

ARKANSAS TEACHER RETIREMENT SYSTEM

July 15, 2024

1400 West Third Street

BOARD ROOM

Little Rock, AR 72201

Board of Trustees - Educational Training Meeting

9:00 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

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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 - EDUCATIONAL TRAINING

July 15, 2024

9:00 a.m.

1400 West Third Street
Little Rock, AR 72201

- I. ***WELCOME.** page 1.
- II. ***AGENDA.** page 2.
- III. ACTUARIES: Plan Funding and Future Outlook. *Judy Kermans, Brian Murphy and Heidi Berry of Gabriel, Roeder, Smith and Company* (Attachment No. 1) page 4.
- IV. ***BREAK: 9:55 - 10:00 a.m.**
- V. CONSULTANTS: ATRS Investment and Current Funding Standing.
 - A. 10:00 - 10:30 a.m.: AON Hewitt Investment Consulting. *P. J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting* (Attachment No. 2) page 52.
 - B. 10:30 - 11:00 a.m.: Franklin Park. *Michael Bacine of Franklin Park* (Attachment No. 3) page 83.
- VI. ***BREAK: 11:00 - 11:05 a.m.**
- VII. FOIA. *Jennifer Liwo, General Counsel* (Attachment No. 4) page 108.
- VIII. FIDUCIARY RESPONSIBILITY AND PENSION PLAN ADMINISTRATION. *Heartsill Ragon, Attorney with Gill, Elrod and Ragon* (Attachment No. 5) page 124.
- IX. VOTING PROXY. *Laura Posner, Cohen Milstein* (Attachment No. 6) page 138.
- X. TRAVEL AND BOARD EXPENSE REIMBURSEMENT. *Curtis Carter, Chief Fiscal Officer, and Mark White, Executive Director* (Attachment No. 7) page 150.

* Action Item

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- XI. BOARD OF TRUSTEES HANDBOOK. *Mark White, Executive Director and Tammy Porter, Board Secretary* (Attachment No. 8) page 156.

- XII. LUNCH: 12:15 p.m .



Arkansas Teacher Retirement System Educational Training Session

July 15, 2024

Judith A. Kermans, EA, FCA, MAAA

Heidi G. Barry, ASA, FCA, MAAA

Derek Henning, ASA, EA, FCA, MAAA

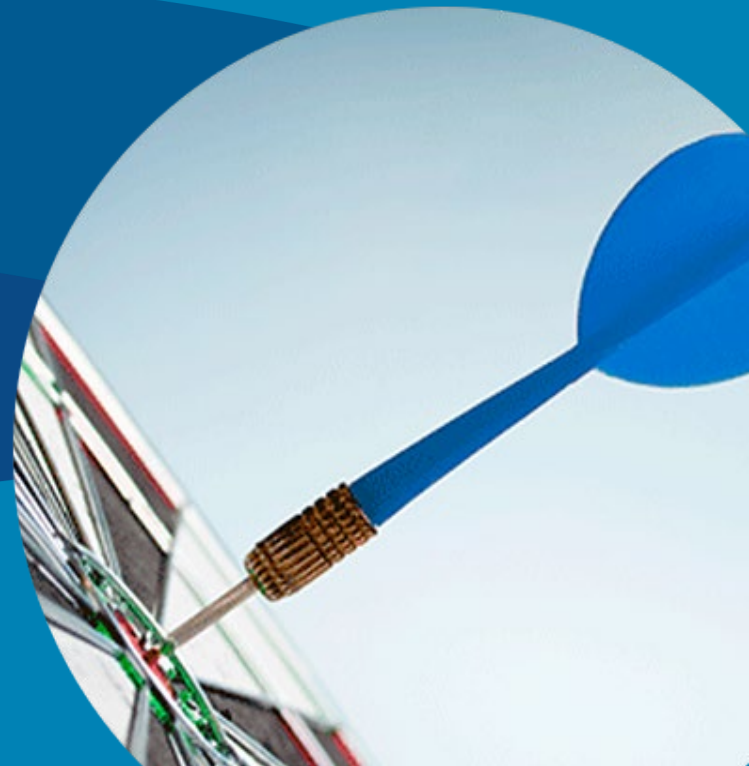


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- Actuarial Valuation Basics
- June 30, 2023 Valuation Results
- Projections
- Investment Return Assumption
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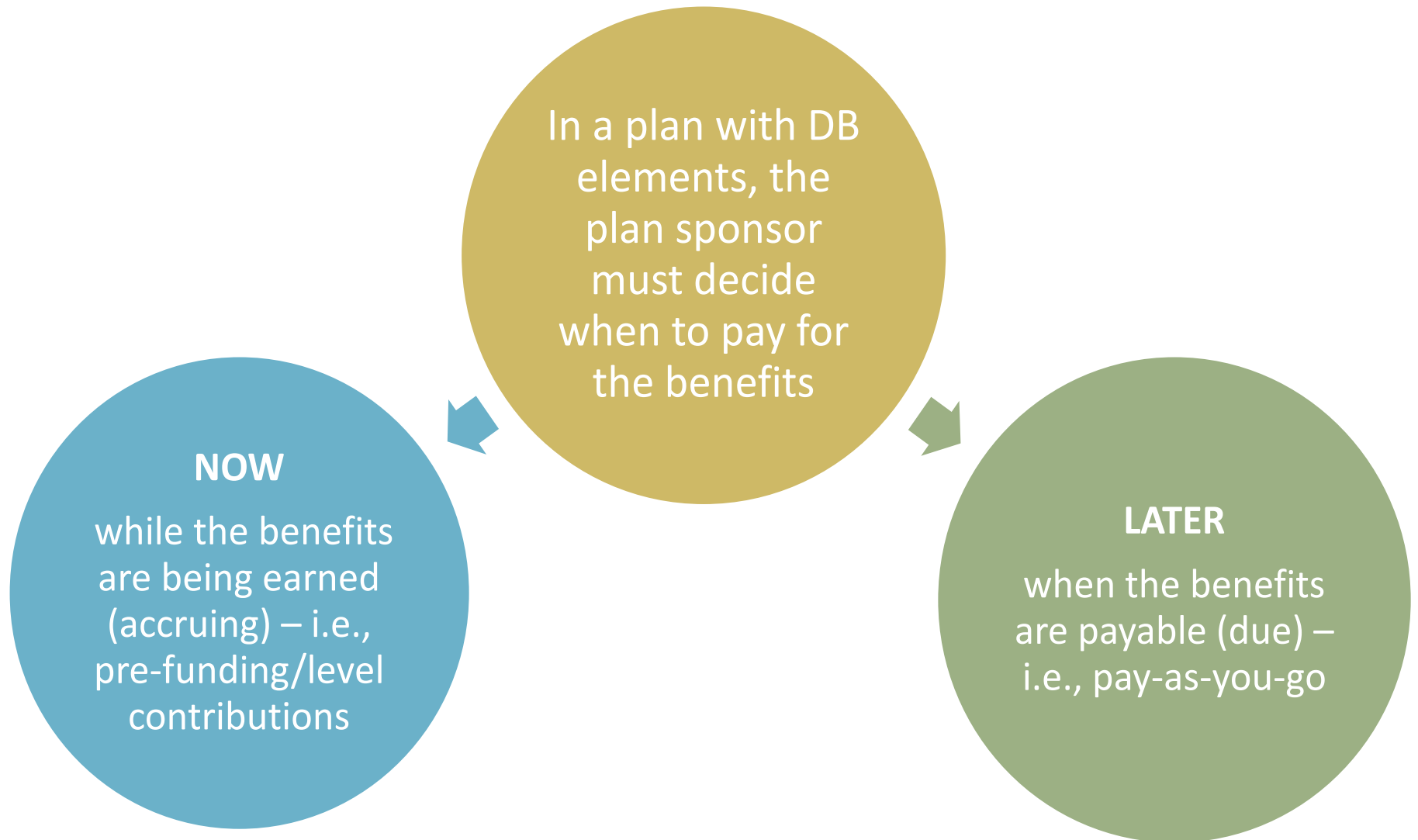
Actuarial Valuation Basics

OLD AGE IS LIKE EVERYTHING ELSE. TO MAKE A SUCCESS OF IT, YOU'VE GOT TO START YOUNG.

-THEODORE ROOSEVELT



Actuarial Mathematics – The Basics



Funding Objectives

24-7-401 (a). Fund contributions -- Fund rates.

- (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.

Funding Objectives

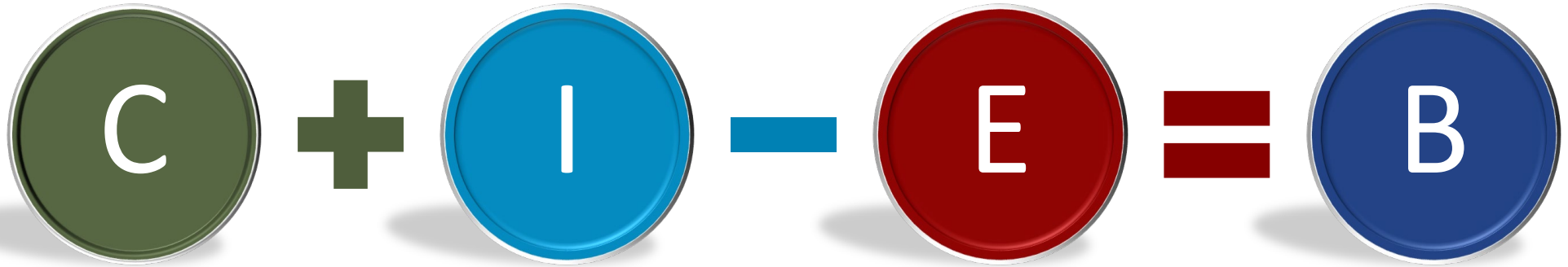
24-7-401

(b) An actuarial valuation of the entire system shall be made at least annually by the Board of Trustees of the Arkansas Teacher Retirement System's actuary.

(c) (5)(A)(i) Beginning July 1, 2015, and for each fiscal year thereafter, the employer contribution rate shall not exceed fifteen percent (15%).

(d) The employer contribution rate shall be such that the amortization period for all unfunded liability shall not exceed thirty (30) years. However, under no circumstance shall the required employer contribution rate exceed the maximum percentage rate under subsection (c) of this section.

Basic Retirement Funding Equation



Contributions

- Funding Policy



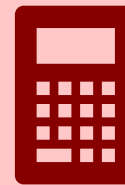
Investment Income

- Investment Strategy



Expenses

- Administrative Policy



Benefits

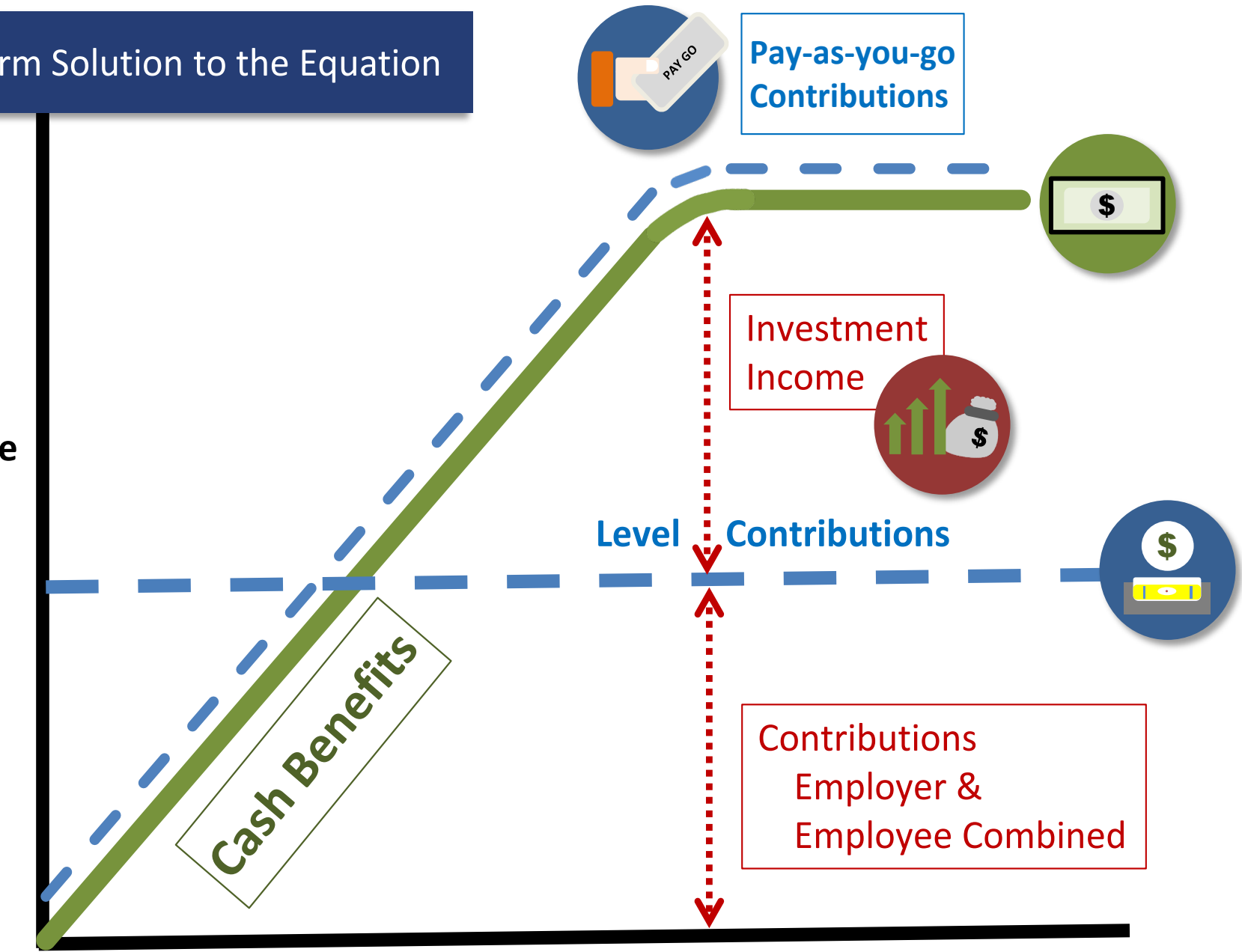
- Plan Design



“Money In = Money Out”

