse as an Option A or Option B beneficiary; and~~
  - ~~C. Designates his or her spouse as a residue beneficiary.~~
- ~~6. If a disability retiree designates his or her dependent child as an Option A or Option B beneficiary, and the disability retiree dies before reaching age sixty (60), then:~~
  - ~~A. The same rules that apply under Arkansas Code § 24-7-710(c) to an active member's surviving child shall apply to the disability retiree's Option A or Option B dependent child beneficiary until the date on which the disability retiree would have turned sixty (60) years of age; and~~
  - ~~B. On the date on which the disability retiree would have turned sixty (60) years of age, the Option A or Option B dependent child beneficiary shall receive the greater of the surviving child annuity under Arkansas Code § 24-7-710(c) or the Option A spouse annuity under Arkansas Code § 24-7-710(b).~~

**~~VII. Annuity Options and Disposition of Residue After Retirement Rules~~**

~~a. Option Annuity Election~~

- ~~1. Before the date the first benefit payment of an annuity becomes due, a member retiring with age or service may elect one (1) of the following annuity options:~~
  - ~~A. **Option 1** — Straight Life Annuity~~
  - ~~B. A straight life annuity payable monthly for the life of the retiree. Option 2~~
  - ~~— Reduced Straight Life Annuity with Option Beneficiaries~~



- ~~i. A retiree shall receive the actuarial equivalent of the retiree's straight life annuity in a reduced annuity payable throughout the retiree's life.~~
- ~~ii. A member may designate a beneficiary to receive one (1) of the following annuity options:~~
  - ~~a. Option A — One hundred percent (100%) Survivor Annuity~~
    - ~~1. Upon the death of the retiree, the retiree's reduced annuity shall be continued and paid throughout the life of the retiree's designated beneficiary.~~
    - ~~2. A member may designate one (1) beneficiary under Option~~
      - ~~A.~~
  - ~~b. Option B — 50% Survivor Annuity~~
    - ~~1. Upon the death of the retiree, one-half (1/2) of the retiree's reduced annuity shall be continued and paid throughout the life of the retiree's designated beneficiary.~~
    - ~~2. A member may designate one (1) beneficiary under Option~~
      - ~~B.~~
  - ~~c. Option C — Annuity for Ten (10) Years Certain and Life Thereafter~~
    - ~~1. The retiree shall receive a reduced annuity payable throughout the retiree's life.~~
    - ~~2. If the retiree dies before receiving one hundred twenty (120) monthly annuity payments, the payments shall be continued for the remainder of the period of one hundred twenty (120) months and paid to one (1) or more of the retiree's designated beneficiaries in equal shares.~~
    - ~~3. A member may designate one (1) or more beneficiaries under Option C.~~

**~~b. Effect of Option 1 Retiree's Death within the First Year of Retirement~~**

- ~~1. If an Option 1 retiree dies within one (1) year of retirement, and his or her spouse qualifies for Option A benefits, the spouse may elect to cancel the Option 1 annuity in effect and elect Option A, one hundred percent (100%) survivor annuity, at that time.~~
- ~~2. The election shall be effective the first day of the month following receipt of the election form by ATRS.~~
- ~~3. If the spouse elects Option A, the residue, if any, shall not be paid until the Option A beneficiary's death.~~

**~~c. Persons Eligible as Option A or Option B Beneficiaries at the Time of Retirement~~**

- ~~1. The following persons are eligible to be nominated by written designation as an Option A or Option B beneficiary:
  - ~~A. The retiree's spouse if the retiree and his or her spouse have been married to each other for at least one (1) year before the first annuity benefit payment to the retiree;~~
  - ~~B. A retiree's dependent child who has been adjudged physically or mentally incapacitated by a court of competent jurisdiction, regardless of the age of the dependent child.~~~~

**~~d. Eligibility of a Spouse to Become an Option A or Option B Beneficiary after a Member's Retirement~~**

- ~~1. After his or her retirement, a retiree may designate his or her spouse as an Option A or Option B beneficiary if the retiree:
  - ~~A. Has been married to his or her spouse for one (1) year; and~~
  - ~~B. Either:
    - ~~i. Was married to his or her spouse for less than one (1) year upon his or her effective retirement date; or~~
    - ~~ii. Marries his or her spouse after his or her effective retirement date.~~~~~~
- ~~2. Upon meeting the one-year marriage requirement, the retiree shall have six (6) months to file a written nomination designating his or her spouse as either an Option A or Option B beneficiary.~~
- ~~3. The designation shall be filed on a form approved by ATRS.~~

**~~e. Eligibility of a Dependent Child to Become an Option A or Option B Beneficiary after a Member's Retirement~~**

- ~~1. After a retiree's effective retirement date, the retiree may designate an Option A or Option B dependent child beneficiary if the:
  - ~~A. Retiree previously designated his or her spouse as the Option A or Option B beneficiary;~~
  - ~~B. Spouse designated as the retiree's Option A or Option B beneficiary predeceases the retiree; and~~
  - ~~C. Dependent child has been adjudged physically or mentally incapacitated by a court of competent jurisdiction.~~~~

**~~f. Emancipation of Incapacitated Child Option Beneficiary~~**

- ~~1. A member may request that ATRS remove an incapacitated child as his or her Option A or Option B beneficiary if:~~

~~A. The member designated the incapacitated child as his or her Option A or Option B dependent child beneficiary; and B. One (1) of the following applies:~~

- ~~i. A court finds that the incapacitated child is no longer incapacitated;~~
- ~~ii. The incapacitated child is emancipated through marriage; or~~
- ~~iii. The incapacitated child dies.~~

~~2. The following forms of proof shall be submitted, as appropriate, with the member's request to remove an incapacitated child as his or her Option A or Option B:~~

- ~~A. A file-marked copy of the court's order finding that the incapacitated child is no longer incapacitated;~~
- ~~B. A copy of the incapacitated child's marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage; or~~
- ~~C. A copy of the incapacitated child's death certificate.~~

~~3. Once the proof required to remove an incapacitated child as the member's Option A or Option B beneficiary is submitted to ATRS, the member may:~~

- ~~A. Elect to return to an Option 1; or~~
- ~~B. If the member is married, designate his or her spouse as the Option A or Option B beneficiary within six (6) months of the date on which ATRS receives the proof required under this ATRS Rule 9 VII.f.2.~~
- ~~C. The member's election shall be effective on the first day of the month following the date on which ATRS receives the election form.~~

~~g. **Residue Paid Upon Death of Option Annuitant**~~

- ~~1. A member may designate any person as a residue beneficiary.~~
- ~~2. A retiree's residue, if any, shall be paid to the retiree's residue beneficiary if the:~~
  - ~~A. Retiree dies before receiving annuity benefit payments equal to the residue amount; and~~
  - ~~B. Option beneficiary dies before receiving annuity benefit payments equal to the residue amount.~~
- ~~3. If a residue beneficiary is not nominated or does not survive the death of the option beneficiary, the residue remaining, if any, shall be paid to the retiree's estate.~~

~~h. **Final Benefit Check**~~

- ~~1. Benefits are payable through the month in which the last option beneficiary's death occurs.~~

- ~~2. If the option beneficiary dies before receiving the last check, ATRS shall pay the final check in the normal manner paid before death.~~
- ~~3. If payment of the final check in the normal course becomes impossible, the final option beneficiary's annuity check shall be returned to ATRS.~~

#### ~~VIII. Error Corrections and Collection of Overpayments Rules~~

##### ~~a. Payment Errors~~

- ~~1. If a change or error in ATRS' records discovered during the look-back period results in either an overpayment or underpayment to ATRS, the Board shall authorize ATRS to:
  - ~~A. Correct the error in the records;~~
  - ~~B. Adjust a benefit or any other amount payable to the corrected amount as far as practicable; and~~
  - ~~C. Take all necessary and appropriate action, including the options allowed under Arkansas Code § 24-7-205(b).~~~~
- ~~2. The Board or its designee may adjust the records of ATRS, a covered employer, and a member beyond the look-back period if the Board determines that the time limitation imposed by the look-back period will result in a manifest injustice in a specific case.<sup>1</sup>~~

##### ~~b. Benefit Participant Under QDRO~~

- ~~1. If a benefit participant under a QDRO pursuant to Arkansas Code §§ 9-18101—103, is paid any benefit or payment by ATRS to which the benefit participant is not entitled, and it is discovered during the look-back period, then a receivable is created and the Board or its designee, may collect the amount due to ATRS as provided by Arkansas Code § 24-7-205.~~

##### ~~c. Notice of Benefit Adjustment~~

- ~~1. Before making an adjustment of benefits that causes a reduction of the benefits or pursuing any other collection action, ATRS shall provide notice to the person who is the subject of the adjustment.~~
- ~~2. The notice shall:
  - ~~A. State the amount determined to be a receivable;~~
  - ~~B. State the reasons underlying the determination;~~
  - ~~C. Describe the process for disputing an adjustment of benefits; and~~
  - ~~D. Suggest alternate methods for payment of the receivable.~~~~

##### ~~d. Dispute and Appeal of Collections~~

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<sup>1</sup> See ATRS Rule 17 – Manifest Injustice.

- ~~1. Appeals to dispute collections shall be made according to the procedures and requirements of ATRS Rule 13.~~
  - ~~2. During the appeal process, retirement benefits may continue to be paid.~~
- e. ~~Correction and Adjustment Limitations~~
- ~~1. Actions that affect benefit rights shall not be corrected or adjusted further than a five-year look-back period unless a manifest injustice has occurred or an exception exists under Arkansas Code § 24-7-205(c).~~
  - ~~2. A determination by ATRS of a manifest injustice in a particular instance due to a technical error or error in judgment is discretionary and governed by Arkansas Code § 24-7-205.~~
- f. ~~Waiver of Interest on Contributions~~
- ~~1. The Board authorizes the Executive Director of ATRS (executive director) to waive interest on required contributions in an amount not to exceed \$5,000.~~
  - ~~2. A request to excuse an interest amount exceeding \$5,000 shall be submitted to the Board for review.~~
  - ~~3. The executive director shall report any amounts excused under this section to the Board.~~
- g. ~~Uncollectible or Waived Receivables~~
- ~~1. If required, a receivable under this this ATRS Rule 9 VIII that is found by the Board or its designee to be uncollectible or for which adjustment or payment has been waived shall be submitted to the Chief Fiscal Officer of the State for abatement pursuant to Arkansas Code §§ 19-2-301 — 19-2-307.~~

**~~HISTORY~~**

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Effective:	July 2, 2002	9-3
Amended:	June 15, 2004	9-2, 9-4, 9-7
Amended:	July 18, 2005	9-4, 9-8
Amended:	February 7, 2006	9-2, 9-7
Amended:	April 26, 2007	9-2, 9-7
Amended:	June 19, 2007	9-4
Amended:	June 16, 2009	(Emergency) 9-2
Amended:	October 5, 2009	(Permanent) 9-2
Adopted:	December 18, 2009	9-1, 9-4, 9-8
Amended:	July 1, 2011	(Emergency) 9-1, (Emergency) 9-2, 9-4, (Emergency) 9-7, (Emergency) 9-8
Adopted:	August 8, 2011	9-1, 9-2, 9-4, 9-7, 9-8

~~Effective: November 11, 2011 9-1, 9-2, 9-4, 9-7, 9-8~~  
~~Approved by Board: February 6, 2012 9-4, 9-7~~  
~~Amended: April 18, 2012 9-4, 9-7~~  
~~Effective: May 29, 2012 9-4, 9-7~~  
~~Approved by Board: July 26, 2013 9-2, 9-4, 9-8~~  
~~Amended: October 9, 2013 9-2, 9-4, 9-8~~  
~~Effective: November 8, 2013 9-2, 9-4, 9-8~~  
~~Approved by Board: October 5, 2015 9-2, 9-4~~  
~~Amended: February 1, 2016 9-2, 9-4~~  
~~Effective: February 10, 2016 9-2, 9-4~~  
~~Approved by Board: February 5, 2018 9-2, 9-4, 9-8, 9-9~~  
~~Effective: February 16, 2018 9-2, 9-4, 9-8, 9-9~~  
~~Effective: May 28, 2020 Rule 9~~  
~~Effective: May 20, 2022 Rule 9~~



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**Public Comments**

**Proposed Rule 10 – Return to Service and Teacher Deferred Retirement Option Plan**

**1. Generally.**

- a. **ATRS Staff Comment:** Should additional rules concerning T-DROP deposits for uncompleted quarters be included?
- b. **Response:** Yes. Pages four (4)-(5), § 10-105(b)(3) has been amended to include rules clarifying T-DROP deposits for uncompleted quarters.

**ATRS Rule 10**  
**Return to Service and Teacher Deferred Retirement Option Plan**

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**§ 10-101. Definitions.**

As used in this rule:

- (1) "CBA" means Cash Balance Account;
- (2) "Fiscal year" means the operating year for the State of Arkansas that begins on July 1 of each calendar year and ends on June 30 of the next calendar year;
- (3) "Plan participant" means a member who elects to participate in the Teacher Deferred Retirement Option Plan;
- (4) "Plan deposit" means a deposit made to each plan participant's Teacher Deferred Retirement Plan account;
- (5) "Plan interest" means one (1) or more interest rates per annum that are adopted by the Board of Trustees of the Arkansas Teacher Retirement System by the end of the first quarter of the fiscal year in which the interest rate shall apply in order for the appropriate interest to be credited to each plan participant's Teacher Deferred Retirement Option Plan account in the years following the board's adoption of the interest rate;
- (6) "Post 10-year T-DROP interest" means a rate per annum that is compounded annually and adopted by the board by the end of the first quarter of the fiscal year in which the interest rate shall apply in order for the interest to be credited on June 30 to the T-DROP account of a plan participant who has not retired and whose participation in T-DROP has ended;
- (7) "Quarter" means one-fourth (1/4) of a fiscal year as follows:
  - (A) 1st Quarter: July 1 through September 30;
  - (B) 2nd Quarter: October 1 through December 31;
  - (C) 3rd Quarter January 1 through March 31; and
  - (D) 4th Quarter: April 1 through June 30;
- (8) "Retiree" means a member receiving a retirement annuity from the Arkansas Teacher Retirement System;
- (9) "Salary" means the same as defined in Arkansas Code § 24-7-202 and does not include nonmandatory compensation that is taxable by the IRS;
- (10) "T-DROP" means the same as defined in Arkansas Code § 24-7-202;
- (11) "T-DROP Cash Balance Account" means a financial account established for a plan participant who elects to defer distribution of his or her Teacher Deferred Retirement Option Plan account balance at the time that he or she is eligible to receive a lump-sum distribution of the Teacher Deferred Retirement Option Plan account balance;
- (12) "T-DROP Cash Balance Account interest" means the interest rate per annum applicable to a plan participant's T-DROP Cash Balance Account, and compounded monthly into a plan participant's T-DROP Cash Balance Account; and
- (13) "Uniformed Services of the United States" means service in the:
  - (A) United States Armed Forces;
  - (B) Army National Guard;
  - (C) Air National Guard when engaged in active duty for training, state active duty, inactive duty training, or full-time National Guard duty;
  - (D) United States Commissioned Corps of the Public Health Service; and



(E) Any other category of persons designated by the President of the United States in time of war or emergency.

**§ 10-102. Return to service.**

(a) Unless otherwise provided by the Office of Personnel Management's Policy No. 65, effective July 1, 2009, a retiree who terminates employment under Arkansas Code § 24-7-502 or reaches the normal retirement age may:

(1) Accept employment with a covered employer; and

(2) Continue to receive a monthly retirement annuity without a limitation of his or her retirement annuity.

(b)(1) Both a retiree who returns to service with a covered employer and the covered employer who employs the retiree shall report the retiree's employment to the Arkansas Teacher Retirement System using forms and reports required by the system.

(2) A retiree who receives monthly retirement benefits and is employed by a covered employer shall not:

(A) Pay member contributions;

(B) Be responsible for employer contributions; or

(C) Accrue additional service credit.

(3) A covered employer that employs a retiree shall pay employer contributions on the salary paid to the retiree in an amount equal to the employer contribution rate applicable to an active member.

**§ 10-103. Teacher Deferred Retirement Option Plan — Participation.**

(a) In lieu of terminating employment and voluntarily retiring:

(1) An active member with at least thirty (30) years of service credit may elect to participate in TDROP and continue to work for a covered employer; and

(2) An active member with at least twenty-eight (28) years of service credit may elect to participate early in T-DROP and continue to work for a covered employer.

(b) The service credit of a plan participant shall be determined using the same rules that apply for determining the service credit of an active member.

(c) On call availability shall not be used for:

(1) T-DROP service credit requirements; or

(2) Monthly plan deposits to a plan participant's T-DROP account.

(d) An active member who elects to participate in T-DROP and continues his or her covered employment defers the receipt of retirement benefits.

(e)(1) Service credit in the Arkansas Teacher Retirement System, a reciprocal system, or a combination of service credit in the Arkansas Teacher Retirement System and the reciprocal system may be counted to meet the minimum service credit requirements for participation under T-DROP and the reciprocal system's deferred retirement option plan if the reciprocal system offers members of the reciprocal system a deferred retirement option plan.

(2) A retirement benefit payable by a reciprocal system shall be determined according to the law, rules, and regulations applicable to the reciprocal system.

(3)(A) The final average salary of a plan participant with reciprocal service credit shall be the highest final average salary calculated by the Arkansas Teacher Retirement System or a reciprocal system in which the plan participant has at least two (2) years of

service credit.

(B) Each reciprocal system shall calculate final average salary in accordance with the law applicable to the reciprocal system.

(C) A salary earned as a member of the Arkansas Judicial Retirement System or an alternate retirement plan shall not be used to calculate final average salary.

(f)(1) A reciprocal system shall credit a deferred retirement option plan account with plan deposits and plan interest according to the deferred retirement option program applicable

(2) The Arkansas Teacher Retirement System shall not pay a monthly plan deposit into a plan participant's T-DROP account for more than ten (10) consecutive years from the date on which the plan participant enters T-DROP.

#### **§ 10-104. Teacher Deferred Retirement Option Plan — Benefits.**

(a)(1) A plan participant shall elect an annuity option provided in Arkansas Code § 24-7-706 at the time the plan participant separates from service and either:

(A) Applies for retirement upon reaching the normal retirement age; or

(B) Is granted a monthly retirement benefit.

(2) Upon electing to retire, if a plan participant elects to cash out or annuitize his or her T-DROP account balance, the plan participant shall not be permitted to reenroll in T-DROP after his or her T-DROP account is distributed unless the plan participant cancels his or her election under Arkansas Code § 24-7-1302.

(b) A cost-of-living increase under Arkansas Code §§ 24-7-713 or 24-7-727 shall be applied to the T-DROP benefit that is used to calculate the plan deposit.

(2) A T-DROP benefit and the cost-of-living increase may be modified as provide by this rule and the law applicable to the Arkansas Teacher Retirement System.

(c) A plan participant's T-DROP benefit shall:

(1) Be the monthly straight life annuity benefit that the plan participant would have received if he or she voluntarily retired; and

(2) Not include a monthly benefit stipend otherwise provided under Arkansas Code § 24-7-713.

#### **§ 10-105. Teacher Deferred Retirement Option Plan — Plan deposits.**

(a)(1) During participation in T-DROP, the Arkansas Teacher Retirement System shall credit a plan participant's T-DROP account with plan deposits and plan interest.

(2) A plan participant's T-DROP plan deposit may be reduced as provided by the law and rules applicable to the system.

(3)(A) The system shall provide each plan participant with an annual statement of the plan participant's T-DROP account.

(B) The statement of plan deposits and plan interest shall not be final until the annual accounting has been reconciled for part-time plan participants.

(b) A plan participant's plan deposit shall be determined as follows:

(1) If a plan participant has at least thirty (30) years of credited service in the system, including combined service with a reciprocal system, the plan deposit shall be the plan participant's TDROP benefit, as calculated at the plan participant's entry into T-DROP, reduced by one percent (1%) for each year of credited service, including fractions of a year.

(2) If a plan participant enters T-DROP early, the plan participant's plan deposit shall be the plan participant's T-DROP benefit, as calculated at the plan participant's entry into T-DROP, reduced by:

(A) One percent (1%) for each year of credited service, including fractions of a year; and

(B) At least an additional one-half percent (.5%), but no more than one percent (1%), of the initially reduced plan deposit, for each month of credited service under thirty (30) years.

(c)(1) A plan participant's T-DROP account shall be credited with twelve (12) monthly plan deposits per fiscal year if the:

(A) Plan participant earns at least one hundred sixty (160) days of service credit in a fiscal year and does not terminate employment, retire, or die during the fiscal year; or

(B) Plan participant's covered employer does not terminate the employer-employee relationship.

(3)(A) If a plan participant earns less than one hundred sixty (160) days of service credit in a fiscal year, the plan deposit shall be made in accordance with the part-time employment schedule as follows:

(i) If a plan participant earns at least fifteen (15) days of service credit in the first or fourth quarter of the fiscal year, the plan participant's T-DROP account shall be credited with three (3) monthly plan deposits for the quarter;

(ii) If a plan participant earns less than fifteen (15) days of service credit in the first or fourth quarter of the fiscal year, the plan participant's T-DROP shall not be credited with a plan deposit for the three (3) months of that quarter;

(iii) If a plan participant earns at least twenty-five (25) days of service credit in the second or third quarter of the fiscal year, the plan participant's T-DROP account shall be credited with three (3) monthly plan deposits for the quarter; and

(iv) If a plan participant earns less than twenty-five (25) days of service credit in the second or third quarter of the fiscal year, the plan participant's T-DROP shall not be credited with a plan deposit for the three (3) months of that quarter.

(B) If plan participant is required to work at least fifteen (15) days in a quarter in order for the plan participant to receive all three (3) monthly deposits and the plan participant does not complete the quarter due to the termination of the employee-employer relationship, the plan deposit shall be as follows:

(i) The plan participant shall receive one (1) monthly deposit if the plan participant works:

(a) At least one (1) day and terminates employment in the first month of the uncompleted quarter; or

(b) Between one (1) and five (5) days and terminates employment in any of the three (3) months of the uncompleted quarter;

(ii) The plan participant shall receive two (2) monthly deposits if the plan participant works:

(a) At least six (6) days and terminates employment in the second month of the uncompleted quarter; or

(b) Between six (6) and ten (10) days and terminates employment in the second or third month of the uncompleted quarter; and

(iii) The plan participant shall receive three (3) monthly deposits if the plan participant works at least eleven (11) days and terminates employment in the third month of the uncompleted quarter.

(C) If a plan participant is required to work at least twenty-five (25) days in a quarter in order for the plan participant to receive all three (3) monthly deposits and the plan participant does not complete the quarter due to the termination of the employee-employer relationship, the plan deposit shall be as follows:

(i) The plan participant shall receive one (1) monthly deposit if he or she works:

(a) At least one (1) day and terminates employment in the first month of the uncompleted quarter; or

(b) Between one (1) and eight (8) days and terminates employment in any of the three (3) months of the uncompleted quarter;

(ii) The plan participant shall receive two (2) monthly deposits if the plan participant works:

(a) At least nine (9) days and terminates employment in the second month of the uncompleted quarter; or

(b) Between nine (9) and sixteen (16) days and terminates employment in the second or third month of the uncompleted quarter; and

(iii) The plan participant shall receive three (3) monthly deposits if the plan participant works at least seventeen (17) days and terminates employment in the third month of the uncompleted quarter.

#### **§ 10-106. Teacher Deferred Retirement Option Plan — Plan interest.**

(a)(1) A plan participant who has not retired shall receive plan interest at the end of each fiscal year.

(2) The plan interest rate shall be based on a:

(A) Fixed interest rate that is adopted by the Board of Trustees of the Arkansas Teacher Retirement System by the end of the first quarter of the fiscal year in which the interest rate shall apply; or

(B) Variable interest rate formula that is based on investment returns and other factors adopted by the board by the end of the first quarter of the fiscal year in which the interest rate shall apply.

(3) The board shall adopt a plan interest rate by the end of the first quarter of the fiscal year in which the plan interest shall apply if a variable interest rate formula is used.

(b)(1) If a plan participant continues covered employment after ten (10) consecutive years from the date of his or her entry into T-DROP, the plan participant's T-DROP account shall be credited with a post-ten-year T-DROP interest rate.

(2) The board shall set the post-10-year T-DROP interest rate:

(A) By the end of the first quarter of the fiscal year in which the interest rate shall apply; and

(B) At the same meeting in which the plan interest rate is set.

(3) The post-10-year T-DROP interest rate shall be credited to a plan participant's T-DROP account on June 30 of each year, or through the date of retirement, whichever occurs first.

(4) The post-10-year T-DROP interest rate for T-DROP shall be determined by the

board and adopted by the by the end of the first quarter of the fiscal year in which the interest rate shall apply.

(c) In addition to the interest rate for the fiscal year, the board may adopt an incentive rate during the fiscal year if investment returns justify an incentive rate for the fiscal year.

**§ 10-107. Teacher Deferred Retirement Option Plan — Suspension or cessation of plan deposits and plan interest.**

(a) Monthly plan deposits to a plan participant's T-DROP account shall stop if the plan participant:

(1) Separates from service with a covered employer and is granted a monthly retirement benefit from either the Arkansas Teacher Retirement System or a reciprocal plan;

(2) Reaches normal retirement age and retires without separating from covered employment;

(3) Separates from covered employment and does not apply for retirement benefits; or

(4) Dies.

(b)(1) If a plan participant separates from covered employment and does not apply for retirement benefits, monthly plan deposits into the plan participant's T-DROP account shall be suspended beginning on the month in which the plan participant separates from covered employment.

(2) The plan participant's T-DROP account shall not be credited with a plan deposit for the duration of the plan participant's separation from covered employment.

(3) Monthly plan deposits into a plan participant's T-DROP account shall resume if the plan participant returns to covered employment before the end of the plan period.

(c) If a plan participant applies for retirement, the retirement benefits shall be paid according to the plan participant's T-DROP account balance:

(1) At the time of the plan participant's separation from covered employment; or

(2) In the month before the effective date of the plan participant's retirement benefits after the plan participant reaches the normal retirement age.

(d) A plan participant shall remain eligible for annual plan interest to be credited to his or her T-DROP account if the member:

(1) Does not separate from covered employment; and

(2) Remains on the covered employer's payroll without earning sufficient service credit for monthly plan deposits.

**§ 10-108. Teacher Deferred Retirement Option Plan — Uniformed Services of the United States.**

(a) A plan participant shall be treated as not having incurred a break in service with a covered employer if the plan participant leaves covered employment to voluntarily or involuntarily serve in the uniformed services of the United States and later returns to covered employment.

(b) A covered employer shall certify to the Arkansas Teacher Retirement System that reemployment of the plan participant complies with § 4312 of the Uniformed Services Employment and Reemployment Act of 1994 (USERA).

**§ 10-109. Teacher Deferred Retirement Option Plan — Internal Revenue Code.**

(a) The operation of T-DROP shall comply with § 415 and other applicable sections of the Internal Revenue Code, 26 U.S.C. § 1 et seq.

(b) Any provision concerning the operation of T-DROP that conflicts with § 415 and other applicable sections of the Internal Revenue Code, 26 U.S.C. § 1 et seq. is invalid.

**§ 10-110. Teacher Deferred Retirement Option Plan — Distribution election.**

A member's T-DROP distribution election shall be irrevocable if the member submits his or her T-DROP distribution election on a form approved by the Arkansas Teacher Retirement System and the system accepts the form submitted by the member.

**§ 10-111. Teacher Deferred Retirement Option Plan — Rollover of account balance.**

(a) A lump-sum distribution of a plan participant's T-DROP account balance may be rolled over into the plan participant's qualifying retirement plan.

(b) The Arkansas Teacher Retirement System shall rollover the T-DROP account lump-sum balance into only one (1) qualifying retirement plan.

**§ 10-112. T-DROP Cash Balance Account Program — Internal Revenue Code.**

(a)(1) In lieu of electing a lump-sum distribution of his or her T-DROP account balance, a plan participant may elect to transfer all or a part of his or her T-DROP account balance into a CBA.

(2) If a plan participant elects to have only a part of his or her T-DROP account balance transferred into a CBA, the remaining balance of the T-DROP account shall be annuitized under the Arkansas Teacher Retirement System or paid as a lump-sum distribution.

(3) A CBA shall be credited monthly with T-DROP Cash Balance Account interest and debited monthly for withdrawals and distributions beginning on the month immediately following the establishment of the CBA.

(b) A CBA established on or after July 1, 2021, shall be credited with T-DROP Cash Balance Account interest as follows:

<b><u>T-DROP Cash Balance Account Program</u></b> <b><u>Years of Participation</u></b>	<b><u>Interest Rate</u></b>
<u>First fiscal year of participation</u>	<u>Two and one-half percent (2.5%)</u>
<u>Two (2) fiscal years of participation</u>	<u>Two and seventy-five hundredths percent</u> <u>(2.75%)</u>
<u>Three (3) fiscal years of participation</u>	<u>Three percent</u> <u>(3.00%)</u>

<u>Four (4) fiscal years of participation</u>	<u>Three and twenty-five hundredths percent</u> <u>(3.25%)</u>
<u>Five (5) fiscal years of participation</u>	<u>Three and one-half percent</u> <u>(3.50%)</u>
<u>Six (6) or more fiscal years of participation</u>	<u>Four percent</u> <u>(4.00%)</u>

(c) The Board of Trustees of the Arkansas Teacher Retirement System may:

(1) Increase the T-DROP Cash Account Balance interest rate for future fiscal years and on an ad hoc basis;

(2) Consider current market conditions, competing financial offerings to plan participants, bank rates for certificates of deposits, the status of the Arkansas Teacher Retirement System's return on investments, and the current state of participation in the T-DROP Cash Balance Account program when determining the T-DROP Cash Balance Account interest rate;

(3) By resolution periodically authorize a special ad hoc incentive payment for CBAs if the board determines that payment of the special ad hoc incentive is likely to encourage continued participation and increase future participation in the T-DROP Cash Balance Account program; and

(4) By resolution adopt a new T-DROP Cash Balance Account Interest Schedule (Schedule) for future CBAs.

(d) An ad hoc increase may be:

(1) Set as a single amount to be applied to each CBA; or

(2) Computed as a graduated amount based on the length of time the CBA has existed.

(e)(1) The T-DROP Cash Balance Account interest rate shall remain in effect until the board adopts a new Schedule with lower interest rates for future CBA accounts established by the end of the first quarter of the fiscal year in which the interest rate shall apply.

(2) A CBA established before the effective date of a board resolution adopting a new Schedule for future CBAs shall not be subject to the provisions of the new Schedule.

(f) If a plan participant dies with a CBA balance, the CBA balance shall be paid as provided under Arkansas Code § 24-7-1310.

(g)(1) If a plan participant's CBA has a balance, a plan participant may withdraw funds from his or her CBA up to six (6) times per quarter by using forms approved by the system.

(2) A plan participant may make more than six (6) withdrawals in a quarter with the approval of the Executive Director of the Arkansas Teacher Retirement System.

(3) A plan participant may request a recurring monthly distribution of a set amount from his or her CBA until the CBA balance is depleted or the plan participant withdraws his or her request.

(4)(A) Minimum distributions made to a plan participant shall comply with Arkansas

Code § 24-7-730 and the Internal Revenue Code, 26 U.S.C. § 1 et seq.

(B) A retiree who attains the required minimum distribution age and does not cease to be active in the system shall not have required minimum distributions deducted from his or her CBA if the retiree:

(i) Either is a rehired retiree or has continued to work for a covered employer without a break in service; and

(ii) The retiree's covered employer reports the retiree to the system and pays employer contributions for the retiree.