The Long Term Solution to the Equation

% of Active Employee Pays

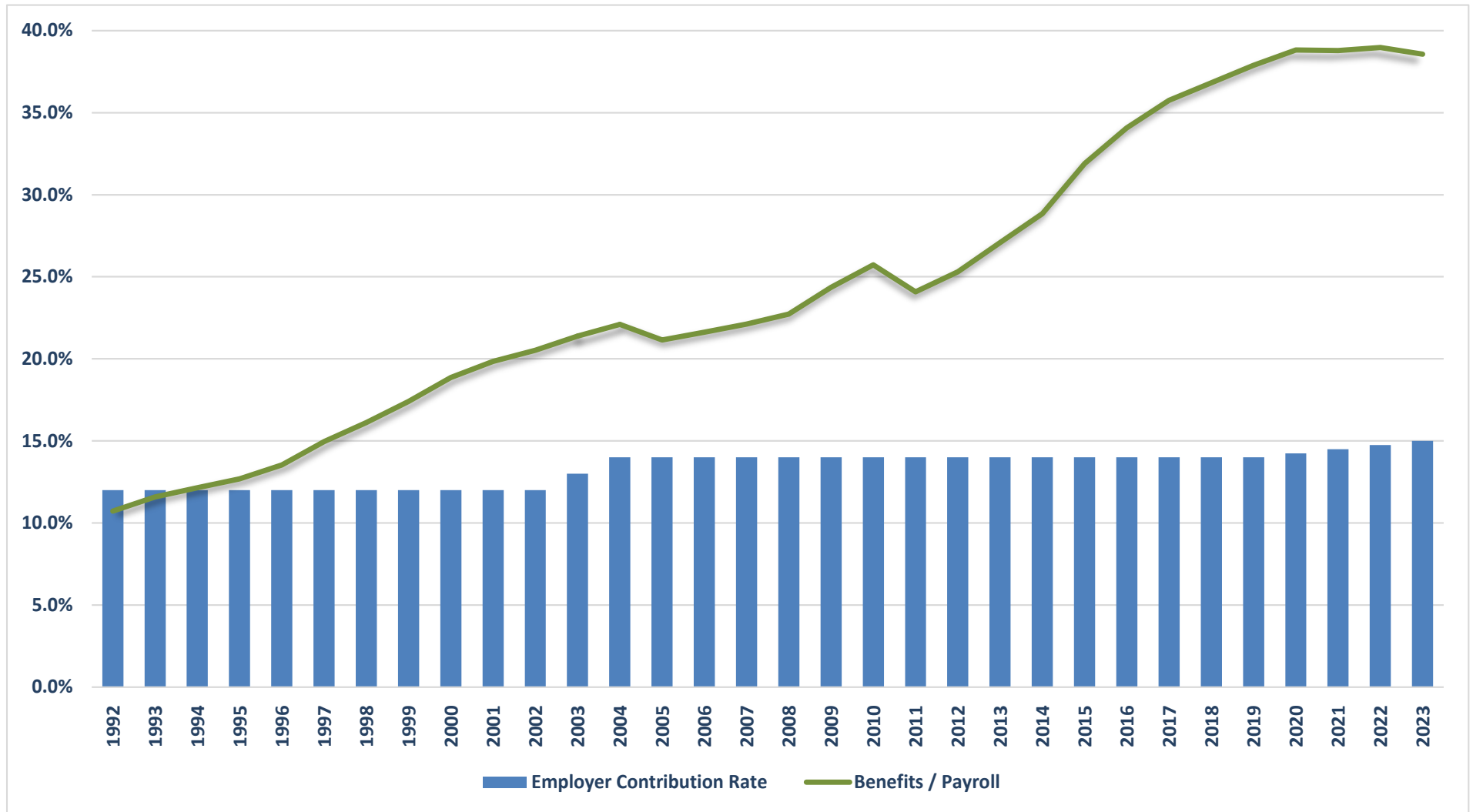


Start

Years of Time



ATRS – Employer Contributions vs. Benefits



What Is Needed to Meet Objectives?

Reasonable forecasts of resources and obligations
(i.e., good assumptions)

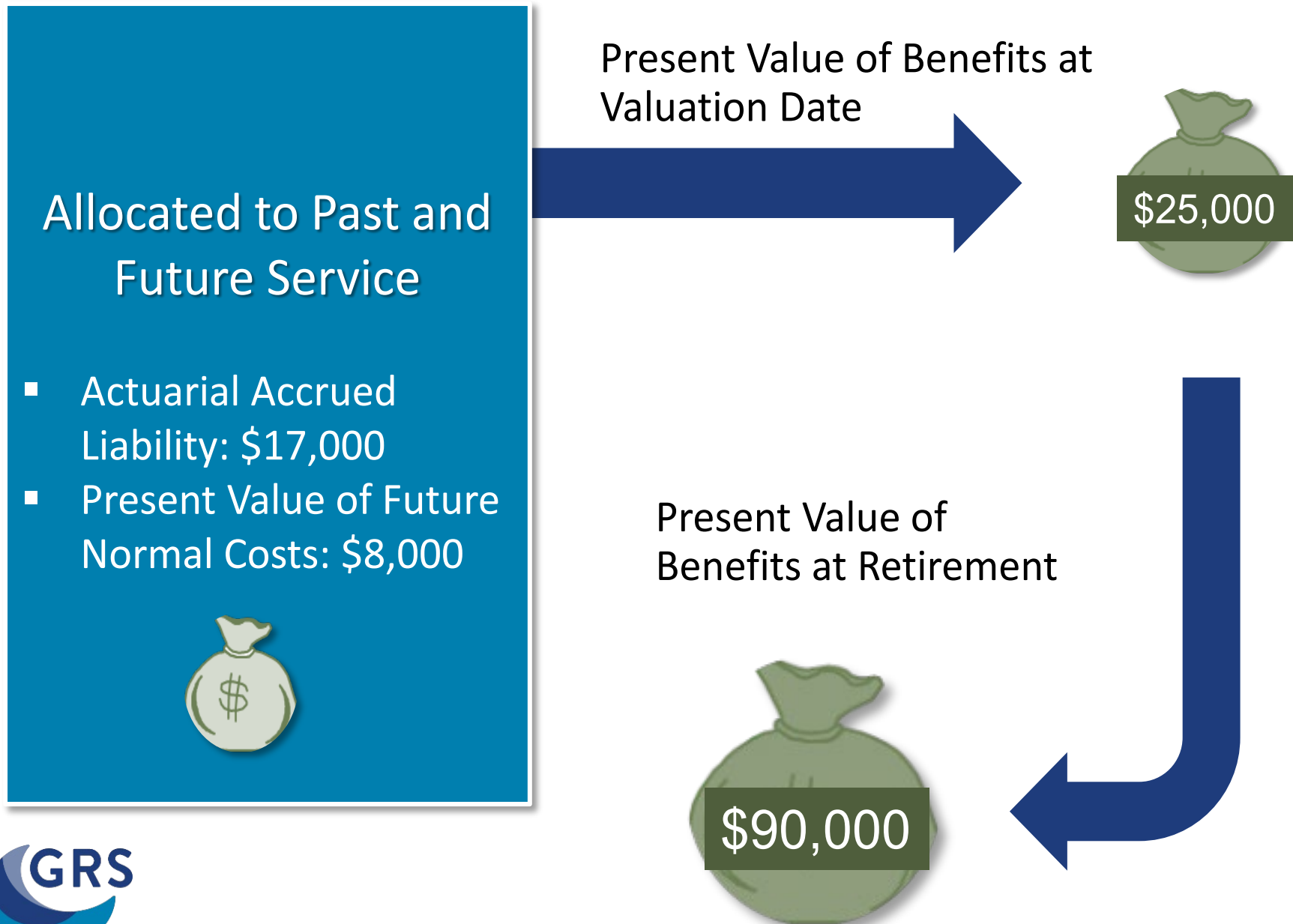
Smoothing devices

- Level % of payroll funding method (EANC)
- Market-related asset valuation method

Funding discipline

A sound investment program

Funding a \$10,000 Annual Pension for a Person



Funding an Annual Pension for a Person



What About the Assets?



In the short term, the Market Value (MV) is often volatile and subject to temporary conditions and large swings

In the long term, the MV is always right

For assets that have to be used today, MV is the only measurement that matters

Measurement of Assets



Typically called the “Actuarial Value of Assets” (AVA) or the “Funding Value of Assets” (FV)

Better to use a smoothed market measurement

MV produces volatile contribution rates and funding progress measurements

Pension funding is a long term commitment so use of MV is not essential

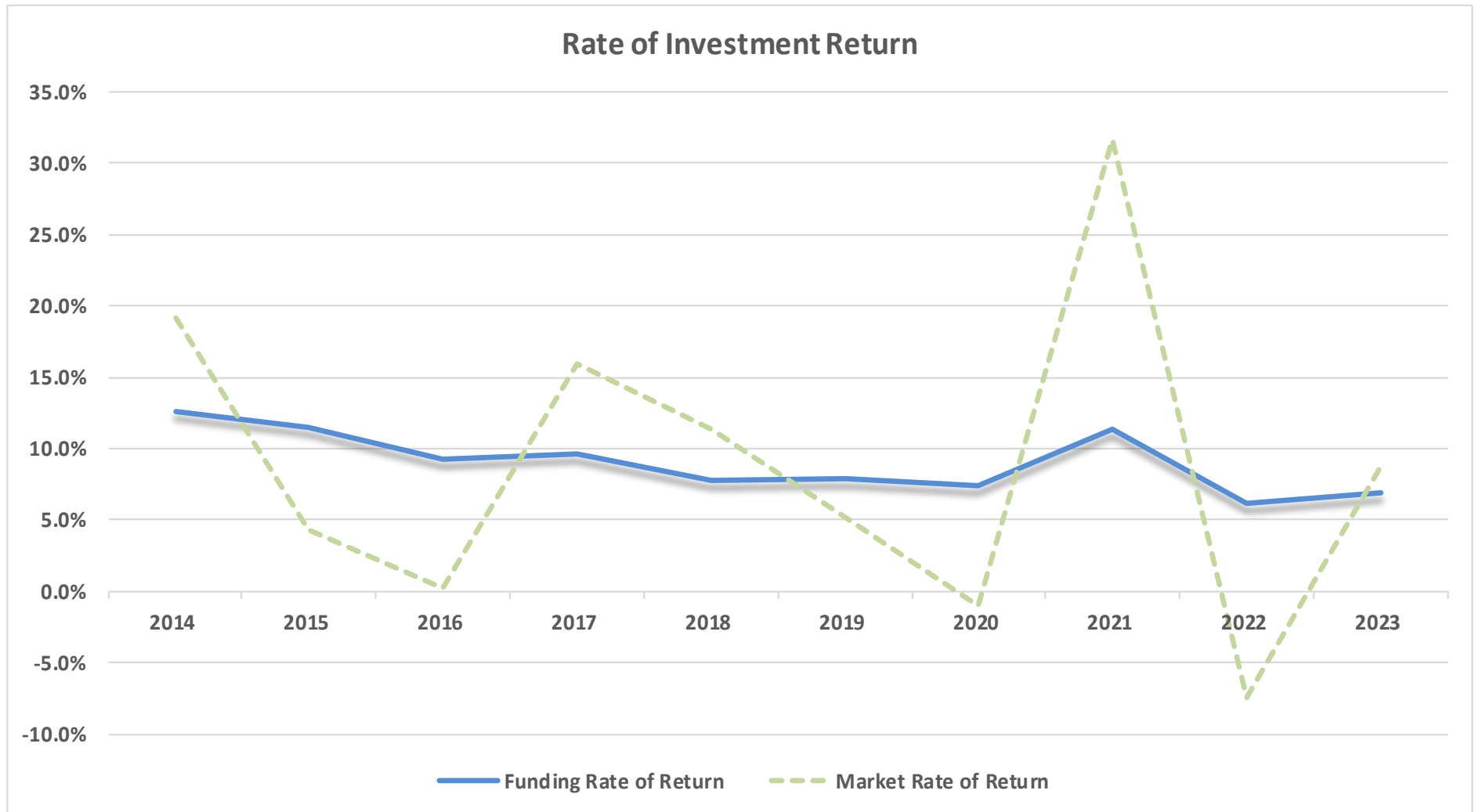
Measurement of Assets



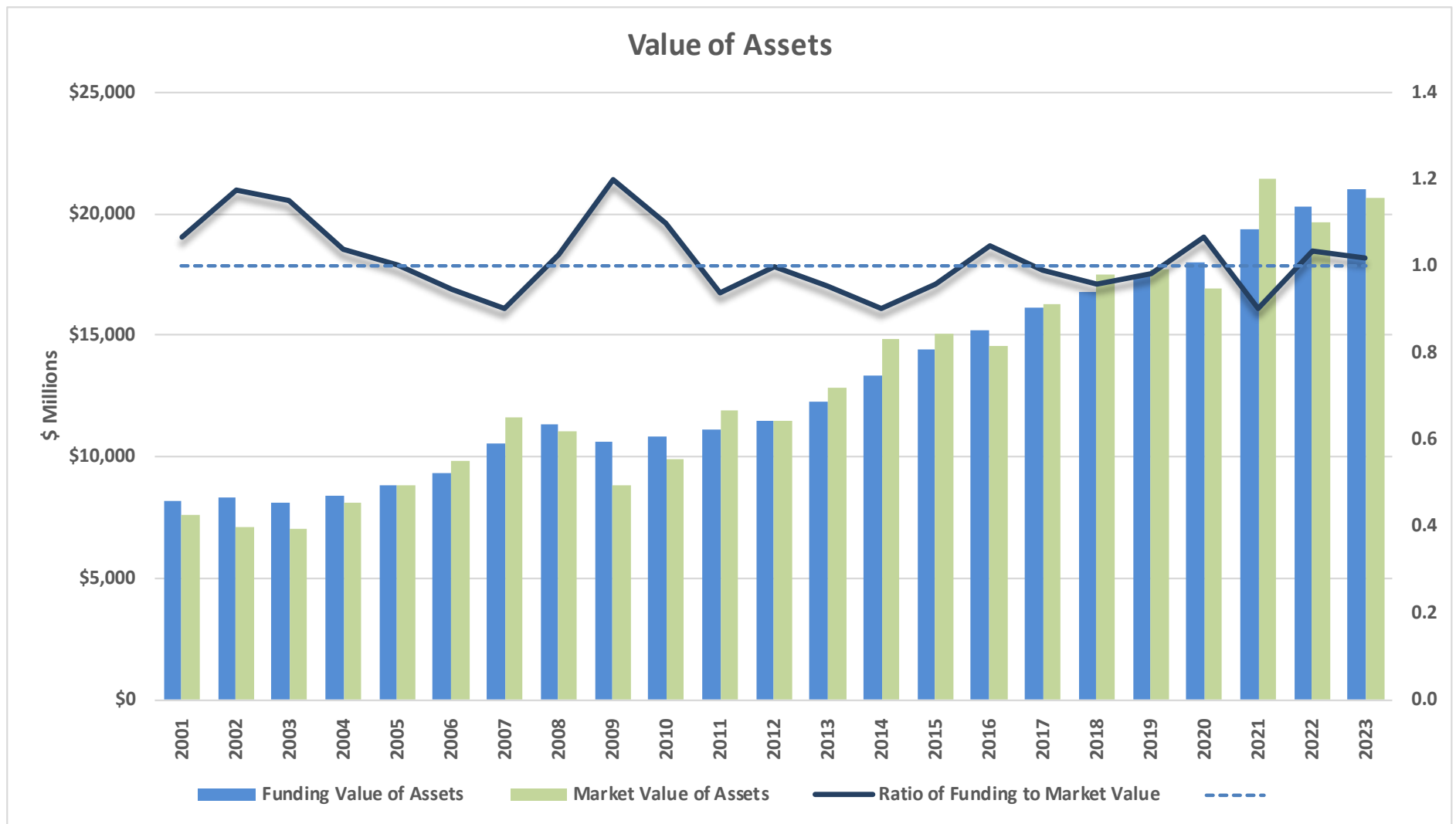
Funding Value (FV) Typically Used by Public Sector Plans