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**Authority: Arkansas Code §§ 24-7-502, 24-7-708, and 24-7-1301 et seq.**

### **History**

<u>Approved:</u>	<u>June 13, 1995</u>	<u>10-3</u>
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<u>Amended:</u>	<u>June 15, 2004</u>	<u>10-2</u>
<u>Amended:</u>	<u>February 15, 2005</u>	<u>10-3</u>
<u>Amended:</u>	<u>July 18, 2005</u>	<u>10-2, 10-3</u>
<u>Amended:</u>	<u>October 4, 2005</u>	<u>10-2</u>
<u>Amended:</u>	<u>December 6, 2005</u>	<u>10-2</u>
<u>Amended:</u>	<u>April 26, 2007</u>	<u>10-3</u>
<u>Amended:</u>	<u>June 19, 2007</u>	<u>10-2</u>
<u>Amended:</u>	<u>February 11, 2008</u>	<u>10-2</u>
<u>Amended:</u>	<u>June 16, 2009</u>	<u>10-2 (Emergency)</u>
<u>Amended:</u>	<u>October 5, 2009</u>	<u>10-2 (Permanent)</u>
<u>Amended:</u>	<u>February 1, 2010</u>	<u>10-3 under emergency rules</u>
<u>Amended:</u>	<u>June 7, 2010</u>	<u>10-3 Permanent</u>
<u>Amended:</u>	<u>July 1, 2011</u>	<u>10-3 (Emergency)</u>
<u>Adopted:</u>	<u>August 8, 2011</u>	<u>10-3</u>
<u>Effective:</u>	<u>November 11, 2011</u>	<u>10-3</u>
<u>Approved by Board:</u>	<u>February 6, 2012</u>	<u>10-3</u>
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<u>Approved by Board:</u>	<u>December 1, 2014</u>	<u>10-3</u>
<u>Amended:</u>	<u>May 18, 2015</u>	<u>10-3</u>
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<u>Approved by Board:</u>	<u>October 5, 2015</u>	<u>10-3</u>
<u>Amended:</u>	<u>February 1, 2016</u>	<u>10-3</u>
<u>Effective:</u>	<u>February 10, 2016</u>	<u>10-3</u>
<u>Approved by Board:</u>	<u>February 5, 2018</u>	<u>10-3</u>



Effective:	<u>February 16, 2018</u>	<u>10-3</u>
Effective:	<u>August 5, 2019</u>	<u>Rule 10</u>
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Effective:	<u>TBD</u>	<u>Rule 10</u>

**ATRS RULE 10**  
**RETURN TO SERVICE AND TEACHER DEFERRED RETIREMENT OPTION**  
**PLAN**

~~Arkansas Code §§ 24-7-502, 24-7-708, and 24-7-1301 et seq.~~

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**I. Definitions**

- a. ~~"Fiscal year" means the operating year for the State of Arkansas that begins on July 1 of each calendar year and ends on June 30 of the next calendar year;~~
- b. ~~"Plan participant" means a member who elects to participate in the Teacher Deferred Retirement Option Plan (T-DROP) under Arkansas Code § 24-7-1301 et seq.;~~
- c. ~~"Plan deposit" means a deposit made to each plan participant's T-DROP account pursuant to Arkansas Code § 24-7-1306;~~
- d. ~~"Plan interest" means one (1) or more interest rates per annum that are adopted by the Board of Trustees of the Arkansas Teacher Retirement System (Board) by the end of the first quarter of the fiscal year in which the interest rate shall apply in order for the appropriate interest to be credited to each plan participant's TDROP account in subsequent years following the Board's adoption of the interest rate;~~
- e. ~~"Post 10-year T-DROP interest" means a rate per annum that is compounded annually and adopted by the Board by the end of the first quarter of the fiscal year in which the interest rate shall apply in order for the interest to be credited on June 30 to the T-DROP account of a plan participant who has not retired and whose participation in T-DROP has ended;~~
- f. ~~"Quarter" means one-fourth (1/4) of a fiscal year as follows:~~
  - 1. ~~1st Quarter: July 1 through September 30;~~
  - 2. ~~2nd Quarter: October 1 through December 31;~~
  - 3. ~~3rd Quarter: January 1 through March 31; and~~
  - 4. ~~4th Quarter: April 1 through June 30;~~
- g. ~~"Retiree" means a member receiving a retirement annuity from the Arkansas Teacher Retirement System (ATRS);~~
- h. ~~"Salary" means the same as defined in Arkansas Code § 24-7-202 and does not include nonmandatory compensation that is taxable by the IRS;~~
- i. ~~"T-DROP Cash Balance Account" means a financial account established for a plan participant who elects to defer distribution of his or her T-DROP account balance at the time that he or she is eligible to receive a lump-sum distribution of the T-DROP account balance;~~
- j. ~~"T-DROP Cash Balance Account interest" means the interest rate per annum applicable to a plan participant's T-DROP Cash Balance Account, and~~

~~compounded monthly into a plan participant's T-DROP Cash Balance Account;  
and~~

- k. ~~“Uniformed Services of the United States” means service in the:~~
- ~~1. United States Armed Forces;~~
  - ~~2. Army National Guard;~~
  - ~~3. Air National Guard when engaged in active duty for training, state active duty, inactive duty training, or full-time National Guard duty;~~
  - ~~4. United States Commissioned Corps of the Public Health Service; and~~
  - ~~5. Any other category of persons designated by the President of the United States in time of war or emergency.~~

## **II. ~~Return to Service~~<sup>1</sup>**

- a. ~~Unless otherwise provided by the Office of Personnel Management’s Policy No. 65, effective July 1, 2009, a retiree who terminates employment under Arkansas Code § 24-7-502 or reaches the normal retirement age may:~~
- ~~1. Accept employment with a covered employer; and~~
  - ~~2. Continue to receive a monthly retirement annuity without a limitation of his or her retirement annuity.~~
- b. ~~A retiree who returns to service with a covered employer and a covered employer who employs a retiree shall report the retiree’s employment to ATRS using forms and reports required by ATRS.~~
- c. ~~A retiree who receives monthly retirement benefits and is employed by a covered employer shall not:~~
- ~~1. Pay member contributions;~~
  - ~~2. Be responsible for employer contributions; or~~
  - ~~3. Accrue additional service credit.~~
- d. ~~A covered employer that employs a retiree shall pay employer contributions on the salary paid to the retiree in an amount equal to the employer contribution rate applicable to an active member.~~

## **III. ~~Teacher Deferred Retirement Option Plan (T-DROP)~~**

- a. ~~Participation—Generally~~
- ~~1. In lieu of terminating employment and voluntarily retiring, an active member with at least thirty (30) years of service credit may elect to participate in TDROP and continue to work for a covered employer.~~

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<sup>1</sup> Rules concerning a disability retiree’s return to service are included in ATRS Rule 9.

2. ~~An active member with at least twenty-eight (28) years of service credit may elect to participate early in T-DROP and continue to work for a covered employer.~~
  3. ~~The service credit of a plan participant shall be determined using the same rules that apply for determining the service credit of an active member.~~
  4. ~~On call availability shall not be used for:~~
    - A. ~~T-DROP service credit requirements; or~~
    - B. ~~Monthly plan deposits to a plan participant's T-DROP account.~~
  5. ~~An active member who elects to participate in T-DROP and continues his or her covered employment defers the receipt of retirement benefits.~~
- b. ~~Participation — Reciprocal Systems~~
1. ~~Service credit in ATRS, a reciprocal system, or a combination of service credit in ATRS and the reciprocal system may be counted to meet the minimum service credit requirements for participation under T-DROP and the reciprocal system's deferred retirement option plan if the reciprocal system offers members of the reciprocal system a deferred retirement option plan.~~
  2. ~~A retirement benefit payable by a reciprocal system shall be determined according to the law, rules, and regulations applicable to the reciprocal system.~~
  3. ~~The final average salary of a plan participant with reciprocal service credit shall be the highest final average salary calculated by ATRS or a reciprocal system in which the plan participant has at least two (2) years of service credit. (Arkansas Code § 24-2-402)~~
  4. ~~Each reciprocal system shall calculate final average salary in accordance with the law applicable to the reciprocal system.~~
  5. ~~A salary earned as a member of the Arkansas Judicial Retirement System or an alternate retirement plan shall not be used to calculate final average salary.~~
  6. ~~A reciprocal system shall credit a deferred retirement option plan account with plan deposits and plan interest according to the deferred retirement option program applicable to the reciprocal system.~~
- c. ~~Limits on Participation~~
1. ~~ATRS shall not pay a monthly plan deposit into a plan participant's T-DROP account for more than ten (10) consecutive years from the date on which the plan participant enters T-DROP.~~
- d. ~~D. T-DROP Benefits~~
1. ~~A plan participant shall elect an annuity option provided in Arkansas Code § 24-7-706 at the time the plan participant:~~
    - A. ~~Separates from service; and~~

- B. Either:
  - i. Applies for retirement upon reaching the normal retirement age; or
  - ii. Is granted a monthly retirement benefit.
- 2. A plan participant's T-DROP plan deposit may be reduced as provided by the ATRS Rules and Arkansas Code § 24-7-1301 et seq.
- 3. A plan participant's T-DROP benefit shall:
  - A. Be the monthly straight life annuity benefit that the plan participant would have received if he or she voluntarily retired; and
  - B. Not include a monthly benefit stipend otherwise provided under Arkansas Code § 24-7-713.
- e. Plan Interest and Plan Deposits
  - 1. Generally
    - A. During participation in T-DROP, ATRS shall credit the T-DROP account of plan participant with plan deposits and plan interest.
  - 2. Plan Deposits
    - A. Determination of Plan Deposit
      - i. A plan participant's plan deposit shall be determined as follows:
        - a. If a plan participant has at least thirty (30) years of credited service in ATRS, including combined service with a reciprocal system, the plan deposit shall be the plan participant's TDROP benefit, as calculated at the plan participant's entry into T-DROP, reduced by one percent (1%) for each year of credited service, including fractions of a year.
        - ii. If a plan participant enters T-DROP early, the plan participant's plan deposit shall be the plan participant's T-DROP benefit, as calculated at the plan participant's entry into T-DROP, reduced by:
          - a. One percent (1%) for each year of credited service, including fractions of a year; and
          - b. At least an additional one-half percent (.5%), but no more than one percent (1%), of the initially reduced plan deposit, for each month of credited service under thirty (30) years.
  - B. Crediting Plan Deposit
    - i. A plan participant's T-DROP account shall be credited with twelve (12) monthly plan deposits per fiscal year if the:
      - a. Plan participant earns at least one hundred sixty (160) days of service credit in a fiscal year and does not terminate employment, retire, or die during the fiscal year; or

- b. ~~Plan participant's covered employer does not terminate the employer-employee relationship.~~
- ii. ~~If a plan participant earns less than one hundred sixty (160) days of service credit in a fiscal year, the plan deposit shall be made in accordance with the part-time employment schedule as follows:~~
  - a. ~~If a plan participant earns at least fifteen (15) days of service credit in the first or fourth quarter of the fiscal year, the plan participant's T-DROP account shall be credited with three (3) monthly plan deposits for the quarter.~~
  - b. ~~If a plan participant earns less than fifteen (15) days of service credit in the first or fourth quarter of the fiscal year, the plan participant's T-DROP shall not be credited with a plan deposit for the three (3) months of that quarter.~~
  - c. ~~If a plan participant earns at least twenty five (25) days of service credit in the second or third quarter of the fiscal year, the plan participant's T-DROP account shall be credited with three (3) monthly plan deposits for the quarter.~~
  - d. ~~If a plan participant earns less than twenty five (25) days of service credit in the second or third quarter of the fiscal year, the plan participant's T-DROP shall not be credited with a plan deposit for the three (3) months of that quarter.~~

~~C. Cost-of-Living Increase~~

- i. ~~A cost-of-living increase under Arkansas Code §§ 24-7-713 or 247-727 shall be applied to the T-DROP benefit that is used to calculate the plan deposit.~~
- ii. ~~A T-DROP benefit and the cost-of-living increase may be modified as provided by this ATRS Rule 10 and law applicable to ATRS.~~

~~D. Election to Cash-Out or Annuitize~~

- i. ~~Upon electing to retire, if a plan participant elects to cash out or annuitize his or her T-DROP account balance, the plan participant shall not be permitted to reenroll in T-DROP after his or her T-DROP account is distributed unless the plan participant cancels his or her election under Arkansas Code § 24-7-1302.~~

~~E. Annual Statement~~

- i. ~~ATRS shall provide each plan participant with an annual statement of the plan participant's T-DROP account.~~
- ii. ~~The statement of plan deposits and plan interest shall not be final until the annual accounting has been reconciled for part-time plan participants.~~

3. Interest Rates

A. ~~Plan Interest~~

- ~~i. A plan participant who has not retired shall receive plan interest at the end of each fiscal year.~~
- ~~ii. The plan interest rate shall be based on a:
  - ~~a. Fixed interest rate that is adopted by the Board by the end of the first quarter of the fiscal year in which the interest rate shall apply; or~~
  - ~~b. Variable interest rate formula that is based on investment returns and other factors adopted by the Board by the end of the first quarter of the fiscal year in which the interest rate shall apply.~~~~
- ~~iii. The Board shall adopt a plan interest rate by the end of the first quarter of the fiscal year in which the plan interest shall apply if a variable interest rate formula is used.~~

B. ~~Post-10-Year T-DROP Interest~~

- ~~i. If a plan participant continues covered employment after ten (10) consecutive years from the date of his or her entry into T-DROP, the plan participant's T-DROP account shall be credited with a post-tenyear T-DROP interest rate.~~
- ~~ii. The Board shall set the post-10-year T-DROP interest rate:
  - ~~a. By the end of the first quarter of the fiscal year in which the interest rate shall apply; and~~
  - ~~b. At the same meeting in which the plan interest rate is set.~~~~
- ~~iii. The post-10-year T-DROP interest rate shall be credited to a plan participant's T-DROP account on June 30 of each year, or through the date of retirement, whichever occurs first.~~
- ~~iv. The post-10-year T-DROP interest rate for T-DROP shall be determined by the Board and adopted by the by the end of the first quarter of the fiscal year in which the interest rate shall apply.~~

C. ~~Incentive Rate~~

- ~~i. In addition to the interest rate for the fiscal year, the Board may adopt an incentive rate during the fiscal year if investment returns justify an incentive rate for the fiscal year.~~

4. ~~Suspension or Cessation of Plan Deposits and Benefit Distributions~~

- A. ~~Monthly plan deposits to a plan participant's T-DROP account shall stop if the plan participant:
  - ~~i. Separates from service and is granted a monthly retirement benefit from ATRS or a reciprocal plan;~~~~

- ii. ~~Reaches normal retirement age and retires without separating from covered employment;~~
- iii. ~~Separates from covered employment and does not apply for retirement benefits; or~~
- iv. ~~Dies.~~

**B. Separation from Covered Employment without Applying for Retirement Benefits**

- i. ~~If a plan participant separates from covered employment and does not apply for retirement benefits, monthly plan deposits into the plan participant's T-DROP account shall be suspended beginning on the month in which the plan participant separates from covered employment.~~
- ii. ~~The plan participant's T-DROP account shall not be credited with a plan deposit for the duration of the plan participant's separation from covered employment.~~
- iii. ~~Monthly plan deposits into a plan participant's T-DROP account shall resume if the plan participant returns to covered employment before the end of the plan period.~~
- iv. ~~If a plan participant applies for retirement, the retirement benefits shall be paid according to the plan participant's T-DROP account balance:
 
  - a. ~~At the time of the plan participant's separation from covered employment; or~~
  - b. ~~In the month before the effective date of the plan participant's retirement benefits after the plan participant reaches the normal retirement age.~~~~
- v. ~~A plan participant shall remain eligible for annual plan interest to be credited to his or her T-DROP account if the member:
 
  - a. ~~Does not separate from covered employment; and~~
  - b. ~~Remains on the covered employer's payroll without earning sufficient service credit for monthly plan deposits.~~~~

**C. Plan Participant's in Uniformed Services of United States**

- i. ~~A plan participant shall be treated as not having incurred a break in service with a covered employer if the plan participant leaves covered employment to voluntarily or involuntarily serve in the uniformed services of the United States and later returns to covered employment.~~
- ii. ~~A covered employer shall certify to ATRS that reemployment of the plan participant complies with § 4312 of the Uniformed Services Employment and Reemployment Act of 1994 (USERA).~~



- f. ~~Compliance — Section 415 of the Internal Revenue Code~~
1. ~~The operation of T-DROP shall comply with U.S.C. § 415 and other applicable sections of the Internal Revenue Code, 26 U.S.C. § 1 et seq.~~
  2. ~~Any provision concerning the operation of T-DROP that conflicts with § 415 and other applicable sections of the Internal Revenue Code, 26 U.S.C. § 1 et seq. is invalid.~~
- g. ~~T-DROP Account Balance — Rollover~~
1. ~~A lump-sum distribution of a plan participant's T-DROP account balance may be rolled over into the plan participant's qualifying retirement plan.~~
  2. ~~ATRS shall rollover the T-DROP account lump-sum balance into only one (1) qualifying plan.~~
- h. ~~T-DROP Cash Balance Account Program~~
1. ~~Election Option~~
    - A. ~~In lieu of electing a lump-sum distribution of his or her T-DROP account balance, a plan participant may elect to transfer all or a part of his or her T-DROP account balance into a Cash Balance Account (CBA).~~
    - B. ~~If a plan participant elects to have only a part of his or her T-DROP account balance transferred into a CBA, the remaining balance of the TDROP account shall be annuitized under ATRS or paid as a lump-sum distribution.~~
    - C. ~~A CBA shall be credited monthly with T-DROP Cash Balance Account interest and debited monthly for withdrawals and distributions beginning on the month immediately following the establishment of the CBA.~~
  2. ~~T-DROP Cash Balance Account Interest Schedule~~
    - A. ~~A CBA established on or after July 1, 2012, shall be credited with TDROP Cash Balance Account interest as follows:~~

<b>T-DROP Cash Balance Account Program Years of Participation</b>	<b>Interest Rate</b>
First fiscal year of participation	Two and one-half percent (2.5%)
Two (2) fiscal years of participation	Two and seventy-five hundredths percent (2.75%)
Three (3) fiscal years of participation	Three percent (3.00%)

Four (4) fiscal years of participation	Three and twenty-five hundredths percent (3.25%)
Five (5) fiscal years of participation	Three and one-half percent (3.50%)
Six (6) or more fiscal years of participation	Four percent (4.00%)

B. ~~The Board may:~~

- i. ~~Increase the T-DROP Cash Account Balance interest rate for future fiscal years and on an ad hoc basis;~~

~~ii. Consider current market conditions, competing financial offerings to plan participants, bank rates for certificates of deposits, the status of ATRS' return on investments, and the current state of participation in the T-DROP Cash Balance Account program when determining the T-DROP Cash Balance Account interest rate; iii. Periodically authorize, by board resolution, a special ad hoc incentive payment for CBAs if the Board determines that payment of the special ad hoc incentive is likely to encourage continued participation and increase future participation in the T-DROP Cash Balance Account program; and iv. Adopt, by board resolution, a new T-DROP Cash Balance Account Interest Schedule (Schedule) for future CBAs. C. An ad hoc increase may be:~~

- ~~i. Set as a single amount to be applied to each CBA; or  
ii. Computed as a graduated amount based on the length of time the CBA has existed.~~

~~D. The T-DROP Cash Balance Account interest rate shall remain in effect until the Board adopts a new Schedule with lower interest rates for future CBA accounts established by the end of the first quarter of the fiscal year in which the interest rate shall apply.~~

~~E. A CBA established before the effective date of a board resolution adopting a new Schedule for future CBAs shall not be subject to the provisions of the new Schedule.~~

~~F. If a plan participant dies with a CBA balance, the CBA balance shall be paid as provided under Arkansas Code § 24-7-1310.~~

~~3. Withdrawals~~

~~A. If a plan participant's CBA has a balance, a plan participant may withdraw funds from his or her CBA up to six (6) times per quarter by using forms approved by ATRS.~~

- B. A plan participant may make more than six (6) withdrawals in a quarter with the approval of the Executive Director of ATRS.
- C. A plan participant may request a recurring monthly distribution of a set amount from his or her CBA until the CBA balance is depleted or the plan participant withdraws his or her request.
- D. Minimum distributions made to a plan participant shall comply with Arkansas Code § 24-7-730 and the Internal Revenue Code, 26 U.S.C. § 1 et seq.

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**HISTORY**

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Amended:	July 30, 1997	10-3
Amended:	June 17, 2003	10-3
Amended:	June 15, 2004	10-2
Amended:	February 15, 2005	10-3
Amended:	July 18, 2005	10-2, 10-3
Amended:	October 4, 2005	10-2
Amended:	December 6, 2005	10-2
Amended:	April 26, 2007	10-3
Amended:	June 19, 2007	10-2
Amended:	February 11, 2008	10-2
Amended:	June 16, 2009	10-2 (Emergency)
Amended:	October 5, 2009	10-2 (Permanent)
Amended:	February 1, 2010	10-3 under emergency rules.
Amended:	June 7, 2010	10-3 Permanent
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Effective: ~~May 28, 2020~~ ~~Rule 10~~  
Effective: ~~May 20, 2022~~ ~~Rule 10~~

**Public Comments**

**Proposed Rule 11 – Survivors and Domestic Relations Orders**

1. Page 1, § 11-101(3).

- a. **ATRS Staff Comment:** Should the definition of “immediately eligible” read “for the purpose of survivor annuity benefits means a survivor of an active member who at the time of his or her death **is eligible for voluntary or early voluntary retirement** and could have retired from the system” instead of “for the purposes of survivor annuity benefits means a survivor of an active member who at the time of his or her death **attained the normal retirement age** and could have retired from the system” the definition of “immediately eligible” ?
- b. **Response:** This recommend change aligns with Ark. Code Ann. § 24-7-710((b)(1)(C)(i). The rule has been amended to read “for the purpose of survivor annuity benefits means a survivor of an active member who at the time of his or her death **would have been eligible to receive benefits** and could have retired from the system”.

2. Page 4, § 11-104(c)(2).

- a. **ATRS Staff Comment:** Regarding § 11-104(c)(2), do the current spouse and deceased member have to be married for a certain period of time?
- b. **Response:** Yes. This rule is intended to align with Ark. Code Ann. § 24-7-710(a)(2)(B), which requires a surviving spouse to have been married to the member for at least two (2) years immediately preceding the member’s death in order to be eligible for a survivor annuity. The rule has been amended to clarify that the current spouse must be eligible to receive survivor annuity benefits, which would require the current spouse to have been married to the member for at least two (2) years immediately preceding the member’s death.

3. Page 4, § 11-104(c)(2).

- a. **ATRS Staff Comment:** Should “*lump-sum death benefit*” read “*beneficiary designation form*”?
- b. **Response:** The rule has been amended to read, “*A member who remarries and desires to maintain his or her former spouse’s designation as the member’s alternative residue beneficiary shall file with the system a **residue beneficiary designation form** that:*”

4. Page 5, § 11-106(a)(2)(A).

- a. **BLR Comment:** Section 11-106 of the proposed rule, which concerns dependent children, states that a qualifying member’s child shall be eligible to qualify as a dependent child or maintain his or her status as a dependent child if the qualifying member was the *legal parent* of the child at the time of the qualifying member’s death (emphasis added). This requirement is not found in Ark. Code Ann. § 24-7-710, which is also cited in the rule. What is the agency’s reasoning for adding the requirement that a member be the legal parent of the child?
- b. **Response:** ATRS staff and members have questioned whether a child must be the biological child of a member in order to be eligible for dependent child survivor benefits. Adding “legal parent” is intended to clarify that a child will be considered the child of a member if the child would legally have been considered the child of the member at the time of the member’s death. This change clarifies that adopted children of a member may also be eligible for dependent child survivor benefits.
- c. **BLR Comment:** With respect to the provision cited above, the term “legal parent” does not appear to be defined in the proposed rule. How does the agency define “legal parent” for the purposes of this rule?
- d. **Response:** ATRS defines “legal parent” for the purposes of the rule as the biological father or mother of a child or the adoptive mother or father of a child. A definition for “legal parent” has been added to the rules on page 1.

5. Page 6, § 11-106(b)(2)(B).

- a. **BLR Comment:** Should this subsection refer to a “deferred enrollment”?
- b. **Response:** Yes. The rule has been amended to refer to “deferred enrollment”.

6. Page 6, § 11-107(a).

- a. **ATRS Staff Comment:** Should nine (9) hours in graduate school be included?
- b. **Response:** No, § 11-107(a) provides that a dependent child may be considered a full-time student if he or she is engaged full-time in a curriculum or field of study based upon verifiable indices from an accredited institution. This provision covers nine (9) hours in graduate school. No changes to the rule have been made.

7. Page 12, § 11-120(b)(2)(C).

- a. **BLR Comment:** Section 11-120(b)(2)(C), which concerns the system’s acceptance of Qualified Domestic Relations Orders (QDRO), states that the system shall accept a QDRO issued by a circuit court of the State of Arkansas or other court of competent jurisdiction regarding a member and an alternate payee if the QDRO complies with the Arkansas Code, the system’s rules, the system’s model qualified domestic relations order, and other applicable laws. This appears to be premised upon Ark. Code Ann. § 9-18-103(b)(2)(B)(ii), which only provides that a state-supported retirement system is not required to comply with a qualified domestic relations order that does not substantially follow the uniform legal form approved by the Legislative Council. Is there a reason why the proposed rule’s language is different, and more restrictive, than the language provided in the Arkansas Code?

**Response:** ATRS does not consider the proposed rule to be different or more restrictive than language provided by Ark. Code Ann. § 9-18-103(b)(2)(B)(ii). The proposed rule is premised on Ark. Code Ann. § 9-18-101 et seq. and not Ark. Code Ann. § 9-18-103(b)(2)(B)(ii) alone. The proposed rule requiring the System to accept a qualified domestic

relations order that complies with the System’s rules, the System’s model qualified domestic relations order, and other applicable laws aligns with Ark. Code Ann. § 9-18-101 et seq. In relevant part, Ark. Code Ann. § 9-18-101(4) defines “qualified domestic relations order” as a domestic relations order “[w]hich does not require the retirement plan to provide any type or form of benefit, or pay options not otherwise available under the plan”. The System’s rules address benefits and pay options available under ATRS. Additionally, other state or federal laws may impact benefits and pay options available under a retirement plan. Furthermore, ATRS’ model qualified domestic relations order (“ATRS-model QDRO”), which was approved by Legislative Council, was drafted by ATRS staff to ensure that only benefits and pay options available under ATRS were included. Finally, as the proposed rule merely states when ATRS will accept a qualified domestic relations order and does not prohibit ATRS from accepting or complying with a qualified domestic relations order that does not substantially comply with the ATRS-model QDRO, the proposed rule complies with and is not more restrictive than Ark. Code Ann. § 9-18-103(b)(2)(B)(ii).

- b. **BLR Comment:** With respect to the provision cited above, who would make the determination that a QDRO issued by a circuit court of the State of Arkansas or other court of competent jurisdiction fails to comply with the Arkansas Code, the System’s rules or other applicable laws?

**Response:** For the limited purpose of determining whether ATRS will accept or comply with a qualified domestic relations order, as provided by § 11-120(b)(2)(A) on page 12, upon receiving a qualified domestic relations order, ATRS will determine whether the qualified domestic relations order complies with the Arkansas Code, the System’s rules, the ATRS-model QDRO, and other applicable laws.



**ATRS Rule 11**  
**Survivors and Domestic Relations Orders**

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**§ 11-101. Definitions.**

As used in this rule:

(1) "Alternate payee" means a spouse, former spouse, child, or other dependent of a member under Arkansas law;

(2) "Application" for the purposes of retirement eligibility means an application form and any other documents required by the Arkansas Teacher Retirement System to establish a member's eligibility to retire;

(3) "Immediately eligible" for the purpose of survivor annuity benefits means a survivor of an active member who at the time of his or her death would have been eligible to receive benefits and could have retired from the system;

(4) "Legal parent" means the biological father or mother of a child or the adoptive father or mother of a child;

(5) "Lump-sum death beneficiary" means one (1) or more persons or entities designated in writing by the member to receive payment of the lump-sum death benefit under Arkansas Code § 24-7-720;

(6) "Lump-sum death benefit" means a monetary amount set by the Board of Trustees of the Arkansas Teacher Retirement System, and paid by the system to one (1) or more lump-sum death beneficiaries; and

(7) "QDRO" means a court order that:

(A) Meets the definition of a qualified domestic relations order under Arkansas Code § 9-18-101; or

(B) Assigns a portion of a member's retirement benefit to an alternate payee upon the member's retirement or a refund of the member's contributions at the request of the member;

(8) "Qualifying member" means:

(A) For the purposes of eligibility for a lump-sum death benefit, a member or retiree to whom one (1) of the following categories apply:

(i) The member:

(a) Is deceased;

(b) Was an active member of the system before July 1, 2007;

and

(c) Has five (5) or more years of actual service, including actual service for the year immediately preceding his or her death;

(ii) The member:

(a) Is deceased;

(b) Was an active member of the system on or after July 1, 2007; and

(c) Has ten (10) or more years of actual service, including actual service for the year immediately preceding his or her death; or

(iii) The retiree:

(a) Dies before July 1, 2007; and

(b) Has accrued five (5) or more years of actual service,

including actual service, for the year immediately preceding his or her death; or

(iv) The retiree:

(a) Dies on or after July 1, 2007; and

(b) Has accrued ten (10) or more years of actual service, including actual service for the year immediately preceding his or her death; or

(B) For the purpose of an eligible survivor qualifying for survivor annuity benefits under Arkansas Code § 24-7-710, a member who:

(i) Is an active member;

(ii) Has at least five (5) years of actual service and reciprocal service, including credited service for the year immediately preceding his or her death; and

(iii) Is active as provided in Arkansas Code § 24-7-710(f) and this

rule.

### **§ 11-101. Survivors.**

(a) The law in effect on the date of a qualifying member's death shall determine the:

(1) Eligibility of a qualifying member's spouse or child to receive survivor annuity benefits;

(2) Amount of the survivor annuity benefits to be received by an eligible survivor;

(3) The time at which an eligible survivor may begin receiving survivor annuity benefit payments; and

(4) Member's effective retirement date.

(b)(1) The Arkansas Teacher Retirement System shall send each survivor who is identified by the qualifying member to the system and who may be eligible for a survivor annuity benefit written notice of his or her potential eligibility at the survivor's last address on file with the system.

(2) Survivor annuity benefits shall not be paid to the survivor of a qualifying member until the survivor provides the system with sufficient proof of his or her eligibility to receive survivor annuity benefit payments.

### **§ 11-102. Survivors — Qualifying members.**

(a) A member shall be considered active for the purpose of an eligible survivor qualifying for survivor annuity benefits under Arkansas Code § 24-7-710 if:

(1) The member has at least:

(A) Ten (10) days of service credit in each prior quarter of the fiscal year from the time the fiscal year began or the member was employed by a covered employer, whichever occurs last; and

(B) One (1) quarter with ten (10) days of service; or

(2) Either of the following apply to the member:

(A) The member has earned at least ten (10) days of service credit in the quarter of the member's death and in each quarter before the member's death, collectively; or

(B) Less than ten (10) working days have elapsed in the quarter of the member's death.

(b) A member shall also be considered active for an additional fiscal year following the last fiscal year in which the member renders actual service to a covered employer and obtains at least one-fourth (1/4) of a year of service credit.

**§ 11-103. Survivors — Surviving spouse.**

(a) An eligible survivor of a qualifying member may receive survivor annuity benefits after the death of the qualifying member.

(b) Unless a qualifying member designates one (1) or more alternative residue beneficiaries by written form approved by the Arkansas Teacher Retirement System, the survivor annuity benefits provided for in Arkansas Code § 24-7-710 shall be paid to the spouse of the qualifying member if the spouse:

(1) Survives the qualifying member; and

(2) Was married to the qualifying member for at least two (2) years immediately before the qualifying member's death.

(c)(1) A surviving spouse who is eligible to receive surviving spouse annuity benefits may file a waiver of his or her right to the surviving spouse annuity benefits with the system if, at the time of the qualifying member's death, the qualifying member does not have children who are eligible to receive dependent child survivor annuity benefits.

(2) If the surviving spouse files a waiver of his or her right to receive surviving spouse annuity benefits, then the surviving spouse may receive the qualifying member's accumulated contributions plus interest, if any, in a lump-sum distribution.

(d)(1) Pursuant to Arkansas Code § 24-7-710, surviving spouse annuity benefits are payable for the surviving spouse's lifetime, regardless of the remarriage of the surviving spouse.

(2) The surviving spouse may defer receipt of the surviving spouse annuity benefits, if applicable, under the deferred retirement provisions of Arkansas Code § 24-7-707.

(3) A surviving spouse shall submit the following documents to the system before a surviving spouse annuity benefit payment is issued to the surviving spouse:

(A) Proof of the qualifying member's death and date of death from the qualifying member's death certificate or another legally acceptable document;

(B) Proof of the surviving spouse's taxpayer identification number from a Social Security card or another authenticating document;

(C) Proof of the surviving spouse's date of birth from a birth certificate or another authenticating document; and

(D) Proof of the marriage between the qualifying member and surviving spouse from a marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage.

(4) A surviving spouse who is immediately eligible to receive a monthly survivor annuity benefit after the death of the qualifying member shall receive monthly survivor annuity benefits:

(A) Beginning the month after the death of the qualifying member if the survivor application is filed **by the end of the sixth full calendar month following the date** of the qualifying member's death; or

(B) Beginning the month in which the survivor application is filed with the system if at the time of the qualifying member's death the qualifying member:

(i) Accumulated at least twenty-five (25) years of credited service and

was eligible to receive a voluntary retirement or early retirement annuity; or

(ii) Reached sixty (60) years of age and was eligible to receive a deferred retirement annuity.

(5) A surviving spouse who is not immediately eligible to receive a monthly survivor annuity benefit shall receive monthly survivor annuity benefits beginning the later of either the:

(A) Month following the date on which the qualifying member would have been eligible to receive retirement benefits had the qualifying member survived; or

(B) Date on which a survivor application is filed with the system.

#### **§ 11-104. Survivors — Alternative residue beneficiary.**

(a) A member may change his or her alternative residue beneficiary designation and designate his or her spouse as a residue beneficiary under Arkansas Code § 24-7-710 by documenting the change on a form provided and approved by the Arkansas Teacher Retirement System.

(b)(1) A qualifying member may designate one (1) or more alternative beneficiaries, also known as alternative residue beneficiaries, to receive a lump-sum payment of the qualifying member's residue in lieu of the qualifying member's surviving spouse by using a beneficiary form provided and approved by the system.

(2) A surviving spouse annuity benefit or any other type of monthly benefit shall not be paid to a qualifying member's surviving spouse if the qualifying member designates one (1) or more alternative residue beneficiaries to receive a lump-sum payment of the qualifying member's residue in lieu of the qualifying member's surviving spouse.

(3) A surviving spouse may elect Option A — 100% Survivor Annuity benefits if:

(A) The qualifying member:

(i) Designates only the surviving spouse as the primary residue beneficiary; and

(ii) Does not designate an alternative residue beneficiary as the primary residue beneficiary; or

(B)(i) The surviving spouse is ineligible for an annuity solely as a result of the qualifying member designating an alternative residue beneficiary and the alternative residue beneficiary waives his or her right to the residue.

(ii) An alternative residue beneficiary's waiver of his or her right to the residue is not required if the qualifying member does not have a residue with a payable balance.

(c)(1) A member's designation of his or her former spouse as the member's alternative residue beneficiary shall not be honored by the system with regard to the former spouse if the:

(A) Member remarries;

(B) Member's current spouse would be eligible to receive survivor annuity benefits but for the member's former spouse's designation as the member's alternative residue beneficiary; and

(C) System receives proof of the member's remarriage in the manner required by the system before payment of the residue is issued to the former spouse.

(2) A member who remarries and desires to maintain his or her former spouse's designation as the member's alternative residue beneficiary shall file with the system a

residue beneficiary designation form that:

(A) Designates his or her former spouse as the member's alternative residue beneficiary; and

(B) Has a signature date of the member that is on or after the date of the member's remarriage.

(3) The system shall not be obligated to recoup or reimburse a member's current spouse for any residue amount paid to the member's former spouse in accordance with a law, rule, or policy applicable to the system.

#### **§ 11-105. Survivors — T-DROP plan participant.**

(a)(1) A participant in the Teacher Deferred Retirement Option Plan may designate one (1) or more alternative residue beneficiaries to receive a lump-sum payment of his or her T-DROP benefits in lieu of his or her surviving spouse.

(2) A T-DROP plan benefit, surviving spouse annuity benefit, or any other type of monthly benefit shall not be paid to a plan participant's surviving spouse if the plan participant designates one (1) or more alternative residue beneficiaries to receive a lump-sum payment of his or her T-DROP benefits in lieu of his or her surviving spouse.