- Recognizes the assumed rate of return each year
- Recognizes gains and losses over a fixed period of 3 to 5 years (ATRS – 4 years)
- May use a “corridor” so that the FV is not permitted to deviate from the MV by more than a certain percentage in either direction (ATRS – 20%)

ATRS Funding Value vs. Market Value



ATRS Funding Value vs. Market Value



Funding Unfunded Liabilities

1

Usually funded as a level % of payroll

2

Often over a closed (decreasing) period of 30 years or less (mostly less)

3

Fixed period (open) also used (limited)

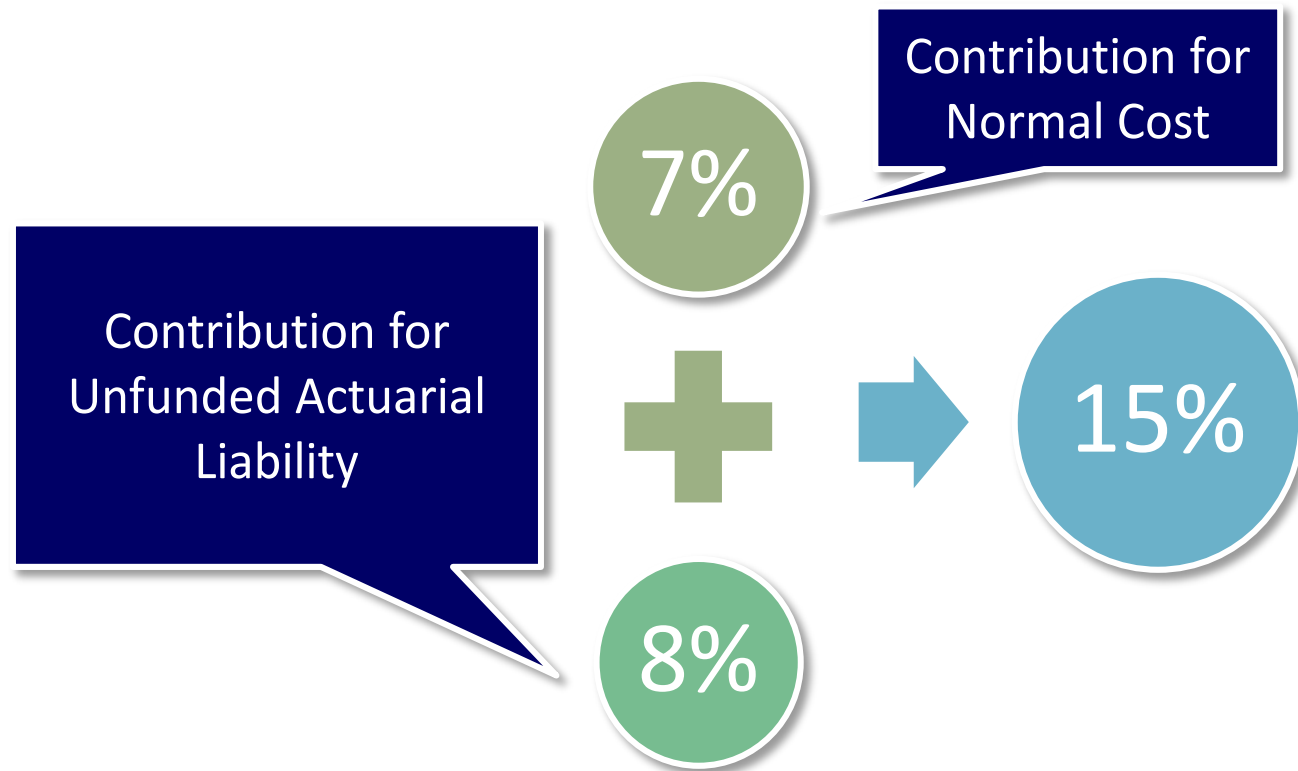
4

Narrow range of practice, but practices change with the market

5

During times when assets exceed liabilities, shorter periods have been used

Final Step - Contribution Rate Results



- Normal Cost is the value of this year's benefit accruals. Some portion is often paid by members.
- Contributions are usually expressed as a % of payroll.

Actuarial Funding vs. Fixed Rate Funding

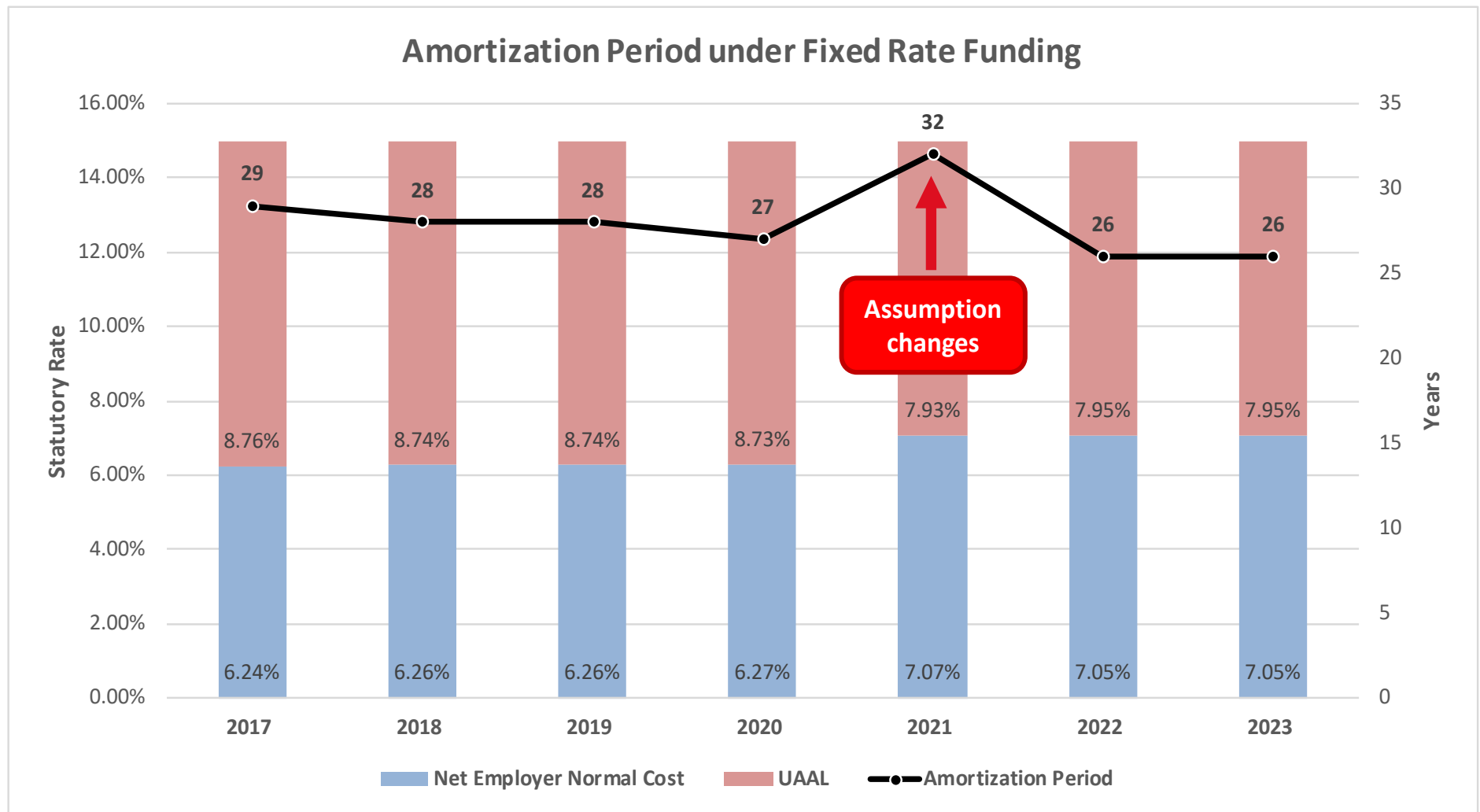
- **Actuarial Funding**

- Contributions to the defined benefit retirement system are based on the results of an actuarial valuation and an Actuarial Determined Contribution (ADC).
- Amortization period is established by funding policy.

- **Fixed Rate Funding**

- The employer contribution rate is set by statute.
- A retirement system's administrative body can not directly change the rate.
- A change to the rate usually requires action by a separate governing body such as a state legislature.
- It is customary for the actuarial valuation to calculate the amortization period implicit in the fixed contribution rate.

ATRS – Fixed Rate Funding



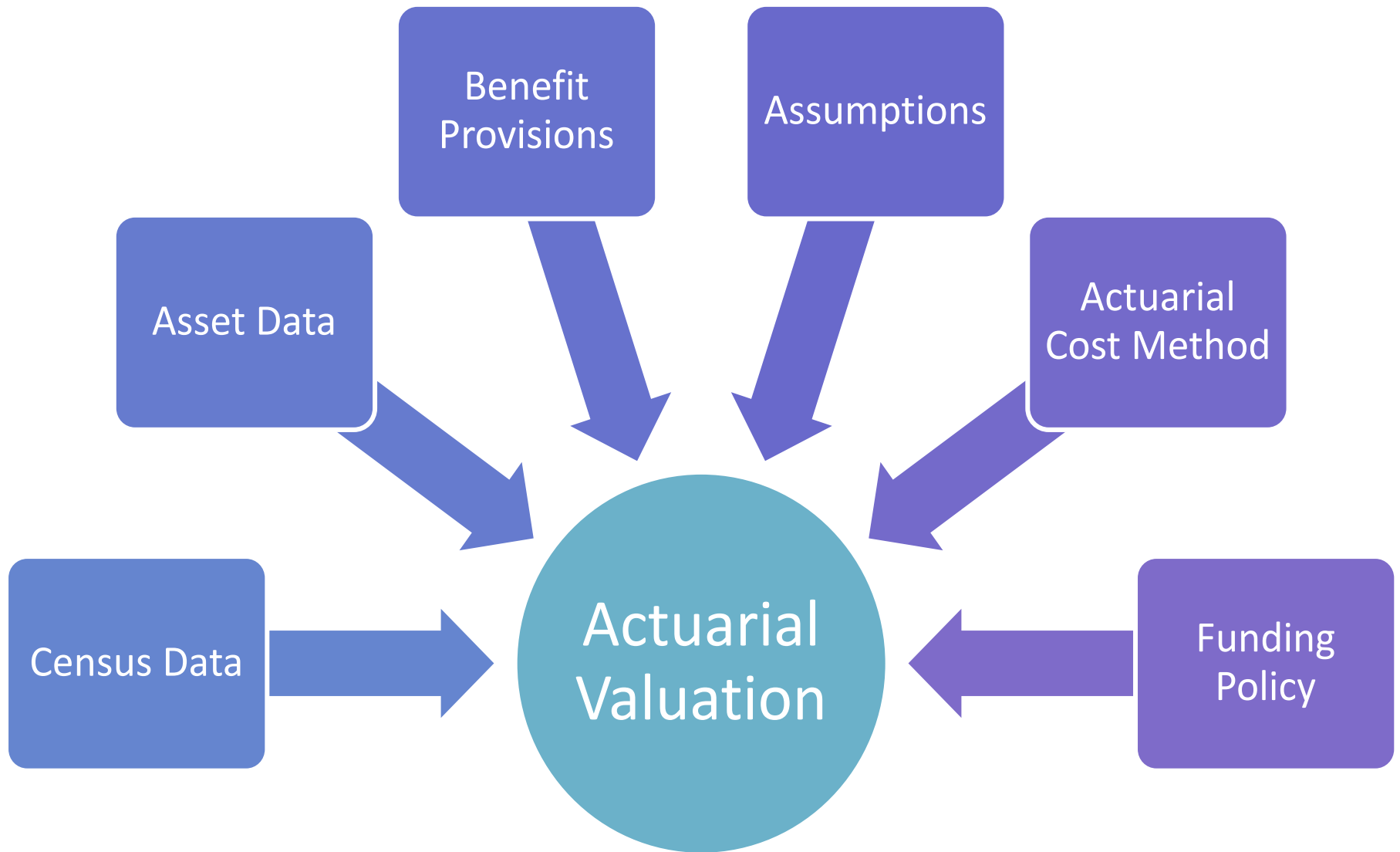
The calculated amortization period was based on anticipated increases in the employer and member contribution rates for the 2017 through 2022 valuations. The employer and member rates increased by 0.25% increments from FY 2020 through FY 2023. The ultimate employer and member contribution rates is 15% and 7%, respectively, and is reflected in the 2023 valuation. The chart above includes the 15% rate.



June 30, 2023 Valuation Results

Refresher

Actuarial Valuation Process



Refresher - Results of 6/30/2023 Valuation

Computed Contributions for	% of Payroll	
	2023	2022
1) Employer Normal Cost	7.05%	7.05%
2) Unfunded Actuarial Accrued Liabilities	7.95%	7.95%
3) Employer Contribution Rate	15.00%	15.00%
Amortization Years	26	26

The employer and employee contribution rates are 15% and 7% respectively. If the Market Value of Assets were used in the calculations instead of the Funding Value of Assets, the resulting amortization period would be 30 years instead of the 26 years that is shown.

Refresher - Results of the 6/30/2023 Valuation

	\$Millions	
	2023	2022
Actuarial Accrued Liabilities	\$25,592	\$24,697
Funding Value of Assets	21,015	20,328
Unfunded Actuarial Accrued Liabilities (UAAL)	\$ 4,577	\$ 4,369
% Funded Based on		
Funding Value of Assets	82%	82%
Market Value of Assets	81%	80%

The UAAL is financed (paid off) over time similar to a home mortgage. If the UAAL were measured based on the Market Value of Assets, it would be \$4,917 Million.