(3) A surviving spouse may elect Option A — 100% Survivor Annuity benefits if:

(A) The plan participant:

(i) Designates only the surviving spouse as the primary residue beneficiary; and

(ii) Does not designate an alternative residue beneficiary as the primary residue beneficiary; or

(B)(i) The surviving spouse is ineligible for an annuity solely as a result of the plan participant designating an alternative residue beneficiary and the alternative residue beneficiary waives his or her right to the residue.

(ii) An alternative residue beneficiary's waiver of his or right to the residue is not required if the plan participant does not have a residue with a payable balance.

(b) A plan participant's T-DROP residue that otherwise would have been paid pursuant to Arkansas Code § 24-7-709 shall be calculated as the greater of either of the following:

(1) The accumulated contributions and regular interest credited to the retirement reserve account as of the member's effective retirement date reduced by the total amount of regular annuities paid, further reduced by amounts received from the T-DROP account in the form of a lump-sum or annuity benefit payments; or

(2) The T-DROP account as of the member's effective retirement date reduced by amounts received from the T-DROP account in the form of a lump-sum or annuity benefit payments.

#### **§ 11-106. Survivors — Dependent children.**

(a)(1) A child of a qualifying member is eligible to receive a survivor annuity benefit under Arkansas Code § 24-7-710 if the child qualifies as a dependent child.

(2) A qualifying member's child shall be eligible to qualify as a dependent child or maintain his or her status as a dependent child if:

(A) The qualifying member was the legal parent of the child at the time of the qualifying member's death; and

(B) The child meets all other requirements to qualify as a dependent child or maintain his or her status as a dependent child.

(b)(1) A child of a qualifying member qualifies as a dependent child if the child is:

(A) Is younger than eighteen (18) years of age; or

(B) Is at least eighteen (18) years of age and not older than twenty-two (22) years of age and continuously enrolled as a full-time student in an accredited secondary school, college, university, or vocational-technical school; or

(C) Has been adjudged physically or mentally incapacitated by a court of competent jurisdiction.

(2) A dependent child who enrolls in an accredited college, university, or vocational-technical school shall remain eligible to receive a dependent child annuity during his or her period of deferred enrollment if the dependent child:

(A) Is not older than twenty-two (22) years of age; and

(B) Submits proof of his or her deferred enrollment to the Arkansas Teacher Retirement System in the manner required by the system.

(c) A qualifying member's dependent child shall not be eligible to qualify as a dependent child again and shall have his or her dependent child annuity terminated by the system if the dependent child dies or ceases to qualify as a dependent child of the qualifying member.

#### **§ 11-107. Survivors — Dependent children — Full-time students.**

(a) To be considered a full-time student, a dependent child shall:

(1) Take twelve (12) semester hours or eight (8) trimester hours in college;

(2) Take four (4) hours per day in a secondary or postsecondary school; or

(3) Engage full-time in a curriculum or field of study based upon verifiable indices from an accredited institution.

(b) After a dependent child reaches eighteen (18) years of age, in the absence of a parent or legal guardian, the dependent child may self-report his or her Certification of Attendance to the Arkansas Teacher Retirement System.

(c)(1) A qualifying member's child who is at least eighteen (18) years of age and not older than twenty-two (22) years of age and not a full-time student may continue to qualify as a dependent child and receive a survivor annuity benefit if a doctor certifies that the child is temporarily physically or mentally incapacitated and unable to attend school as a full-time student for the current semester or term due to the temporary physical or mental incapacitation.

(2) If a doctor does not certify the child as temporarily physically or mentally incapacitated and unable to attend school as a full-time student for the current semester or term due to the temporary physical or mental incapacitation and the child does not attend school as a full-time student in the following semester, the child shall no longer qualify as a dependent child and shall be ineligible to receive survivor annuity benefits.

#### **§ 11-108. Survivors — Dependent children — Active military duty or training.**

(a) A dependent child who qualifies under Arkansas Code § 24-7-710(c)(2)(B)(i) to receive survivor annuity benefit payments may have his or her payments temporarily suspended if he or she:

(1) Is called to active military duty or active military training; and

(2) Submits a copy of his or her military orders to the Arkansas Teacher Retirement System.

(b)(1) Survivor annuity benefit payments to a dependent child shall be temporarily suspended for the duration of the dependent child's participation in active military duty or active military training.

(2) Survivor annuity benefit payments to the dependent child shall be reinstated if the dependent child:

(A) Is at least eighteen (18) years of age and not older than twenty-two (22) years of age;

(B) Immediately re-enrolls as a full-time student at an accredited secondary school, college, university, or vocational-technical school upon his or her return from active military duty or active military training; and

(C) Submits documentation of his or her re-enrollment as a full-time student to the system.

### **§ 11-109. Survivors — Dependent children — Incapacitated child.**

A qualifying member's child who qualifies as a dependent child because he or she has been adjudged physically or mentally incapacitated by a court of competent jurisdiction and for whom a guardian has been appointed shall continue to be eligible to receive a dependent child survivor annuity benefit as long as the incapacity exists, regardless of the age of the child.

### **§ 11-110. Survivors — Dependent children — Return to work retirees.**

(a) A dependent child annuity shall be payable to a surviving child of a retiree who dies after returning to work if the child qualifies as a dependent child and is eligible for a dependent child annuity under the law and rules applicable to the Arkansas Teacher Retirement System.

(b) The same rules applicable to the surviving child of qualifying member shall apply to the surviving child of a retiree who dies after returning to work.

### **§ 11-111. Survivors — Dependent children — Calculation and payment of survivor annuity.**

(a) The amount of the survivor annuity benefit payable to a dependent child shall be the amount provided in Arkansas Code § 24-7-710.

(b) The highest of the following shall be used to calculate a dependent child's survivor annuity benefit:

(1) The total salary that the qualifying member would have received in the fiscal year in which the qualifying member died; or

(2) The qualifying member's highest salary in another fiscal year.

(c) The dependent child survivor annuity shall remain at the initial monthly amount, adjusted by an annual cost-of-living adjustment increase, as may be designated by the Board of Trustees of the Arkansas Teacher Retirement System.

(d) If more than one (1) dependent child of a qualifying member receives survivor annuity benefits, each dependent child's survivor annuity benefit shall:

(1) Remain at the initial monthly amount; and

(2) Not be readjusted if the survivor annuity benefit payments to one (1) or more

of the dependent children terminates.

(e) A dependent child shall receive monthly survivor annuity benefits:

(1) Beginning the month after the qualifying member's death if the survivor application is filed with the Arkansas Teacher Retirement System **by the end of the sixth full calendar month following** the qualifying member's death; or

(2) If a survivor application is not filed with the system **by the end of the sixth full calendar month following** the qualifying member's death, beginning the month in which the survivor application is filed with the system.

(f) A dependent child shall submit the following documents to the system before a survivor annuity benefit payment is issued to the dependent child:

(1) Proof of the qualifying member's death and date of death from the qualifying member's death certificate or another legally acceptable document;

(2) Proof of the dependent child's taxpayer identification number from a Social Security card or another authenticating documents;

(3) Proof that the dependent child is a child of the qualifying member from the dependent child's birth certificate or another legally acceptable document;

(4) Proof of the dependent child's date of birth from a birth certificate or another authenticating document;

(5) If applicable, a file-marked court order finding the dependent child physically or mentally incapacitated; and

(6) If applicable, proof of enrollment as a full-time student from an **accredited secondary school, college, university, or vocational-technical school.**

(g)(1) A deposit account designated to receive a survivor annuity benefit payment for the benefit of a dependent child who is under eighteen (18) years of age shall conform with:

(A) The Arkansas Uniform Transfers to Minors Act, Arkansas Code § 9-26201 et seq.; or

(B) A court order in a guardianship proceeding for the benefit of the dependent child.

(2) Each survivor annuity benefit payment is shall:

(A) Be made as a separate payment to the eligible dependent child in the appropriate deposit account; and

(B) Not be co-mingled with payments to other family members.

### **§ 11-112. Survivors — Disability retirees.**

(a) If a member receives final approval for disability retirement and dies before receiving the first disability retirement benefit payment, the member's disability retirement benefits shall be paid to one (1) or more option beneficiaries, alternative residue beneficiaries, or other beneficiaries designated by the member.

(b) If a member's disability retirement application is received by the Arkansas Teacher Retirement System and the member dies before his or her disability application is approved, the member shall be considered to have died in active service and survivor annuity benefits under Arkansas Code § 24-7-710 may be paid if the member has not designated an alternative residue beneficiary.

### **§ 11-113. Survivors — Annuity benefits payable by reciprocal systems.**

(a) If survivor annuity benefits are payable by more than one (1) reciprocal system to one



(1) or more eligible survivors of a deceased qualifying member, the survivors shall not receive, as a percentage of the qualifying member's final pay or as a minimum dollar amount, more than the largest amount payable by a single, reciprocal system.

(b)(1) The Arkansas Teacher Retirement System shall prorate minimum benefits payable with any other reciprocal system that has a minimum benefit provision.

(2)(A) A reciprocal system shall pay the reciprocal system's proportionate share of the minimum benefit amount.

(B) A reciprocal system's proportionate share of the minimum benefit amount shall be based on the ratio of the qualifying member's service in the reciprocal system to the qualifying member's total service in all other reciprocal systems.

(c) When a member elects to transfer from the Arkansas Teacher Retirement System to the Arkansas Public Employees' Retirement System under the provisions of Acts 1977, No. 793, the Arkansas Public Employees' Retirement System's law shall govern the survivors' eligibility for a payment of residue or survivor annuity benefits upon the member's death.

#### **§ 11-114. Survivors — Lump-sum death benefit — Qualification.**

(a) A member of the system who is active, retired, or a T-DROP plan participant and accrues the required amount of actual service at the time of his or her death may qualify for a lump-sum death benefit.

(b) For the purposes of eligibility for a lump-sum death benefit, a member shall be considered active for an additional fiscal year following the last fiscal year in which the member renders actual service to a covered employer and obtains at least a quarter (1/4) of a year of service credit.

#### **§ 11-115. Survivors — Lump-sum death benefit — Amount and tax exemption.**

(a)(1) The amount of the lump-sum death benefit may be set by a resolution or rules adopted by the Board of Trustees of the Arkansas Teacher Retirement System in an amount of up to ten thousand dollars (\$10,000) per member.

(2) The board may adjust the amount of the lump-sum death benefit each year and, as actuarially appropriate, prorate the amount of the lump-sum benefit based on the ratio of the member's contributory and noncontributory service credit.

(b)(1) Upon a qualifying member's death, the maximum lump-sum death benefit that the qualifying member qualifies to receive in accordance with the law, rules, and resolutions of the board applicable to the system shall be paid in equal shares to each person designated as a beneficiary by the qualifying member in the manner required by the system.

(2) If the qualifying member fails to designate a beneficiary or all the designated beneficiaries predecease the qualifying member, the lump-sum death benefit shall be paid to the qualifying member's estate.

(c)(1) Pursuant to Acts 2009, No. 1323, a lump-sum death benefit distribution made after June 30, 2009, shall be tax exempt, and no federal or state income tax shall be withheld by the Arkansas Teacher Retirement System.

(2) After June 30, 2009, a lump-sum death benefit shall not be eligible for a direct rollover.

**§ 11-116. Survivors — Lump-sum death benefit — Beneficiary designations and authorized agents.**

(a)(1) A member may designate one (1) or more natural persons, a duly formed legal entity, including a corporation, trust, partnership, or other legal entity, as his or her lump-sum death benefit beneficiary.

(2) If a member designates a funeral home as his or her lump-sum death benefit beneficiary and the member is a qualifying member who may receive a lump-sum death benefit at the time of his or her death, the Arkansas Teacher Retirement System shall not be obligated to do any of the following:

(A) Issue payment to the funeral home in an amount that exceeds the:

(i) Lump-sum death benefit amount that the member qualifies to receive in accordance with the laws, rules, and resolutions of the Board of Trustees of the Arkansas Teacher Retirement System; or

(ii) Share of the lump-sum death benefit amount that the funeral home would be entitled to receive if the member designates more than one (1) lump-sum death benefit beneficiary;

(B) Reimburse any person or entity for any amount received by the funeral home that exceeds the cost of the member's funeral service; or

(C) Recoup or assist any person or entity in recouping any amount received by the funeral home that exceeds the cost of the member's funeral service.

(3)(A) A member's designation of his or her former spouse as the member's lump-sum death benefit beneficiary shall not be honored by the system with regard to the former spouse if the:

(i) Member remarries; and

(ii) System receives proof of the member's remarriage in the manner required by the system before payment of the lump-sum death benefit is issued to the former spouse.

(B) A member who remarries and desires to maintain his or her former spouse's designation as the member's lump-sum death benefit beneficiary shall file with the system a lump-sum death benefit beneficiary designation form that:

(i) Designates his or her former spouse as the member's lump-sum death benefit beneficiary; and

(ii) Has a signature date of the member that is on or after the date of the member's remarriage.

(C) The system shall not be obligated to recoup or reimburse a member's current spouse for any lump-sum death benefit amount paid to the member's former spouse in accordance with this rule.

(b)(1) A completed lump-sum death benefit beneficiary form shall not be considered effective if the form is received by the Arkansas Teacher Retirement System after the member's death.

(2) A member's most recently completed, executed, and filed lump-sum death benefit beneficiary form shall supersede all previous lump-sum death benefit beneficiary forms completed, executed, and filed by the member.

(c)(1) A lump-sum death benefit beneficiary form that is signed by a member's authorized agent, including an attorney-in-fact, agent under a power of attorney, or any other legally recognized agent, shall not be processed until the document appointing the member's

authorized agent is filed with and accepted by the system.

(2) Only a document that appoints and authorizes the member's authorized agent to transact retirement plan business on behalf of the member shall be effective for the system's purposes.

(3) Only a document that specifically authorizes a member's authorized agent to change the member's beneficiary designations shall be effective to allow the authorized agent to change a beneficiary designation on the member's behalf with the system.

(d) A lump-sum death benefit beneficiary form signed by a guardian of the member's estate or another court-appointed conservator shall not be effective to allow the guardian or court-appointed conservator to change a beneficiary designation on the member's behalf with the system unless there is an accompanying court order specifically authorizing the guardian or court-appointed conservator to change a beneficiary designation on the member's behalf.

### **§ 11-117. Survivors — Lump-sum death benefit — Distribution, waiver, and assignment.**

(a) A designated beneficiary shall submit the following forms and documents to the Arkansas Teacher Retirement System before a lump-sum death benefit payment is issued to the designated beneficiary:

(1) A written application on a form approved by the system; and

(2) The qualifying member's death certificate or other acceptable proof of the qualifying member's death.

(b) A lump-sum death benefit payment shall be made within a reasonable time to a qualifying member's designated beneficiary after the death of the qualifying member.

(c)(1) A designated beneficiary of a lump-sum death benefit may waive his or her right to receiving a payment of the lump-sum death benefit by submitting a waiver of his or her right to the lump-sum death benefit on a form that is acceptable to the system.

(2) If a designated beneficiary waives his or her right to the payment of a lump-sum death benefit, the system shall pay all or the balance of the lump-sum death benefit, whichever is applicable, to any other remaining designated beneficiaries.

(d) A designated beneficiary shall not assign his or her right to a payment of a lump-sum death benefit to another person or entity.

### **§ 11-118. Survivors — Lump-sum death benefit — Overpayments.**

(a) The Arkansas Teacher Retirement System may deduct and reserves the right to deduct from a qualifying member's lump-sum death benefit any amount owed to the system by the qualifying member under Arkansas Code § 24-7-205.

(b) The system may collect and reserves the right to collect any overpayment or other amount owed to the system by a designated beneficiary.

### **§ 11-119. Survivors — Lump-sum death benefit — Transfers to minors.**

The Arkansas Teacher Retirement System shall comply with all applicable laws relating to the distribution of a lumpsum death benefit including the Arkansas Uniform Transfers to Minors Act, Arkansas Code § 9-26-201 et seq.

### **§ 11-120. Qualified domestic relations order.**

(a) The model qualified domestic relations order adopted by the Arkansas Teacher Retirement System pursuant to Arkansas Code § 9-18-103(b) shall be used by a member if a court intends to divide the member's retirement benefits or contributions between the member and an alternate payee.

(b)(1) The system shall promptly notify a member and the alternate payee upon receiving a QDRO.

(2)(A) Upon receiving a QDRO, the system shall determine within a reasonable time after receiving the QDRO whether the QDRO complies with the Arkansas Code, the system's rules, the system's model qualified domestic relations order, and other applicable laws.

(B) The system shall notify the member and the alternate payee in writing if the system determines that a QDRO submitted by the member or alternate payee does not comply with the Arkansas Code, the system's rules, the system's model qualified domestic relations order, or other applicable laws.

(C) The system shall accept a QDRO issued by a circuit court of the State of Arkansas or other court of competent jurisdiction regarding a member and an alternate payee if the QDRO complies with the Arkansas Code, the system's rules, the system's model qualified domestic relations order, and other applicable laws.

#### **§ 11-121. Qualified domestic relations order — Limitations.**

(a) A QDRO shall not require the Arkansas Teacher Retirement System to:

(1) Provide an alternate payee with any type or form of benefit or option not otherwise available to the member;

(2) Provide an alternate payee actuarial benefits not available to the member;

(3) Pay any benefits to an alternate payee that are required to be paid to another alternate payee under an existing QDRO;

(4) Provide any benefit that is an actuarial cost to the system and is not otherwise contemplated in the law and rules applicable to the system; or

(5) Violate any plan qualification requirement in the Internal Revenue Code, 26 U.S.C. § 401(a), or otherwise affect the system's requirement to operate as a governmental plan under the Internal Revenue Code, 26 U.S.C. § 414(d).

(b) The system shall not accept a QDRO for a member who does not have five (5) years of actual service with the system at the time the QDRO is issued by a court.

(c) No provision in the system's rules or in a QDRO accepted by the system shall require the system to violate any plan qualification requirement in the Internal Revenue Code, 26 U.S.C. § 401(a), or otherwise affect the system's requirement to operate as a governmental plan under the Internal Revenue Code, 26 U.S.C. § 414(d).

#### **§ 11-122. Qualified domestic relations order — Computation of benefit payments.**

(a)(1) The Arkansas Teacher Retirement System shall compute an alternate payee's monthly annuity benefit under a QDRO **accepted by the system by** using the benefit formula in effect at the time of the member's retirement.

(2) When computing an alternate payee's monthly retirement annuity benefit under a QDRO accepted by the system, the system shall include only service credit earned by the member during the marriage.

(b) If the QDRO issued by the circuit court assigns a marital portion or other part of a

member's interest in his or her T-DROP plan deposits and interest, the benefits in the member's T-DROP account shall be computed as a separate calculation as provided by the model qualified domestic relations order adopted by the system.

**§ 11-123. Qualified domestic relations order — Eligibility to receive benefits.**

(a) The member or the alternate payee may file a QDRO with the Arkansas Teacher Retirement System before the member's retirement or termination of covered employment.

(b)(1) An alternate payee is eligible to receive benefit payments if the member retires or terminates employment with a covered employer and receives a refund of contributions.

(2) The alternate payee's portion of the member's retirement benefits or contributions shall be held in the member's account until the alternate payee is eligible to receive benefit payments under this rule.

(c) A benefit enhancement enacted by the General Assembly or the Board of Trustees of the Arkansas Teacher Retirement System after entry of a QDRO shall inure to the benefit of the member and shall not be assigned to the alternate payee.

**§ 11-124. Qualified domestic relations order — Enrollment of alternate payee.**

(a)(1) The alternate payee shall notify the Arkansas Teacher Retirement System of a change of his or her mailing address and verify annually his or her address with the system beginning one (1) year from the date of the letter notifying the alternate payee of the system's acceptance of the QDRO.

(2) If an alternate payee's address changes from the address provided on the QDRO accepted by the system or the address provided by the alternate payee during the system's enrollment of the alternate payee, the system shall not be obligated to determine the current post office address or any other address of the alternate payee.

(b) If the alternate payee is eligible to receive benefit payments and has not completed and submitted an enrollment form or all other required documents to the system, the following shall apply:

(1) The system shall notify the member in writing that the alternate payee has not completed and submitted an enrollment form or all other documents required in order for the system to issue a payment to the alternate payee;

(2) The system shall pay the alternate payee's portion of the member's retirement benefits or contributions to the member;

(3) The member shall hold as constructive trustee the alternate payee's portion of the member's retirement benefits or contributions upon receiving the alternate payee's portion of the member's retirement benefits or contributions; and

(4) The member shall be responsible for verifying with the system the amount of the alternate payee's portion of the member's retirement benefits or contributions to be held by the member as constructive trustee.

(c) If an alternate payee is eligible to receive benefit payments, the system shall:

(1) Not hold the alternate payee's portion of the member's retirement benefits or contributions in the member's account;

(2) Pay the alternate payee's portion of the member's retirement benefits or

contributions when payment is due to the:

(A) Alternate payee if the alternate payee has completed and submitted to the system an enrollment form and all other documents required by the system in order to issue the payment; or

(B) Member to be held by the member as constructive trustee.

(d)(1) The system shall pay the member the total retirement benefit if the system determines that the alternate payee's monthly retirement benefit is less than twenty dollars (\$20.00).

(2) The member shall be responsible for paying the alternate payee his or her portion of benefits if the system determines that the alternate payee's monthly retirement benefit is less than twenty dollars (\$20.00).

#### **§ 11-125. Qualified domestic relations order — Benefit payments — Overpayments.**

(a) The Arkansas Teacher Retirement System shall have the right to:

(1) Make any necessary correction to the monthly annuity benefit paid under a QDRO [accepted by the system](#); and

(2) Recover any overpayments owed to the system from either the member or the alternate payee.

(b)(1) If an amount that should not have been distributed to the member or alternate payee under the QDRO [accepted by the system](#) is received by the member or alternate payee, the member or alternate payee shall:

(A) Be responsible for holding the amount as a constructive trustee; and

(B) Notify the system immediately that he or she received the amount.

(c) The system shall not make restitution for:

(1) A payment that is issued to the alternate payee before the system receives notice of the alternate payee's change of address;

(2) A distributed amount that:

(A) The alternate payee is entitled to receive under the terms of a QDRO [accepted by the system](#); and

(B) Is received by the member as constructive trustee;

(3) A distributed amount that:

(A) The member is entitled to receive under the terms of a QDRO [accepted by the system](#); and

(B) Is received by the alternate payee as constructive trustee; or

(4) An amount that was distributed before the system receives a court order voiding the QDRO [accepted by the system](#).

#### **§ 11-126. Qualified domestic relations order — Benefit payments — Death of member or alternate payee.**

(a)(1) Any benefit that would be due to the alternate payee under [a QDRO accepted by the Arkansas Teacher Retirement System](#) shall revert back to the member if the alternate payee dies before receiving the [first benefit payment issued to him or her by the system](#).

(2) [An alternate payee's portion of benefits payable to him or her under a QDRO accepted by the system shall not revert back to the member if the alternate payee dies after receiving the first benefit payment issued to him or her by the system.](#)

(b)(1) If a member dies before retirement [and a survivor annuity is not payable](#), the

alternate payee shall receive the same portion of the member's contributions, if any, as was assigned by the QDRO accepted by the system.

(2) The alternate payee shall not receive monthly retirement annuity benefits from the system if the member has not received his or her retirement annuity at the time of his or her death.

(c) If a member dies after retiring from the system, the alternate payee shall not be entitled to continue receiving his or her portion of benefits and the system shall cease paying the alternate payee his or her portion of benefits in the month immediately following the member's date of death.

### **§ 11-127. Qualified domestic relations order — Cancellation of retirement — Order voiding qualified domestic relations order.**

(a)(1) If a member cancels his or her retirement, the Arkansas Teacher Retirement System may recoup any benefits paid to an alternate payee from the member, the alternate payee, or both the member and the alternate payee.

(2) If a member cancels his or her retirement, the system may recoup benefits paid to an alternate payee regardless of whether a court enters an order voiding the QDRO approved by system.

(b)(1) If a member does not cancel his or her retirement, the system shall not be required to:

(A) Reimburse the member for benefits that were paid to an alternate payee before an order voiding the QDRO approved by the system was entered by a court; or

(B) Recoup for the member any benefits that were paid to an alternate payee before an order voiding the QDRO approved by the system was entered by a court

(2) If a court enters an order voiding a QDRO approved by the system, the alternate payee's portion of benefits shall revert back to the member as of the date on which the court entered the order voiding the QDRO approved by the system.

### **§ 11-128. Lost payees and benefit forfeitures.**

(a)(1) Each member and beneficiary of a deceased member is responsible for filing and shall file his or her respective current post office address and any subsequent change of address with the Arkansas Teacher Retirement System.

(2) Communication addressed to a member or beneficiary at the post office address last filed with the system, or, if no post office address has been filed with the system, the last post office address indicated on the records of the employer of the member or the beneficiary shall be:

(A) The official post office address used for the system's communication to the member or beneficiary; and

(B) Binding on the member or beneficiary for all system purposes.

(b) The system shall not be obligated to determine the current post office address or any other address for a member or beneficiary.

(c)(1) Member payments in the possession of the system shall be excluded from the definition of property as provided in the Unclaimed Property Act, Arkansas Code § 18-28-201 et seq.

(2) Arkansas Code § 24-7-734 supersedes any conflict with the Unclaimed Property Act, Arkansas Code § 18-28-201 et seq.

**Authority: Arkansas Code §§ 9-18-101 — 9-18-103, 24-7-710, 24-7-713, 24-7-720, and 24-7-734**

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## ~~ATRS RULE 11~~

### ~~SURVIVORS AND DOMESTIC RELATIONS ORDERS~~

~~Arkansas Code §§ 9-18-101 — 9-18-103, 24-7-710, 24-7-713, 24-7-720, and 24-7-734~~

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#### **I. Definitions**

- a. ~~"Alternate payee" means a spouse, former spouse, child, or other dependent of a member under Arkansas law;~~
- b. ~~"Application" for the purposes of retirement eligibility means an application form and any other documents required by the Arkansas Teacher Retirement System (ATRS) to establish a member's eligibility to retire;~~
- c. ~~"Immediately eligible" for the purpose of survivor annuity benefits means a survivor of an active member who at the time of his or her death attained the normal retirement age and could have retired;~~
- d. ~~"Lump-sum death beneficiary" means one (1) or more persons or entities designated in writing by the member to receive payment of the lump-sum death benefit under Arkansas Code § 24-7-720;~~
- e. ~~"Lump-sum death benefit" means a monetary amount set by the Board of Trustees of the Arkansas Teacher Retirement System (Board), and paid by ATRS to one (1) or more lump-sum death beneficiaries as provided for under Arkansas Code § 24-7-720; and~~
- f. ~~"QDRO" means a court order that:~~
  1. ~~Meets the definition of a qualified domestic relations order under Arkansas Code § 9-18-101; or~~
  2. ~~Assigns a portion of a member's retirement benefit to the member's divorced spouse or an alternate payee upon the member's retirement or a refund of the member's contributions at the request of the member;~~
- g. ~~"Qualifying member" means:~~
  1. ~~For the purposes of eligibility for a lump-sum death benefit under Arkansas Code § 24-7-720, a member or retiree to whom one (1) of the following categories apply: A. The member:~~
    - i. ~~Is deceased;~~
    - ii. ~~Was an active member of ATRS before July 1, 2007; and~~
    - iii. ~~Has five (5) or more years of actual service, including actual service for the year immediately preceding his or her death;~~

~~B. The member:~~

- ~~i. Is deceased;~~
  - ~~ii. Was an active member of ATRS on or after July 1, 2007;~~
- ~~and~~
- ~~iii. Has ten (10) or more years of actual service; or C. The~~

~~retiree:~~

- ~~i. Dies before July 1, 2007; and~~
- ~~ii. Has accrued five (5) or more years of actual service, including actual service, for the year immediately preceding his or her death; or D. The retiree:~~

- ~~i. Dies on or after July 1, 2007; and~~
  - ~~ii. Has accrued ten (10) or more years of actual service, including actual service for the year immediately preceding his or her death;~~
- ~~or~~

~~2. For the purpose of an eligible survivor qualifying for survivor annuity benefits under Arkansas Code § 24-7-710, a member who:~~

- ~~A. Is an active member as defined in Arkansas Code § 24-7-202(2);~~
- ~~B. Has at least five (5) years of actual service and reciprocal service, including credited service for the year immediately preceding his or her death; and~~
- ~~C. Is active as provided in Arkansas Code § 24-7-710(f) and this ATRS Rule 11 II.a.~~

**II. Survivors—Generally**

~~a. Survivor Annuity Benefits—Member Qualification~~

~~1. A member shall be considered active for the purpose of an eligible survivor qualifying for survivor annuity benefits under Arkansas Code § 24-7-710 if: A.~~

~~The member has at least:~~

- ~~i. Ten (10) days of service credit in each prior quarter of the fiscal year from the time the fiscal year began or the member was employed by a covered employer, whichever occurs last; and~~
- ~~ii. One (1) quarter with ten (10) days of service; or B. Either of the following apply to the member:~~
  - ~~i. The member has earned at least ten (10) days of service credit in the quarter of the member's death and in each quarter before the member's death, collectively; or~~



- c. ~~Payment of Surviving Spouse Annuity~~
1. ~~Pursuant to Arkansas Code § 24-7-710, surviving spouse annuity is benefits are payable for the surviving spouse's lifetime, regardless of the remarriage of the surviving spouse.~~
  2. ~~The surviving spouse may defer receipt of the surviving spouse annuity benefits, if applicable, under the deferred retirement provisions of Arkansas Code § 24-7-707.~~
  3. ~~A surviving spouse shall submit the following documents to ATRS before a surviving spouse annuity benefit payment is issued to the surviving spouse:~~
    - A. ~~Proof of the qualifying member's death and date of death from the qualifying member's death certificate or another legally acceptable document;~~
    - B. ~~Proof of the surviving spouse's taxpayer identification number from a Social Security card or another authenticating document;~~
    - C. ~~Proof of the surviving spouse's date of birth from a birth certificate or another authenticating document; and~~
    - D. ~~Proof of the marriage between the qualifying member and surviving spouse from a marriage license or equivalent, marriage license recording document, or other legally acceptable proof of the existence of the marriage.~~
  4. ~~A surviving spouse who is immediately eligible to receive a monthly survivor annuity benefit after the death of the qualifying member shall receive monthly survivor annuity benefits:~~
    - A. ~~Beginning the month after the death of the qualifying member if the survivor application is filed with ATRS within three (3) months of the qualifying member's death; or~~
    - B. ~~Beginning the month in which the survivor application is filed with ATRS if at the time of the qualifying member's death the qualifying member:~~
      - i. ~~Accumulated at least twenty-five (25) years of credited service and was eligible to receive a voluntary retirement or early retirement annuity; or~~
      - ii. ~~Reached sixty (60) years of age and was eligible to receive a deferred retirement annuity.~~
  5. ~~A surviving spouse who is not immediately eligible to receive a monthly survivor annuity benefit shall receive monthly survivor annuity benefits beginning the later of either the:~~
    - A. ~~Month following the date on which the qualifying member would have been eligible to receive retirement benefits had the qualifying member survived; or~~

~~B. Date on which a survivor application is filed with ATRS.~~

~~d. Alternative Residual Beneficiaries~~

~~1. Generally~~

~~A. A member may change his or her alternative residue beneficiary designation and designate his or her spouse as a residue beneficiary under Arkansas Code § 24-7-710 by documenting the change on a form provided and approved by ATRS.~~

~~2. Qualifying Member~~

~~A. A qualifying member may designate one (1) or more alternative beneficiaries, also known as alternative residue beneficiaries, to receive a lump-sum payment of the qualifying member's residue in lieu of the qualifying member's surviving spouse by using a beneficiary form provided and approved by ATRS.~~

~~B. A surviving spouse annuity benefit or any other type of monthly benefit shall not be paid to a qualifying member's surviving spouse if the qualifying member designates one (1) or more alternative beneficiaries to receive a lump-sum payment of the qualifying member's residue in lieu of the qualifying member's surviving spouse.~~

~~C. A surviving spouse may elect Option A — 100% Survivor Annuity benefits if the qualifying member:~~

- ~~i. Designates only the surviving spouse as the primary residue beneficiary; and~~
- ~~ii. Does not designate an alternative residue beneficiary as the primary residue beneficiary.~~

~~3. T-DROP Plan Participant~~

~~A. A Teacher Deferred Retirement Option Plan (T-DROP) participant (plan participant) may designate one (1) or more alternative residue beneficiaries to receive a lump-sum payment of his or her T-DROP benefits in lieu of his or her surviving spouse.~~

~~B. A T-DROP plan benefit, surviving spouse annuity benefit, or any other type of monthly benefit shall not be paid to a plan participant's surviving spouse if the plan participant designates one (1) or more alternative residue beneficiaries to receive a lump-sum payment of his or her T-DROP benefits in lieu of his or her surviving spouse.~~

~~C. A surviving spouse may elect Option A — 100% Survivor Annuity benefits if the plan participant:~~

- ~~i. Designates only the surviving spouse as the primary residue beneficiary; and~~
- ~~ii. Does not designate an alternative residue beneficiary as the primary residue beneficiary.~~

- D. ~~A plan participant's T-DROP residue that otherwise would have been paid pursuant to Arkansas Code § 24-7-709 shall be calculated as the greater of either of the following:~~
- i. ~~The accumulated contributions and regular interest credited to the retirement reserve account as of the member's effective retirement date reduced by the total amount of regular annuities paid, further reduced by amounts received from the T-DROP account in the form of a lump-sum or annuity benefit payments; or~~
  - ii. ~~The T-DROP account as of the member's effective retirement date reduced by amounts received from the T-DROP account in the form of a lump-sum or annuity benefit payments.~~

#### **IV. ~~Dependent Children Benefits~~**

- a. ~~A child of a qualifying member is eligible to receive a survivor annuity benefit under Arkansas Code § 24-7-710 if the child qualifies as a dependent child.~~
- b. ~~A child of a qualifying member qualifies as a dependent child if the child is:~~
  - 1. ~~Is younger than eighteen (18) years of age; or~~
  - 2. ~~Is between eighteen (18) years of age and twenty-three (23) years of age and continuously enrolled as a full-time student at an accredited secondary school, college, or university; or~~
  - 3. ~~Has been adjudged physically or mentally incapacitated by a court of competent jurisdiction.~~
- c. ~~Dependent Child— Full-time Student~~
  - 1. ~~To be considered a full-time student, the dependent child shall:~~
    - A. ~~Take twelve (12) semester hours or eight (8) trimester hours in college;~~
    - B. ~~Take four (4) hours per day in a secondary or postsecondary school; or~~
    - C. ~~Engage full-time in a curriculum or field of study based upon verifiable indices from an accredited institution.~~
  - 2. ~~After a dependent child reaches eighteen (18) years of age, in the absence of a parent or legal guardian, the dependent child may self-report his or her Certification of Attendance to ATRS.~~
  - 3. ~~Temporary Physical or Mental Incapacitation~~
    - A. ~~A qualifying member's child who is between eighteen (18) years of age and twenty-three (23) years of age and not a full-time student may continue to qualify as a dependent child and receive a survivor annuity benefit if a doctor certifies that the child is temporarily physically or mentally incapacitated to attend school for the current semester or term.~~
    - B. ~~If a doctor does not certify the child as temporarily physically or mentally incapacitated to attend school for the following semester or term and the~~

~~child does not attend school as a full-time student in the following semester, the child shall no longer qualify as a dependent child and shall be ineligible to receive survivor annuity benefits.~~

~~4. Active Military Duty or Training~~

- ~~A. A dependent child who qualifies under Arkansas Code § 24-7-710(c)(2)(B)(i) to receive survivor annuity benefit payments may have his or her payments temporarily suspended if he or she:~~
- ~~B. Is called to active military duty or active military training; and~~
- ~~C. Submits a copy of his or her military orders to the ATRS.~~
- ~~D. Survivor annuity benefit payments to the dependent child shall be suspended for the duration of the dependent child's participation in active military duty or active military training.~~
- ~~E. Survivor annuity benefit payments to the dependent child shall resume if the dependent child:~~
  - ~~i. Is between eighteen (18) and twenty-three (23) years of age;~~
  - ~~ii. Immediately re-enrolls as a full-time student upon his or her return from active military duty or active military training; and~~
  - ~~iii. Submits documentation of his or her re-enrollment as a full-time student to ATRS.~~

~~d. Dependent Child—Incapacitated Child~~

- ~~1. A qualifying member's child who qualifies as a dependent child because he or she has been adjudged physically or mentally incapacitated by a court of competent jurisdiction and for whom a guardian has been appointed shall continue to be eligible to receive a dependent child survivor annuity benefit as long as the incapacity exists, regardless of the age of the child. Arkansas Code § 24-7-710.~~

~~e. Dependent Child—Calculation and Payment of Survivor Annuity~~

- ~~1. The amount of the survivor annuity benefit payable to a dependent child shall be the amount provided in Arkansas Code § 24-7-710.~~
- ~~2. The highest of the following shall be used to calculate a dependent child's survivor annuity benefit:~~
  - ~~A. The total salary that the qualifying member would have received in the fiscal year in which the qualifying member died; or~~
  - ~~B. The qualifying member's highest salary in another fiscal year.~~
- ~~3. The dependent child survivor annuity shall remain at the initial monthly amount, adjusted by an annual cost-of-living adjustment increase, as may be designated by the Board.~~



4. ~~If more than one (1) dependent child of a qualifying member receives survivor annuity benefits, each dependent child's survivor annuity benefit shall:~~
  - A. ~~Remain at the initial monthly amount; and~~
  - B. ~~Not be readjusted if the survivor annuity benefit payments to one (1) or more of the dependent children terminates.~~
  
5. ~~A dependent child shall receive monthly survivor annuity benefits:~~
  - A. ~~Beginning the month after the qualifying member's death if the survivor application is filed with ATRS within three (3) months of the qualifying member's death; or~~
  - B. ~~If a survivor application is not filed with ATRS within three (3) months of the qualifying member's death, beginning the month in which the survivor application is filed with ATRS.~~
  
6. ~~A dependent child shall submit the following documents to ATRS before a survivor annuity benefit payment is issued to the dependent child:~~
  - A. ~~Proof of the qualifying member's death and date of death from the qualifying member's death certificate or another legally acceptable document;~~
  - B. ~~Proof of the dependent child's taxpayer identification number from a Social Security card or another authenticating documents;~~
  - C. ~~Proof that the dependent child is a child of the qualifying member from the dependent child's birth certificate or another legally acceptable document;~~
  - D. ~~Proof of the dependent child's date of birth from a birth certificate or another authenticating document;~~
  - E. ~~If applicable, a file-marked court order finding the dependent child physically or mentally incapacitated; and~~
  - F. ~~If applicable, proof of enrollment as a full-time student from an accredited secondary school, college, or university.~~
  
7. ~~A deposit account designated to receive a survivor annuity benefit payment for the benefit of a dependent child who is under eighteen (18) years of age shall conform with:~~
  - A. ~~The Arkansas Uniform Transfers to Minors Act, Arkansas Code § 9-26201 et seq.; or~~
  - B. ~~A court order in a guardianship proceeding for the benefit of the dependent child.~~

8. Each survivor annuity benefit payment is shall:
  - A. Be made as a separate payment to the eligible dependent child in the appropriate deposit account; and
  - B. Not be co-mingled with payments to other family members.