Refresher - ATRS Assets

- Market Value June 30, 2023: \$20.7 Billion
- Market Value June 30, 2022: \$19.7 Billion
- For actuarial measurements, *including the amortization period*, gains and losses are smoothed in over 4 years
- Funding Value June 30, 2023: \$21.0 Billion
- Funding Value June 30, 2022: \$20.3 Billion
- The \$340M difference (FV – MV) will put upward pressure on the amortization period in the June 30, 2024 valuation

Development of Funding Value of Assets

Year Ended June 30:	2022	2023	2024	2025	2026
A. Funding Value Beginning of Year	\$ 19,342,870,512	\$ 20,328,281,484			
B. Market Value End of Year	19,679,467,252	20,675,051,918			
C. Market Value Beginning of Year	21,468,772,872	19,679,467,252			
D. Non-Investment Net Cash Flow	(192,363,759) *	(688,831,775)			
E. Investment Return	-	-			
E1. Market Total: B - C - D	(1,596,941,861)	1,684,416,441			
E2. Assumed Rate	7.25%	7.25%	7.25%		
E3. Amount for Immediate Recognition	1,395,384,926	1,448,830,256			
E4. Amount for Phased-In Recognition: E1-E3	(2,992,326,787)	235,586,185			
F. Phased-In Recognition of Investment Return					
F1. Current Year: 0.25 x E4	(748,081,697)	58,896,546	Unknown	Unknown	Unknown
F2. First Prior Year	979,616,848	(748,081,697) \$	58,896,546	Unknown	Unknown
F3. Second Prior Year	(363,802,838)	979,616,848	(748,081,697) \$	58,896,546	Unknown
F4. Third Prior Year	(85,342,508)	(363,802,839)	979,616,849	(748,081,696) \$	58,896,547
F5. Total Recognized Investment Gain	(217,610,195)	(73,371,142)	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	20,328,281,484	21,014,908,823			
G2. Upper Corridor Limit: 120% x B	23,615,360,702	24,810,062,302			
G3. Lower Corridor Limit: 80% x B	15,743,573,802	16,540,041,535			
G4. Funding Value End of Year	20,328,281,484	21,014,908,823			
H. Actual/Projected Difference between Market and Funding Value	(648,814,232)	(339,856,905)	(630,288,603)	58,896,547	-
I. Market Rate of Return	(7.47)%	8.71 %			
J. Funding Rate of Return	6.12 %	6.88 %			
K. Ratio of Funding Value to Market Value	103.30 %	101.64 %			

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

Refresher - ATRS Economic Assumption

- Investment Return: 7.25%
- Price Inflation: 2.50%
- Real Investment Return: $7.25\% - 2.50\% = 4.75\%$
- Total Payroll Growth: 2.75%

$$FV = PV(1 + r)^n - P\left[\frac{(1 + r)^n - 1}{r}\right]$$

$$FV = (1 + r)^n$$

$$PV = \frac{C}{(1 + r)^n}$$

$$S = P(r)(t)$$

$$\text{Payment} = \text{Loan} \frac{r(1 + r)^n}{(1 + r)^n - 1}$$

Projections

Refresher and Update

**DO NOT WORRY ABOUT YOUR DIFFICULTIES IN MATHEMATICS.
I CAN ASSURE YOU MINE ARE STILL GREATER.**



About Projections

The projections that follow are based upon many assumptions about the future.

Actual future valuation results will take all known future information into account and will differ from the projections -- perhaps materially.

Projected results are very sensitive to the rates of payroll growth and liability growth that are assumed. In the long run, according to theory, both of those figures should approach 2.75%.

Projected Amortization Years

Valuation Date June 30	2024	2025	2026
Projection A			
Investment Return	7.25%	7.25%	7.25%
Amortization Years	24	27	25
Projection B			
Investment Return	5.00%	7.25%	7.25%
Amortization Years	25	30	29
Projection C			
Investment Return	10.00%	7.25%	7.25%
Amortization Years	22	24	21

- We saw Projection A as part of the 2023 valuation.
- Experience suggests that the FY 2024 return will be in line with Projection C.
- Projection B is a downside scenario.
- What will happen after 2024?

The amortization period was 26 years in the June 30, 2023 valuation. The projections are based on employer/member contributions of 15%/7% in FY 2024 and beyond. Any change in contribution rates could affect the projections materially.

Projected Future Amortization Years

Valuation Date June 30	2024	2025	2026
Projection C			
Investment Return	10.00%	7.25%	7.25%
Amortization Years	22	24	21
Projection D			
Investment Return	10.00%	3.50%	7.25%
Amortization Years	22	26	25
Projection E			
Investment Return	10.00%	10.25%	7.25%
Amortization Years	22	23	19

- We understand that ATRS is on pace to have a return close to 11% in FY 2024. We have illustrated 10%.
- The amortization period will likely be less than 30 years in the 6/30/2024 valuation.
- However, the current \$340M gap between Market and Funding Value will put upward pressure on the period for a few years.
- What happens when the amortization period drops?

The amortization period was 26 years in the June 30, 2023 valuation. The projections are based on employer/member contributions of 15%/7% in FY 2024 and beyond. Any change in contribution rates could affect the projections materially.

ACA 24-7-401 (c)(5)(B)(ii)

- Statutes have a maximum 30-year amortization but an 18-year threshold (amortization period) in some places
- If a report from the actuary shows that the amortization period would be 18 years or less based on a 14% employer contribution rate, then the employer rate cannot exceed 14%
- Statute does not address the contributory member rate of 7%
- A reduction in contributions would be unfortunate if ATRS is not 100% funded and/or if the assumed rate of return should really be lowered further
- A careful review of assumptions would be warranted if this situation were to occur

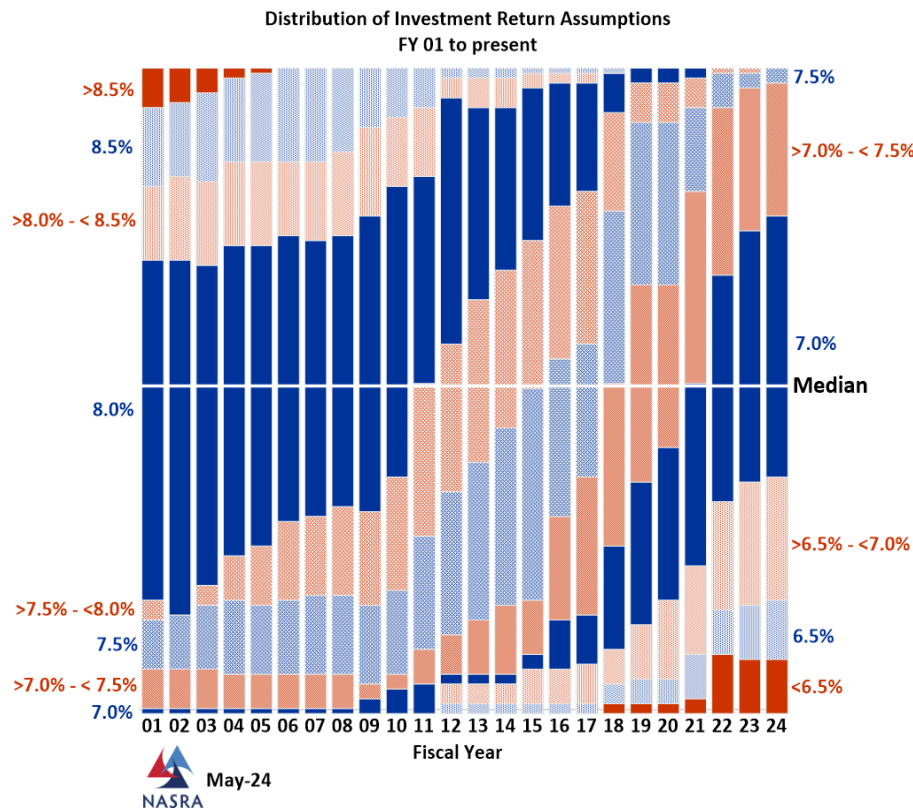
Return on Investment

A person in a dark suit and tie is shown from the chest up, holding a silver pen in their right hand. The background is a blurred city skyline with tall buildings. Overlaid on the image is a semi-transparent blue bar chart with an upward-pointing white arrow. The text 'Return on Investment' is written in white, bold, sans-serif font across the middle of the image.

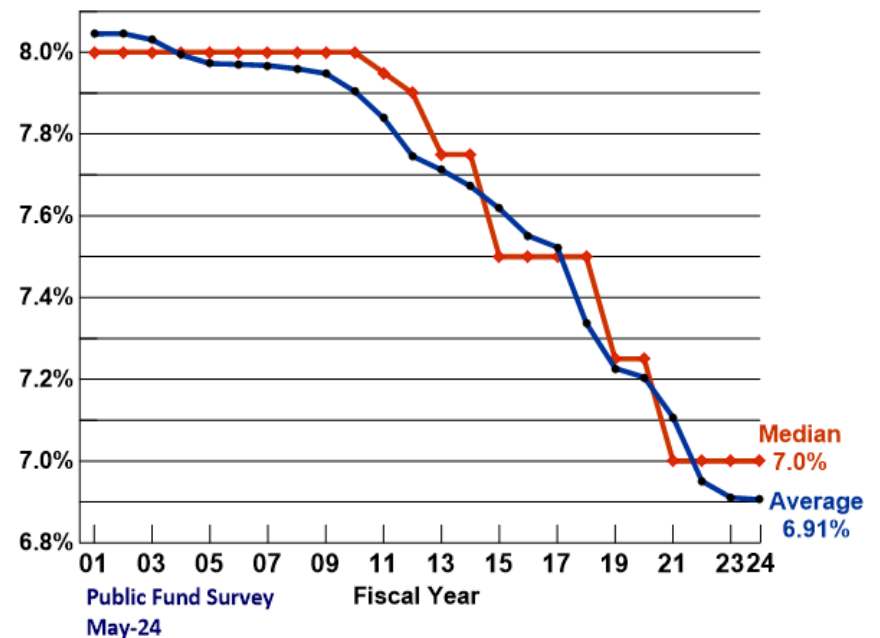
Investment Return Assumption

Are we where we should ultimately be yet?

NASRA Survey of Investment Return Assumptions



Change to Average and Median
Investment Return Assumption, FY 01 to present



ATRS is above the median reported in the NASRA survey of 7.0%. The 7.25% assumption was at the upper end of the reasonable range based on forward looking models last fall. However, recent models are more optimistic.

ATRS Rate of Return History

Accumulation of \$1,000 invested July 1, 2002		
Fiscal	Actual Return	\$1,000
2003	1.1%	\$1,011
2004	17.0%	\$1,183
2005	9.6%	\$1,296
2006	13.3%	\$1,469
2007	19.2%	\$1,751
2008	-4.2%	\$1,677
2009	-18.3%	\$1,370
2010	14.2%	\$1,565
2011	22.6%	\$1,919
2012	-1.1%	\$1,898
2013	14.9%	\$2,180
2014	19.2%	\$2,599
2015	4.3%	\$2,711
2016	0.2%	\$2,716
2017	16.0%	\$3,150
2018	11.4%	\$3,508
2019	5.2%	\$3,690
2020	-1.0%	\$3,653
2021	31.7%	\$4,809
2022	-5.0%	\$4,569
2023	8.7%	\$4,967
2024	11.0%	\$5,513
Geo Avg	8.07%	

- Since the turn of the millennium, ATRS' geometric compounded average return was 8.07%.
- Of course, historical averages depend heavily on the time period chosen.

Current Target Asset Allocation

- Presented below is the target asset allocation for ATRS:

Asset Class	ATRS Target Allocation
Total Equity	53%
Fixed Income	15%
Opportunistic/Alternatives	5%
Real Assets	15%
Private Equity	12%
Total	100%

- Based upon ATRS' target asset allocation, future expectations of various investment firms were analyzed
- The next slide shows the results of this analysis

Other Investment Firms – Projected Investment Returns

Summary of GRS 2024 CMAM Analysis	
10-Year Capital Market Expectations Average of 12 Investment Firms	
1-Year Expected Return	7.97%
Standard Deviation of 1-Year Expected Return	13.87%
10-Year Expected Median Return (i.e., 50th Percentile)	7.09%
20-to 30-Year Capital Market Expectations Average of 8 Investment Firms	
Long-Term Expected Median Return (i.e., 50th Percentile)	7.37%

A 10-year time horizon for capital market expectations is appropriate for ATRS given that the duration for accrued liabilities is 11 years. This means that a good portion of obligations will be paid out in the next decade.

Discussion

- Actuarial standards require that actuarial assumptions be reasonable each year, not just when the experience study is performed
- This review will be done as part of the actuarial valuation process this summer
- We are not expecting to recommend an assumption change for the June 30, 2024 valuation
- However, in the future, actuarial standards might require a further reduction in the discount rate assumption

Cost-of-Living Adjustments

Protecting Against Inflation

Cost-of-Living
Adjustment

Types of COLAs Offered by Retirement Systems

- Compound COLAs
- Simple COLAs
- COLAs capped at CPI
- Ad-Hoc Adjustments
 - Can be surgical, focusing on those cohorts that have lost the most in purchasing power
 - Raise everyone's purchasing power to X% of original
 - X% increase per year retired up to a maximum
- Needs based
- Etc.



Any COLA that is granted (even Ad-Hoc) needs to be recognized in the System's funding obligations so it will increase costs.

COLA Offered by ATRS

- **3% Simple COLA**

- Payable on July 1 for members retired for 12 months or longer
- 3% is calculated on the retirees' **base amount**
 - Base amount is the original amount the retiree received when retired (plus any ad-hoc amounts that were added to the base)
 - Base amount does not include cost-of-living raises (unless the base is updated)
- Future increases are already considered in the Systems' amortization period of 26 years

- **Ad-Hoc Adjustments**

- Increases to the current benefit and/or adjustments to the base amount have been granted in the past
- Ad-hoc COLAs would increase the Systems' amortization period

Purchasing Power for a Year 2000 ATRS Retiree

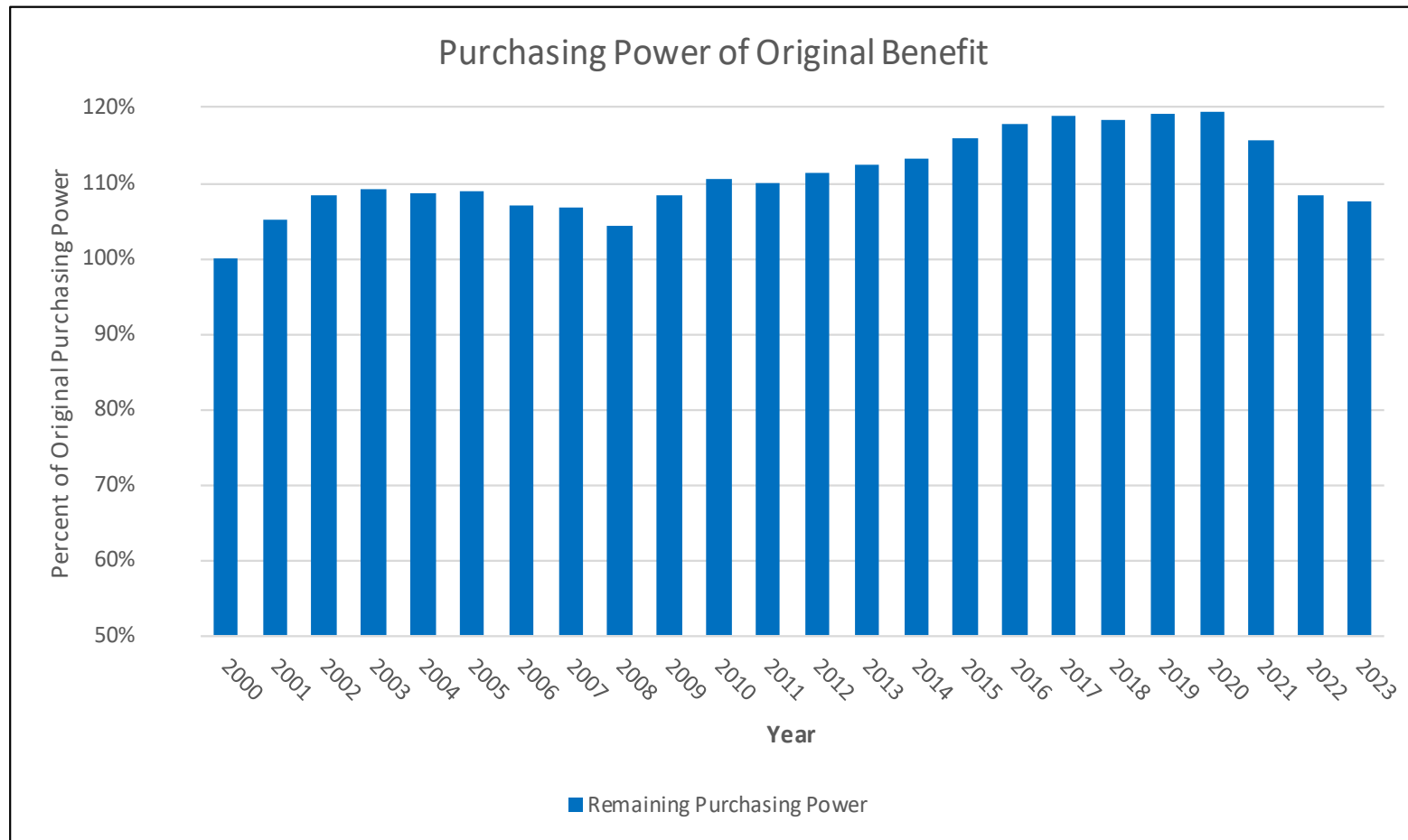
Benefit Increases for the Year 2000 Retiree...