#### **V. General Rules Regarding Survivor Annuities Annuity Benefits**

- a. Survivor annuity benefits shall not be paid to the survivor of a qualifying member until the survivor provides ATRS with sufficient proof of his or her eligibility to receive survivor annuity benefit payments.
- b. ATRS shall send each survivor who is identified by the qualifying member to ATRS and who may be eligible for a survivor annuity benefit written notice of his or her potential eligibility at the survivor's last address on file with ATRS.<sup>1</sup>
- c. If a member receives final approval for disability retirement and dies before receiving the first disability retirement benefit payment, the member's disability retirement benefits shall be paid to one (1) or more option, alternative residual, or other beneficiaries designated by the member.
- d. If a member's disability retirement application is received by ATRS and the member dies before his or her disability application is approved, the member shall be considered to have died in active service and survivor annuity benefits under Arkansas Code § 24-7-710 may be paid if the member has not designated an alternative residual beneficiary.
- e. Payments After Death of Member
  1. A salary earned by a member before the member's death and paid after the member's death is subject to ATRS deductions and the member's covered employer shall report the member's total salary and days of service in the covered employer's quarterly report.
  2. Gratuitous payments made by a covered employer to a member after the death of the member shall not be:
    - A. Considered the salary of the member;
    - B. Subject to contribution requirements; and
    - C. Included in the covered employer's quarterly report to ATRS
- f. Survivor Annuity Benefits Payable by One (1) or More Reciprocal Systems
  1. If survivor annuity benefits are payable by more than one (1) reciprocal system to one (1) or more eligible survivors of a deceased qualifying member, the survivors shall not receive, as a percentage of the qualifying member's final pay or as a minimum dollar amount, more than the largest amount payable by a single, reciprocal system.

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<sup>1</sup> (See also ATRS Rule 11.VIII below).

2. ~~ATRS shall prorate minimum benefits payable with any other reciprocal system that has a minimum benefit provision.~~
  3. ~~A reciprocal system shall pay the reciprocal system's proportionate share of the minimum benefit amount.~~
  4. ~~A reciprocal system's proportionate share of the minimum benefit amount shall be based on the ratio of the qualifying member's service in the reciprocal system to the qualifying member's total service in all other reciprocal systems.~~
- g. ~~When a member elects to transfer from ATRS to APERS under the provisions of Acts 1977, No. 793, APERS' law shall govern the survivors' eligibility for a payment of residue or survivor annuity benefits upon the member's death.~~

## **VI. Lump-Sum Death Benefit Rules**

- a. ~~Lump-Sum Death Benefits — Member Qualification~~
  1. ~~A member who is active or retired and accrues the required amount of actual service at the time of his or her death may qualify for a lump-sum death benefit.~~
  2. ~~For the purposes of eligibility for a lump-sum death benefit under Arkansas Code § 24-7-720, a member shall be considered active for an additional fiscal year following the last fiscal year in which the member renders actual service to a covered employer and obtains at least a quarter (1/4) of a year of service credit.~~
- b. ~~Lump-Sum Death Benefit — Amount~~
  1. ~~The amount of the lump-sum death benefit may be set pursuant to rules adopted by the Board in an amount of up to ten thousand dollars (\$10,000) per member.~~
  2. ~~The Board may adjust the amount of the lump-sum death benefit each year and, as actuarially appropriate, prorate the amount of the lump-sum benefit based on the ratio of the member's contributory and noncontributory service credit.~~
  3. ~~A lump-sum death benefit shall be paid as a single amount to the beneficiary designated by the qualifying member.~~
  4. ~~If the qualifying member fails to designate a beneficiary or a designated beneficiary does not survive the qualifying member, the lump-sum death benefit shall be paid to the qualifying member's estate.~~
- c. ~~Lump-Sum Death Benefit — Tax Exemption~~
  1. ~~Pursuant to Acts 2009, No. 1323, a lump-sum death benefit distribution made after June 30, 2009, shall be tax exempt, and no federal or state income tax shall be withheld by ATRS.~~

2. ~~After June 30, 2009, a lump-sum death benefit shall not be eligible for a direct rollover.~~
- d. ~~Lump-Sum Death Benefit—Beneficiary Designations and Authorized Agents~~
1. ~~A member may designate one (1) or more natural persons, a duly formed legal entity, including a corporation, trust, partnership, or other legal entity, as his or her lump-sum death benefit beneficiary.~~
  2. ~~A completed lump-sum death benefit beneficiary form shall not be considered effective if the form is received by ATRS after the member's death.~~
  3. ~~A member's most recently completed, executed, and filed lump-sum death benefit beneficiary form shall supersede all previous lump-sum death benefit beneficiary forms completed, executed, and filed by the member.~~
4. ~~Authorized Agent and Guardian—Authority to Designate Beneficiary~~
- ~~A. Attorney-in-Fact and Power of Attorney~~
- i. ~~A lump-sum death benefit beneficiary form that is signed by a member's authorized agent, including an attorney-in-fact, agent under a power of attorney, or any other legally recognized agent, shall not be processed until the document appointing the member's authorized agent is filed with and accepted by ATRS.~~
  - ii. ~~Only a document that appoints and authorizes the member's authorized agent to transact retirement plan business on behalf of the member shall be effective for ATRS purposes.~~
  - iii. ~~Only a document that specifically authorizes a member's authorized agent to change the member's beneficiary designations shall be effective to allow the authorized agent to change a beneficiary designation on the member's behalf with ATRS.~~
- ~~B. Guardians and Court-Appointed Conservators~~
- i. ~~A lump-sum death benefit beneficiary form signed by a guardian of the member's estate or another court-appointed conservator shall not be effective to allow the guardian or court-appointed conservator to change a beneficiary designation on the member's behalf with ATRS unless there is an accompanying court order specifically authorizing the guardian or court-appointed conservator to change a beneficiary designation on the member's behalf.~~
- e. ~~Lump-Sum Death Benefit—Distribution, Waiver, and Assignment~~
1. ~~A designated beneficiary shall submit the following forms and documents to ATRS before a lump-sum death benefit payment is issued to the designated beneficiary:~~
    - A. ~~A written application on a form approved by ATRS; and~~

- B. ~~The qualifying member's death certificate or other acceptable proof of the qualifying member's death.~~
- 2. ~~A lump-sum death benefit payment shall be made within a reasonable time to a qualifying member's designated beneficiary after the death of the qualifying member.~~
- 3. ~~A designated beneficiary of a lump-sum death benefit may waive his or her right to receiving a payment of the lump-sum death benefit by submitting a waiver of his or her right to the lump-sum death benefit on a form that is acceptable to ATRS.~~
- 4. ~~If a designated beneficiary waives his or her right to the payment of a lumpsum death benefit, ATRS shall pay all or the balance of the lump-sum death benefit, whichever is applicable, to any other remaining designated beneficiaries.~~
- 5. ~~A designated beneficiary shall not assign his or her right to a payment of a lump-sum death benefit to another person or entity.~~
- f. ~~Lump-Sum Death Benefit — Overpayments~~
  - 1. ~~ATRS reserves the right to deduct from a qualifying member's lump-sum death benefit any amount owed to ATRS by the qualifying member under Arkansas Code § 24-7-205.~~
  - 2. ~~ATRS reserves the right to collect any overpayment or other amount owed to ATRS by a designated beneficiary.~~
- g. ~~Lump-Sum Death Benefit — Compliance~~

~~ATRS shall comply with all applicable laws relating to the distribution of a lumpsum death benefit including the Arkansas Uniform Transfers to Minors Act, Arkansas Code § 9-26-201 et seq.~~

## **VII. ~~Qualified Domestic Relations Orders (QDRO) for ATRS Members~~**

- a. ~~QDRO — Adopted by ATRS~~
  - 1. ~~The model QDRO adopted by ATRS pursuant to Arkansas Code § 9-18-103(b) shall be used by a member if a court intends to divide the member's retirement benefits or contributions between the member and an alternate payee.~~
- b. ~~QDRO Issued by Court~~
  - 1. ~~ATRS shall accept a QDRO issued by a circuit court of the State of Arkansas or other court of competent jurisdiction regarding a member and an alternate payee, subject to the following:~~
    - A. ~~The alternate payee is eligible to receive benefit payments if the member:~~
      - i. ~~Retires; or~~

- ii. Terminates employment with a covered employer and receives a refund of contributions. B. ATRS shall:
- i. Promptly notify the member and the alternate payee upon receiving a QDRO; and
  - ii. Determine within a reasonable time after receiving the QDRO whether the QDRO complies with the Arkansas Code, ATRS Rules, ATRS' model QDRO, and other applicable laws.
- C. The member or the alternate payee may file a QDRO with ATRS before the member's retirement or termination of covered employment. D. A QDRO shall not require ATRS to:
- i. Provide the alternate payee with any type or form of benefit or option not otherwise available to the member;
  - ii. Provide the alternate payee actuarial benefits not available to the member; or
  - iii. Pay any benefits to the alternate payee that are required to be paid to another alternate payee under an existing QDRO.
- E. Any benefit that would be due to the alternate payee under the QDRO shall revert back to the member if the alternate payee dies before receiving the benefit.
- F. If the member dies before retirement, the alternate payee shall receive the same portion of the member's contributions, if any, as was assigned by the QDRO.
- G. The alternate payee shall not receive monthly retirement annuity benefits from ATRS if the member has not received his or her retirement annuity at the time of his or her death.
- H. ATRS shall compute the alternate payee's monthly retirement annuity benefit under a QDRO on using the benefit formula in effect at the time of the member's retirement and shall include only service credit earned by the member during the marriage.
- I. If the QDRO issued by the circuit court assigns a marital portion or other part of the member's interest in his or her T-DROP plan deposits and interest, the benefits in the member's T-DROP account shall be computed as a separate calculation as provided by ATRS' model QDRO. J. ATRS shall have the right to:
- i. Make any necessary correction to the monthly retirement benefit paid under a the QDRO; and
  - ii. Recover any overpayments owed to ATRS from either the member or the alternate payee. K. The alternate payee shall:

- i. ~~Notify ATRS of a change of the alternate payee's mailing address; and~~
  - ii. ~~Verify annually his or her address with ATRS beginning one (1) year from the date of the letter notifying the alternate payee of ATRS' acceptance of the QDRO.~~
- L. ~~The alternate payee's portion of the member's retirement benefits or contributions shall be held in the member's account until the alternate payee is eligible to receive benefit payments under this ATRS Rule 11 VII b.1.A.~~
- M. ~~If the alternate payee is eligible to receive benefit payments, ATRS shall:~~
  - i. ~~Not hold the alternate payee's portion of the member's retirement benefits or contributions in the member's account;~~ ii. ~~Pay the alternate payee's portion of the member's retirement benefits or contributions when payment is due to the:~~
    - a. ~~Alternate payee if the alternate payee has completed and submitted to ATRS an enrollment form and all other documents required by ATRS in order to issue the payment; or~~
    - b. ~~Member to be held by the member as constructive trustee.~~
- N. ~~If the alternate payee is eligible to receive benefit payments and has not completed and submitted an enrollment form or all other required documents to ATRS, the following shall apply:~~
  - i. ~~ATRS shall notify the member in writing that the alternate payee has not completed and submitted an enrollment form or all other documents required in order for ATRS to issue a payment to the alternate payee;~~
  - ii. ~~ATRS shall pay the alternate payee's portion of the member's retirement benefits or contributions to the member;~~
  - iii. ~~The member shall hold as constructive trustee the alternate payee's portion of the member's retirement benefits or contributions upon receiving the alternate payee's portion of the member's retirement benefits or contributions; and~~
  - iv. ~~The member shall be responsible for verifying with ATRS the amount of the alternate payee's portion of the member's retirement benefits or contributions to be held by the member as constructive trustee.~~
- O. ~~If an amount that should not have been distributed to the member or alternate payee under the QDRO is received by the member or alternate payee, the member or alternate payee shall:~~

- i. ~~Be responsible for holding the amount as a constructive trustee; and~~
  - ii. ~~Notify ATRS immediately that he or she received the amount. P.~~  
~~ATRS shall not make restitution for:~~
    - i. ~~A payment that is issued to the alternate payee before ATRS receives notice of the alternate payee's change of address;~~
    - ii. ~~A distributed amount that:~~
      - a. ~~The alternate payee is entitled to receive under the terms of a QDRO; and~~
      - b. ~~Is received by the member as constructive trustee; or~~
    - iii. ~~A distributed amount that:~~
      - a. ~~The member is entitled to receive under the terms of a QDRO; and~~
      - b. ~~Is received by the alternate payee as constructive trustee.~~
- Q. ~~A benefit enhancement enacted by the General Assembly or the Board after entry of the QDRO shall inure to the benefit of the member and shall not be assigned to the alternate payee.~~
- R. ~~ATRS shall not accept a QDRO for a member who does not have five (5) years of actual service with ATRS at the time the QDRO is issued by a court.~~
- S. ~~ATRS shall pay the member the total retirement benefit if ATRS determines that the alternate payee's monthly retirement benefit is less than twenty dollars (\$20.00).~~
- T. ~~The member shall be responsible for paying the alternate payee his or her portion under the QDRO if ATRS determines that the alternate payee's monthly retirement benefit is less than twenty dollars (\$20.00).~~
- U. ~~The QDRO issued by the circuit court shall not require ATRS to provide any benefit that is an actuarial cost to ATRS and is not otherwise contemplated in the law and rules applicable to ATRS.~~
- V. ~~No provision in this ATRS Rule 11 or in a QDRO accepted by ATRS shall require ATRS to violate any plan qualification requirement in the Internal Revenue Code, 26 U.S.C. § 401(a), or otherwise affect ATRS' requirement to operate as a governmental plan under the Internal Revenue Code, 26 U.S.C. § 414(d).~~

#### **VIII. ~~Lost Payees Rules~~**

- a. ~~A member or beneficiary of a deceased member, whichever is appropriate, is responsible for filing a current post office address and any subsequent change of address with ATRS.~~



- b. ~~Communication addressed to a member or beneficiary at the last post office address last filed with ATRS, or, if no post office address has been filed with ATRS, the last post office address indicated on the records of the employer of the member or the beneficiary shall be:~~
- ~~1. The official post office address for ATRS communication to the member or beneficiary; and~~
  - ~~2. Binding on the member or beneficiary for all ATRS purposes.~~
  - ~~3. ATRS shall have no obligation to determine the current post office address or any other address for a member or beneficiary. (Arkansas Code § 24-7-734)~~
- c. ~~Unclaimed Property Act~~
- ~~1. Member payments in the possession of ATRS shall be excluded from the definition of property as provided in the Unclaimed Property Act, Arkansas Code § 18-28-201 et seq.~~
  - ~~2. Arkansas Code § 24-7-734 supersedes any conflict with the Unclaimed Property Act, Arkansas Code § 18-28-201 et seq.~~

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**HISTORY**

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Amended:	October 5, 2009	(Permanent) 11-2
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Effective:	May 28, 2020	Rule 11
Effective:	May 20, 2022	Rule 11

**ATRS Rule 12**

**Protection of “Qualified Trust” Status of the Arkansas Teacher Retirement System under Internal Revenue Code § 401(a)**

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**§ 12-101. Definition.**

(a) As used in this rule, “Internal Revenue Code” means the same as defined in Arkansas Code § 24-7-202.

(b) The definition of “Internal Revenue Code” shall apply to the policies, rules, and regulations of the Arkansas Teacher Retirement System.

**§ 12-102. Compliance with federal law.**

(a) The Executive Director of the Arkansas Teacher Retirement System is authorized and directed to:

(1) Operate the Arkansas Teacher Retirement System in accordance with the requirements of the Internal Revenue Code and applicable United States Treasury regulations as may be necessary for the system to maintain its status and continue being operated as a qualified trust under 26 U.S.C. § 401(a); and

(2) Interpret Arkansas Code §§ 24-7-101 et seq., and the policies, rules, and regulations of the system in a manner that is consistent with the requirements of the Internal Revenue Code and applicable United States Treasury regulations as may be necessary for the system to maintain its status and continue being operated as a qualified trust under 26 U.S.C. § 401(a).

(b)(1) The policies, rules, and regulations promulgated by the Board of Trustees of the Arkansas Teacher Retirement System shall be consistent with the requirements of the Internal Revenue Code and applicable United States Treasury regulations.

(2) Any policy, rule, or regulation found to be in conflict with an applicable provision of the Internal Revenue Code are void.

(3) In accordance with Arkansas Code § 24-7-305, the board by resolution may modify or eliminate a rule of the system if a requirement under the Internal Revenue Code becomes unnecessary, immaterial, or obsolete to the maintenance of the system’s status as a qualified trust.

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**Authority: Arkansas Code §§ 24-7-101 et seq., 24-7-202, and 24-7-305,**

**History**

<u>Adopted:</u>	<u>July 18, 2005</u>	
<u>Approved by Board:</u>	<u>July 26, 2013</u>	
<u>Amended:</u>	<u>October 9, 2013</u>	
<u>Effective:</u>	<u>November 8, 2013</u>	
<u>Effective:</u>	<u>TBD</u>	

**~~RULE 12-1~~**  
**~~PROTECTION OF “QUALIFIED TRUST” STATUS~~**  
**~~OF ATRS UNDER~~**  
**~~INTERNAL REVENUE CODE § 401(a)~~**

A.C.A. § 24-7-202(16)  
Act 71 of 2005

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**DEFINITION**

**~~Internal Revenue Code or Code~~**, as used in these policies, rules, and regulations, means the federal Internal Revenue Code of 1986, as amended, as it existed on January 1, 2013.

**~~RULES (A.C.A. § 24-7-210)~~**

1. ~~The Executive Director of the Arkansas Teacher Retirement System is authorized and directed to operate ATRS and interpret any provisions of A.C.A. §§ 24-7-101 et seq. and these policies, rules, and regulations consistent with the requirements under the federal Internal Revenue Code and applicable United States Treasury regulations necessary to permit ATRS to be operated as a “qualified trust” under section 401(a) of the Code.~~
2. ~~Policies, rules, and regulations promulgated by the Board shall be consistent with these directions.~~
3. ~~Any policies, rules, or regulations found to be in conflict with an applicable provision of the Code are void.~~
4. ~~The Board may modify or eliminate an ATRS Rule by resolution at any Board meeting if a Code requirement becomes unnecessary, immaterial, or obsolete to the maintenance of ATRS qualified trust status, for the purposes under Act 109 of 2013.~~

**Adopted:** ~~July 18, 2005~~  
**Approved by Board:** ~~July 26, 2013~~  
**Amended:** ~~October 9, 2013~~  
**Effective:** ~~November 8, 2013~~

~~12-1-1~~

**ATRS Rule 13**  
**Administrative Adjudications and Informal Resolutions: Staff**  
**Determinations and Manifest Injustice Referrals**

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**§ 13-101. Definitions.**

As used in this rule:

(1) "Manifest injustice" has the same meaning as provided in Arkansas Code § 24-7-202; and

(2) "Member" for the purposes of the staff determination and appeal process means any member of the Arkansas Teacher Retirement System as defined in Arkansas Code § 24-7-202 and includes:

(A) A beneficiary of a member;

(B) A retiree of the system;

(C) A guardian, an administrator, or an executor of a member, retiree, or beneficiary; or

(D) A public school.

**§ 13-102. Staff determinations — Scope and purpose.**

(a) This rule governs the practice and procedures of the Arkansas Teacher Retirement System concerning the adjudication of a claim that concerns any retirement plan or program administered by the system and arises as a result of a determination made by the staff or administration of the system.

(b)(1) The system's staff is responsible for administering the accounts of members of the system and may make determinations based on the law and rules applicable to the system that may be adverse to a member's claim.

(2) This rule outlines the procedure for a member to appeal the determination of the system's staff or administration concerning a claim of the member.

(c)(1) The rules concerning the staff determination and appeal process should be read in conjunction with the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(2) To the extent that the rules concerning the staff determination and appeal process conflict with the Arkansas Administrative Procedures Act, the terms and provisions of the Arkansas Administrative Procedures Act shall supersede the rules concerning the staff determination appeal process and control.

(d) The rules concerning the staff determination and appeal process do not apply to claims or causes of action that the system or the Board of Trustees of the Arkansas Teacher Retirement System may have against a member or any other person or entity, regardless of the origin or nature of the claim.

**§ 13-103. Staff determinations — Extension of deadlines.**

(a)(1) The Board of Trustees of the Arkansas Teacher Retirement System and the Executive Director of the Arkansas Teacher Retirement System may extend any deadline applicable to a member's appeal upon a showing of good cause unless a Hearing Officer has been assigned.

(2) Only the board may extend a deadline after the deadline has passed.

(3) If a hearing officer has been assigned, until the completion of the hearing, only

the hearing office may extend a deadline applicable to a member's appeal upon a showing of good cause.

(b) When compliance with the rules concerning the staff determination and appeal process is based on delivery having occurred, delivery shall be considered to have occurred on the earlier of either the:

(1) Date of the postmark, if posted with the United States Postal Service;

(2) Date of actual delivery by one of the following methods:

(A) Hand delivery;

(B) Electronic transmission; or

(C) Delivery service other than USPS.

#### **§ 13-104. Staff determinations — Informal resolutions.**

(a)(1) A member's claim may be resolved informally through correspondence or conference between the member and the staff of the Arkansas Teacher Retirement System.

(2) All reasonable efforts shall be made to informally resolve a member's claim with the member.

(b)(1) The executive director may implement a resolution of a member's claim that has a direct impact to the system of up to five thousand dollars (\$5,000).

(2) Board approval shall be required to implement a resolution that has a direct financial impact to the system in excess of five thousand dollars (\$5,000).

(c)(1) The system's staff and the member are strongly encouraged to engage in a good faith attempt to resolve claims informally based upon the proper application of the law, rules, and policies applicable to the system and to the specific facts of the member's claim.

(2) A member's claim shall not be resolved in a manner that contravenes the law, rules, and policies applicable to the system.

(d) If a claim is not resolved informally and a staff determination letter adverse to the member's claim is issued to the member, the member may request a review of the staff determination by the Executive Director of the Arkansas Teacher Retirement System.

(e) The manifest injustice referral process shall not be used with regard to a member if the manifest injustice referral concerns the same questions of the law and fact that are at issue in a claim concerning the member that is resolved through the staff determination and appeals process.

#### **§ 13-105. Staff determinations — Notice of adverse determination.**

(a)(1) If the staff of the Arkansas Teacher Retirement System make a determination that is adverse to a member's claim, the system shall send a staff determination letter to the member if the claim involves:

(A) An ambiguity in the interpretation of the specific facts of the member's claim that would impact the manner in which the law, rules, or policy applicable to the system are applied to the member's claim;

(B) An ambiguity in the interpretation of the law, rules, or policy applicable to the system; or

(C) An ambiguity concerning the proper application of the law, rules, or policy applicable to the system to the specific facts of the member's claim.

(2) A staff determination letter shall not be issued to a member unless the staff determination letter has been reviewed and approved by an attorney for the system.

(b) A staff determination letter that is issued to a member shall:

(1) Advise the member of the determination and the reasons for the determination;  
and

(2) Advise the member of the procedure for requesting a review of the staff determination by the Executive Director of the Arkansas Teacher Retirement System;

(3) Advise the member of the deadline to request a review by the executive director; and

(4) Not include findings of fact and conclusions of law, separately stated.

(c) The written determination of system staff concerning an overpayment collection dispute or the applicability of a salary limitation to a plan or payment shall be treated as a staff determination letter.

(d) A staff determination letter is not and shall not be construed as a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(e) The system shall consider a member's claim as closed if the member does not request a review of the staff determination by the executive director within thirty (30) calendar days of the date of the staff determination letter.

#### **§ 13-106. Staff determinations — Review by executive director.**

(a)(1) A member shall submit a request for a review of a staff determination by the Executive Director of the Arkansas Teacher Retirement System in writing.

(2) A member shall not be required to resubmit any documents or information with his or her request for a review.

(b)(1) Unless an extension is granted by the Board of Trustees of the Arkansas Teacher Retirement System or the executive director, a member shall not be permitted to request a review of a staff determination by the executive director unless the member's request is received by the Arkansas Teacher Retirement System within thirty (30) calendar days of the date of the staff determination letter.

(2) If the last day to request a review of a staff determination by the executive director falls on an official state holiday or weekend, the member shall have until the next business day to request a review.

(c)(1) The executive director shall promptly send a letter to the member acknowledging the member's request for a review.

(2)(A) The member may submit for review by the executive director any additional relevant documents or information not previously submitted by the member to the system.

(B) The member shall submit the additional documents and information to the executive director within thirty-five (35) calendar days of the date of the executive director's acknowledgement letter.

(d)(1) Upon receiving a member's request for a review of a staff determination, the executive director shall independently review the facts and the law, rules, and policy applicable to the member's claim.

(2) The executive director shall consider the staff determination as well as any relevant documents and information provided by the member.

(3) The executive director may affirm, reverse, or modify the staff determination



before a final determination on the member's claim is made by the board.

(e)(1) The executive director shall send a review determination letter to the member within ninety (90) calendar days from the date on which the member's request for a review was received by the system.

(2) A review determination letter shall:

(A) Advise the member of the determination and the applicable law, rules, and policy used by the executive director to reach his or her determination;

(B) Advise the member of the procedure for appealing the review determination letter to the board;

(C) Advise the member of the deadline to appeal the review determination letter to the board; and

(D) Not include findings of fact and conclusions of law, separately stated.

(f) A review determination letter is not and shall not be construed as a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(g) The system shall consider a member's claim as closed if the member does not appeal the executive director's review determination within thirty (30) calendar days of the date of the review determination letter.

#### **§ 13-107. Staff determinations — Appeals — Initiation of appeal to the Board of Trustees of the Arkansas Teacher Retirement System.**

(a) A review determination of the Executive Director of the Arkansas Teacher Retirement System may be appealed by the member to the Board of Trustees of the Arkansas Teacher Retirement System.

(b)(1) A member shall appeal a review determination of the executive director in writing by filing a signed notice of appeal with the Arkansas Teacher Retirement System in the manner required by the system.

(2) A member shall file his or her signed notice of appeal with the system within thirty (30) calendar days of the date of the review determination letter.

(c) A member shall address and deliver his or her signed notice of appeal to the Board of Trustees of the Arkansas Teacher Retirement System, Member Appeals, ATTN: Legal Department, 1400 West Third Street, Little Rock, Arkansas, 72201.

#### **§ 13-108. Staff determinations — Appeals — Assignment of hearing officer.**

(a)(1) All member appeals of a review determination shall be assigned to a hearing officer.

(2) The executive director or his or her designee shall appoint a hearing officer from a list of qualified individuals approved by the executive director.

(3) The hearing officer shall conduct an administrative hearing, recommend factual and legal determinations, and prepare a proposed order for the board that includes findings of fact and conclusions of law, separately stated.

(b)(1) Following appointment, the hearing officer shall issue a written scheduling order to the member, executive director, and legal counsel for the system.

(2) The scheduling order shall contain include all information required under the Arkansas Administrative Procedures Act, § 25-19-201 et seq.

(3) The hearing officer, at his or her discretion, may include in the scheduling order reasonable deadlines for the submission and exchange of exhibits, witness lists, and

related materials before the hearing, including without limitation, any requested proposed findings of fact and conclusions of law.

(4) The hearing officer may continue any scheduled matter at his or her discretion for good cause shown by any party or counsel of record.

(c) Unless otherwise ordered, hearings shall be held at the Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201.

### **§ 13-109. Staff determinations — Appeals — Filing documents.**

(a) Following the appointment of a hearing officer, all correspondence, documents, requests, submissions, filings and other documents relating to an appeal shall be mailed or hand delivered to the Arkansas Teacher Retirement System, Member Appeals, ATTN: Legal Department, 1400 West Third Street, Little Rock, Arkansas, 72201.

(b) Any party submitting or filing a document relating to an appeal shall simultaneously deliver a copy of the filing or document to the opposing party or, if applicable, opposing counsel.

(c) The Arkansas Teacher Retirement System shall be the responsible for ensuring that:

(1) Copies of all correspondence, documents, requests, submissions, filings, and other documents relating to an appeal are provided in a timely manner to the hearing officer; and

(2) A complete record of each appellate proceeding before a hearing officer and the Board of Trustees of the Arkansas Teacher Retirement System is prepared and maintained in a single, centralized location.

### **§ 13-110. Staff determinations — Appeals — Hearings.**

(a) The hearing is an administrative hearing before the hearing officer and is not a hearing before the Board of Trustees of the Arkansas Teacher Retirement System.

(b)(1) All hearings shall be conducted according to [the rules concerning the staff determination appeal process](#) and the corresponding procedural provisions of the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(2) The hearing shall be informal and the formal rules of evidence shall not apply.

(3) In conducting a hearing, the hearing officer shall not be bound by the formal rules of evidence, and no informality in any proceedings or in the manner of taking of testimony shall invalidate any order or decision of the board.

(c) A member shall at all times have the right to counsel, provided that such counsel:

(1) Is duly licensed to practice law in the State of Arkansas; or

(2) Has been granted permission to appear *pro hac vice* by the hearing officer.

(d)(1) All hearings shall be conducted in an orderly manner.

(2) The hearing officer shall have the authority to maintain the decorum of the hearing and may clear the hearing room of witnesses who are not under examination.