- Ad-Hoc COLAs and changes to the simple COLA base amount were seen in the period from 2001 - 2011
- The Retiree Health Stipend was removed from the simple COLA base amount in 2019
- The monthly Retiree Health Stipend was reduced from \$900 to \$600 in 2020

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			
2025					

Slight increase in purchasing power by 2023

Purchasing Power for a Year 2000 Retiree



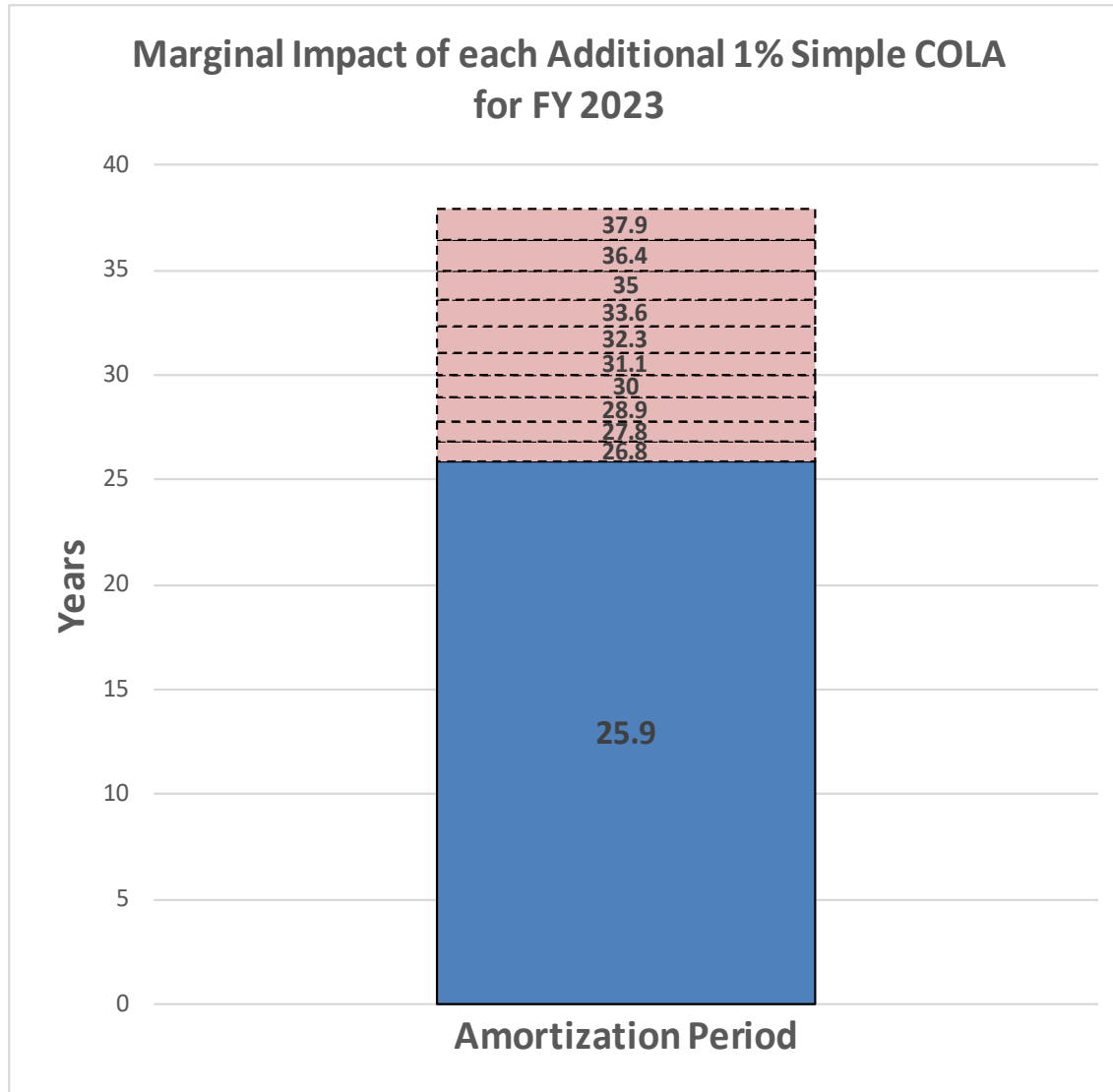
For a person who retired in 2000, the total **increase** in purchasing power is 8%.

Impact of Ad-Hoc COLA (No Increase in the Base)

	Current	One-time Increase of Additional 1% Simple COLA	Impact
UAAL (\$ Millions)	\$4,577	\$4,668	\$91
Amortization Years	25.9	26.8	0.9
Funded Ratio	82.1%	81.8%	-0.3%

What if the Board granted an additional 1% simple COLA (3% → 4%) for the FY 2023? The marginal impact of the one-time additional COLA (not added to the base) is shown above. The increase would add almost one year (0.9) to the amortization period.

Impact of Ad-Hoc COLA (No Increase in the Base)



The impact of an additional 1% simple COLA (no update of the base) adds one year to the amortization period.

Due to the System's fixed rate financing, the marginal impact of each additional 1% simple COLA increases the amortization period by increasing amounts.



THANK YOU

QUESTIONS

Disclaimers

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.
- This presentation expresses the views of the author and does not necessarily express the views of Gabriel, Roeder, Smith & Company.

Board of Trustees Education

Arkansas Teacher
Retirement System

July 15, 2024

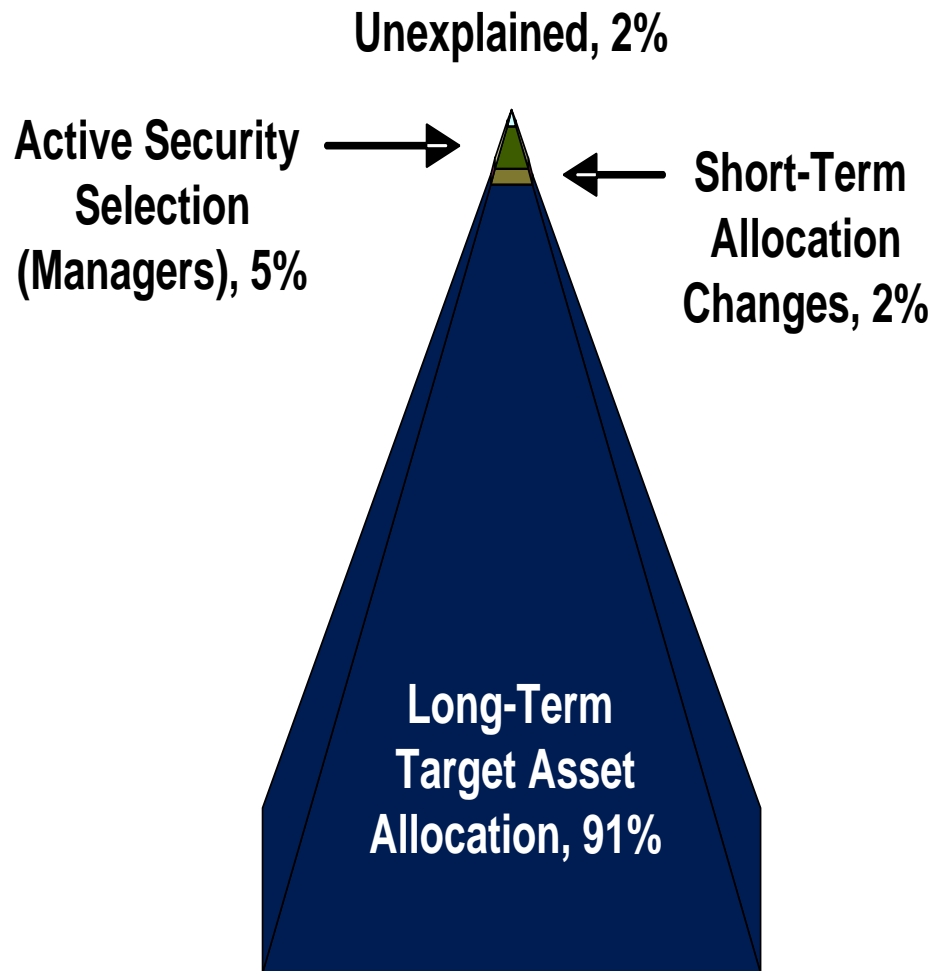


Introduction

- **Investment policy and asset allocation are the key drivers of long-term success**
- **Today's material is focused on setting asset allocation and how it drives performance, including**
 - Total Fund risk posture
 - Review of risk-reducing allocation
 - Review of return-seeking allocation and diversification properties
 - Drivers of performance and comparison to peers
- **The ATRS portfolio has earned an annualized 8.1% over the past 20 years**
- **ATRS, with a long-term time horizon and tolerance for illiquidity risk and periods of high volatility, has benefitted from a risk-on orientation**

All Risks Are Not Created Equal

Setting the Long-Term Asset Allocation is The Most Important Decision

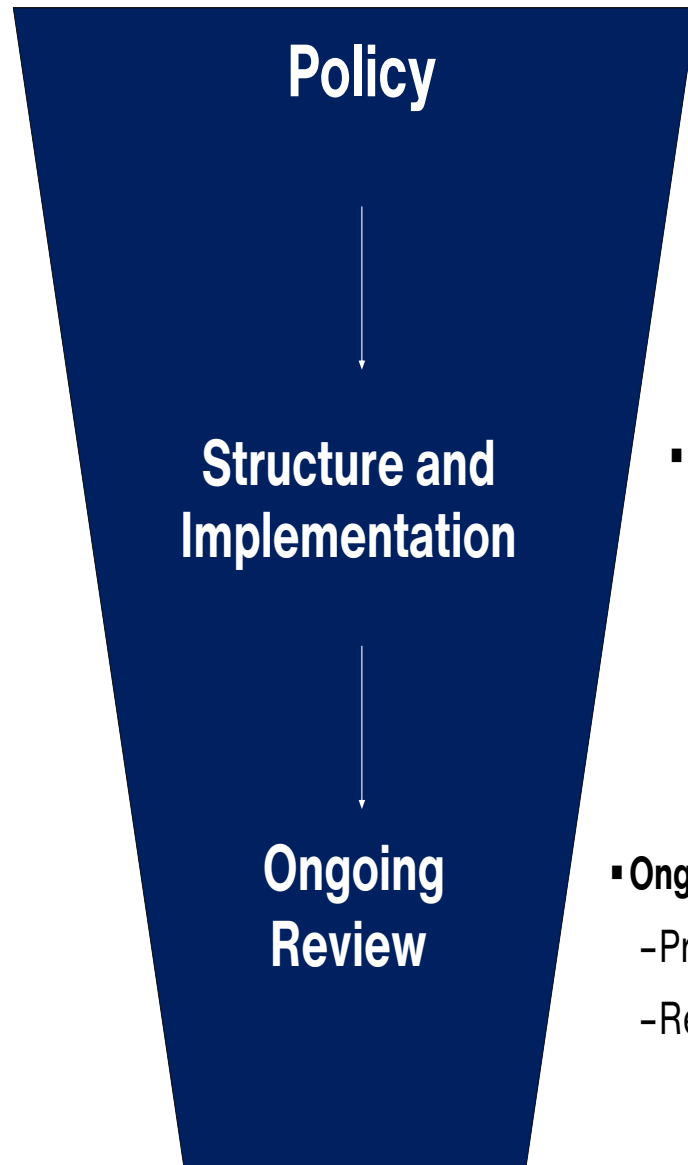


Long-term asset allocation (which asset classes to use and in what percent) explains more than 90% of the difference in returns between institutional funds

Selecting investments that are appropriately diversified, and considering the liability of the investment program is paramount

Source: Brinson, Singer and Beebower, "Determinants of Portfolio Performance II: An Update" 1991

Investment Process and Priorities



- **Policy: Setting an appropriate strategy**
 - Asset allocation primary driver of long-term success
 - Set strategy in the context of plan liabilities
- **Structure: Assure implementation conforms with stated objectives and risk tolerance**
 - Risk-conscious approach
 - Efficient, cost-effective implementation
- **Ongoing Review: Performance as planned; no surprises**
 - Proactive assessment of portfolio and risks
 - Related oversight functions: proxy voting, etc.

First Step: Asset-Liability (A-L) Management

What is an Asset-Liability Study?

What?

A comprehensive toolkit for making decisions on a fund's **asset allocation and investment risk that align with the liabilities** those funds support

Why?

Aon believes optimal decisions regarding pension plan management are made when they are based on a clear **understanding of the assets and liabilities and how they interact**

When?

Aon suggests conducting asset-liability studies **every 3 to 5 years** depending on client specifics, or more frequently should circumstances dictate

How?