(e) If a member fails to appear at the hearing, the member waives his or her right to present evidence and arguments to the hearing officer and the hearing officer may proceed with the hearing and prepare a proposed order for the board's consideration based on the evidence presented.

(f) The hearing officer shall have the authority to administer oaths and affirmations.

(g)(1) Each party shall be entitled to examine and cross-examine witnesses, present evidence, make arguments, and generally participate in the conduct of the proceeding.

(2) The hearing officer may question a witness during any portion of the direct or cross-examination of the witness.

(3)(A) Before giving testimony, each witness shall swear or affirm that the testimony about to be given shall be the truth, the whole truth, and nothing but the truth.

(B) All testimony considered by the hearing officer, except for matters officially noticed or entered by stipulation, shall be sworn testimony.

(h)(1) The hearing officer may admit into the record any evidence that in his or her judgment:

(A) Has a reasonable degree of probative value and trustworthiness; or

(B) Is of a type or nature commonly relied upon by reasonably prudent people in the conduct of their affairs.

(2) The hearing officer may exclude evidence that is irrelevant, immaterial, or unduly repetitious.

(3) Objections to evidentiary offers may be made and shall be noted of record.

(4) Documents received into evidence by the hearing officer shall be marked and filed as part of the record.

(i) Following the close of evidentiary submissions and witness testimony, the hearing officer may in his or her discretion allow summations and closing arguments by the parties.

(j)(1) The Arkansas Teacher Retirement System shall arrange for a court reporter to attend and record all hearings.

(2)(A) The system shall pay the cost for preparing a transcript of the hearing.

(B) Upon receiving the hearing transcript, the system shall promptly forward a copy of the transcript to the hearing officer and the member or, if applicable, the member's counsel.

### **§ 13-111. Staff determinations — Appeals — Post-hearing briefs.**

(a)(1) Upon the completion of the hearing, the hearing officer may allow the parties to submit post-hearing briefs to be included as part of the record on appeal.

(2) The decision on whether or not to allow the submission of post-hearing briefs is within the sole discretion of the hearing officer.

(3) A hearing officer's decision to not allow post-hearing briefs shall have no effect on the validity of any order or decision issued by the Board of Trustees of the Arkansas Teacher Retirement System.

(b) If a hearing officer grants the member or the Arkansas Teacher Retirement System an opportunity to submit a post-hearing brief, the hearing officer shall provide the opposing party an opportunity to submit a response.

(c) The hearing officer shall have discretion to set reasonable deadlines for the parties to submit post-hearing briefs and responses, provided that the parties shall be allowed a minimum of fourteen (14) calendar days from the date of receipt of the hearing transcript before any initial post-hearing brief shall be due for filing.

### **§ 13-112. Staff determinations — Appeals — Proposed orders.**

(a) After the hearing officer receives all evidence, arguments, and, if applicable, post-hearing briefs, the record before the hearing officer shall be officially closed.

(b)(1) After the record before the hearing officer is closed and the hearing officer has

considered all of the evidence, the hearing officer shall, as soon as practical, prepare a proposed order to be delivered to the Board of Trustees of the Arkansas Teacher Retirement System.

(2) The proposed order shall include:

(A) Findings of fact based exclusively on the evidence and testimony in the record of the hearing;

(B) Conclusions of law **that shall be separately stated from the findings of fact;** and

(C) A recommendation to the board.

(3)(A) The hearing officer shall provide the proposed order to the board via e-mail and via United States mail addressed to the Arkansas Teacher Retirement System, Member Appeals, ATTN: Legal Department, 1400 West Third Street, Little Rock, Arkansas, 72201.

(B) Upon receiving the proposed order, the system shall mail a copy of the proposed order to the member and, if applicable, the member's counsel via Certified, First Class, United States mail, with a copy to the Executive Director of the Arkansas Teacher Retirement System.

#### **§ 13-113. Staff determinations — Appeals — Objections to proposed orders.**

(a)(1) The member shall have the right to file a written statement of objections outlining any objections, exceptions, and arguments that the member determines should be considered by the Board of Trustees of the Arkansas Teacher Retirement System during the board's evaluation of the hearing officer's proposed order.

(2) A member shall not be permitted to introduce additional evidence or testimony in his or her statement of objections.

(b) A member's written statement of objections shall be delivered to the Arkansas Teacher Retirement System within twenty-one (21) calendar days of the member's receipt of the hearing officer's proposed order.

(c)(1) Counsel for the system may prepare a written response to any written statement of objections filed by the member.

(2) A copy of any response by the system shall be provided to the board and the member and, if applicable, the member's counsel, before the board meeting at which the hearing officer's proposed order is scheduled to be considered by the board.

#### **§ 13-114. Staff determinations — Appeals — Consideration of proposed orders by the Board of Trustees of the Arkansas Teacher Retirement System.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System shall render a final determination on the hearing officer's proposed order.

(b)(1) The board's consideration of the hearing officer's proposed order shall be scheduled within a reasonable time to be heard, at a regular meeting of the board after the issuance of the proposed order.

(2) The board may call an emergency meeting to consider the hearing officer's proposed order if the situation warrants.

(3) The Arkansas Teacher Retirement System shall notify the member and, if applicable, the member's counsel in writing of the date, time, and location of the board meeting at which the board intends to consider the hearing officer's proposed order.

(c)(1) Before rendering a decision on the hearing officer's proposed order, the board may request that the member and, if applicable, the member's counsel make a brief statement to the board concerning facts and any arguments that the member wishes to present and respond to any questions from the board.

(2) The board's consideration of a brief statement and any responses to questions made by the member or, if applicable, the member's counsel shall not require the board to conduct another hearing and shall be based on the hearing previously conducted before the hearing officer.

(2) The chairman of the board shall have the final authority to set the amount of time any party may have to make a statement to the board.

(d)(1) Failure of a member to appear at the meeting of the board without prior notification shall result in the member waiving his or her right to be heard by the board.

(2)(A) A member may petition the board for another opportunity to address the board.

(B) The board may grant a member's petition for another opportunity to address the board if the board determines that the member's absence was for good cause.

(e)(1) After the board's consideration of the hearing officer's proposed order, the board shall either accept or reject all or part of the hearing officer's proposed order.

(2) The board may either accept the proposed order, reject the proposed order, or accept the proposed order as modified by the board.

(3) If the board rejects the proposed order or accepts the proposed order as modified by the board, the board may:

(A) Prepare its own written findings of fact and conclusions of law, **separately state**, and issue its own order based upon those findings and conclusions;

(B) Consider manifest injustice as a basis for any remedy; or

(C) Remand the matter in whole or in part to the hearing officer for reconsideration of additional findings of fact or conclusions of law or both additional findings of fact and conclusions of law.

(f) A quorum of votes of the board is necessary to approve any motion, resolution, or order under the board's consideration.

(g)(1) Following the board's decision on the hearing officer's proposed order, the board shall prepare a written final order on the member's appeal.

(2) The board's final order shall include findings of fact and conclusions of law, separately stated, that were relied upon by the board in formulating the final order.

(3) **The board's final order shall be a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.**

(4) A copy of the board's final order, including the board's findings of fact and conclusions of law, **separately stated**, shall be delivered by the Executive Director of the Arkansas Teacher Retirement System to the member and, if applicable, the member's counsel via Certified, First Class, United States.

### **§ 13-115. Staff determinations — Appeals — Settlement authority.**

(a) **With the member's written consent or, if applicable, the written consent of the member's counsel, the Executive Director the Arkansas Teacher Retirement System may suspend his or her review of a member's claim being considered under the rules**

concerning the staff determination and appeal process if the member's claim may be more expediently resolved using the manifest injustice process.

(b) The executive director may settle any claim in a manner mutually agreeable to the Arkansas Teacher Retirement System and the member at any time before the Board of Trustees of the Arkansas Teacher Retirement System issues its final order on the member's appeal.

(c) In settling any claim, the executive director shall not exceed the authority previously granted to him or her by the board.

(d) The executive director shall report any settlement that occurs after the hearing officer issues a proposed order to the board.

### **§ 13-116. Staff determinations — Appeals — Rights of members under the Arkansas Administrative Procedures Act.**

(a) A member who receives an adverse final order from the Board of Trustees of the Arkansas Teacher Retirement System retains certain rights under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(b)(1) A member may file a petition for judicial review under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(2) A petition for judicial review of a final or of the board shall be filed by the member within thirty (30) days after service of the board's final order on the member.

(3) A member shall file the petition for judicial review in Pulaski County Circuit Court or the circuit court of any county in which the member resides or does business.

### **§ 13-117. Staff determinations — Appeals — Ex parte communications.**

(a) The Arkansas Administrative Procedures Act, § 25-15-201 et seq., prohibits direct or indirect communications between the members and staff of the Arkansas Teacher Retirement System and a hearing officer or a member of the Board of Trustees of the Arkansas Teacher Retirement System concerning any issue of fact or law at issue in a member's appeal unless there has been notice providing all parties with an opportunity to participate in the communication.

(b) A hearing officer and a member of the board shall not consider any ex-parte or off-the-record evidence or statements made to them by the member or a staff member of the system in connection with a pending appeal.

(c) This section does not preclude communications by and between the hearing officer, system staff, and the board concerning minor scheduling and procedural matters necessary to timely and efficiently process and handle member appeals under the rules concerning the staff determination and appeal process.

### **§ 13-118. Manifest injustice.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System may waive or modify the impact of a rule, provision, or law applicable to the Arkansas Teacher Retirement System that does not violate a federal law or jeopardize the tax qualified status of the system in order to prevent a manifest injustice to a member, benefit participant, covered employer, or the system.

(b)(1) The process of declaring a manifest injustice is a rare and extraordinary remedy that shall not be used as a routine method of addressing error, oversight, or simple

mistake.

(2) As an extraordinary remedy, manifest injustice shall be cautiously and carefully used to prevent unfairness, to preserve the integrity of the system, and to avoid or correct unduly harsh or unconscionable outcomes.

(c) In determining whether or not a manifest injustice exists, the system may consider:

(1) The degree of fault of the system, benefit participant, or employer;

(2) An ambiguity in the interpretation of the circumstances, rule, or law;

(3) The cost to the system of correcting the error that is far outweighed by the benefit afforded to the system, benefit participant, or employer;

(4) Whether or not an expedited decision is in the public interest;

(5) The fundamental fairness of a remedy in a particular situation; and

(6) Whether or not the status quo would result in an unconscionable outcome.

(d)(1) The manifest injustice process shall not be used to address a change, omission, or error in the records of the system that may be corrected within the look-back period.

(2) The manifest injustice process may be used to correct a change, omission, or error in the records of the system discovered after the look-back period if the board determines that the time limitation imposed by the look-back period would cause a manifest injustice.

### **§ 13-119. Manifest injustice — Referrals.**

(a) A manifest injustice referral shall be made to the Executive Director of the Arkansas Teacher Retirement System.

(b)(1) The following persons or entities may submit a manifest injustice referral to the executive director:

(A) A member of the Board of Trustees of the Arkansas Teacher Retirement System;

(B) A staff member of the system, including without limitation the executive director;

(C) A benefit participant as defined by Arkansas Code § 24-7-202;

(D) A covered employer; or

(E) A guardian, fiduciary, or other interested party.

(2) A member of the Manifest Injustice Committee shall not be permitted to make a manifest injustice referral to the executive director.

(c)(1) The Arkansas Teacher Retirement System shall create and maintain a record of each manifest injustice referral submitted to the executive director and the resolution of the manifest injustice referral.

(2) The executive director shall submit all manifest injustice referrals to the committee.

(3) Each referral shall be given a number and a year designation by the committee.

### **§ 13-120. Manifest injustice — Authority of executive director.**

(a) With the member's written consent or, if applicable, the written consent of the member's counsel, the Executive Director the Arkansas Teacher Retirement System may suspend his or her review of a member's claim being considered under the rules concerning the staff determination and appeal process if the member's claim may be

more expediently resolved using the manifest injustice process.

(b)(1) The executive director is authorized to implement a resolution of a manifest injustice after a determination is made that a manifest injustice exists using the rules concerning the manifest injustice process.

(2)(A) The executive director may implement a resolution of a manifest injustice of up to **five thousand dollars (\$5,000)** of direct financial impact to the Arkansas Teacher Retirement System.

(B) The executive director shall provide the chair of the Board of Trustees of the Arkansas Teacher Retirement System with written notice of a manifest injustice determination and the proposed resolution before implementing the resolution if a resolution has a direct financial impact on the system in an amount exceeding five thousand dollars (\$5,000).

(c)(1) The executive director shall not waive a deadline that may apply in the law or rules applicable to the system.

(2) Only the Board of Trustees of the Arkansas Teacher Retirement System may waive a deadline.

(d)(1) The executive director shall provide a report to the board at least biannually that:

(A) Outlines the facts and circumstances of each manifest injustice referral;

(B) Describes findings and recommendations of the manifest injustice committee; and

(C) Provides and explains the resolution of the manifest injustice referral if a manifest injustice is found.

(2) The names of members or other information that is not material to the findings shall not be required in the report to the board.

### **§ 13-121. Manifest injustice — Manifest Injustice Committee.**

(a) The Arkansas Teacher Retirement System's General Counsel and two (2) members of senior management designated by the Executive Director shall be the sole members of the Manifest Injustice Committee.

(b)(1) The committee shall review all manifest injustice referrals and shall meet on a reasonable schedule or as needed to review manifest injustice referrals.

(2) If a committee member has a conflict or otherwise cannot review or act on a manifest injustice referral due to absence, sickness, or work load, the committee member may appoint a representative from his or her supervised staff to review or act on the manifest injustice referral on the committee member's behalf.

(3) A majority vote of the committee shall constitute a recommendation on a manifest injustice referral.

(c)(1) The committee may request that a party to the manifest injustice referral provide information or input concerning the manifest injustice referral.

(2) A party to the manifest injustice referral is not required to provide any information or input requested by the committee.

(d)(1) The committee shall make a recommendation on the existence of a manifest injustice to the Executive Director of the Arkansas Teacher Retirement System based upon the committee's review of the manifest injustice referral.

(2) If the committee finds that a manifest injustice exists, then the committee shall propose and include in its recommendation a resolution of the manifest injustice.



**§ 13-122. Manifest injustice — Review of recommendation.**

(a)(1) The Executive Director of the Arkansas Teacher Retirement System shall review the manifest injustice referral and the Manifest Injustice Committee's basis for the recommendation.

(2)(A) The executive director may request that a party to the manifest injustice referral provide information or input concerning the manifest injustice referral.

(B) A party to the manifest injustice referral is not required to provide any information or input requested by the executive director.

(b)(1) The executive director may either accept the committee's recommendation or return the manifest injustice referral to the committee for further consideration if the executive director disagrees with the committee's recommendation.

(2)(A) The manifest injustice referral shall be considered reviewed and closed if the committee recommends that a manifest injustice exists and the executive director accepts the recommendation.

(B) If the committee recommends that a manifest injustice exists and the executive director accepts the recommendation, the executive director may either adopt the resolution suggested by the committee or an alternative resolution that the executive director is authorized to implement.

(C) A committee's recommendation that is accepted by the executive director and finds that a manifest injustice exists is not appealable under the rules concerning the staff determination appeal process or the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(3)(A) The manifest injustice referral shall be considered reviewed and closed if the committee recommends that a manifest injustice does not exist, the executive director accepts the recommendation, and the recommendation is not appealed to the Board of Trustees of the Arkansas Teacher Retirement System using the rules concerning the staff determination appeal process.

(B)(i) A committee's recommendation that is accepted by the executive director and finds that a manifest injustice does not exist may be appealed to the board using the rules concerning the staff determination appeal process if the manifest injustice referral involves:

(a) An ambiguity in the interpretation of the specific facts of the member's claim that would impact the manner in which the law, rules, or policy applicable to the system are applied to the member's claim;

(b) An ambiguity in the interpretation of the law, rules, or policy applicable to the system; or

(c) An ambiguity concerning the proper application of the law, rules, or policy applicable to the system to the specific facts of the member's claim.

(ii) A board member or staff member of the system shall not be permitted to appeal a committee's recommendation that is accepted by the executive director.

(iii) A committee's written recommendation shall not be considered a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(4)(A) If a manifest injustice referral is returned to the committee by the executive director, the manifest injustice committee shall reconsider the manifest injustice referral

and take into consideration any addition information provided by the executive director.

(B) The committee may maintain or amend its original recommendation after reconsidering a manifest injustice referral that is returned by the executive director.

(C)(i) If the committee maintains its original recommendation and the executive director does not accept the recommendation, the executive director may include the manifest injustice referral as an action item on the agenda of the board's next scheduled meeting for consideration and resolution by board.

(ii) If the manifest injustice referral was submitted by a person or entity who is not a board or staff member of the Arkansas Teacher Retirement System, the system shall send the person or entity written notice that:

(a) Provides the time and date on which the board intends to consider the manifest injustice referral;

(b) Advises the person or entity that the person or entity may present arguments to the board concerning the manifest injustice referral;

(c) Advises the person or entity that the system will send the person or entity a written final order of the board after the board meeting; and

(d) Advises that the board's final order shall be a final decision or order of the system that may be appealed by the person or entity under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(D) If the board finds that a manifest injustice does exist, the board may implement a resolution suggested by the system's staff or an alternative resolution.

(E) A final order of the board concerning a manifest injustice referral shall be considered the final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

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**Authority: Arkansas Code §§ 24-7-202, 24-7-205, and 25-15-201 — 24-15-219.**

### **History**

<u>Approved:</u>	<u>February 1, 2010</u>	<u>(Emergency), 13-1</u>
<u>Approved:</u>	<u>June 7, 2010</u>	<u>Permanent, 13-1</u>
<u>Approved by Board:</u>	<u>July 26, 2013</u>	<u>13-1, 17-1</u>
<u>Amended:</u>	<u>October 9, 2013</u>	<u>13-1</u>
<u>Adopted:</u>	<u>October 9, 2013</u>	<u>17-1</u>
<u>Effective:</u>	<u>November 8, 2013</u>	<u>13-1, 17-1</u>
<u>Final Approval by Board:</u>	<u>February 5, 2018</u>	<u>13-1</u>
<u>Effective:</u>	<u>February 16, 2018</u>	<u>13-1</u>
<u>Effective:</u>	<u>TBD</u>	<u>Rule 13-1</u>

**~~RULE 13-1~~**  
**~~ADMINISTRATION ADJUDICATIONS:~~**  
**~~STAFF DETERMINATIONS AND APPEALS~~**

~~A.C.A. §§ 25-15-201 to 219~~

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**~~I. Scope and Purpose~~**

~~A. The purpose of this rule is to govern practice and procedure before ATRS and the Board of Trustees ("Board") involving any issue or claim ("claim(s)") arising as a result of any administrative decision or staff determination of ATRS relating to any retirement plan or program administered by ATRS. ATRS staff is responsible for administering ATRS members' accounts. Sometimes, the staff will make a determination based on ATRS rules and the rule of law that may be adverse to a member's claim. This rule outlines the procedure for a member to appeal a decision of ATRS.~~

~~B. This rule applies to any claim of a member. For purposes of this rule, "member" includes any member of ATRS as defined in A.C.A. § 24-7-702, as well as any beneficiary of a member; any retiree of ATRS; any guardian, administrator, or executor of a member, retiree, or beneficiary; or any public school (all such categories of persons shall be referred to within this rule as the "member").~~

~~C. This rule should be read in conjunction with the Arkansas Administrative Procedures Act. See A.C.A. §§ 25-15-201 -219 (the "APA"). To the extent any term or provision of this rule conflicts with any term or provision of the APA, the terms and provisions of the APA shall supersede this rule and control. This rule does not apply to claims or causes of action that ATRS or the Board may have against a member or any other person or entity, regardless of the origin or nature of the claim.~~

~~D. The Board and the ATRS Executive Director have the power to extend any deadline applicable to a member's appeal upon a showing of good cause, except when a Hearing Officer has been assigned, in which case such power shall rest with the Hearing Officer until the completion of the hearing.~~

~~E. When compliance with this Rule is based on "delivery", delivery is the earlier of either the date of the postmark, if posted with the United States Postal Service, or the date of actual delivery by one of the following methods:~~

- ~~i. Hand delivery; ii. Electronic transmission; or iii. Delivery service other than USPS.~~

## ~~II. Informal Resolution Encouraged~~

~~Claims by a member are usually settled by mutual agreement through correspondence or informal conference between the member and the staff of ATRS. The staff and the member are strongly encouraged to engage in a good faith attempt to mutually resolve claims based upon proper application of the laws, statutes, and rules which govern the operation and administration of ATRS plans and programs to the specific facts of the member's claim.~~

## ~~III. Staff Determinations~~

~~A. If the staff makes a determination that is adverse to a member's claim, ATRS shall issue a Staff Determination Letter to the member. The letter shall detail the reasons for the decision. The member may disagree with the staff determination based upon a factual dispute or a dispute regarding the application of the rules and law. All reasonable efforts will be made to informally resolve the issue with the member. For claims that are not resolved informally, a member may appeal the staff determination to the Executive Director.~~

~~B. The decision stated in the Staff Determination Letter issued in accordance with this rule will become a final administrative decision and final agency action on the thirty-first (31<sup>st</sup>) day following the date of the Staff Determination Letter unless the member requests a timely Executive Director review.~~

## ~~IV. Executive Director Review~~

~~A. The member may request a review of the staff determination by the Executive Director no later than close of business thirty (30) calendar days after the date of the Staff Determination Letter. If the last day to file the request falls on an official state holiday or weekend, then the request must be delivered to the Executive Director no later than close of business on the next business day. The Executive Director will promptly acknowledge the member's request for review.~~

~~B. The member shall not be required to resubmit any documents or information with the written request for Executive Director review. If the member believes that the Executive Director should review any relevant documents or information not previously submitted to ATRS, the member may submit such information to the Executive Director. Any additional information must be delivered to the~~

~~Executive Director within thirty-five (35) calendar days of the date of Executive Director's acknowledgment letter.~~

- ~~C. The Executive Director will conduct an independent review of the facts and the law, taking into consideration the staff determination as well as any relevant information provided by the member. After the review period, which may vary in length according to the facts of the member's claim, the Executive Director will issue an Executive Director Review Determination Letter to the member on the claim.~~
- ~~D. The Executive Director may affirm, reverse, or modify the staff determination at any time prior to the final determination of the Board. The Executive Director shall provide to the member the applicable statutes and rules used in reaching the decision and a summary of the factual basis and legal conclusions for the Executive Director's decision. Unless the member initiates a timely appeal of the Executive Director's decision in accordance with this rule, the decision of the Executive Director will become a final administrative decision and final agency action on the 31st day following the date of the Executive Director Review Determination Letter.~~

#### ~~V. Appeals to the Board~~

~~A. Any decision of the Executive Director regarding a staff determination may be appealed to the Board. In order to initiate an appeal, the member must deliver to the address below a signed written Notice of Appeal to the Board within thirty (30) calendar days of the date of the Executive Director Review Determination Letter. The Notice of Appeal may be in the form of a letter addressed to:~~

~~**ATRS Board of Trustees  
Member Appeals  
ATTN: Legal Department  
1400 West Third Street  
Little Rock, Arkansas 72201**~~

- ~~B. All appeals from an Executive Director decision to the Board will be assigned to a Hearing Officer, who will conduct an administrative hearing, recommend factual and legal determinations, and prepare a proposed order to the Board that includes findings of fact and conclusions of law. The Executive Director or his designee shall appoint the Hearing Officer from a list of qualified individuals approved by the Executive Director.~~
- ~~C. Following appointment, the Hearing Officer shall issue a written scheduling order to the member, the Executive Director of ATRS, and the legal counsel of ATRS.~~

The scheduling order shall contain all information required under the Arkansas Administrative Procedures Act. (See A.C.A. § 25-15-208.) The Hearing Officer, at his or her discretion, may include in the scheduling order reasonable deadlines for the submission and exchange of exhibits, witness lists, and related materials prior to the hearing, including but not limited to, any requested proposed findings of fact and conclusions of law. Unless otherwise ordered, hearings shall be held at the offices of ATRS, 1400 West Third Street, Little Rock, Arkansas 72201.

D. The Hearing Officer may continue any scheduled matter at his or her discretion for good cause shown by any party or counsel of record.

## **VI. Filing of Documents**

A. Following the appointment of a Hearing Officer, all correspondence, documents, requests, submissions, or filings of any type relating to an appeal shall be mailed or hand delivered to:

**Arkansas Teacher Retirement System  
Legal Department 1400 West Third Street  
Little Rock, Arkansas 72201**

B. Any party submitting or filing a document relating to an appeal shall simultaneously deliver a copy of the filing or document to the opposing party (or opposing counsel, if applicable). It shall be the responsibility of ATRS to ensure: (a) that copies of all correspondence, documents, requests, submissions, and filings relating to an appeal are provided in a timely manner to the Hearing Officer; and (b) that a complete record of each appellate proceeding before a Hearing Officer and the Board is prepared and maintained in a single, centralized location.

## **VII. Hearings**

A. The hearing is an administrative hearing before the Hearing Officer, and is not a hearing before the Board. Hearings will be conducted according to this rule and the corresponding procedural provisions of the Arkansas Administrative Procedures Act (See A.C.A. § 25-15-213). The member shall at all times have the right to counsel, provided that such counsel: (a) is duly licensed to practice law in the State of Arkansas; or (b) has been granted permission to appear *pro hac vice* by the Hearing Officer. All hearings shall be conducted in an orderly manner. The Hearing Officer shall have the authority to maintain the decorum of the hearing and may clear the hearing room of witnesses not under examination.

B. If the member fails to appear at the hearing, the member waives his or her right to present evidence and argument to the Hearing Officer, and the Hearing Officer

may proceed with the hearing and prepare a proposed order to the Board based on the evidence presented.

~~C. The Hearing Officer shall have the authority to administer oaths and affirmations. Each party shall be entitled to examine and cross-examine witnesses, present evidence, make arguments, and generally participate in the conduct of the proceeding. The Hearing Officer may question a witness during any portion of the direct or cross-examination of such witness. All testimony to be considered by the Hearing Officer, except matters officially noticed or entered by stipulation, shall be sworn testimony. Before giving testimony, each person shall swear or affirm that the testimony about to be given shall be the truth, the whole truth and nothing but the truth.~~

~~D. The hearing shall be informal and formal rules of evidence shall not apply. In conducting a hearing, the Hearing Officer shall not be bound by the formal rules of evidence, and no informality in any proceedings or in the manner of taking of testimony shall invalidate any order or decision of the Board. The Hearing Officer may admit into the record any evidence that in the judgment of the Hearing Officer:~~

- ~~i. Has a reasonable degree of probative value and trustworthiness; or~~
- ~~ii. Is of a type or nature commonly relied upon by reasonably prudent people in the conduct of their affairs. The Hearing Officer may exclude evidence that is irrelevant, immaterial, or unduly repetitious. Objections to evidentiary offers may be made and shall be noted of record.~~
- ~~iii. Following the close of evidentiary submissions and witness testimony, the Hearing Officer may in his or her discretion allow summations and closing arguments by the parties.~~

~~E. ATRS shall arrange for a court reporter to attend and record all hearings. Documents received into evidence by the Hearing Officer shall be marked and filed as part of the record. ATRS shall be responsible for payment of the cost of the preparation of the transcript. Upon receipt of the transcript of the hearing, ATRS shall promptly forward a copy of the transcript to the Hearing Officer and the member (or counsel for the member, if applicable).~~

### **VIII. Post-hearing Briefs**

~~A. Upon the completion of the hearing, the Hearing Officer may allow the parties to submit post-hearing briefs to be included as part of the record on appeal. The decision whether to allow the submission of post-hearing briefs is committed to the sole discretion of the Hearing Officer. A decision by the Hearing Officer to~~

not allow post-hearing briefs shall have no effect on the validity of any order or decision issued by the Board.

- B. If the Hearing Officer grants the member or ATRS an opportunity to submit a post-hearing brief, the Hearing Officer shall provide the opposing party an opportunity to submit a response. The Hearing Officer shall have discretion to set reasonable deadlines for the parties to submit post-hearing briefs and responses, provided that the parties shall be allowed a minimum of fourteen (14) calendar days from the date of receipt of the transcript of the hearing before any initial post-hearing brief shall be due for filing.

#### **IX. Proposed Orders**

Once the Hearing Officer receives all evidence, arguments, and post-hearing briefs (if any), the record before the Hearing Officer shall be officially closed. Once the record is closed and after considering all of the evidence, the Hearing Officer shall, as soon as practical, prepare a proposed order to be delivered to the Board of Trustees. The proposed order shall include findings of fact based exclusively on the evidence and testimony in the record of the hearing, conclusions of law, and a recommendation to the Board of Trustees. The Hearing Officer shall provide the proposed order to the Board at ATRS via facsimile and United States mail at the address listed in Section VI of this rule. Upon receipt of the proposed order, ATRS shall mail a copy of the proposed order to the member (and his or her counsel, if applicable) via Certified, First Class, United States mail, with a copy to the Executive Director.

#### **X. Written Objections to Proposed Order**

The member shall have the right to file a written statement of objections outlining any objections, exceptions, and/or arguments that the member desires the Board to consider in its evaluation of the Hearing Officer's proposed order. Any statement of objections by the member must be delivered to ATRS within twenty-one (21) calendar days of receipt of the Hearing Officer's proposed order. The member may not introduce additional evidence or testimony in the statement of objections. Counsel for ATRS may prepare a written response to any statement of objections filed by the member. A copy of any response by ATRS shall be provided to the member and the Board prior to the Board meeting at which the Hearing Officer's proposed order on the member's appeal is scheduled to be considered by the Board.



## ~~XI. Board Consideration of Proposed Order~~

~~A. The Board will make a final determination on the Hearing Officer's proposed order. The Board's consideration of the Hearing Officer's proposed order will be scheduled within a reasonable time to be heard, at a regular Board meeting after the issuance of the proposed order. The Board may call an emergency meeting to consider the Hearing Officer's proposed order if the situation warrants. ATRS shall notify the member or the member's counsel in writing of the date, time, and location of the Board Meeting.~~

~~B. Before rendering a decision on the Hearing Officer's proposed order, the Board may request that the member (and his or her attorney, if applicable) make a brief statement to the Board concerning the facts and any arguments the member wishes to present and respond to any questions from the Board. The Board's consideration of the matter will not require the Board to conduct another hearing, and will be based on the hearing previously conducted before the Hearing Officer. The Chairman of the Board will have final authority to set the amount of time any party may have to make a statement to the Board.~~

~~C. Failure of the member to appear at the meeting of the Board without prior notification will result in the member waiving his or her right to be heard by the Board. The member may petition the Board for another opportunity to address the Board, and, if the Board determines that the member's absence was for good cause, it may grant the petition.~~

~~D. After consideration by the Board of the Hearing Officer's proposed order, the Board has the final authority to accept or reject all or part of the Hearing Officer's proposed order. The Board may:~~

- ~~i. Accept the Proposed Order; ii. Reject the proposed order; or iii.~~

~~Accept the Proposed Order as modified by the Board.~~

~~E. If the Board elects to reject the Proposed Order or accept the Proposed Order as modified, the Board may:~~

- ~~i. Make its own Findings of Fact and Conclusions of Law and issue its own Order based upon those findings and conclusions and may consider manifest injustice as a basis for any remedy; or~~

- ~~ii. Remand the matter in whole or in part to the Hearing Officer for reconsideration or for additional findings of fact and/or additional conclusions of law.~~

F. ~~As in all matters before the Board, a quorum of votes is necessary to approve any motion, resolution, or order under consideration.~~

G. ~~Following a decision of the Board with respect to the Hearing Officer's proposed order, the Board shall cause to be prepared a written final order on the member's appeal. The Board's final order shall include separate findings of fact and conclusions of law relied upon by the Board in formulating the final order. A copy of the Board's final order (including the Board's findings of fact and conclusions of law) will be delivered via Certified, First Class, United States mail to the member (and any counsel) by the Executive Director.~~

## ~~XII. Authority to Settle~~

~~At any time prior to the issuance by the Board of a final order, the Executive Director is authorized to settle any claim in a manner mutually agreeable to ATRS and the member. In settling any claim, the Executive Director shall not exceed the authority previously granted to him or her by the Board. The Executive Director shall report to the Board any settlement that occurs after the Hearing Officer issues a proposed order.~~

## ~~XIII. Appeals Under the APA~~

~~Any member receiving an adverse ruling from the Board retains certain rights under the Arkansas Administrative Procedures Act (See A.C.A. §§ 25-15-201 to -219.) The member may file a petition for judicial review. Any petition for judicial review of a final Board administrative decision shall be filed in Pulaski County Circuit Court. See A.C.A. § 25-15-212 and § 24-7-211. Such action must be filed within thirty (30) days after service upon the member of the Board's final order. See *id.*~~

## ~~XIV. Communications With the Hearing Officer and Board of Trustees~~

A. ~~The Arkansas Administrative Procedures Act prohibits direct or indirect communications by the members and employees of ATRS with a Hearing Officer or the Board in connection with any issue of fact or law regarding an appeal, except upon notice that provides an opportunity for all parties to participate. Hearing Officers and the members of the Board will not consider any "ex parte" or "off-the-record" evidence or statements made to them by the member or any employee of ATRS in connection with a pending appeal.~~

B. ~~This Section does not preclude communications by and between the Hearing Officer, ATRS Staff, and/or the Board concerning minor scheduling and procedural matters necessary to the timely and efficient processing and handling of appeals under these rules.~~

~~Approved: February 1, 2010 (Emergency)  
June 7, 2010 Permanent~~

~~Approved by Board: July 26, 2013~~

~~Amended: October 9, 2013~~

~~Effective: November 8, 2013~~

~~FINAL Approval by Board: February 5, 2018~~

~~Effective: February 16, 2018~~

**ATRS Rule 14**  
**Retirement Fund Asset Accounts**

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**§ 14-101. Retirement fund asset accounts.**

(a) In accordance with Arkansas Code § 24-7-405, the Board of Trustees of the Arkansas Teacher Retirement establishes the following accounts to manage the Arkansas Teacher Retirement System's fund assets and liabilities:

(1) The Members' Deposit Account is the account in which members' contributions, interest, purchases of service, refunds, transfers, and other related activity are reported in accordance with current accounting processes and procedures used by the system's fiscal department;

(2) The Employer Accumulation Account is the account in which employers' contributions and transfers are reported in accordance with current accounting processes and procedures used by the system's fiscal department;

(3) The Retirement Reserve Account is the account into which transfers for the payment of benefits to retirees and beneficiaries are reported in accordance with current accounting processes and procedures used by the system's fiscal department;

(4) The Income-Expense Account is the account in which all investment income is reported and from which interest credits and other expenses of the board are reported for the administration and operation of the system in accordance with current accounting processes and procedures used by the system's fiscal department; and

(5) The Teacher Deferred Retirement Option Plan Account is the account in which T-DROP participants' T-DROP account activity is reported in accordance with current accounting processes and procedures used by the system's fiscal department.