Identify future trends in the financial health of the fund based on economic uncertainties that may not be evident from an actuarial valuation

ATRS Asset-Liability Key Take-Aways

- ATRS conducts an Asset-Liability Study **every 3-5 years**
- Past studies **support a risk-oriented portfolio** to progress towards a fully funded plan
- Analysis indicates **appropriate diversification** between return-seeking and risk-mitigation, and across asset classes
- Liquidity evaluation indicates **notable capacity for illiquidity risk**, with no concerns around current liquidity profile

ATRS Risk Posture

The key take-away from the asset-liability study is the allocation between **return-seeking (grow the portfolio)** vs. **risk-reducing (protect the portfolio)**

In February 2024, ATRS approved a slight shift from 90% to 85% Return-Seeking

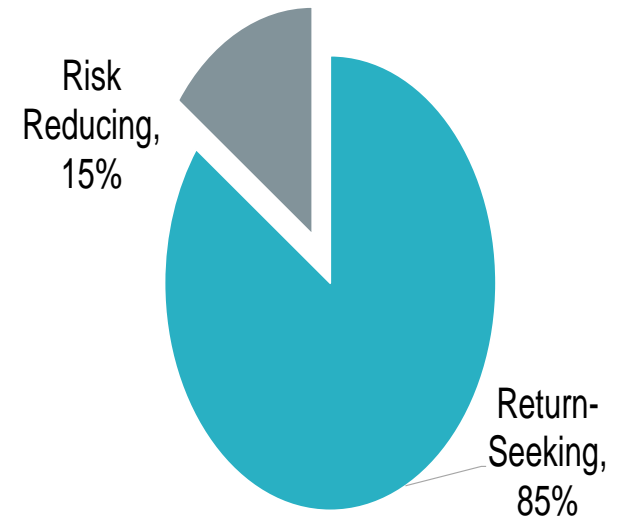
Major factors affecting the return-seeking / risk-reducing mix are:

Time horizon (or amortization period of unfunded liability) to fund the liability: ATRS's longer time horizon - being an open and ongoing plan - supports more risk taking

Characteristics of plan participants: a growing population of active participants supports more risk taking; a mature population with significant retirees may warrant a different strategy

Funded status: an underfunded plan can utilize additional returns from equity investments - in addition to the contribution funding - to close funded gap

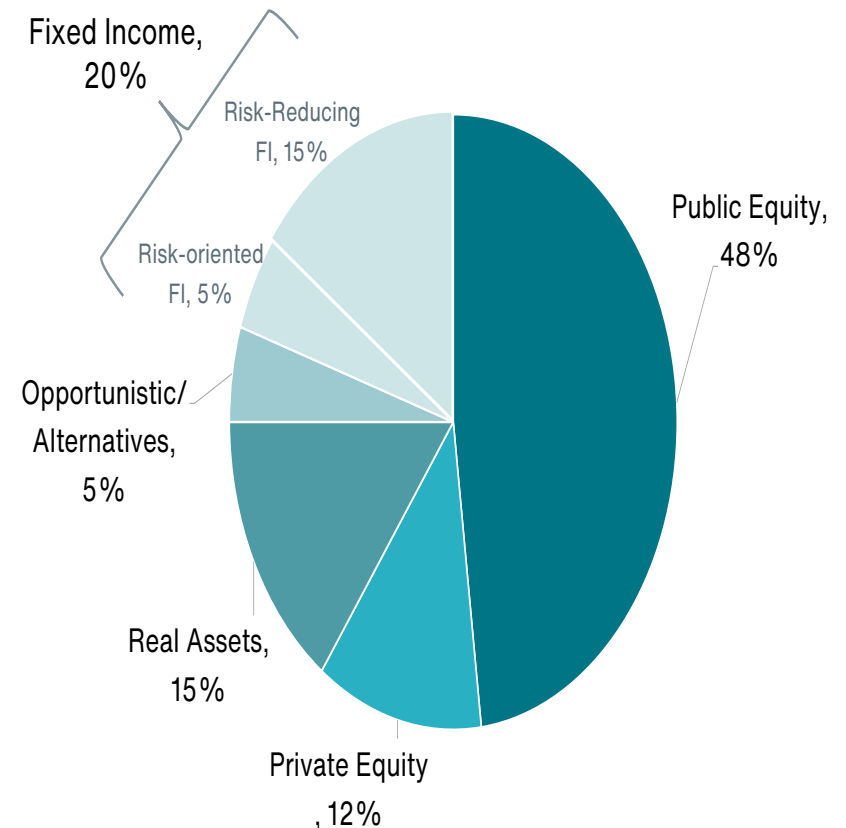
Nature of plan benefits: a pension with sensitivity to wage inflation growth can benefit from equities in the long-term; an increased need in liquidity due to significant benefit payments in the near future can have a more conservative policy



ATRS Long Term Policy Targets

Asset Class/Category	Role in Portfolio
Risk-Reducing	
U.S. Fixed Income	Downside-protection, risk reducer
Return-Seeking	
Public Equities (U.S. / global equities)	Capture global growth / capital appreciation
Real Assets	
Real Estate (Private Real Estate, REITs)	Returns in excess of bonds, Income-stream, inflation-hedging, added diversification
Timber and Agriculture	Returns in excess of bonds, inflation-hedging, added diversification
Infrastructure	Returns between equity and bonds, diversifier, steady income stream
Private Equity	
Venture Capital, Buyouts, Distressed, etc.	Higher returns than public equity, Skill-based return enhancement
Opportunistic/Alternative Strategies (can include)	
Event driven, global macros, etc	Skill-based diversifier, downside protection
ILS	Uncorrelated to financial markets
Credit-Oriented strategies	Higher Return expectations than traditional bonds, Diversifier

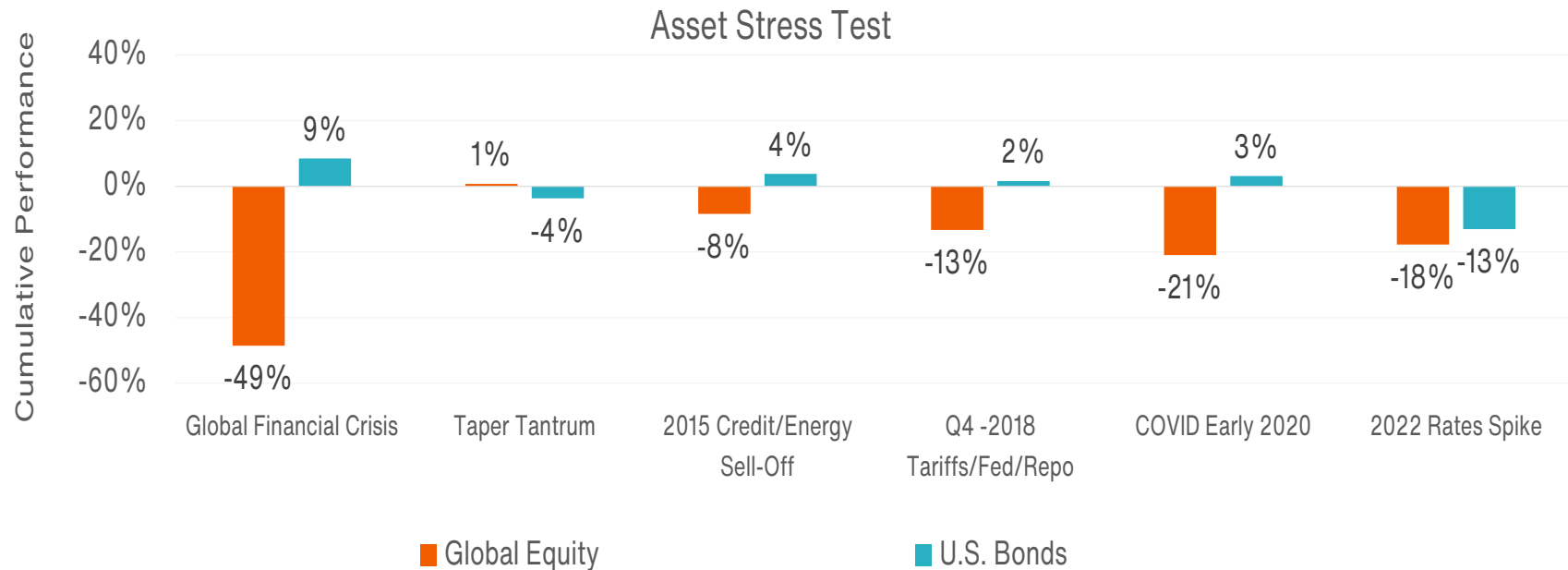
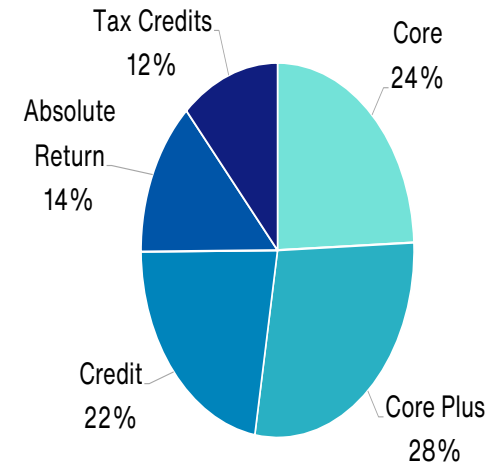
ATRS Long Term Policy



ATRS Risk-Reducing Allocation Comprised of High-Quality U.S. Fixed Income

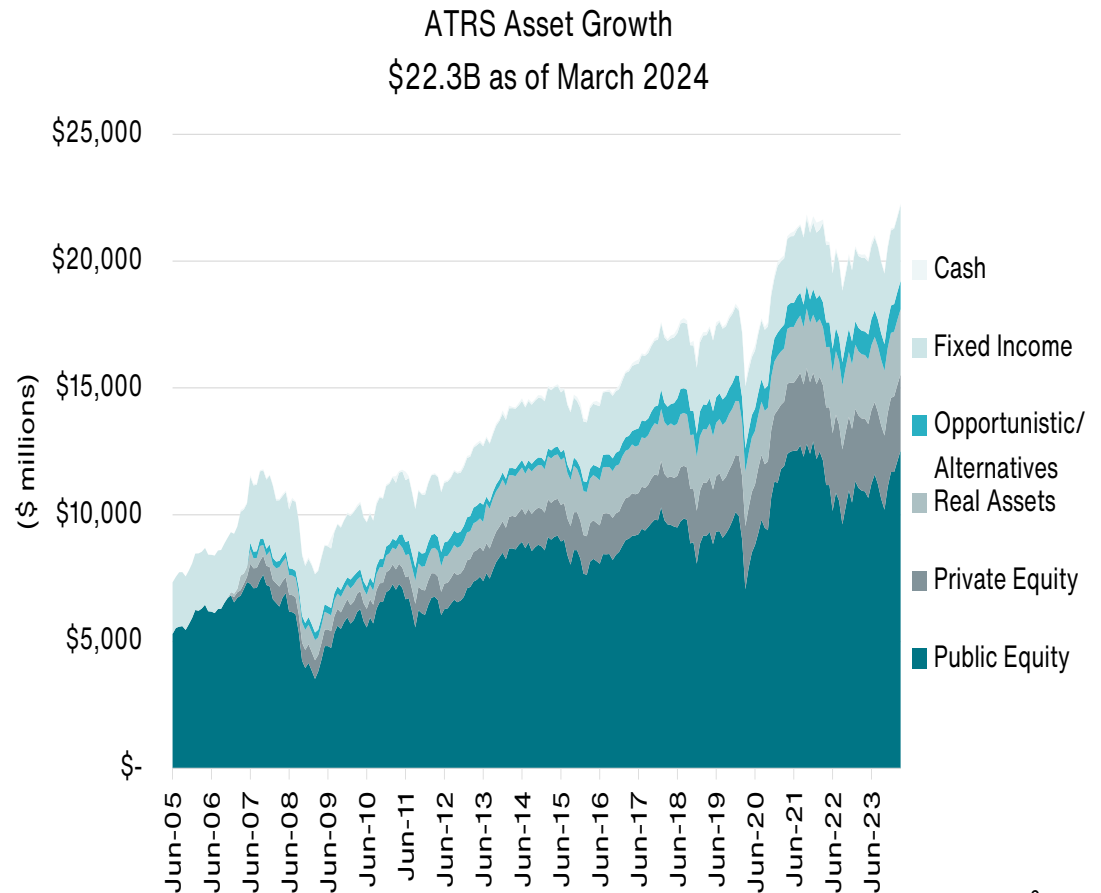
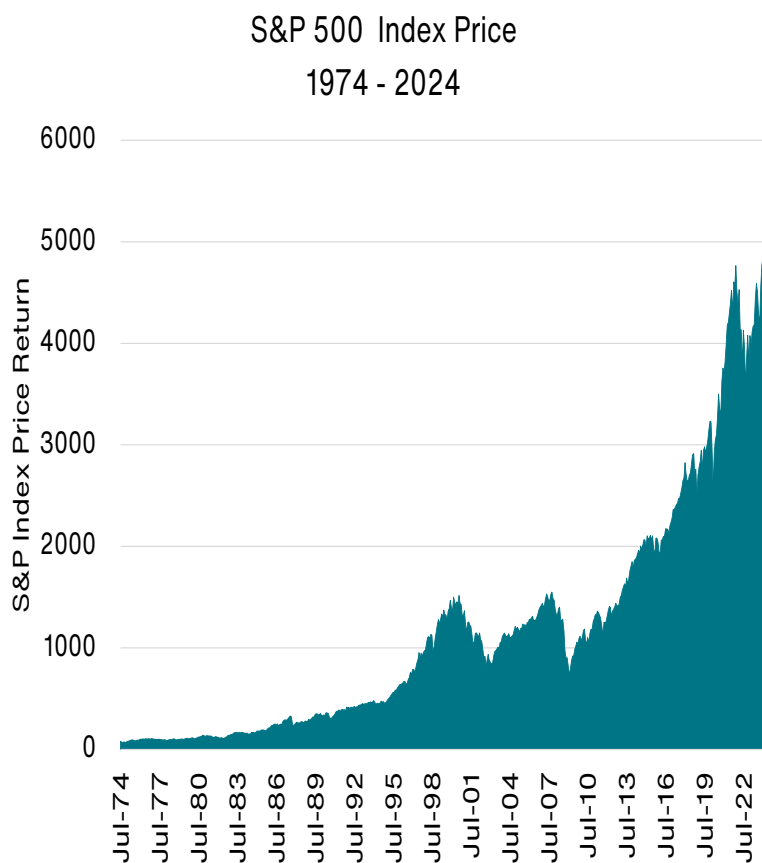
- ATRS's risk-reducing allocation resides within the Fixed Income portfolio
- Comprised of primarily core and core plus U.S. fixed income, its role is primarily to diversify equity risk, offer downside protection and liquidity, when needed, and finally a competitive return

ATRS Fixed Income Strategy Allocation



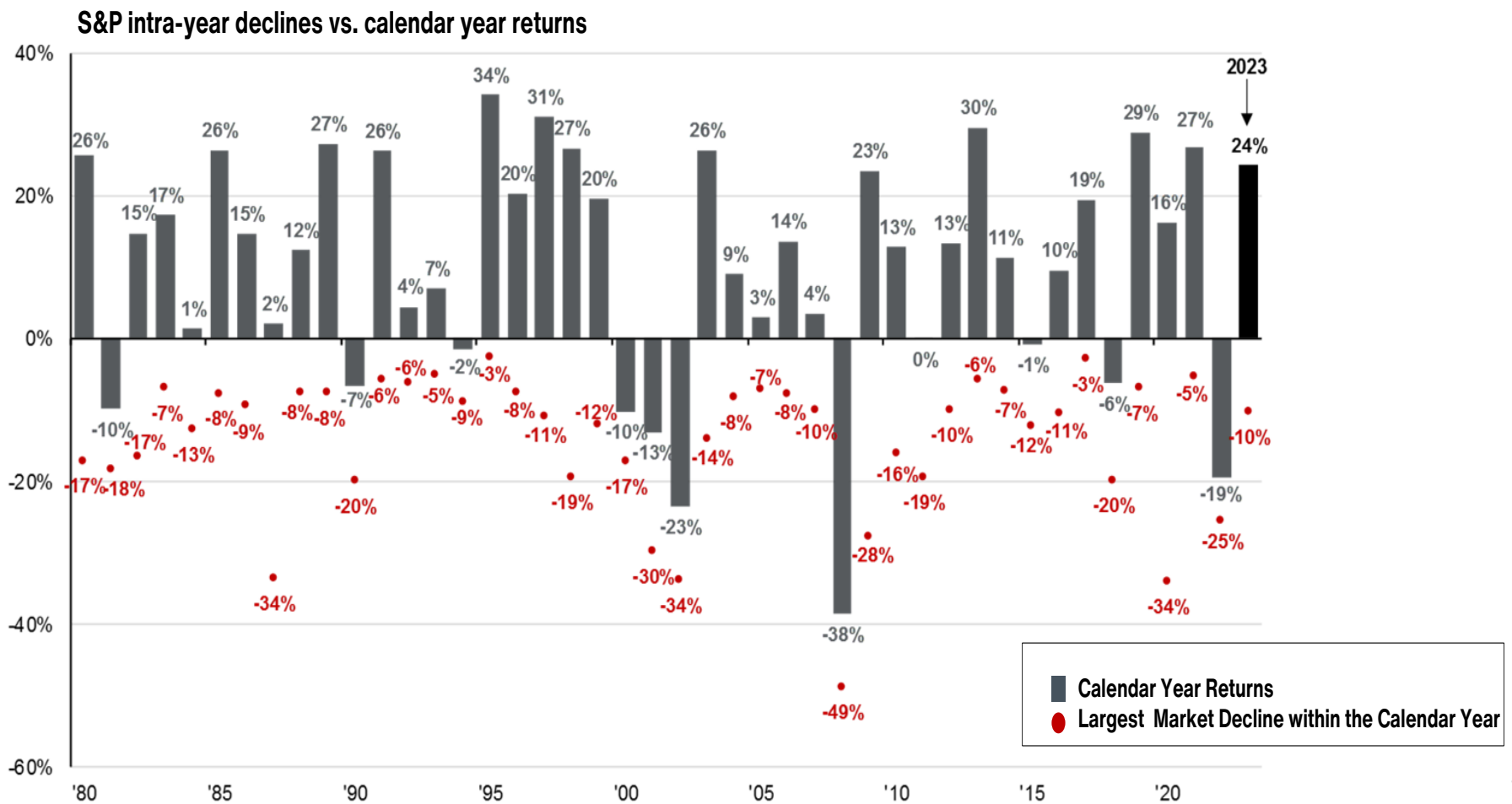
Return-Seeking Portfolio Built on a Foundation of Public Equity

- Public equities serve as the foundation for growth-oriented portfolios with a long-time horizon
- Role in portfolio is to capture economic growth over time



Public Equity, However, Comes with Notable Risk (volatility)

- ATRS has the capacity to tolerate moderate levels of volatility given long-time horizon and steady contribution policy, though seeks to temper volatility through diversification



Diversifying with Uncorrelated Assets Dampens Volatility

Constructing a diversified portfolio with uncorrelated or lowly correlated asset classes will help mitigate the return variance of the portfolio

- In practice, negatively correlated asset classes are difficult to come by
- However, there are low or uncorrelated asset classes, that will have a correlation around 0.0

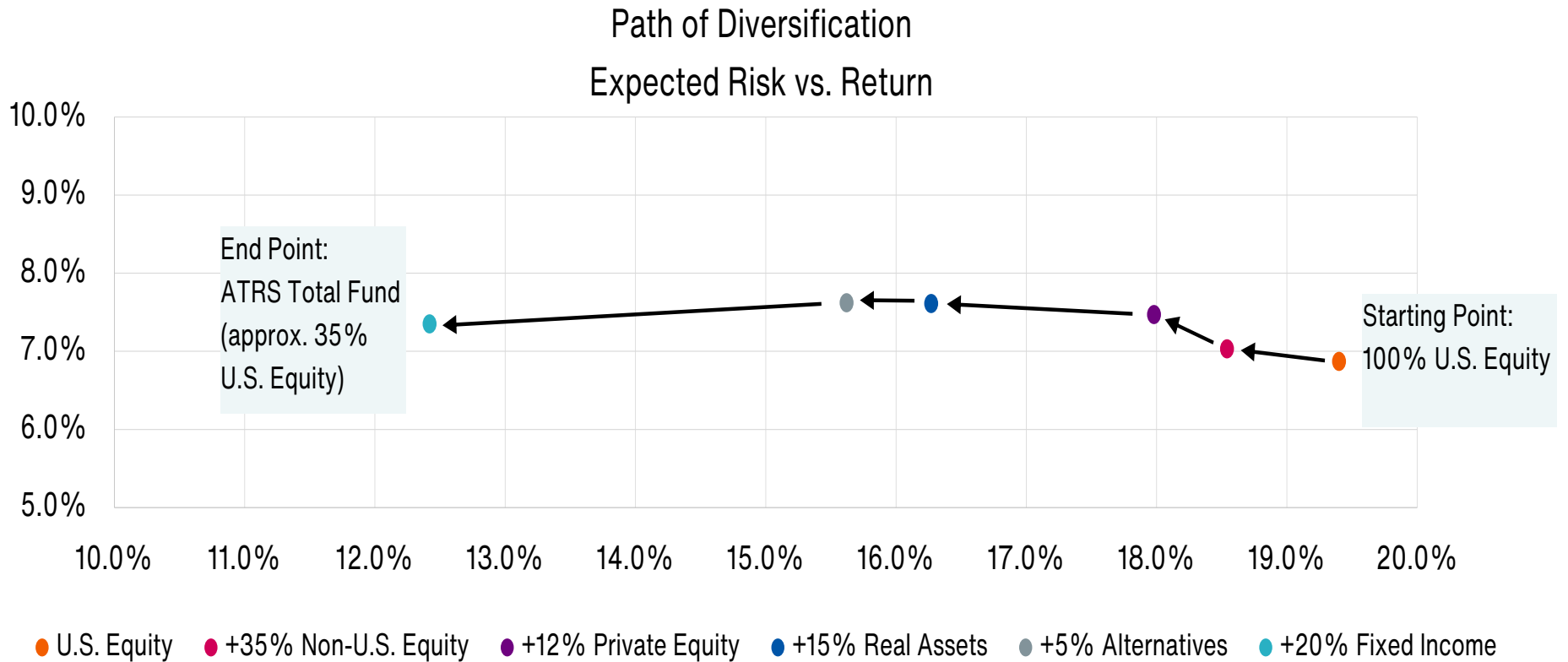
Correlation between January 1992 – March 2024

	Russell 3000	MSCI ACWI Ex-US	Blbg U.S. Aggregate	Bloomberg High Yield	Credit Suisse Leveraged Loan	NCREIF ODCE Index	HFRI FoF Index
Russell 3000	1.00						
MSCI ACWI Ex-US	0.83	1.00					
Blbg U.S. Aggregate	0.15	0.16	1.00				
Bloomberg High Yield	0.68	0.68	0.31	1.00			
Credit Suisse Leveraged Loan	0.50	0.51	0.04	0.76	1.00		
NCREIF ODCE Index	0.03	-0.01	-0.11	-0.12	-0.06	1.00	
HFRI FoF Index	0.66	0.70	0.12	0.59	0.54	0.01	1.00

ATRS Asset Allocation Construction

Diversification serves as key risk-mitigation tool

- Diversification usually reduces risk and, under certain conditions, can help increase returns



Source: Aon's 30-Year Capital Market Assumptions (as of 3/31/2024)

ATRS Asset Allocation Return and Risk Expectations

Total Fund and Asset Class Long-Term (30-years) Expectations

Asset Class	Capital Market Assumptions ¹		Long-Term Policy Target
	Expected Return	Expected Risk	
Public Equity	7.0%	18.7%	48.0%
Private Equity	9.6%	20.5%	12.0
Real Assets ²	7.0%	13.6%	15.0
Opportunistic / Alternatives ³	6.8%	6.1%	5.0
Fixed Income ⁴	5.2%	5.2%	20.0
Total ATRS Expected Return			7.35%
Total ATRS Expected Risk			12.42%
Expected Sharpe Ratio			0.28

- Objective of setting policy is to maximize return at an appropriate level of risk
- Diversification is key risk mitigant, working to narrow the range of outcomes and improve expected risk-adjusted returns
- Return expectations have increased over the past few years, primarily as a result of higher interest rates
- ATRS recently approved a 5% shift from equity to bonds, resulting in lower risk with a similar expected rate of return
 - Transition of portfolio is currently underway

1. Based on Aon's 30-year Capital Market Assumptions as of March 31, 2024

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

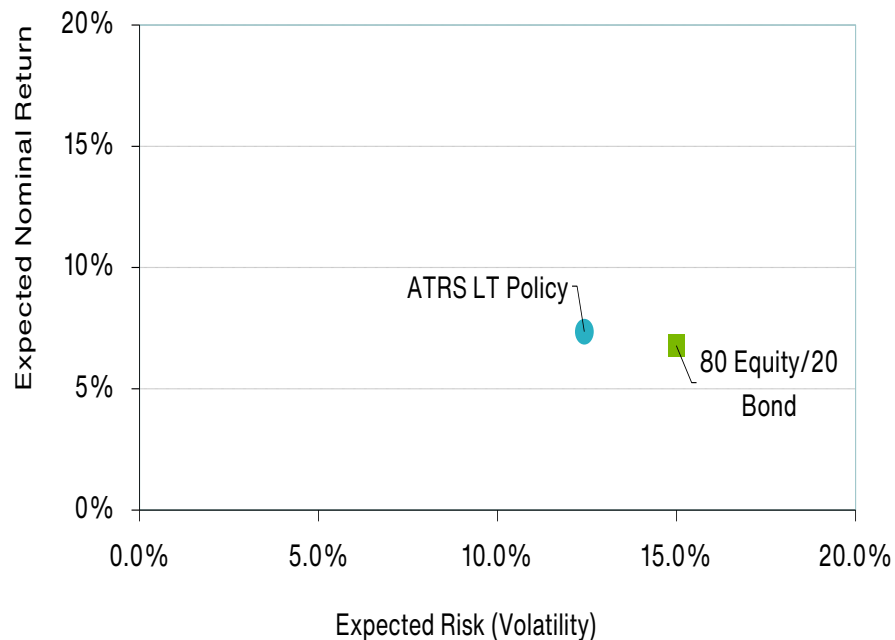


ATRS Asset Allocation Return and Risk Expectations

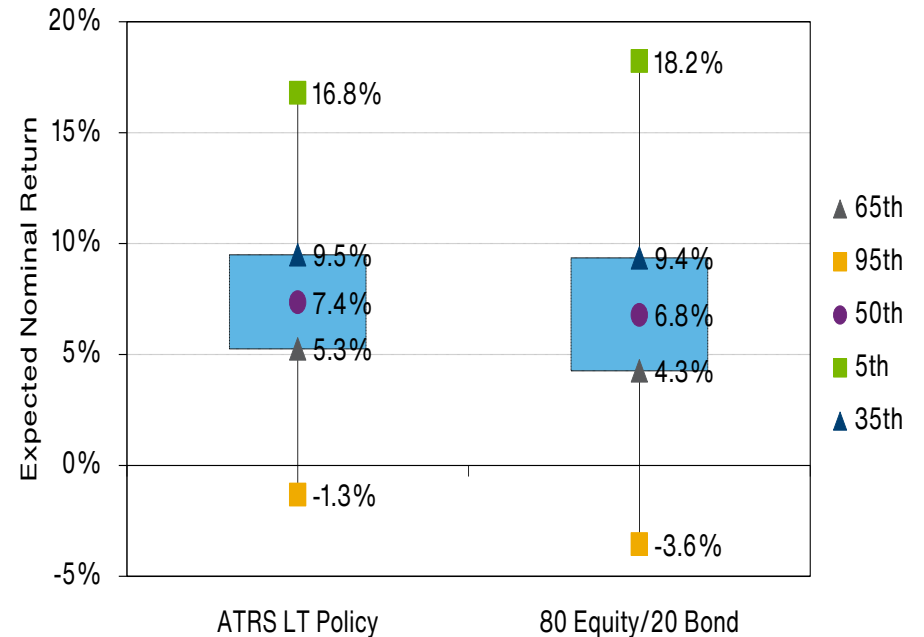
ATRS expectations compared to simple equity/bond portfolio

- Compared to a simple equity / bond portfolio, ATRS is expected to earn higher returns at a lower level of risk
- Diversified portfolio expected to provide strong expected returns at a lower volatility level and better downside outcomes compared to a simple equity/bond portfolio

ATRS Expected Risk/Reward¹



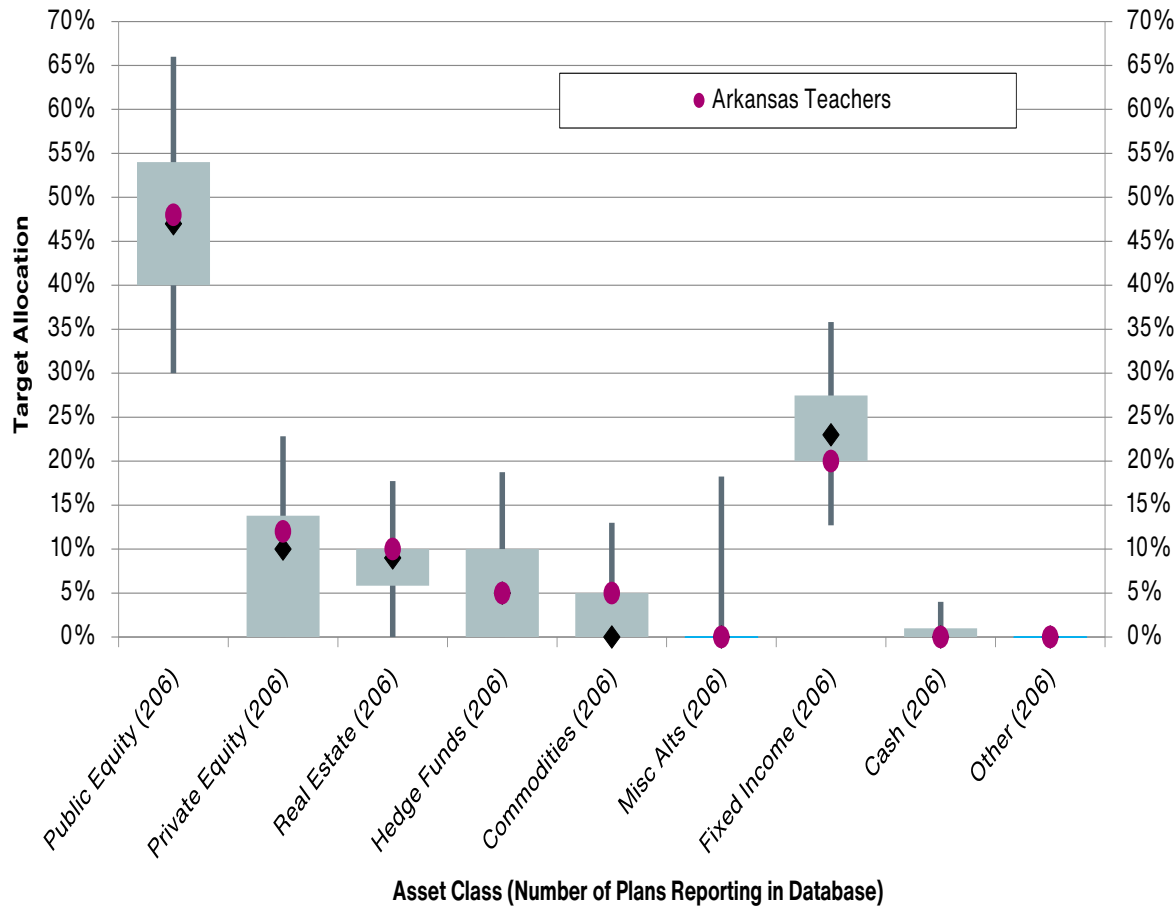
Distribution of Expected Returns¹



1. Based on Aon's 30-year Capital Market Assumptions as of March 31, 2024

ATRS Asset Allocation Compared to Peers

Distribution of U.S. Public Pension Target Asset Allocations (FYE 2022)