(b) The accounts established by the board may have subaccounts as deemed necessary by the system's staff to further classify and manage the assets of the system.

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**Authority: Arkansas Code § 24-7-405**

**History**

<u>Adopted:</u>	<u>July 1, 2011</u>	<u>(Emergency)</u>
<u>Adopted:</u>	<u>August 8, 2011</u>	
<u>Effective:</u>	<u>November 11, 2011</u>	
<u>Effective:</u>	<u>TBD</u>	<u>Rule 14.1</u>

## **~~Retirement Fund Asset Accounts~~**

~~A.C.A. § 24-7-405~~

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1. ~~The Board of Trustees of the Arkansas Teacher Retirement System in accordance with A.C.A. § 24-7-405 establishes the following accounts to manage the system's fund assets and liabilities:~~
  - A. ~~The Members' Deposit Account is the account in which members' contributions, interest, purchases of service, refunds, transfers and other related activity are reported in accordance with current accounting processes and procedures used by the Arkansas Teacher Retirement System's fiscal department;~~
  - B. ~~The Employer Accumulation Account is the account in which employers' contributions and transfers are reported in accordance with current accounting processes and procedures used by the Arkansas Teacher Retirement System's fiscal department;~~
  - C. ~~The Retirement Reserve Account is the account into which transfers for the payment of benefits to retirants and beneficiaries are reported in accordance with current accounting processes and procedures used by the Arkansas Teacher Retirement System's fiscal department;~~
  - D. ~~The Income-Expense Account is the account in which all investment income is reported and from which interest credits and other expenses of the Board of Trustees are reported for the administration and operation of the system in accordance with current accounting processes and procedures used by the Arkansas Teacher Retirement System's fiscal department; and~~
  - E. ~~The Teacher Deferred Retirement Option Plan Account is the account in which T-DROP participants' T-DROP account activity is reported in accordance with current accounting processes and procedures used by the Arkansas Teacher Retirement System's fiscal department.~~
2. ~~The accounts established by the Board of Trustees may have subaccounts as deemed necessary by staff to further classify and manage the assets of the system.~~

**Adopted:** July 1, 2011 (Emergency)

**Adopted:** ~~August 8, 2011~~

**Effective:** ~~November 11, 2011~~

14-1-1

**ATRS Rule 15**  
**Benefit Restoration Plan and Trust**

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**§ 15-101. Purpose, construction, and establishment of plan and trust.**

(a) The Arkansas Teacher Retirement System Benefit Restoration Plan and Trust is established effective upon final adoption by the Board of Trustees of the Arkansas Teacher Retirement System pursuant to authority granted by Arkansas Code § 24-7-305.

(b)(1) The purpose of the plan is solely to restore the part of a participant's retirement benefit that would otherwise have been payable by the except for the limitations of 26 U.S.C. § 415(b).

(2) The plan is intended to be a "qualified governmental excess benefit arrangement" within the meaning of 26 U.S.C. § 415(m)(3) and shall be interpreted and construed consistently with that intent.

(3) This plan is deemed a portion of the employers' qualified plan solely to the extent required under, and within the meaning of, 26 U.S.C. § 415(m)(3) and Arkansas Code § 24-7-305.

(c)(1) The plan is an "exempt governmental deferred compensation plan" described in 26 U.S.C. § 3121(v)(3). 26 U.S.C. §§ 83, 402(b), 457(a) and 457(f)(1) do not apply to this plan.

(2) The system shall not hold any assets or income under this plan in trust for the exclusive benefit of participants or their beneficiaries.

(d) Whenever any actuarial present value or actuarial equivalency is to be determined under the plan to establish a benefit, it shall be based on reasonable actuarial assumptions approved by the board in its sole discretion, and will be determined in a uniform manner for all similarly situated participants.

**§ 15-102. Definitions.**

(a) The definitions in this rule are exclusive to the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust unless stated otherwise.

(b) As used in this rule:

(1) "Actuary" means the actuary selected by the Board of Trustees of the Arkansas Teacher Retirement System from time to time;

(2) "Administrator" means the Arkansas Teacher Retirement System and includes any person with whom the system contracts to provide services to the plan;

(3) "Beneficiary" means an individual receiving joint and survivor benefits from the system;

(4) "Benefit restoration" means the benefit determined in accordance with § 15-1-104 of this rule;

(5) "Benefit Restoration Trust Fund" or "trust fund" means the Benefit Restoration Trust Fund established pursuant to § 15-1-106 of this rule which fund constitutes a valid trust under the laws of this State;

(6) "Employer" means any public school, other educational agency, or other eligible employer participating in the system as provided under Arkansas Code § 24-7-202;

(7) "Participant" means a retiree or beneficiary who is entitled to benefits under this plan;

(8) "Plan" means the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust established pursuant to Arkansas Code § 24-7-305;

(9) "Plan year" means the twelve-calendar month period ending on December 31 of each year;

(10) "Retiree" means a member of the system who is receiving a retirement benefit from the system;

(11) "Retirement benefit" means the amount of retirement income payable to a retiree, or the benefit payable to a beneficiary, without regard to any limitations on that retirement income or benefit under 26 U.S.C. § 415(b); and

(12) "Retirement fund" means the trust fund established pursuant to Acts 1937, No. 266, approved March 17, 1937.

### **§ 15-103. Participation.**

(a)(1) All retirees and beneficiaries of the Arkansas Teacher Retirement System are eligible to participate in the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust if their retirement benefits from the system for a plan year are or have been since January 1, 2013, limited by 26 U.S.C. § 415(b).

(2) The Board of Trustees of the Arkansas Teacher Retirement System determine for each plan year which retirees and beneficiaries are eligible to participate in the plan.

(b)(1) Participation in the plan begins each plan year after a retiree or beneficiary has the benefit restoration in that plan year.

(2) Participation in the plan ends for any portion of a plan year in which the retirement benefit of a retiree or beneficiary is not limited by 26 U.S.C. § 415(b) or when all benefit obligations under the plan to the retiree or beneficiary have been satisfied.

### **§ 15-104. Payment of benefits.**

(a)(1) A participant in the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust shall receive a benefit equal to the amount of retirement income that would have been payable by the Arkansas Teacher Retirement System to, or with respect to, a participant, that could not be paid because of the application of the limitations on the participant's retirement income under 26 U.S.C. § 415(b).

(2) The benefit restoration under the plan shall be paid only if and to the extent the participant is receiving retirement benefits from the retirement fund.

(b) The benefit restoration shall be paid at the same time and in the same manner as the retirement benefit payable under the system

(2) The timing of the benefit restoration shall take into consideration the existence of monthly deductions from the retirement benefit.

(3) No election shall be directly or indirectly provided by the system at any time to the participant to defer compensation under this plan.

(c)(1) A participant's right to a restoration benefit shall be vested as of the participant's vesting under the retirement fund.

(2) Additionally, each member in the retirement fund who is receiving a retirement benefit under the retirement fund on the date of adoption of this plan shall be vested.

(3) A beneficiary's right to a restoration benefit shall be vested as of the date of the participant's death.

(d) Notwithstanding the § 15-1-103 of this rule, if the retirement fund is terminated and

employers are making no further contributions to the retirement fund, no further restoration benefits shall be payable after the date that the employers' contributions to the retirement fund cease unless the employers establish another plan to serve the same purpose or to make other arrangements to pay benefit amounts that would have been payable had the plan continued to receive employers' contributions to fully fund the plan.

**§ 15-105. Contributions and funding.**

(a)(1) The Arkansas Teacher Retirement System Benefit Restoration Plan and Trust is and shall remain unfunded and the rights, if any, of any person to any benefits under the plan are limited to those specified in the plan.

(2) The plan constitutes a mere unsecured promise by the employers to make benefit payments in the future.

(b)(1) The Executive Director of the Arkansas Teacher Retirement System, using authority delegated by the Board of Trustees of the Arkansas Teacher Retirement System shall determine the amount necessary to pay the benefit restoration under the plan for each plan year.

(2) The system shall provide an estimate of the benefit restoration on or before March 1 of each year, provided however, in 2013, the plan administrator will provide an estimate of the benefit restoration within ten (10) days of the effective date of this rule.

(c)(1) The required contribution will be the aggregate of the benefit restorations payable to all participants for the plan year and an amount determined by the executive director, through delegation, to be a necessary and reasonable expense of administering the plan.

(2)(A) The employers will contribute the amount determined to be necessary to pay the benefit restoration of the participants and administrative expenses of the plan, and these payments will be made before the employers' deposits are credited to the retirement fund.

(B) The employers' required contribution will be due at the same time as contributions to the retirement fund.

(C) Under no circumstances will the employers' contributions to fund the benefit restorations be credited to the retirement fund.

(3)(A) Any contributions not used to pay the benefit restoration for a current plan year, together with any income accruing to the trust fund, shall be used to pay the administrative expenses of the plan for the plan year.

(E) Any contributions not used to pay the benefit restoration for the current plan year that remain after paying administrative expenses of the plan for the plan year will be used to fund administrative expenses or benefits of participants in future plan years.

(d)(1) The system shall account separately for the amounts the executive director, using the authority delegated by the board, determines to be necessary to provide the benefit restoration under the plan for each participant.

(2) However, the separate accounting will not be deemed to set aside these amounts for the benefit of a participant.

(e) Benefits under this plan will be paid from the trust fund.

(f)(1) The consultants, independent auditors, attorneys, and actuaries performing services for the system may also perform services for this plan.

(2) However, any fees attributable to services performed with respect to this plan



will be payable solely from the trust fund.

### **§ 15-106. Trust fund.**

(a)(1) The Benefit Restoration Trust Fund is established pursuant to Arkansas Code § 24-7-305, separate from the retirement fund, to hold employers' contributions to the trust fund.

(2) The trust fund is maintained solely to provide benefits under a qualified governmental excess benefit arrangement within the meaning of 26 U.S.C § 415(m) and pay administrative expenses of this arrangement.

(b) Contributions to the trust fund shall be held separate and apart from the funds comprising the retirement fund and shall not be commingled with assets of the retirement fund, and must be accounted for separately.

(c)(1) All assets held by the trust fund to assist in meeting the employers' obligations under the plan, including all amounts of employers' contributions made under the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust, all property and rights acquired or purchased with these amounts and all income attributable to these amounts, shall be held separate and apart from other funds of the employers and shall be used exclusively for the uses and purposes of participants and general creditors as set forth in this plan.

(2) Participants do not have a preferred claim on, or any beneficial interest in, any assets of the trust fund.

(3) Any rights created under the plan are unsecured contractual rights of participants against the employers.

(4) Any assets held by the trust fund are subject to the claims of the employers' general creditors under federal and state law in the event of insolvency.

(d)(1) The trust fund is intended to be a grantor trust, of which the employers are the grantors, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code as defined by Arkansas Code § 24-7-202, and will be construed accordingly.

(2) Section 15-1-106(d) of this rule does not create an irrevocable trust of any kind.

(e) Income accruing to the trust fund under the plan constitutes income derived from the exercise of an essential governmental function upon which the trust fund is exempt from tax under 26 U.S.C. §§ 415(m)-(l) and 115.

### **§ 15-107. Administration.**

(a)(1) The Board of Trustees of the Arkansas Teacher Retirement System has the exclusive authority to control and manage the operation and administration of the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust.

(2) The board has the same rights, duties and responsibilities respecting the plan as it has with respect to the retirement fund.

(3) The administrator has the same duties and authority respecting the plan as the administrator has with respect to the retirement fund.

(b) The board has the power and authority, including without limitation discretion with respect to the exercise of that power and authority, necessary, advisable, desirable or convenient to enable it to:

(1) Establish procedures to administer the plan in a manner that is not inconsistent

with the plan and the Internal Revenue Code as defined by Arkansas Code § 24-7-202, and to amend or rescind these procedures;

(2) Determine, consistent with the plan, applicable law, rules or regulations, all questions of law or fact that may arise as to eligibility for participation in the plan and eligibility for distribution of benefits from the plan, and the status of any person claiming benefits under the plan;

(3) Make payments from the trust fund to participants pursuant to § 15-1-104;

(4) Contract with a third-party to perform designated administrative services under this plan; and

(5) Construe and interpret the plan as to administrative issues and to correct any defect, supply any omission or reconcile any inconsistency in the plan with respect to same, subject to and consistent with the Internal Revenue Code as defined by Arkansas Code § 24-7-202.

(c)(1) Any action by the board that is not found to be an abuse of discretion will be final, conclusive and binding on all individuals affected thereby.

(2) The board may take any such action in such manner and to such extent as the board in its sole discretion may deem expedient, and the board will be the sole and final judge of such expediency.

(d)(1) The board may delegate any of its authority to the administrator with respect to the trust fund.

(2) The board has delegated certain authority as set forth herein, to the executive director.

(e)(1) The board may obtain assistance and advice with regard to its responsibilities under the plan.

(2) If in doubt concerning the correctness of their action in making a payment of a benefit, the board may suspend payment until satisfied as to the correctness of the payment or the person to receive the payment.

(f) The administrator shall handle the day-to-day operation of the plan and may delegate certain functions to a third-party as required.

#### **§ 15-108. Plan amendments.**

The Board of Trustees of the Arkansas Teacher Retirement System, from time to time, may amend, suspend, or terminate any or all of the provisions of the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust as may be necessary to comply with 26 U.S.C. § 415(m) and to maintain the plan's or the retirement fund's qualified status under the Internal Revenue Code as defined by Arkansas Code § 24-7-202.

#### **§ 15-109. Nonassignability and exemption from taxation and execution.**

The interests of participants under the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust are exempt from any state, county, municipal or local tax, and are not subject to execution, garnishment, attachment, or any other process of law whatsoever, and are unassignable and nontransferable.

#### **§ 15-109. Miscellaneous.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System, the employers, and the administrator, if any, do not guarantee that any particular federal or state income,

payroll, or other tax consequence will occur because of participation in the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust.

(b) The board may hold the assets of the plan uninvested as it deems advisable for making distributions under the plan.

(c) In resolving any conflict between provisions of the plan, and in resolving any other uncertainty as to the meaning or intention of any provision of the plan, the prevailing interpretation shall be the interpretation that:

(1) Causes the plan to constitute a qualified governmental excess benefit arrangement under 26 U.S.C. § 415(m) and the trust fund to be exempt from tax under 26 U.S.C. §§ 115 and 415(m);

(2) Causes the plan and the Arkansas Teacher Retirement System to comply with all applicable requirements of the Internal Revenue Code as defined by Arkansas Code § 24-7-202; and

(3) Causes the plan and the system to comply with all applicable laws of this state.

(d) Neither the establishment or maintenance of the plan, nor any amendment to the plan, nor any act or omission under the plan or resulting from the operation of the plan shall be construed:

(1) As conferring upon any participant or any other person a right or claim against the board, trustees on the board, employers, or administrator, if any, except to the extent that the right or claim is specifically expressed and provided in the plan;

(2) As creating any responsibility or liability of the employers for the validity or effect of the plan;

(3) As a contract between the employers and any participant or other person;

(4) As being consideration for, or an inducement or condition of, employment of any Participant or other person, or as affecting or restricting in any manner or to any extent whatsoever the rights or obligations of the employers or any participant or other person to continue or terminate the employment relationship at any time; or

(5) As giving any Participant the right to be retained in any employer's service or to interfere with any Employer's right to discharge any Participant or other person at any time.

(e) Any benefit payment that should not have been made according to the terms of the plan and the benefits provided under the plan may be recovered as provided by law.

(f)(1) Any payment to any participant shall, to the extent of the payment, be in full satisfaction of the participant's claim for which the payment is being made.

(2) The board may condition the payment on the participant's delivery of a duly executed receipt and release in a form determined by the board.

(g)(1) The board, board trustees, administrator, if any, shall not incur any liability in acting upon any paper or document or electronic transmission believed by the board, board trustees, or administrator to be genuine or to be executed or sent by an authorized person.

(2) The plan shall hold harmless and indemnify the board, the board trustees, and the administrator, and the officers and employees thereof, from financial loss arising out of any claim, demand, suit or judgment by reason of alleged negligence or other act by that board member, trustee, officer or employee if:

(A) The board member, trustee, officer or employee at the time of the alleged negligence or act was acting in the discharge of his or her duties and within the scope of his or her employment;

(B) The damages did not result from a willful and wrongful act of gross negligence of the board member, trustee, officer or employee; and

(C) The board member, trustee, officer or employee shall, within five (5) days of the time he or she is served with any summons, complaint, process, notice, demand or pleading, deliver the original or a copy thereof to the administrator's legal advisor.

(3) The board may obtain insurance to provide coverage for any liabilities that may arise as described by this rule.

(h) The plan does not directly or indirectly waive any sovereign immunity protection of the board, board trustees, administrator, or officers and employees thereof.

(i) The laws of Arkansas apply in determining the construction and validity of this plan.

(j)(1) The only party necessary to any accounting, litigation or other proceedings relating to the plan is the administrator.

(2) The settlement or judgment in any case in which the administrator is duly served will be binding upon all affected participants in the plan, their beneficiaries, estates, and all persons claiming by, through, or under them.

(k) If any provision of the plan is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the plan will continue to be fully effective.

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**Authority: Arkansas Code § 24-7-305.**

**History**

<u>Approved by Board:</u>	<u>July 26, 2013</u>	
<u>Adopted:</u>	<u>October 9, 2013</u>	
<u>Effective:</u>	<u>November 8, 2013</u>	
<u>Effective:</u>	<u>TBD</u>	

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# ~~RULE 15-1~~

## ~~BENEFIT RESTORATION PLAN AND TRUST~~

~~A.C.A. § 24-7-305~~

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### ~~I. ESTABLISHMENT OF PLAN AND TRUST~~

~~A. Establishment Of Plan and Trust. The Arkansas Teacher Retirement System Benefit Restoration Plan and Trust ("this Plan") is established effective upon final adoption by the Board pursuant to authority granted by Ark. Code Ann. §24-7-305.~~

~~B. Purpose.~~

~~i. The purpose of this Plan is solely to restore the part of a Participant's Retirement Benefit that would otherwise have been payable by the Arkansas Teacher Retirement System ("ATRS") except for the limitations of Code Section 415(b). This Plan is intended to be a "qualified governmental excess benefit arrangement" within the meaning of Code Section 415(m)(3) and must be interpreted and construed consistently with that intent. This Plan is deemed a portion of the Employers' qualified plan solely to the extent required under, and within the meaning of, Code Section 415(m)(3) and Ark. Code Ann. §24-7-305.~~

~~ii. This Plan is an "exempt governmental deferred compensation plan" described in Code Section 3121(v)(3). Code Sections 83, 402(b), 457(a) and 457(f)(1) do not apply to this Plan. ATRS will not hold any assets or income under this Plan in trust for the exclusive benefit of participants or their beneficiaries.~~

### ~~II. DEFINITIONS AND CONSTRUCTIONS~~

~~A. Definitions. Definitions are exclusive to this plan unless stated otherwise. When a word or phrase is capitalized herein, it has the same meaning as defined below:~~

~~i. **Actuary** means the actuary selected by the Board from time to time.~~

- ii. ~~**Administrator** means ATRS and includes any person with whom ATRS contracts to provide services to the Plan.~~
- iii. ~~**ATRS** means the Arkansas Teacher Retirement System.~~
- iv. ~~**Beneficiary** means an individual receiving joint and survivor benefits from ATRS.~~
- v. ~~**Benefit Restoration** means the benefit determined in accordance with Section 4.01 of this Plan.~~
- vi. ~~**Board** means the Board of Trustees of ATRS.~~
- vii. ~~**Code** means the Internal Revenue Code as is defined under Ark. Code Ann. §24-7-202.~~
- viii. ~~**Employer** means any public school, other educational agency, or other eligible employer participating in ATRS as provided under Ark. Code Ann. §24-7-202(13).~~
- ix. ~~**Participant** means a Retiree or Beneficiary who is entitled to benefits under this Plan.~~
- x. ~~**Plan** means the Arkansas Teacher Retirement System Benefit Restoration Plan and Trust established pursuant to Ark. Code Ann. §24-7-305.~~
- xi. ~~**Plan Year** means the twelve calendar month period ending on December 31 of each year.~~
- xii. ~~**Retiree** means a member of ATRS who is receiving a Retirement Benefit from ATRS.~~
- xiii. ~~**Retirement Administrator** means ATRS.~~
- xiv. ~~**Retirement Benefit** means the amount of retirement income payable to a Retiree of ATRS, or the benefit payable to a Beneficiary, without regard to any limitations on that retirement income or benefit under Code Section 415(b).~~
- xv. ~~**Retirement Fund** means the trust fund established pursuant to Act 266 of 1937, approved March 17, 1937.~~

xvi. ~~State~~ means the State of Arkansas.

xvii. ~~Trust Fund~~ means the trust fund established pursuant to Section 6.1, below, which fund constitutes a valid trust under the law of the State.

xviii. ~~Trustees~~ mean the members of the Board.

~~B. Construction.~~

i. ~~Words used in this Plan in the masculine gender include the feminine gender where appropriate, and words used in this Plan in the singular or plural include the plural or singular where appropriate.~~

ii. ~~Whenever any actuarial present value or actuarial equivalency is to be determined under the Plan to establish a benefit, it will be based on reasonable actuarial assumptions approved by the Board in its sole discretion, and will be determined in a uniform manner for all similarly situated Participants.~~

~~III. PARTICIPATION~~

~~All Retirees and Beneficiaries of ATRS are eligible to participate in this Plan if their Retirement Benefits from ATRS for a Plan Year are or have been since January 1, 2013, limited by Code Section 415(b). The Board determines for each Plan Year which Retirees and Beneficiaries are eligible to participate in the Plan. Participation in the Plan begins each Plan Year once a Retiree or Beneficiary has a Benefit Restoration in that Plan Year. Participation in the Plan ends for any portion of a Plan Year in which the Retirement Benefit of a Retiree or Beneficiary is not limited by Code Section 415(b) or when all benefit obligations under the Plan to the Retiree or Beneficiary have been satisfied.~~

~~IV. PAYMENT OF BENEFITS~~

A. ~~Benefit Amount. A Participant in the Plan will receive a benefit equal to the amount of retirement income that would have been payable to, or with respect to, a Participant by ATRS that could not be paid because of the application of the limitations on his retirement income under Code Section 415(b). A Benefit Restoration under the Plan will be paid only if and to the extent the Participant is receiving Retirement Benefits from the Retirement Fund.~~

- ~~B. Time for Payment: Form of Benefit. The Benefit Restoration will be paid at the same time and in the same manner as the Retirement Benefit payable under ATRS, and the timing of the Benefit Restoration must take into account the existence of monthly deductions from the Retirement Benefit. No election is provided at any time to the Participant, directly or indirectly, to defer compensation under this Plan.~~
- ~~C. Vesting. A Participant's right to a Restoration Benefit shall be vested as of the Participant's vesting under the Retirement Fund. Additionally, each member in the Retirement Fund receiving a Retirement Benefit under the Retirement Fund on the date of adoption of this Plan shall be vested. A Beneficiary's right to a Restoration Benefit shall be vested as of the date of the Participant's death. Notwithstanding the foregoing, if the Retirement Fund is terminated and Employers are making no further contributions to the Retirement Fund, no further Restoration Benefits shall be payable after the date that the Employers' contributions to the Retirement Fund cease unless the Employers establish another plan to serve the same purpose or to make other arrangements to pay benefit amounts that would have been payable had the Plan continued to receive Employers' Contributions to fully fund the plan.~~

## ~~V. CONTRIBUTIONS AND FUNDING~~

- ~~A. Funding. The Plan is, and will remain, unfunded and the rights, if any, of any person to any benefits under the Plan are limited to those specified in the Plan. The Plan constitutes a mere unsecured promise by the Employers to make benefit payments in the future.~~
- ~~B. Contributions.~~
- ~~i. The Executive Director, using authority delegated by the Board will determine the amount necessary to pay the Benefit Restoration under the Plan for each Plan Year. The Retirement Administrator will provide an estimate of the Benefit Restoration on or before March 1 of each year, provided however, in 2013, the Plan Administrator will provide an estimate of the Benefit Restoration within ten (10) days of the effective date of this rule. The required contribution will be the aggregate of the Benefit Restorations payable to all Participants for the Plan Year and an amount determined by the Executive Director, through delegation, to be a necessary and reasonable expense of administering the Plan. The Employers will contribute the amount determined to be necessary to pay the Benefit Restoration of the Participants and administrative expenses of the Plan, and these payments will be made before the Employers' deposits are credited~~



~~to the Retirement Fund. The Employers' required contribution will be due at the same time as contributions to the Retirement Fund. Under no circumstances will the Employers' contributions to fund the Benefit Restorations be credited to the Retirement Fund. Any contributions not used to pay the Benefit Restoration for a current Plan Year, together with any income accruing to the Trust Fund, will be used to pay the administrative expenses of the Plan for the Plan Year. Any contributions not used to pay the Benefit Restoration for the current Plan Year that remain after paying administrative expenses of the Plan for the Plan Year will be used to fund administrative expenses or benefits of Participants in future Plan Years.~~

~~ii. ATRS will account separately for the amounts the Executive Director, using the authority delegated by the Board, determines to be necessary to provide the Benefit Restoration under the Plan for each Participant. But, this separate accounting will not be deemed to set aside these amounts for the benefit of a Participant. Benefits under this Plan will be paid from the Trust Fund.~~

~~iii. The consultants, independent auditors, attorneys, and actuaries performing services for ATRS may also perform services for this Plan; but, any fees attributable to services performed with respect to this Plan will be payable solely from the Trust Fund.~~

## **VI. TRUST FUND**

~~A. Establishment of Trust Fund. A "Benefit Restoration Trust Fund" (the "Trust Fund") is established pursuant to Ark. Code Ann. §24-7-305, separate from the Retirement Fund, to hold Employers' Contributions to this Trust Fund. Contributions to this Trust Fund will be held separate and apart from the funds comprising the Retirement Fund and will not be commingled with assets of the Retirement Fund, and must be accounted for separately.~~

~~B. Trust Fund Purpose. The Trust Fund is maintained solely to provide benefits under a qualified governmental excess benefit arrangement within the meaning of Code Section 415(m) and pay administrative expenses of this arrangement.~~

~~C. Trust Fund Assets. All assets held by the Trust Fund to assist in meeting the Employers' obligations under the Plan, including all amounts of Employers' contributions made under the Plan, all property and rights acquired or purchased with these amounts and all income attributable to~~

~~these amounts, will be held separate and apart from other funds of the Employers and will be used exclusively for the uses and purposes of Participants and general creditors as set forth in this Plan. Participants have no preferred claim on, or any beneficial interest in, any assets of the Trust Fund. Any rights created under the Plan are unsecured contractual rights of Participants against the Employers. Any assets held by the Trust Fund are subject to the claims of the Employers' general creditors under federal and state law in the event of insolvency.~~

~~D. Grantor Trust. The Trust Fund is intended to be a grantor trust, of which the Employers are the grantors, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, and will be construed accordingly. This provision will not be construed to create an irrevocable trust of any kind.~~

~~E. Trust Fund Income. Income accruing to the Trust Fund under the Plan constitutes income derived from the exercise of an essential governmental function upon which the Trust is exempt from tax under Code Section 115, as well as Code Section 415(m)(1).~~

## ~~VII. ADMINISTRATION~~

~~A. Administrative Authority. The Board has the exclusive authority to control and manage the operation and administration of the Plan. The Board has the same rights, duties and responsibilities respecting the Plan as it has with respect to the Retirement Fund. The Administrator has the same duties and authority respecting the Plan as the Administrator has with respect to the Retirement Fund.~~

~~i. The Board has the power and authority (including discretion with respect to the exercise of that power and authority) necessary, advisable, desirable or convenient to enable it:~~

~~a. to establish procedures to administer the Plan not inconsistent with the Plan and the Code, and to amend or rescind these procedures;~~

~~b. to determine, consistent with the Plan, applicable law, rules or regulations, all questions of law or fact that may arise as to eligibility for participation in the Plan and eligibility for distribution of benefits from the Plan, and the status of any person claiming benefits under the Plan;~~

~~c. to make payments from the Trust Fund to Participants pursuant to Article IV of the Plan;~~

~~d. contract with a third party to perform designated administrative services under this Plan;~~

~~e. to construe and interpret the Plan as to administrative issues and to correct any defect, supply any omission or reconcile any inconsistency in the Plan with respect to same, subject to and consistent with the Code.~~

~~ii. Any action by the Board that is not found to be an abuse of discretion will be final, conclusive and binding on all individuals affected thereby. The Board may take any such action in such manner and to such extent as the Board in its sole discretion may deem expedient, and the Board will be the sole and final judge of such expediency.~~

~~iii. The Board may delegate any of its authority to the Administrator with respect to the Trust Fund. The Board has delegated certain authority as set forth herein, to the Executive Director.~~

~~B. Advice. The Board may obtain assistance and advice with regard to its responsibilities under the Plan.~~

~~C. Payment of Benefits. If in doubt concerning the correctness of their action in making a payment of a benefit, the Board may suspend payment until satisfied as to the correctness of the payment or the person to receive the payment.~~

~~D. Delegation by Administrator. The Administrator will handle the day-to-day operation of the Plan and may delegate certain functions to a third party as required.~~

## ~~VIII. PLAN AMENDMENTS~~

~~The Board, from time to time, may amend, suspend, or terminate any or all of the provisions of this Plan as may be necessary to comply with Code Section 415(m) and to maintain the Plan's or the Retirement Fund's qualified status under the Code.~~

**~~IX. NONASSIGNABILITY AND EXEMPTION FROM TAXATION AND EXECUTION~~**

~~The interests of Participants under this Plan are exempt from any state, county, municipal or local tax, and are not subject to execution, garnishment, attachment, or any other process of law whatsoever, and are unassignable and nontransferable.~~

**~~X. MISCELLANEOUS~~**

- ~~A. Federal and State Taxes. The Board, the Employers, and the Administrator, if any, do not guarantee that any particular Federal or State income, payroll, or other tax consequence will occur because of participation in this Plan.~~
- ~~B. Investment. The Board may hold the assets of the Plan uninvested as it deems advisable for making distributions under the Plan.~~
- ~~C. Conflicts. In resolving any conflict between provisions of the Plan, and in resolving any other uncertainty as to the meaning or intention of any provision of the Plan, the prevailing interpretation will be the one that (i) causes the Plan to constitute a qualified governmental excess benefit arrangement under the provisions of Code Section 415(m) and the Trust Fund to be exempt from tax under Code Sections 115 and 415(m), (ii) causes the Plan and ATRS to comply with all applicable requirements of the Code, and (iii) causes the Plan and ATRS to comply with all applicable State laws.~~
- ~~D. Limitation on Rights. Neither the establishment or maintenance of the Plan, nor any amendment to the Plan, nor any act or omission under the Plan (or resulting from the operation of the Plan) may be construed:~~
- ~~i. as conferring upon any Participant or any other person a right or claim against the Board, Trustees, Employers, or Administrator, if any, except to the extent that the right or claim is specifically expressed and provided in the Plan;~~
  - ~~ii. as creating any responsibility or liability of the Employers for the validity or effect of the Plan;~~
  - ~~iii. as a contract between the Employers and any Participant or other person;~~
  - ~~iv. as being consideration for, or an inducement or condition of, employment of any Participant or other person, or as affecting or restricting in any manner or to any extent whatsoever the rights or~~

~~obligations of the Employers or any Participant or other person to continue or terminate the employment relationship at any time; or~~

~~v. as giving any Participant the right to be retained in any Employer's service or to interfere with any Employer's right to discharge any Participant or other person at any time.~~

~~E. Erroneous Payments. Any benefit payment that should not have been made, according to the terms of the Plan and the benefits provided hereunder, may be recovered as provided by law.~~

~~F. Release. Any payment to any Participant will, to the extent thereof, be in full satisfaction of the Participant's claim being paid thereby, and the Board may condition the payment on the delivery by the Participant of the duly executed receipt and release in a form determined by the Board.~~

~~G. Liability:~~

~~i. The Board, Trustees, or Administrator, if any, will not incur any liability in acting upon any paper or document or electronic transmission believed by the Board, Trustees, or Administrator to be genuine or to be executed or sent by an authorized person.~~

~~ii. The Plan will hold harmless and indemnify the Board, the Trustees, and the Administrator, and the officers and employees thereof, from financial loss arising out of any claim, demand, suit or judgment by reason of alleged negligence or other act by that board member, trustee, officer or employee, provided that the board member, trustee, officer or employee at the time of the alleged negligence or act was acting in the discharge of his duties and within the scope of his employment and that the damages did not result from a willful and wrongful act of gross negligence of the board member, trustee, officer or employee, and provided further that the board member, trustee, officer or employee will, within five days of the time he is served with any summons, complaint, process, notice, demand or pleading, deliver the original or a copy thereof to the Administrator's legal advisor.~~

~~iii. The Board may obtain insurance to provide coverage for any liabilities that may arise as described by this Section.~~

~~iv. This Plan does not directly or indirectly waive any sovereign immunity protection of the Board, the Trustees, the Administrator, and the officers and employees thereof.~~

- ~~H. — Governing Laws. The laws of Arkansas apply in determining the construction and validity of this Plan.~~
- ~~I. — Necessary Parties to Disputes. The only party necessary to any accounting, litigation or other proceedings relating to the Plan is the Administrator. The settlement or judgment in any case in which the Administrator is duly served will be binding upon all affected Participants in the Plan, their beneficiaries, estates and upon all persons claiming by, through or under them.~~
- ~~J. — Severability. If any provision of the Plan is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan will continue to be fully effective.~~

~~**Approved by Board:** July 26, 2013  
**Adopted:** October 9, 2013  
**Effective:** November 8, 2013~~

## ATRS Rule 16 Cash and Savings Help Program

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### § 16-101. Definitions.

As used in this rule:

(1) "CASH Program" has the same meaning as "buyout plan" as defined in Arkansas Code § 24-7-505; and

(2) "CASH Program payment" means the one-time lump-sum cash payment made to a member who elects to participate in the CASH Program.

### § 16-102. CASH Program.

(a) The Board of the Arkansas Teacher Retirement System by resolution shall establish and approve the category of members who are eligible to participate in the CASH Program, the CASH Program offering period, and the formula to be used during a CASH Program offering period.

(b)(1) In accordance with Arkansas Code § 24-7-505, this rule, and applicable resolutions of the board, the Arkansas Teacher Retirement System shall determine if a member is qualified to receive a CASH Program payment.

(2) Only qualifying members may receive a CASH Program payment.

(3) Any erroneous delivery of a CASH Program election form by the system to a member shall not establish the member's right to a CASH Program payment.

### § 16-103. CASH Program payment.

(a) The tender of a CASH Program payment by the Arkansas Teacher Retirement System to a member who elects to participate in the CASH Program shall:

(1) Cancel the member's membership in the system;

(2) Extinguish any credited service the member has accumulated in the system;

and

(3) Extinguish the member's right to any future retirement benefit that the member would have received from the system based on the member's service.

(b)(1) The opportunity for a CASH Program payment shall be available in accordance with the provisions of Arkansas Code § 24-7-505 and this rule and only for a specific and temporary period of time to a specific category of members.

(2) The Board of the Arkansas Teacher Retirement System may determine the category of members of the system to whom a CASH Program payment may be offered.

(c)(1) The CASH Program payment shall be calculated under a formula that is:

(A) Unique to the category of members to whom the CASH Program payment is available; and

(B) Applicable for the offering period exclusively.

(2)(A) Th system shall not be obligated to extend a CASH Program payment offer or to make a future or similar CASH Program payment offer.

(B) The terms, rules, and rights for any CASH Program payment offer under a specific offering period shall not apply to a subsequent CASH Program payment offering.

(d) A CASH Program payment shall be tendered only for actual service credit that a member has in the system and shall not be tendered for reciprocal service credit that a member has in the system.

(e)(1) A CASH Program payment may be:

(A) Made by check and may be mailed to a member's address; or

(B)(i) At the member's direction, directly rolled over into a qualifying retirement plan under Arkansas Code § 24-7-719.

(ii) The system shall roll over a CASH Program payment into only one (1) qualifying retirement plan.

(2)(A) The system shall make reasonable efforts to contact all members who are eligible to participate in the CASH Program.

(B) However, the system shall not be obligated to:

(i) Contact a member to verify the accuracy of the member's last address of record on file with the system;

(ii) Confirm a member's receipt of a CASH Program offer;

(iii) Confirm a member's receipt of a CASH Program election form;

or

(iv) Confirm that the system has received a CASH Program election form submitted by a member.

#### **§ 16-104. CASH Program — Offering period.**

(a) The Board of the Arkansas Trustee Retirement System shall set the dates for any CASH Program offering period.

(b)(1) After the board sets a specific CASH Program offering period, only members who submit an election to participate in the CASH Program to the Arkansas Teacher Retirement System shall qualify to receive a CASH Program payment that is available during the CASH Program offering period set by the board.

(2) However, a member shall not qualify to receive a CASH Program payment that is available during a CASH Program offering period set by the board if the member submits his or her election to participate in the CASH Program after the CASH Program offering period deadline.

(c) The board by resolution may re-offer a previously expired CASH Program or may extend the duration of a current CASH Program offering period.

#### **§ 16-105. CASH Program — Election form.**

(a)(1) The CASH Program election form shall be made available to members using the Arkansas Teacher Retirement System's standard procedures.

(2) The system shall not be responsible for confirming the member's receipt of a CASH Program election form, regardless of the manner in which the member requested to be provided with the CASH Program election form.

(3) The member shall be solely responsible for obtaining and submitting to the system a CASH Program election form as required under this rule.

(b)(1) A member's election to participate in the CASH Program shall be submitted to the Arkansas Teacher Retirement System on a form approved by the system before the applicable CASH Program offering period deadline.



(2) A CASH Program election form is invalid and shall not be accepted by the system if it:

(A) Has not been completed in its entirety by the member or as required by this rule;

(B) Is postmarked after the CASH Program offering period deadline;

(C) Is submitted by facsimile and has a date-stamp that is after the CASH Program offering period deadline; or

(D) Is sent as an attachment to an e-mail and the e-mail is sent after the CASH Program offering deadline.

(c) A CASH Program election form shall include the following:

(1) The member's signature and the date on which the member signed the election form; and

(2) The member's signed statement that he or she understands that:

(A) The purpose and scope of the CASH Program and that the CASH Program election form cannot be withdrawn by the member after the Arkansas Teacher Retirement System tenders the CASH Program payment to the member; and

(B) A member who participates in the CASH Program plan shall receive a one-time lump-sum payment from the system that, upon the system's tender of payment, cancels the member's interest in any retirement benefit and all future rights in the system.

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**Authority: Arkansas Code §§ 24-7-505 and 24-7-707**

### **Resolutions**

<u>2017-18</u>	<u>May 10, 2017</u>	<u>Expand to include contributory service.</u>
<u>2018-35</u>	<u>October 1, 2018</u>	<u>Create offer period for FY2019</u>
<u>2019-30</u>	<u>June 3, 2019</u>	<u>Create offer period for FY 2020</u>

### **History**

<u>Approved by Board:</u>	<u>July 26, 2013</u>	
<u>Adopted:</u>	<u>October 9, 2013</u>	
<u>Effective:</u>	<u>November 8, 2013</u>	
<u>Effective:</u>	<u>August 5, 2019</u>	
<u>Effective:</u>	<u>TDB</u>	<u>Rule 16</u>

# ~~ATRS Rule 16~~

## ~~CASH AND SAVINGS HELP (CASH) PROGRAM~~

~~A.C.A. §§ 24-7-505, 24-7-707~~

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### ~~I. Purpose and Scope~~

- ~~A. The purpose of this rule is to allow members an opportunity to receive a one-time lump-sum cash payment in exchange for terminating their membership in ATRS. The benefit offering under this rule shall be known as the "CASH Program". The one-time lump-sum cash payment shall be known as "CASH Program payment". The tender of the CASH Program payment by ATRS extinguishes any service credit or future retirement benefit from ATRS to the member that would have been based upon the member's service, and for all purposes "buys out" the membership, the retirement benefit rights, and all future rights in the system of the member.~~
- ~~B. The opportunity for a CASH Program payment is available only under this rule and only for a specific and temporary period of time to a specific category of members. The CASH Program payment is calculated under a formula that is unique to that category of members and is applicable for the offering period exclusively.~~
- ~~C. ATRS is under no obligation to extend the offer or to make a future, similar offer. Terms, rules and rights for any CASH Program under a specific offering period do not apply to a subsequent CASH Program offering.~~
- ~~D. This CASH Program is only applicable to ATRS members for their ATRS service. Reciprocal service shall not be eligible for the CASH Program.~~
- ~~E. The ATRS Board may target a CASH Program offering to a certain category of members within ATRS.~~
- ~~F. A CASH Program payment may be made to a member by a check mailed to the member's address. A CASH Program payment may also be directly rolled over into a qualifying retirement plan under § 24-7-719, at the direction of the member. ATRS shall only roll over the CASH Program payment into one qualifying plan.~~
- ~~G. CASH Offering Period~~
  - ~~1. The Board shall set the dates for any offering period. To qualify for the CASH Program payment in a specific offering period, the member shall deliver the CASH Program Election Form to ATRS before the end of the offering period.~~

2. A CASH Program Election Form that is postmarked after the offering period deadline is invalid. If sent by facsimile, the date stamp shall be before the offering period deadline. If sent as an attachment to an email, the email shall be sent before the offering period deadline.
  3. The Board may re-offer a previously expired buyout plan or may extend the duration of a current offering through a resolution adopted by the Board at a meeting of the Board.
- H. While ATRS may make reasonable efforts to contact members eligible for the CASH Program, ATRS is under no duty to contact members, to verify the accuracy of the addresses, or to confirm receipt of the offer by the member, to confirm receipt of the election form by members, or to confirm receipt by ATRS of the CASH Program Election Form from members.

## **II. ~~CASH Program Election Form~~**

- A. ~~To participate in the CASH Program, a member shall submit a CASH Program Election Form to ATRS during the offering period. The CASH Program Election Form shall be completed in its entirety by the member in order to be accepted as a valid CASH Program Election Form.~~ B. ~~The CASH Program Election Form shall include the following:~~
1. ~~A statement, signed by the member, that the member understands the purpose and scope of the CASH Program, and once ATRS tenders payment of CASH Program payment, the CASH Program Election Form may not be withdrawn.~~
  2. ~~A member who participates in the CASH Program plan shall receive a one-time lump sum payment from ATRS that cancels the member's interest in any retirement benefit and all future rights in ATRS effective upon tender of payment by ATRS.~~
  3. ~~The signature of the member; and~~
  4. ~~The date signed.~~
- C. ~~The CASH Program Election Form shall be made available to members using standard ATRS procedures.~~
- D. ~~ATRS is not required to accept any CASH Program Election Form that is not received during the offering period in the manner prescribed in this rule.~~
- E. ~~ATRS is not responsible for the member's receipt of a CASH Program Election Form, regardless of the manner in which it is requested.~~
- F. ~~The member is exclusively responsible for obtaining and submitting the CASH Program Election Form as required under this rule.~~
- G. ~~ATRS shall determine if the member is qualified to receive a CASH~~

~~Program payment. Only qualifying members may receive the CASH Program payment and any erroneous delivery of a CASH Program Election Form by ATRS to a member does not establish a right to payment.~~

### ~~III. CASH Program Offering~~

~~The applicable members, offering period, and CASH Program formula for a particular CASH Program offering will be established and approved by the Board through a properly adopted resolution.~~

### **HISTORY**

~~Approved by Board: July 26, 2013  
Adopted: October 9, 2013  
Effective: November 8, 2013  
Effective: August 5, 2019~~

### **RESOLUTIONS**

<del>2017-18</del>	<del>May 10, 2017</del>	<del>Expand to include contributory service.</del>
<del>2018-35</del>	<del>October 1, 2018</del>	<del>Create offer period for FY 2019.</del>
<del>2019-30</del>	<del>June 3, 2019</del>	<del>Create offer period for FY 2020.</del>

**ATRS Rule 13**  
**Administrative Adjudications and Informal Resolutions: Staff**  
**Determinations and Manifest Injustice Referrals**

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**§ 13-101. Definitions.**

As used in this rule:

(1) "Manifest injustice" has the same meaning as provided in Arkansas Code § 24-7-202; and

(2) "Member" for the purposes of the staff determination and appeal process means any member of the Arkansas Teacher Retirement System as defined in Arkansas Code § 24-7-202 and includes:

(A) A beneficiary of a member;

(B) A retiree of the system;

(C) A guardian, an administrator, or an executor of a member, retiree, or beneficiary; or

(D) A public school.

**§ 13-102. Staff determinations — Scope and purpose.**

(a) This rule governs the practice and procedures of the Arkansas Teacher Retirement System concerning the adjudication of a claim that concerns any retirement plan or program administered by the system and arises as a result of a determination made by the staff or administration of the system.

(b)(1) The system's staff is responsible for administering the accounts of members of the system and may make determinations based on the law and rules applicable to the system that may be adverse to a member's claim.

(2) This rule outlines the procedure for a member to appeal the determination of the system's staff or administration concerning a claim of the member.

(c)(1) The rules concerning the staff determination and appeal process should be read in conjunction with the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(2) To the extent that the rules concerning the staff determination and appeal process conflict with the Arkansas Administrative Procedures Act, the terms and provisions of the Arkansas Administrative Procedures Act shall supersede the rules concerning the staff determination appeal process and control.

(d) The rules concerning the staff determination and appeal process do not apply to claims or causes of action that the system or the Board of Trustees of the Arkansas Teacher Retirement System may have against a member or any other person or entity, regardless of the origin or nature of the claim.

**§ 13-103. Staff determinations — Extension of deadlines.**

(a)(1) The Board of Trustees of the Arkansas Teacher Retirement System and the Executive Director of the Arkansas Teacher Retirement System may extend any deadline applicable to a member's appeal upon a showing of good cause unless a Hearing Officer has been assigned.

(2) Only the board may extend a deadline after the deadline has passed.

(3) If a hearing officer has been assigned, until the completion of the hearing, only

the hearing office may extend a deadline applicable to a member's appeal upon a showing of good cause.

(b) When compliance with the rules concerning the staff determination and appeal process is based on delivery having occurred, delivery shall be considered to have occurred on the earlier of either the:

(1) Date of the postmark, if posted with the United States Postal Service;

(2) Date of actual delivery by one of the following methods:

(A) Hand delivery;

(B) Electronic transmission; or

(C) Delivery service other than USPS.

#### **§ 13-104. Staff determinations — Informal resolutions.**

(a)(1) A member's claim may be resolved informally through correspondence or conference between the member and the staff of the Arkansas Teacher Retirement System.

(2) All reasonable efforts shall be made to informally resolve a member's claim with the member.

(b)(1) The executive director may implement a resolution of a member's claim that has a direct impact to the system of up to five thousand dollars (\$5,000).

(2) Board approval shall be required to implement a resolution that has a direct financial impact to the system in excess of five thousand dollars (\$5,000).

(c)(1) The system's staff and the member are strongly encouraged to engage in a good faith attempt to resolve claims informally based upon the proper application of the law, rules, and policies applicable to the system and to the specific facts of the member's claim.

(2) A member's claim shall not be resolved in a manner that contravenes the law, rules, and policies applicable to the system.

(d) If a claim is not resolved informally and a staff determination letter adverse to the member's claim is issued to the member, the member may request a review of the staff determination by the Executive Director of the Arkansas Teacher Retirement System.

(e) The manifest injustice referral process shall not be used with regard to a member if the manifest injustice referral concerns the same questions of the law and fact that are at issue in a claim concerning the member that is resolved through the staff determination and appeals process.

#### **§ 13-105. Staff determinations — Notice of adverse determination.**

(a)(1) If the staff of the Arkansas Teacher Retirement System make a determination that is adverse to a member's claim, the system shall send a staff determination letter to the member if the claim involves:

(A) An ambiguity in the interpretation of the specific facts of the member's claim that would impact the manner in which the law, rules, or policy applicable to the system are applied to the member's claim;

(B) An ambiguity in the interpretation of the law, rules, or policy applicable to the system; or

(C) An ambiguity concerning the proper application of the law, rules, or policy applicable to the system to the specific facts of the member's claim.

(2) A staff determination letter shall not be issued to a member unless the staff determination letter has been reviewed and approved by an attorney for the system.

(b) A staff determination letter that is issued to a member shall:

(1) Advise the member of the determination and the reasons for the determination;  
and

(2) Advise the member of the procedure for requesting a review of the staff determination by the Executive Director of the Arkansas Teacher Retirement System;

(3) Advise the member of the deadline to request a review by the executive director; and

(4) Not include findings of fact and conclusions of law, separately stated.

(c) The written determination of system staff concerning an overpayment collection dispute or the applicability of a salary limitation to a plan or payment shall be treated as a staff determination letter.

(d) A staff determination letter is not and shall not be construed as a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(e) The system shall consider a member's claim as closed if the member does not request a review of the staff determination by the executive director within thirty (30) calendar days of the date of the staff determination letter.

#### **§ 13-106. Staff determinations — Review by executive director.**

(a)(1) A member shall submit a request for a review of a staff determination by the Executive Director of the Arkansas Teacher Retirement System in writing.

(2) A member shall not be required to resubmit any documents or information with his or her request for a review.

(b)(1) Unless an extension is granted by the Board of Trustees of the Arkansas Teacher Retirement System or the executive director, a member shall not be permitted to request a review of a staff determination by the executive director unless the member's request is received by the Arkansas Teacher Retirement System within thirty (30) calendar days of the date of the staff determination letter.

(2) If the last day to request a review of a staff determination by the executive director falls on an official state holiday or weekend, the member shall have until the next business day to request a review.

(c)(1) The executive director shall promptly send a letter to the member acknowledging the member's request for a review.

(2)(A) The member may submit for review by the executive director any additional relevant documents or information not previously submitted by the member to the system.

(B) The member shall submit the additional documents and information to the executive director within thirty-five (35) calendar days of the date of the executive director's acknowledgement letter.

(d)(1) Upon receiving a member's request for a review of a staff determination, the executive director shall independently review the facts and the law, rules, and policy applicable to the member's claim.

(2) The executive director shall consider the staff determination as well as any relevant documents and information provided by the member.

(3) The executive director may affirm, reverse, or modify the staff determination

before a final determination on the member's claim is made by the board.

(e)(1) The executive director shall send a review determination letter to the member within ninety (90) calendar days from the date on which the member's request for a review was received by the system.

(2) A review determination letter shall:

(A) Advise the member of the determination and the applicable law, rules, and policy used by the executive director to reach his or her determination;

(B) Advise the member of the procedure for appealing the review determination letter to the board;

(C) Advise the member of the deadline to appeal the review determination letter to the board; and

(D) Not include findings of fact and conclusions of law, separately stated.

(f) A review determination letter is not and shall not be construed as a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(g) The system shall consider a member's claim as closed if the member does not appeal the executive director's review determination within thirty (30) calendar days of the date of the review determination letter.

#### **§ 13-107. Staff determinations — Appeals — Initiation of appeal to the Board of Trustees of the Arkansas Teacher Retirement System.**

(a) A review determination of the Executive Director of the Arkansas Teacher Retirement System may be appealed by the member to the Board of Trustees of the Arkansas Teacher Retirement System.

(b)(1) A member shall appeal a review determination of the executive director in writing by filing a signed notice of appeal with the Arkansas Teacher Retirement System in the manner required by the system.

(2) A member shall file his or her signed notice of appeal with the system within thirty (30) calendar days of the date of the review determination letter.

(c) A member shall address and deliver his or her signed notice of appeal to the Board of Trustees of the Arkansas Teacher Retirement System, Member Appeals, ATTN: Legal Department, 1400 West Third Street, Little Rock, Arkansas, 72201.

#### **§ 13-108. Staff determinations — Appeals — Assignment of hearing officer.**

(a)(1) All member appeals of a review determination shall be assigned to a hearing officer.

(2) The executive director or his or her designee shall appoint a hearing officer from a list of qualified individuals approved by the executive director.

(3) The hearing officer shall conduct an administrative hearing, recommend factual and legal determinations, and prepare a proposed order for the board that includes findings of fact and conclusions of law, **separately stated**.

(b)(1) Following appointment, the hearing officer shall issue a written scheduling order to the member, executive director, and legal counsel for the system.

(2) The scheduling order shall contain include all information required under the Arkansas Administrative Procedures Act, § 25-19-201 et seq.

(3) The hearing officer, at his or her discretion, may include in the scheduling order reasonable deadlines for the submission and exchange of exhibits, witness lists, and



related materials before the hearing, including without limitation, any requested proposed findings of fact and conclusions of law.

(4) The hearing officer may continue any scheduled matter at his or her discretion for good cause shown by any party or counsel of record.

(c) Unless otherwise ordered, hearings shall be held at the Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201.

### **§ 13-109. Staff determinations — Appeals — Filing documents.**

(a) Following the appointment of a hearing officer, all correspondence, documents, requests, submissions, filings and other documents relating to an appeal shall be mailed or hand delivered to the Arkansas Teacher Retirement System, Member Appeals, ATTN: Legal Department, 1400 West Third Street, Little Rock, Arkansas, 72201.

(b) Any party submitting or filing a document relating to an appeal shall simultaneously deliver a copy of the filing or document to the opposing party or, if applicable, opposing counsel.

(c) The Arkansas Teacher Retirement System shall be the responsible for ensuring that:

(1) Copies of all correspondence, documents, requests, submissions, filings, and other documents relating to an appeal are provided in a timely manner to the hearing officer; and

(2) A complete record of each appellate proceeding before a hearing officer and the Board of Trustees of the Arkansas Teacher Retirement System is prepared and maintained in a single, centralized location.

### **§ 13-110. Staff determinations — Appeals — Hearings.**

(a) The hearing is an administrative hearing before the hearing officer and is not a hearing before the Board of Trustees of the Arkansas Teacher Retirement System.

(b)(1) All hearings shall be conducted according to [the rules concerning the staff determination appeal process](#) and the corresponding procedural provisions of the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(2) The hearing shall be informal and the formal rules of evidence shall not apply.

(3) In conducting a hearing, the hearing officer shall not be bound by the formal rules of evidence, and no informality in any proceedings or in the manner of taking of testimony shall invalidate any order or decision of the board.

(c) A member shall at all times have the right to counsel, provided that such counsel:

(1) Is duly licensed to practice law in the State of Arkansas; or

(2) Has been granted permission to appear *pro hac vice* by the hearing officer.

(d)(1) All hearings shall be conducted in an orderly manner.

(2) The hearing officer shall have the authority to maintain the decorum of the hearing and may clear the hearing room of witnesses who are not under examination.

(e) If a member fails to appear at the hearing, the member waives his or her right to present evidence and arguments to the hearing officer and the hearing officer may proceed with the hearing and prepare a proposed order for the board's consideration based on the evidence presented.

(f) The hearing officer shall have the authority to administer oaths and affirmations.

(g)(1) Each party shall be entitled to examine and cross-examine witnesses, present evidence, make arguments, and generally participate in the conduct of the proceeding.

(2) The hearing officer may question a witness during any portion of the direct or cross-examination of the witness.

(3)(A) Before giving testimony, each witness shall swear or affirm that the testimony about to be given shall be the truth, the whole truth, and nothing but the truth.

(B) All testimony considered by the hearing officer, except for matters officially noticed or entered by stipulation, shall be sworn testimony.

(h)(1) The hearing officer may admit into the record any evidence that in his or her judgment:

(A) Has a reasonable degree of probative value and trustworthiness; or

(B) Is of a type or nature commonly relied upon by reasonably prudent people in the conduct of their affairs.

(2) The hearing officer may exclude evidence that is irrelevant, immaterial, or unduly repetitious.

(3) Objections to evidentiary offers may be made and shall be noted of record.

(4) Documents received into evidence by the hearing officer shall be marked and filed as part of the record.

(i) Following the close of evidentiary submissions and witness testimony, the hearing officer may in his or her discretion allow summations and closing arguments by the parties.

(j)(1) The Arkansas Teacher Retirement System shall arrange for a court reporter to attend and record all hearings.

(2)(A) The system shall pay the cost for preparing a transcript of the hearing.

(B) Upon receiving the hearing transcript, the system shall promptly forward a copy of the transcript to the hearing officer and the member or, if applicable, the member's counsel.

### **§ 13-111. Staff determinations — Appeals — Post-hearing briefs.**

(a)(1) Upon the completion of the hearing, the hearing officer may allow the parties to submit post-hearing briefs to be included as part of the record on appeal.

(2) The decision on whether or not to allow the submission of post-hearing briefs is within the sole discretion of the hearing officer.

(3) A hearing officer's decision to not allow post-hearing briefs shall have no effect on the validity of any order or decision issued by the Board of Trustees of the Arkansas Teacher Retirement System.

(b) If a hearing officer grants the member or the Arkansas Teacher Retirement System an opportunity to submit a post-hearing brief, the hearing officer shall provide the opposing party an opportunity to submit a response.

(c) The hearing officer shall have discretion to set reasonable deadlines for the parties to submit post-hearing briefs and responses, provided that the parties shall be allowed a minimum of fourteen (14) calendar days from the date of receipt of the hearing transcript before any initial post-hearing brief shall be due for filing.

### **§ 13-112. Staff determinations — Appeals — Proposed orders.**

(a) After the hearing officer receives all evidence, arguments, and, if applicable, post-hearing briefs, the record before the hearing officer shall be officially closed.

(b)(1) After the record before the hearing officer is closed and the hearing officer has

considered all of the evidence, the hearing officer shall, as soon as practical, prepare a proposed order to be delivered to the Board of Trustees of the Arkansas Teacher Retirement System.

(2) The proposed order shall include:

(A) Findings of fact based exclusively on the evidence and testimony in the record of the hearing;

(B) Conclusions of law **that shall be separately stated from the findings of fact**; and

(C) A recommendation to the board.

(3)(A) The hearing officer shall provide the proposed order to the board via e-mail and via United States mail addressed to the Arkansas Teacher Retirement System, Member Appeals, ATTN: Legal Department, 1400 West Third Street, Little Rock, Arkansas, 72201.

(B) Upon receiving the proposed order, the system shall mail a copy of the proposed order to the member and, if applicable, the member's counsel via Certified, First Class, United States mail, with a copy to the Executive Director of the Arkansas Teacher Retirement System.

#### **§ 13-113. Staff determinations — Appeals — Objections to proposed orders.**

(a)(1) The member shall have the right to file a written statement of objections outlining any objections, exceptions, and arguments that the member determines should be considered by the Board of Trustees of the Arkansas Teacher Retirement System during the board's evaluation of the hearing officer's proposed order.

(2) A member shall not be permitted to introduce additional evidence or testimony in his or her statement of objections.

(b) A member's written statement of objections shall be delivered to the Arkansas Teacher Retirement System within twenty-one (21) calendar days of the member's receipt of the hearing officer's proposed order.

(c)(1) Counsel for the system may prepare a written response to any written statement of objections filed by the member.

(2) A copy of any response by the system shall be provided to the board and the member and, if applicable, the member's counsel, before the board meeting at which the hearing officer's proposed order is scheduled to be considered by the board.

#### **§ 13-114. Staff determinations — Appeals — Consideration of proposed orders by the Board of Trustees of the Arkansas Teacher Retirement System.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System shall render a final determination on the hearing officer's proposed order.

(b)(1) The board's consideration of the hearing officer's proposed order shall be scheduled within a reasonable time to be heard, at a regular meeting of the board after the issuance of the proposed order.

(2) The board may call an emergency meeting to consider the hearing officer's proposed order if the situation warrants.

(3) The Arkansas Teacher Retirement System shall notify the member and, if applicable, the member's counsel in writing of the date, time, and location of the board meeting at which the board intends to consider the hearing officer's proposed order.

(c)(1) Before rendering a decision on the hearing officer's proposed order, the board may request that the member and, if applicable, the member's counsel make a brief statement to the board concerning facts and any arguments that the member wishes to present and respond to any questions from the board.

(2) The board's consideration of a brief statement and any responses to questions made by the member or, if applicable, the member's counsel shall not require the board to conduct another hearing and shall be based on the hearing previously conducted before the hearing officer.

(2) The chairman of the board shall have the final authority to set the amount of time any party may have to make a statement to the board.

(d)(1) Failure of a member to appear at the meeting of the board without prior notification shall result in the member waiving his or her right to be heard by the board.

(2)(A) A member may petition the board for another opportunity to address the board.

(B) The board may grant a member's petition for another opportunity to address the board if the board determines that the member's absence was for good cause.

(e)(1) After the board's consideration of the hearing officer's proposed order, the board shall either accept or reject all or part of the hearing officer's proposed order.

(2) The board may either accept the proposed order, reject the proposed order, or accept the proposed order as modified by the board.

(3) If the board rejects the proposed order or accepts the proposed order as modified by the board, the board may:

(A) Prepare its own written findings of fact and conclusions of law, **separately state**, and issue its own order based upon those findings and conclusions;

(B) Consider manifest injustice as a basis for any remedy; or

(C) Remand the matter in whole or in part to the hearing officer for reconsideration of additional findings of fact or conclusions of law or both additional findings of fact and conclusions of law.

(f) A quorum of votes of the board is necessary to approve any motion, resolution, or order under the board's consideration.

(g)(1) Following the board's decision on the hearing officer's proposed order, the board shall prepare a written final order on the member's appeal.

(2) The board's final order shall include findings of fact and conclusions of law, separately stated, that were relied upon by the board in formulating the final order.

(3) **The board's final order shall be a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.**

(4) A copy of the board's final order, including the board's findings of fact and conclusions of law, **separately stated**, shall be delivered by the Executive Director of the Arkansas Teacher Retirement System to the member and, if applicable, the member's counsel via Certified, First Class, United States.

### **§ 13-115. Staff determinations — Appeals — Settlement authority.**

(a) **With the member's written consent or, if applicable, the written consent of the member's counsel, the Executive Director the Arkansas Teacher Retirement System may suspend his or her review of a member's claim being considered under the rules**

concerning the staff determination and appeal process if the member's claim may be more expediently resolved using the manifest injustice process.

(b) The executive director may settle any claim in a manner mutually agreeable to the Arkansas Teacher Retirement System and the member at any time before the Board of Trustees of the Arkansas Teacher Retirement System issues its final order on the member's appeal.

(c) In settling any claim, the executive director shall not exceed the authority previously granted to him or her by the board.

(d) The executive director shall report any settlement that occurs after the hearing officer issues a proposed order to the board.

### **§ 13-116. Staff determinations — Appeals — Rights of members under the Arkansas Administrative Procedures Act.**

(a) A member who receives an adverse final order from the Board of Trustees of the Arkansas Teacher Retirement System retains certain rights under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(b)(1) A member may file a petition for judicial review under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(2) A petition for judicial review of a final or of the board shall be filed by the member within thirty (30) days after service of the board's final order on the member.

(3) A member shall file the petition for judicial review in Pulaski County Circuit Court or the circuit court of any county in which the member resides or does business.

### **§ 13-117. Staff determinations — Appeals — Ex parte communications.**

(a) The Arkansas Administrative Procedures Act, § 25-15-201 et seq., prohibits direct or indirect communications between the members and staff of the Arkansas Teacher Retirement System and a hearing officer or a member of the Board of Trustees of the Arkansas Teacher Retirement System concerning any issue of fact or law at issue in a member's appeal unless there has been notice providing all parties with an opportunity to participate in the communication.

(b) A hearing officer and a member of the board shall not consider any ex-parte or off-the-record evidence or statements made to them by the member or a staff member of the system in connection with a pending appeal.

(c) This section does not preclude communications by and between the hearing officer, system staff, and the board concerning minor scheduling and procedural matters necessary to timely and efficiently process and handle member appeals under the rules concerning the staff determination and appeal process.

### **§ 13-118. Manifest injustice.**

(a) The Board of Trustees of the Arkansas Teacher Retirement System may waive or modify the impact of a rule, provision, or law applicable to the Arkansas Teacher Retirement System that does not violate a federal law or jeopardize the tax qualified status of the system in order to prevent a manifest injustice to a member, benefit participant, covered employer, or the system.

(b)(1) The process of declaring a manifest injustice is a rare and extraordinary remedy that shall not be used as a routine method of addressing error, oversight, or simple

mistake.

(2) As an extraordinary remedy, manifest injustice shall be cautiously and carefully used to prevent unfairness, to preserve the integrity of the system, and to avoid or correct unduly harsh or unconscionable outcomes.

(c) In determining whether or not a manifest injustice exists, the system may consider:

(1) The degree of fault of the system, benefit participant, or employer;

(2) An ambiguity in the interpretation of the circumstances, rule, or law;

(3) The cost to the system of correcting the error that is far outweighed by the benefit afforded to the system, benefit participant, or employer;

(4) Whether or not an expedited decision is in the public interest;

(5) The fundamental fairness of a remedy in a particular situation; and

(6) Whether or not the status quo would result in an unconscionable outcome.

(d)(1) The manifest injustice process shall not be used to address a change, omission, or error in the records of the system that may be corrected within the look-back period.

(2) The manifest injustice process may be used to correct a change, omission, or error in the records of the system discovered after the look-back period if the board determines that the time limitation imposed by the look-back period would cause a manifest injustice.

### **§ 13-119. Manifest injustice — Referrals.**

(a) A manifest injustice referral shall be made to the Executive Director of the Arkansas Teacher Retirement System.

(b)(1) The following persons or entities may submit a manifest injustice referral to the executive director:

(A) A member of the Board of Trustees of the Arkansas Teacher Retirement System;

(B) A staff member of the system, including without limitation the executive director;

(C) A benefit participant as defined by Arkansas Code § 24-7-202;

(D) A covered employer; or

(E) A guardian, fiduciary, or other interested party.

(2) A member of the Manifest Injustice Committee shall not be permitted to make a manifest injustice referral to the executive director.

(c)(1) The Arkansas Teacher Retirement System shall create and maintain a record of each manifest injustice referral submitted to the executive director and the resolution of the manifest injustice referral.

(2) The executive director shall submit all manifest injustice referrals to the committee.

(3) Each referral shall be given a number and a year designation by the committee.

### **§ 13-120. Manifest injustice — Authority of executive director.**

(a) With the member's written consent or, if applicable, the written consent of the member's counsel, the Executive Director the Arkansas Teacher Retirement System may suspend his or her review of a member's claim being considered under the rules concerning the staff determination and appeal process if the member's claim may be

more expediently resolved using the manifest injustice process.

(b)(1) The executive director is authorized to implement a resolution of a manifest injustice after a determination is made that a manifest injustice exists using the rules concerning the manifest injustice process.

(2)(A) The executive director may implement a resolution of a manifest injustice of up to **five thousand dollars (\$5,000)** of direct financial impact to the Arkansas Teacher Retirement System.

(B) The executive director shall provide the chair of the Board of Trustees of the Arkansas Teacher Retirement System with written notice of a manifest injustice determination and the proposed resolution before implementing the resolution if a resolution has a direct financial impact on the system in an amount exceeding five thousand dollars (\$5,000).

(c)(1) The executive director shall not waive a deadline that may apply in the law or rules applicable to the system.

(2) Only the Board of Trustees of the Arkansas Teacher Retirement System may waive a deadline.

(d)(1) The executive director shall provide a report to the board at least biannually that:

(A) Outlines the facts and circumstances of each manifest injustice referral;

(B) Describes findings and recommendations of the manifest injustice committee; and

(C) Provides and explains the resolution of the manifest injustice referral if a manifest injustice is found.

(2) The names of members or other information that is not material to the findings shall not be required in the report to the board.

### **§ 13-121. Manifest injustice — Manifest Injustice Committee.**

(a) The Arkansas Teacher Retirement System's General Counsel and two (2) members of senior management designated by the Executive Director shall be the sole members of the Manifest Injustice Committee.

(b)(1) The committee shall review all manifest injustice referrals and shall meet on a reasonable schedule or as needed to review manifest injustice referrals.

(2) If a committee member has a conflict or otherwise cannot review or act on a manifest injustice referral due to absence, sickness, or work load, the committee member may appoint a representative from his or her supervised staff to review or act on the manifest injustice referral on the committee member's behalf.

(3) A majority vote of the committee shall constitute a recommendation on a manifest injustice referral.

(c)(1) The committee may request that a party to the manifest injustice referral provide information or input concerning the manifest injustice referral.

(2) A party to the manifest injustice referral is not required to provide any information or input requested by the committee.

(d)(1) The committee shall make a recommendation on the existence of a manifest injustice to the Executive Director of the Arkansas Teacher Retirement System based upon the committee's review of the manifest injustice referral.

(2) If the committee finds that a manifest injustice exists, then the committee shall propose and include in its recommendation a resolution of the manifest injustice.

**§ 13-122. Manifest injustice — Review of recommendation.**

(a)(1) The Executive Director of the Arkansas Teacher Retirement System shall review the manifest injustice referral and the Manifest Injustice Committee's basis for the recommendation.

(2)(A) The executive director may request that a party to the manifest injustice referral provide information or input concerning the manifest injustice referral.

(B) A party to the manifest injustice referral is not required to provide any information or input requested by the executive director.

(b)(1) The executive director may either accept the committee's recommendation or return the manifest injustice referral to the committee for further consideration if the executive director disagrees with the committee's recommendation.

(2)(A) The manifest injustice referral shall be considered reviewed and closed if the committee recommends that a manifest injustice exists and the executive director accepts the recommendation.

(B) If the committee recommends that a manifest injustice exists and the executive director accepts the recommendation, the executive director may either adopt the resolution suggested by the committee or an alternative resolution that the executive director is authorized to implement.

(C) A committee's recommendation that is accepted by the executive director and finds that a manifest injustice exists is not appealable under the rules concerning the staff determination appeal process or the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(3)(A) The manifest injustice referral shall be considered reviewed and closed if the committee recommends that a manifest injustice does not exist, the executive director accepts the recommendation, and the recommendation is not appealed to the Board of Trustees of the Arkansas Teacher Retirement System using the rules concerning the staff determination appeal process.

(B)(i) A committee's recommendation that is accepted by the executive director and finds that a manifest injustice does not exist may be appealed to the board using the rules concerning the staff determination appeal process if the manifest injustice referral involves:

(a) An ambiguity in the interpretation of the specific facts of the member's claim that would impact the manner in which the law, rules, or policy applicable to the system are applied to the member's claim;

(b) An ambiguity in the interpretation of the law, rules, or policy applicable to the system; or

(c) An ambiguity concerning the proper application of the law, rules, or policy applicable to the system to the specific facts of the member's claim.

(ii) A board member or staff member of the system shall not be permitted to appeal a committee's recommendation that is accepted by the executive director.

(iii) A committee's written recommendation shall not be considered a final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(4)(A) If a manifest injustice referral is returned to the committee by the executive director, the manifest injustice committee shall reconsider the manifest injustice referral



and take into consideration any addition information provided by the executive director.

(B) The committee may maintain or amend its original recommendation after reconsidering a manifest injustice referral that is returned by the executive director.

(C)(i) If the committee maintains its original recommendation and the executive director does not accept the recommendation, the executive director may include the manifest injustice referral as an action item on the agenda of the board's next scheduled meeting for consideration and resolution by board.

(ii) If the manifest injustice referral was submitted by a person or entity who is not a board or staff member of the Arkansas Teacher Retirement System, the system shall send the person or entity written notice that:

(a) Provides the time and date on which the board intends to consider the manifest injustice referral;

(b) Advises the person or entity that the person or entity may present arguments to the board concerning the manifest injustice referral;

(c) Advises the person or entity that the system will send the person or entity a written final order of the board after the board meeting; and

(d) Advises that the board's final order shall be a final decision or order of the system that may be appealed by the person or entity under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

(D) If the board finds that a manifest injustice does exist, the board may implement a resolution suggested by the system's staff or an alternative resolution.

(E) A final order of the board concerning a manifest injustice referral shall be considered the final decision or order of the system that may be appealed under the Arkansas Administrative Procedures Act, § 25-15-201 et seq.

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**Authority: Arkansas Code §§ 24-7-202, 24-7-205, and 25-15-201 — 24-15-219.**

### **History**

<u>Approved:</u>	<u>February 1, 2010</u>	<u>(Emergency), 13-1</u>
<u>Approved:</u>	<u>June 7, 2010</u>	<u>Permanent, 13-1</u>
<u>Approved by Board:</u>	<u>July 26, 2013</u>	<u>13-1, 17-1</u>
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<u>Effective:</u>	<u>TBD</u>	<u>Rule 13-1</u>

# ~~RULE 17-1~~

## ~~MANIFEST INJUSTICE~~

### ~~I. BACKGROUND AND PURPOSE.~~

~~The 89<sup>th</sup> General Assembly provided the ATRS Board the extraordinary remedy of waiving any rule, provision, or law that does not violate a federal law or rule in order to prevent a manifest injustice to a member, benefit participant, ATRS employer, or ATRS. Act 303 of 2013 grants that authority to the Board, and is codified at A.C.A. § 24-7-205 as follows:~~

~~"(e) The board or its designee may waive or modify the impact of a rule, provision, or law that does not violate federal law or jeopardize the taxqualified status of the system to correct or prevent a **manifest injustice** (emphasis added) that would affect the system, benefit participant, or employer in a particular instance."~~

~~The definition of manifest injustice can be found at Ark. Code. Ann 24-7202(40)(A) as follows:~~

~~"(40)(A) "Manifest injustice" means an obvious unfairness that has a direct and observable unconscionable effect that will occur as a result of a technical error or error of judgment, when the error made by the system, a benefit participant, or employer, and the disparity of outcome to the parties, when taken together and supported by clear and convincing evidence, show a great harm to the integrity of the system as a whole, the benefit participant, or an employer, unless the system is afforded the discretion to resolve the matter in a fair manner.~~

~~(B) In determining manifest injustice the system may consider:~~

- ~~(i) The degree of fault of the system, benefit participant, or employer;~~
- ~~(ii) An ambiguity in the interpretation of the circumstances, rule, or law;~~
- ~~(iii) The cost to the system of correcting the error that is far outweighed by the benefit afforded to the system, benefit participant, or employer;~~

- (iv) Whether or not an expedited decision is in the public interest;*
- (v) The fundamental fairness of a remedy in a particular situation; and*
- (vi) Whether or not the status quo would result in an unconscionable outcome."*

## **II. GENERAL**

The process of declaring a manifest injustice is a rare and extraordinary remedy that shall not be used as a routine method of addressing error, oversight, or simple mistake. As an extraordinary remedy, manifest injustice shall be cautiously and carefully used to prevent unfairness, to preserve the integrity of ATRS, and to avoid or correct unduly harsh or unconscionable outcomes.

## **III. DELEGATION TO ATRS EXECUTIVE DIRECTOR.**

- A. The ATRS Executive Director is hereby given authority to implement a resolution of a manifest injustice once a determination is made that a manifest injustice exists using the review process set forth herein. The Executive Director may implement a resolution of a manifest injustice of up to \$10,000 of direct financial impact to ATRS. The Executive Director is specifically prohibited from waiving any deadlines that may apply in the ATRS Rules or law. Any waiver of a deadline is exclusively a Board remedy and not a remedy available to the ATRS Executive Director. Provided however, if any resolution that has a direct financial impact of more than \$5,000, then ATRS Executive Director shall provide the Chair of the ATRS Board of Trustees written notice about the manifest injustice determination and proposed resolution prior to implementing the resolution.
- B. The Executive Director is specifically prohibited from waiving any deadline that may apply in the ATRS Rules or law. A waiver of a deadline is exclusively a Board remedy and not a remedy available to the Executive Director.
- C. The Executive Director shall provide a report to the Board at least biannually that outlines the facts and circumstances of each manifest injustice referral, sets forth the findings and recommendations of the Manifest Injustice Committee, and sets forth and explains the resolution of the manifest injustice, if a manifest injustice is found. Members' names or other information that is not material to the findings shall not be required in the report to the Board.

#### IV. ~~MANIFEST INJUSTICE COMMITTEE.~~

- A. ~~The ATRS General Counsel, Assistant Director of Fiscal Affairs, and Member Services Administrator shall act as a 3-person Manifest Injustice Committee (the "Committee") to review all manifest injustice referrals.~~
- i. ~~The Committee will meet on a reasonable schedule or as needed to review any referral.~~
  - ii. ~~A majority vote of the Committee shall constitute a recommendation on the referral.~~
  - iii. ~~The Committee shall make an initial recommendation to the Executive Director based upon its review of the referral regarding whether or not a manifest injustice exists. If a manifest injustice exists, then the Committee shall propose a resolution of the manifest injustice to the Executive Director.~~
- B. ~~If the Committee determines that no manifest injustice exists in a referral, then the Executive Director shall review the referral and the Committee's basis for the recommendation. The Executive Director may either accept the recommendation or return the referral to the Committee for further consideration.~~
- i. ~~If the Executive Director accepts the recommendation from the Committee, the discretionary review is officially ended and the matter is to be considered officially closed.~~
  - ii. ~~If the referral is returned to the Committee, the Committee shall consider the matter again in light of any additional information provided by the Executive Director. If the Committee's recommendation remains that no manifest injustice exists, the matter shall be considered officially closed, unless referred to the Board.~~
- C. ~~If the Committee determines that a manifest injustice does exist, then the Executive Director may implement the resolution suggested by the Committee or adopt an alternate resolution that falls within the Executive Director's delegated authority.~~
- D. ~~If the Executive Director disagrees with the Committee's determination that a manifest injustice exists, then the Executive Director may return the referral~~

~~for further consideration. If the Committee maintains the determination that a manifest injustice exists after the return of the referral, and the Executive Director continues to disagree, then the Executive Director may place the item on the Board agenda for the Board to consider and resolve, with input from both the Committee and Executive Director concerning the referral.~~

- ~~E. If a member of the Committee has a conflict or otherwise cannot act on a manifest injustice referral due to absence, sickness, or work load, a Committee member may appoint a representative from their Staff for a committee meeting.~~
- ~~F. A party may not administratively appeal a determination of a referral of manifest injustice, regardless of whether the determination occurs from the Executive Director's decision or through the Board's decision.~~

~~V. The Executive Director may suspend an Executive Director Review if a manifest injustice determination might resolve the issue within the Executive Director review. The Executive Director review shall not be suspended absent the consent of the affected party/parties in the Executive Director review.~~

## ~~VI. REFERRALS.~~

~~A. A referral of a potential or alleged manifest injustice may be made to the Executive Director by any:~~

- ~~i. ATRS Trustee; ii. ATRS Staff member, including the Executive Director; iii. Benefit Participant; iv. Beneficiary;~~
- ~~v. ATRS covered Employer; or vi. Other interested party such as guardian or fiduciary.~~

~~B. A referral shall be made to the Executive Director in order to create and preserve an appropriate record with ATRS.~~

- ~~i. Each referral shall be given a number and a year designation. For \_\_\_\_\_ example: "2013-MI-1, 2013-MI-2, 2013-MI-3" and so forth.~~

- ~~ii. The Executive Director shall submit all referrals to the Committee.~~

- ~~VII. The Committee or the Executive Director may request that a party to a manifest injustice referral provide information or input concerning the referral. A party is not required to provide information.~~
- ~~VIII. A Board decision on a manifest injustice referral is a final discretionary decision and is not subject to further review.~~

~~Approved by Board: July 26, 2013~~

~~Adopted: October 9, 2013~~

~~Effective: November 8, 2013~~

# ATRS Board Policy 4

## STATEMENT OF INVESTMENT POLICY

A.C.A. § 24-7-305

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### I. Board - Investment Policies and Procedures

#### A. Statement of Investment Policy

1. This Investment Policy has been prepared within the context of applicable Arkansas laws and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure that both prudence and care are maintained in the execution of the investment program. While safety of principal is given primary consideration, the Arkansas Teacher Retirement System Board of Trustees (“Board”) may take appropriate levels of risk to earn higher levels of investment return.
2. The Board has arrived at this policy through careful study of the rates of return and risks associated with various investment strategies in relation to the current and projected liabilities of the Arkansas Teacher Retirement System (“the System”). This policy has been chosen as the most appropriate for achieving the financial objectives of the System. The policy will be reviewed periodically as circumstances dictate.
3. The Board has adopted a long-term investment horizon so that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of the System will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. All transactions undertaken on behalf of the System will be in the sole interest of the System’s plan beneficiaries.
4. To achieve the overall investment goal of the System, one or more investment consultants may be retained by the Board as investment advisors. The scope of duties, together with the terms and conditions of engagement, of any investment consultant will be set forth in a contract approved by the Board. Throughout this document, investment advisors are referred to as investment consultants.
5. The System shall manage those assets not specifically allocated to investment managers. No investment shall be made without an investment consultant's recommendation. The System shall not approve any material changes in any direct investment without first receiving written advice or a written recommendation from a third-party investment consultant and, if needed, outside legal counsel, and,

without thereafter receiving written approval by the Investment Committee and Board.

B. Divestment of Direct Holdings Held with Certain Financial Services Providers

1. The System shall divest from all direct holdings that it has with a financial services provider included on the list published on the Treasurer of State's website under § 25-1-1002. Divestment shall occur as soon as practicable, but no later than three hundred sixty-five (365) calendar days after the financial services provider's inclusion on the list published on the Treasurer of State's website.
2. However, in order to prevent financial harm to the System and to ensure that the System's fiduciary duty is met, the System shall not divest from an investment that it has with a financial services provider included on the list published on the Treasurer of State's website under § 25-1-1002 if the investment is locked into a maturity date and an early divestment would result in a financial penalty and cause a negative financial impact to the System.

C. Investments in Countries of Concern

1. In order to comply with Arkansas Code § 25-1-1201 et seq. and also to ensure that System funds are not invested in the development of technologies and products that may threaten the national security of the United States, the System shall not directly hold any equity interest or debt financing interest in any entity that is:
  - a. Owned in whole or with a majority ownership by the government of the People's Republic of China; or
  - b. Subject to any investment restrictions imposed by the United States Department of the Treasury because the entity is located in a country of concern and is engaged in activities that may contribute to a threat to the national security of the United States.
2. For any prohibited investment held by the System as of the adoption of this section, the Executive Director, in cooperation with the investment consultant and other necessary parties, shall divest the System of any excluded holdings as soon as divestment is practicable and would not result in a financial penalty or cause a material negative impact to the System.



#### D. Standard of Care

1. When investing and reinvesting trust assets and in acquiring, retaining, managing and disposing of investments of the trust assets, there shall be exercised the reasonable care, skill, and caution that a prudent investor would use after considering the purposes, terms, distribution requirements, and other circumstances of the trust. Investment and management decisions respecting individual assets shall be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust. The investments of the trust shall be diversified unless the Board reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying. The trust assets shall be invested and managed solely in the interest of the members and benefit recipients of the trust. The trust assets shall be invested in a manner to only incur costs that are appropriate and reasonable in relation to the assets and purposes of the investment. Compliance with the standard of care is determined in light of facts and circumstances at the time of action, not in hindsight.
2. Investment and management functions may be delegated to an investment agent that a prudent trustee of comparable skills could properly delegate under the circumstances. When making such delegation, the Board shall establish the scope and terms of the delegation, consistent with the purposes and terms of the trust, and shall monitor the investment agent performance and compliance with the terms of the delegation. In performing a delegated function, an investment agent owes a duty to the System and the trust to exercise reasonable care to comply with the terms of the delegation. The assets of the System allocated to the investment managers shall be diligently managed, which may include selling investments and realizing losses, if such action is considered advantageous to longer-term return maximization. In addition, the Executive Director may delegate certain duties to the System's investment staff without relieving the Executive Director from the ultimate responsibility.
3. Each party serving in a fiduciary capacity for the trust shall discharge his or her duties solely in the pecuniary interest of the participants and beneficiaries and in compliance with Arkansas Code § 24-2-801 et seq. A fiduciary's evaluation of an investment, or evaluation or exercise of any right appurtenant to an investment, shall take into account only pecuniary factors.
4. Each party serving in a fiduciary capacity for the trust shall apply the standard of care set forth herein.

## E. Asset Allocation

1. The Board is responsible for the prudent investment of funds and to maintain a proper allocation of the System's investment assets. The Board, in conjunction with its investment consultants, shall set and adjust the System's asset allocation ranges as necessary to provide an optimal allocation to obtain its target returns. The general investment consultant shall notify the Executive Director and the Board when an asset liability modeling study should be undertaken. It shall be the goal of the System to maintain the following asset allocation targets and ranges:

Asset Category	Minimum*	Target	Maximum*
Total Equity	<del>48.0%</del> <u>43.0%</u>	<del>53.0%</del> <u>48.0%</u>	<del>58.0%</del> <u>53.0%</u> * *
Fixed Income	<del>13.0%</del> <u>17.0%</u>	<del>15.0%</del> <u>20.0%</u>	<del>17.0%</del> <u>23.0%</u>
Opportunistic/Alternatives	N/A	5.0%	N/A
Real Assets***	N/A	15.0%	N/A
Private Equity	N/A	12.0%	N/A
Cash Equivalents	0.0%	0.0%	5.0%

\* Due to the illiquid nature of opportunistic/alternatives, real assets, and private equity, it is not prudent to set rebalancing ranges for these asset classes.

\*\*Additional allocations to total equity may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted opportunistic/alternatives, real assets, and private equity.

\*\*\*Real assets includes real estate, timber, agriculture, and infrastructure.

## F. Rebalancing

1. The asset allocation ranges established by the Board represent the Board's judgment of a portfolio mix that provides the greatest risk/return value. Allowing the portfolio to exceed the Board limits strays from the financial discipline, which the Board believes will - over time - provide the appropriate risk-adjusted return to the System.
2. The Executive Director is responsible for rebalancing the allowable asset classes and the individual portfolios if any of the asset classes falls outside of the designated range. The general investment consultant shall provide guidance and advice to the Executive Director to best achieve the rebalancing.

3. Rebalancing among individual investment manager portfolios within asset classes may also be necessary to ensure the appropriate level of diversification is achieved by investment style, market capitalization or risk levels (see total asset class guidelines) and/or to take advantage of market conditions, fund manager expertise, opportunities, or other circumstances that could be beneficial to ATRS.
4. The Executive Director may rebalance across all equity managers, all equity holdings, all fixed income managers, and all fixed income holdings. A Board approved transition manager may be used for rebalancing. Rebalancing including the use of a Board approved transition manager, as needed, may be initiated by the Executive Director after recommendation from the appropriate investment consultant and positive notice to the Board Chair. The Executive Director and general investment consultant will monitor the asset values by classification for each asset manager on a monthly basis, based on month-end data provided by the custodial bank. The Executive Director and general investment consultant shall regularly inform the Board on the rebalancing pacing and strategy.
5. Whenever the minimum or maximum range of total equity or fixed income has been exceeded, a transfer of funds or other appropriate action will occur to bring the actual allocation within the prescribed range within a time frame determined to be prudent by the Executive Director in consultation with the general investment consultant.
6. Normal plan cash flows should be used to the extent possible to rebalance. Interest, dividends, and plan contributions should be used to the extent possible to fund asset classes that are below their target. Withdrawals should be made from asset classes that are above their target.

#### G. Investment Manager Selection

1. The System may hire and retain individual investment managers to implement the System's investment strategy.
2. Arkansas Code § 24-2-610 et seq. requires ATRS to always operate under the prudent investor rule. The prudent investor rule requires all investment decisions to be made based on the experience of management, rates of return, appropriate risk, reasonable cost, and all other relevant factors that should be used by prudent investors.
3. It is the policy of the Board to include, whenever appropriate, qualified minority-owned and women-owned business enterprises in the System's investment manager selection process and to objectively evaluate all qualified investment manager candidates regardless of race, gender or disability.

4. The Board will evaluate all qualified investment manager candidates with emphasis on demonstrated professional performance, organizational depth, institutional investment management capability, and reasonableness of fee structure regardless of the amount of investment assets under management or the age of the investment management firm.
5. The Board shall only hire and retain professional consultants that do not use discriminatory practices in the creation and maintenance of their investment manager databases and will require the investment consultants to affirm their use of non-discriminatory practices when recommending investment manager candidates to the Board.
6. The Board shall only hire and retain investment managers and professional consultants that agree to provide services to the System in a manner that complies with Arkansas Code § 24-2-601 et seq., 24-2-801 et seq., 25-1-1001 et seq., and 25-1-1201 et seq.

#### H. Goals

1. Recognizing the purpose of the System is to remain actuarially sound and pay member benefits, the overall investment goal is to achieve, over a period of years, the greatest rate of return for the System with due consideration given to preserving capital and its purchasing power, and to maintain an appropriate level of risk consistent with the obligations of a prudent investor. The return of the System should exceed, net of fees, a policy benchmark comprised of the respective asset class benchmarks weighted by the asset class policy targets over a full market cycle (approximately five years). During periods of transition to and from nonmarketable and illiquid asset classes such as private equity and real assets, actual allocations may be used over extended periods to reflect these changes in the policy targets. Periodic performance reports will provide a detailed description of the policy benchmark composition over time.
2. The System's actuary sets an expected return based on the Board's policy decisions. Market cycles may result in the System earning a return materially above or below the actuarial rate of return for extended periods of time. Therefore, the actuarial rate of return will not be used for performance comparison purposes.

#### I. Total Equity

1. The total equity exposure of the portfolio shall be well diversified with broad exposures to small, mid, and large capitalization companies and growth and value style sectors across U.S. and non-U.S. markets.

2. The goal for total equity shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the aggregate global equity market as measured by the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) Investable Market Index (IMI) over a full market cycle (approximately five years). Because the total equity portfolio was previously segregated into domestic and global equity components, the total equity portfolio has a bias to domestic equity relative to the MSCI ACWI IMI. Therefore, to ensure appropriate performance measurement, the benchmark for total equity will be appropriately weighted between the Dow Jones U.S. Total Stock Market Index and the MSCI ACWI IMI Index to reflect the current domestic / global asset mix until the domestic allocation is in line with the global opportunity set as defined by the MSCI ACWI IMI. The manager structure of the total equity portfolio should resemble the weighted average of their respective benchmarks and avoid any material biases due to a concentration of managers or management styles. To achieve this goal, the Board may employ various actively managed and passive mandates. The structure of the equity component will be analyzed annually to ensure proper diversification is achieved.

J. Fixed Income

1. The manager structure of the aggregate fixed income portfolio's risk exposure should resemble the aggregate domestic fixed income market as measured by the Barclays U.S. Universal Bond Index. To help achieve this goal, the Board will employ investment managers that invest assets in a broad array of sectors (government, mortgage backed, credits, asset backed, and commercial mortgage backed bonds), maturities, and credit qualities so that the overall portfolio structure is not materially different from that of the domestic and global fixed income markets. To provide a broad base of low-cost diversification and readily available liquidity, the Board may allocate a portion of the fixed income assets to a passive investment portfolio that approximates the return of the broad fixed income market.
2. The goal for fixed income investments shall be to achieve a total rate of return that will exceed, net of all costs and fees, the return of the Barclays U.S. Universal Bond Index over a full market cycle (approximately five years).

K. Opportunistic/Alternative Investments

1. The Opportunistic/Alternatives asset class may include investments in direct hedge funds, hedge fund of funds, commodities, currency mandates, and other alternative strategies that are not closely correlated or related to the traditional asset classes (fixed income,

equities, private equity, and real assets). Unique investments that do not fit within the other asset class categories may also be included in the Opportunistic/Alternative category at the Board's discretion. Because this category may include illiquid investments made through closed end investment partnerships, it may take a period of time to reach and maintain the target allocation of 5%. Assets will be invested in the total equity asset class when the opportunity/alternative allocation is below its long-term target of 5%. The benchmark for the category will be a weighted average of the benchmarks of the underlying strategies.

2. The goal of the credit, global macro, and other liquid alternative investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the appropriate institutional quality hedge fund index over a full market cycle (approximately five years). Appropriate benchmarks will be determined as investments are added to the portfolio.

#### L. Real Assets

1. The Real Asset category may include real estate, timber, agriculture, and infrastructure. While no fixed targets are set, the following general parameters have been identified:
  - 10% Real Estate
  - 2% Timber
  - 1% Agriculture
  - 2% Infrastructure

The total target of the asset class will be 15%. Because this category may include illiquid investments made through closed end investment partnerships, it will take a period of time to reach these targets. Assets will be invested in the total equity asset class until the total target is attained.

The System may initiate investments in real estate as governed by the Real Asset Statement of Investment Policy. The System's goal for real estate is to not materially exceed the System's approved target asset allocation for total real estate investments as determined by the Board at the beginning of each fiscal year. Should the real estate target asset allocation be exceeded, the Executive Director, working with the Real Estate Consultant, shall develop a pacing and strategy plan to address the over allocation.

ATRS' Real Estate portfolio is benchmarked on a net of fee basis against the NCREIF Fund Index Open-end Diversified Core Equity

Index ("NFIODCE"). Once ATRS' Real Estate portfolio reaches its full target allocation for a five-year period, it is expected to meet or exceed the NFIODCE over rolling five-year periods.

The System may initiate direct ownership in timberland or indirect investments in fund of funds, partnerships, corporations, or real estate investment trusts ("REITs") investing in investment grade properties of like kind.

2. The goal of the timberland investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the NCREIF Timberland Property Index ("NTPI") over a five-year rolling period. The Consumer Price Index plus 300 basis points will be used as a secondary measurement to gauge the timber portfolio's performance compared to the opportunity cost of investing in timber.

The goal of the agriculture investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the NCREIF Farmland Index ("NFI") over a five-year rolling period. The Consumer Price Index plus 300 basis points will be used as a secondary measurement to gauge the agriculture portfolio's performance compared to the opportunity cost of investing in agriculture.

The goal of the infrastructure investments shall be to achieve a total rate of return that will exceed, net of all fees and costs, the return of the Consumer Price Index (CPI) plus 5 percentage points over a full market cycle (approximately ten years). The Consumer Price Index plus 5 percentage points will be used as the benchmark to reflect the opportunity cost of investing in infrastructure. Similar infrastructure programs of institutional investors will also be used as a secondary benchmark to the extent such data is made available.

The ATRS Total Real Asset Benchmark is weighted by the allocations based on Net Asset Values across the various sub-categories, and thus defined as Real Estate benchmark, Timber benchmark, Agriculture benchmark and Infrastructure benchmark. The net of fee return for ATRS' Total Real Asset Portfolio is expected to meet or exceed the Total Real Asset Benchmark over rolling five year periods.

#### K. Private Equity

1. The System may initiate investments in private equity as governed by the Private Equity Statement of Investment Policy. Private equity investments may include domestic and foreign private equity partnerships, venture capital, and mezzanine financing partnerships that are intended to diversify the assets and reduce the likelihood of material losses in any individual investment classification. The

investment consultant responsible for private equity shall advise the Executive Director and Board on the Private Equity Statement of Investment Policy and the structure of private equity investments best suited for the System.

2. The System's goal for private equity investments is to achieve a total rate of return that will exceed, net of all costs and fees, the return of the public equity markets, as measured by the Dow Jones U.S. Total Stock Market Index, plus a liquidity premium of 2 percentage points per year over a full market cycle for private equity (approximately ten years).

#### L. Cash Equivalents

1. The System may hold direct ownership in short-term investments or may permit or require managers to hold cash or cash equivalents to meet liquidity needs of the investment manager or of the System.
2. The System's cash management goal shall be to preserve capital and maintain liquidity.

#### M. Arkansas-Related Investments

1. The System may initiate Arkansas-related mortgage loans, promissory notes, direct real estate investments, or purchase insured certificates of deposit or short-term securities of Arkansas financial institutions to meet the goals of the mandated requirements. Arkansas-related investments are categorized according to the appropriate asset class for each investment. In addition, Arkansas related investments include, but are not limited to, investments managed by an Arkansas related manager, Arkansas related investments held by other fund managers, Arkansas timberland, partnerships based in Arkansas, and partnerships holding Arkansas properties.

#### N. Commingled or Mutual Funds

1. If a commingled fund or mutual fund is utilized, the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the System will utilize the prudent investor rule and advice of the investment consultant in selecting and evaluating funds initially and in monitoring them on an on-going basis.

#### O. Derivatives

1. Derivatives may be used to reduce the risk in a portfolio and provide desired market and security level positions as an alternative to purchasing cash securities. Excessive leverage shall not be created through the use of derivatives in a manner that substantially increases the System's portfolio risk. Each investment manager's derivative



usage shall be specified in the investment management agreement or specific guidelines.

2. The use of futures and options shall be matched by cash or cash equivalent securities, and all short futures positions shall be matched by equivalent long security positions, unless otherwise stated in the investment manager guidelines or authorizing fund documents.

#### P. Loaning of Securities

1. The lending agent will evaluate the credit-worthiness of potential borrowers of securities, and will loan securities only to financially sound borrowers. The lending agent will maintain a diversified list of such borrowers in order to mitigate the counterparty risk that is inherent in securities lending.
2. Collateral levels should be based on the nature of the loaned security and will generally be between 102% and 105% of the market value of the borrowed security. Marking to market will be performed every business day subject to de minimis rules of change in value, and borrowers will be required to deliver additional assets as necessary to maintain overcollateralization of securities loans.

#### Q. Securities Lending Reinvestment Guidelines

1. The cash collateral portfolio will be managed on an amortized cost basis (maintain a \$1 net asset value) and have investment guidelines that are 2a-7-like in nature (money market fund guidelines) to ensure that only a moderate amount of risk is taken on the reinvestment of the cash collateral. This will control the amount of credit and duration risk that can be taken by the short duration fixed income manager, which will help to mitigate losses due to insufficient collateral relative to the amount on loan. In addition, guidelines for the cash collateral portfolio will be created in conjunction with the lending strategy and with input from the securities lending agent.
2. The collateral pool should also maintain a reasonable level of overnight liquidity in order to allow for the smooth recall of securities over time.

#### R. Investment Manager Reporting

1. The System will require all investment managers, managing partners, and general partners to provide on at least a quarterly and an annual basis, reporting appropriate for the investment.

#### S. Roles

1. The Executive Director and investment consultant are jointly responsible for the initial selection of investment managers and any increase or decrease in an investment manager's funding. The

Executive Director and investment consultant are jointly responsible for monitoring existing investment managers on performance, stability, and compliance. The Executive Director and investment consultant may also recommend termination of an investment manager when circumstances justify termination. Reasons for termination include, but are not limited to, relative performance, relative stability, costs, strategic allocation of assets, or other relevant factors that a prudent investor would use.

#### T. Proxies

1. All shares held directly or indirectly by or on behalf of the System shall be voted on solely in the pecuniary interest of the System's plan beneficiaries, in compliance with Arkansas Code § 24-2-801 et seq.
2. Unless an economically practicable alternative is unavailable, the System shall not: (A) Follow the recommendations of a proxy advisory firm or other service provider unless the firm or service provider has a practice of and provides a written commitment to adhere to the practice of following proxy voting guidelines that are consistent with the System's obligation to act based only on pecuniary factors, or (B) Entrust the System's plan assets to a fiduciary unless the fiduciary has a practice of and provides a written commitment to adhere to the practice of following guideline when engaging with portfolio companies and voting shares or proxies that match the obligation of the System's obligation to act based only on pecuniary factors.
3. The System authorizes the investment manager to vote all proxies related to stocks in which it invests the System's assets. The System requires the investment manager to vote all proxies in a manner that complies with Arkansas Code § 24-2-801 et seq. The System requires the investment manager to cast votes solely in the best interest of plan beneficiaries.

#### U. Soft Dollars

1. Commissions paid by investment managers for the purchase of equity securities are System assets and must be used for the sole benefit of the System members. Whenever possible, investment managers should seek to execute trades at the lowest possible commission rate but not to the detriment of best execution, which can result in a higher cost to the System. So that the Board may fulfill its obligation to ensure that System assets are being used appropriately, relevant equity investment managers shall provide periodic reports to the general investment consultant on brokerage activity, commissions, services, and such other information as may be requested by the investment

consultant or Board. The investment consultant shall provide a periodic report to the Board summarizing such equity investment managers' reports and highlighting any questionable or problem areas.

## **HISTORY**

Amended: October 4, 2010

Amended: February 7, 2011

Amended: June 3, 2013

Amended: October 7, 2013

Amended: February 17, 2014

Amended: June 1, 2015

Amended: April 21, 2016

Amended: November 13, 2017

Amended: April 1, 2019

Amended: February 3, 2020 as Board Policy 4

Amended: December 7, 2020

Amended: June 7, 2021

Amended: September 25, 2023

Amended: February 5, 2024

SUMMARY OF DISABILITY APPLICATIONS SUBMITTED  
FOR CONSIDERATION BY THE MEDICAL COMMITTEE

The Medical Committee met in executive session in the first floor conference room at 9:30 a.m. on December 6, 2023. Those members present were Dr. Eddie Phillips, Dr. Hoyte Pyle, and Dr. Jim Morse. Anne Marie Berardi & Jennifer Liwo of the Teacher Retirement System were also in attendance.

A total of nine disability applications were considered. Of the nine applicants, eight applicants were approved, ATRS ID: 174192; 325827; 370637; 314983; 295198; 370905; 168063; & 327046. One applicant was denied, ATRS ID: 176857.

Respectfully Submitted,



Eddie Phillips, CMO  
Medical Committee Chairman

Respectfully Submitted,



Anne Marie Berardi  
Retirement Benefits Counselor

SUMMARY OF DISABILITY APPLICATIONS SUBMITTED  
FOR CONSIDERATION BY THE MEDICAL COMMITTEE

The Medical Committee met in executive session in the first floor conference room at 9:30 a.m. on January 3, 2024. Those members present were Dr. Eddie Phillips, Dr. Hoyte Pyle, and Dr. Jim Morse. Anne Marie Berardi & Jennifer Liwo of the Teacher Retirement System were also in attendance.

A total of nine disability applications were considered. Of the nine applicants, eight applicants were approved, ATRS ID: 171995; 476265; 193412; 259307; 174080; 476633; 255742; 237893. One applicant had more information requested, ATRS ID: 307280.

Respectfully Submitted,



Eddie Phillips, CMO  
Medical Committee Chairman

Respectfully Submitted,



Anne Marie Berardi  
Retirement Benefits Counselor