- Compared to peers, ATRS has a moderately more return-oriented portfolio, though has become more aligned with the 5% shift from equity to fixed income

ATRS Total Fund Performance

Fiscal Year-over-Year Returns and Ranks

- ATRS portfolio excels during strong equity markets; however, may feel greater impact during periods of equity market weakness
- Diversification and risk-reducing exposure has worked to reduce volatility and smooth the pattern of returns

Fiscal Year Return (%) and Ranks ²											Trailing 5-years	Trailing 10-years
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014		
ATRS Return	9.2%	-3.9%	31.9%	2.5%	6.1%	13.0%	17.1%	3.2%	5.3%	15.9%	9.2%	8.4%
ATRS Rank ¹	16	22	10	90	24	1	1	34	10	10	4	3
<i>Global Equity Returns</i> ³	16.1%	-16.5%	40.9%	5.9%	4.5%	13.1%	20.4%	0.4%	1.3%	19.7%	10.6%	8.4%



¹U.S. Public Pension Plans over \$1 billion in AUM. A rank of 1 is the top percentile and a rank of 100 is the bottom percentile

²Fiscal Years Ending 6/30

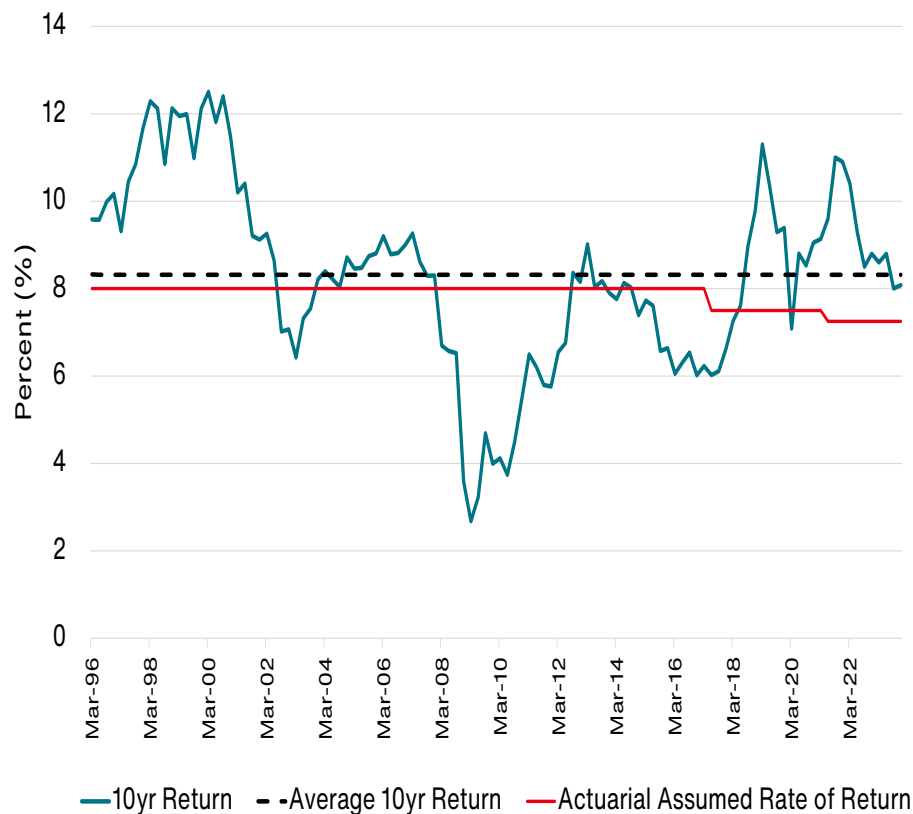
³MSCI ACWI IMI Index

ATRS Total Fund Performance

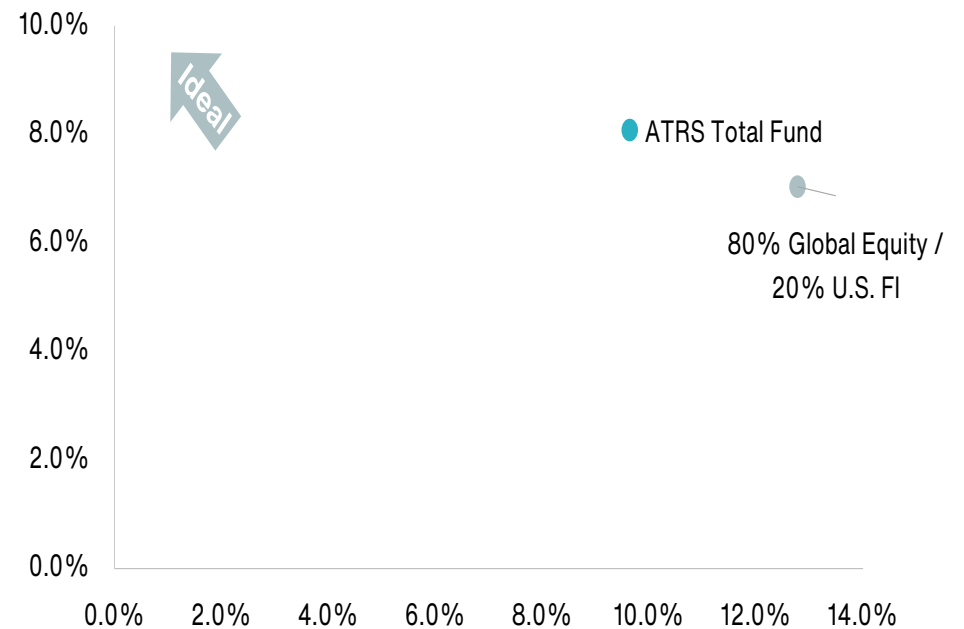
Long-term returns have been strong with a favorable risk/reward trade-off

- Over the long-term, ATRS has mostly out-earned its actuarial assumed rate of return
- Over the long-term, ATRS has earned a higher net-of-fee return, at a lower level of risk, compared to a simple equity / bond portfolio

ATRS Rolling 10-year Returns



Risk vs. Return
20-years ending 3/31/24



Summary Conclusions

- **Investment policy and asset allocation are the key drivers of long-term success**
- **We believe the ATRS portfolio has the appropriate risk posture, striking the right balance between return-seeking and risk-mitigating exposures to achieve ATRS's long-term investment objectives**
- **ATRS has a meaningful allocation to public equity, with appropriate diversification across private equity, real assets, opportunistic/alternative investments and a strong allocation to low-risk fixed income for protection**
- **With a long-term time horizon and tolerance for illiquidity risk, ATRS has benefitted from a risk-on orientation, having earned a 20-year annualized 8.1% and annualized 8.6% since inception (1986)**

Appendix

- Total Fund Performance
- Capital Market Assumptions
- 2021/22 Asset Liability Highlights

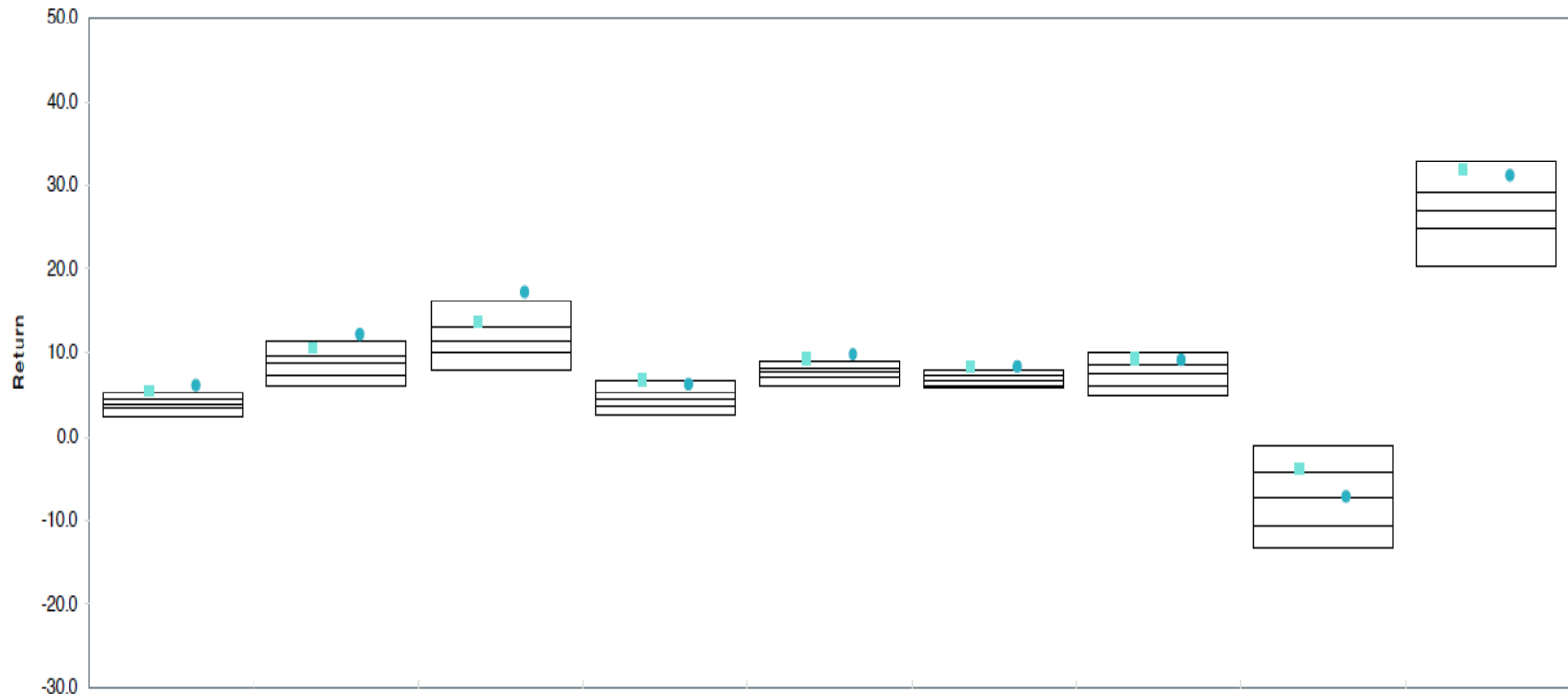


ATRS Total Fund Performance (1Q 2024)

	Allocation			Performance %							
	Market Value \$ (\$)	%	Policy %	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Fund	22,272,643,922	100.0	100.0	5.5	10.6	13.7	6.9	9.2	8.4	8.6	04/01/1986
<i>Performance Benchmark</i>				6.2	12.2	17.4	6.3	9.8	8.4	8.7	
Total Equity	12,537,879,777	56.3	56.2	9.2	18.3	24.5	7.9	11.1		9.7	07/01/2015
<i>Total Equity Performance Benchmark</i>				8.5	16.9	24.8	7.4	11.7		10.2	
Fixed Income	2,971,115,883	13.3	15.0	0.1	3.4	2.9	-0.7	1.7	2.5	4.8	07/01/1992
<i>Performance Benchmark</i>				-0.5	3.3	2.7	-2.1	0.7	1.8	4.8	
Opportunistic/Alternatives	1,119,015,638	5.0	5.1	4.4	10.2	13.6	7.2	4.9	3.6	4.1	05/01/2011
<i>Custom Alternatives Benchmark</i>				4.9	7.9	10.8	4.9	4.4	2.9	2.7	
Real Assets	2,568,093,911	11.5	11.8	-0.4	-2.1	-3.1	5.7	4.9	6.8	7.0	07/01/2013
<i>Total Real Assets Benchmark</i>				-1.8	-3.4	-4.5	6.5	5.1	6.7	7.1	
Real Estate	1,477,715,666	6.6		-3.2	-6.3	-9.0	3.8	2.7	6.2	7.8	12/01/1998
<i>NFI-ODCE (Net)</i>				-5.0	-9.7	-12.7	3.3	2.9	6.1	7.9	
Timber	356,623,981	1.6		5.1	3.2	3.1	8.5	7.6	5.7	7.2	06/01/1998
<i>Timberland Property Benchmark</i>				4.3	7.6	9.5	10.5	7.0	5.6		
Agriculture	244,714,767	1.1		0.9	1.9	5.5	9.3	6.6	5.6	6.2	09/01/2011
<i>Agriculture Benchmark</i>				2.3	2.8	5.0	7.5	6.1	5.6		
Infrastructure	489,039,497	2.2		3.5	5.9	8.6	13.1	13.8		13.4	07/01/2018
<i>Infrastructure Benchmark</i>				0.9	5.4	8.5	9.7	8.5		8.5	
Private Equity	2,998,769,689	13.5	12.0	1.5	0.5	1.4	8.5	11.5	12.9	12.2	03/01/1997
<i>Private Equity Policy</i>				12.7	19.3	28.6	10.6	17.3	13.6	11.3	
Cash	77,769,024	0.3	0.0								

ATRS Total Fund Ranks vs. All Public Plans > \$1B

As of 3/31/2024



	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Total Fund	5.5 (4)	10.6 (17)	13.7 (18)	6.9 (5)	9.2 (4)	8.4 (3)	9.2 (16)	-3.9 (22)	31.9 (10)
Performance Benchmark	6.2 (1)	12.2 (2)	17.4 (1)	6.3 (7)	9.8 (3)	8.4 (3)	9.2 (16)	-7.2 (50)	31.2 (16)
5th Percentile	5.3	11.4	16.2	6.7	9.1	8.0	10.0	-1.2	32.9
1st Quartile	4.5	9.6	13.0	5.2	8.3	7.3	8.7	-4.2	29.1
Median	3.7	8.8	11.5	4.5	7.7	6.7	7.5	-7.3	27.0
3rd Quartile	3.3	7.4	10.0	3.6	7.0	6.1	6.2	-10.5	24.8
95th Percentile	2.5	6.2	7.9	2.7	6.1	5.8	4.7	-13.5	20.3
Population	91	55	48	42	40	35	72	82	127



Aon Capital Market Assumptions Overview

- What are they?
 - Asset class return, volatility and correlation assumptions
 - Long-term: (10- and 30-year), forward-looking assumptions
 - Best estimates: (50/50 probability of better or worse long-term results than expected)
 - Quarterly: Updated on a quarterly basis to reflect current market pricing/levels
- **Return** assumptions most critical
 - Market Returns: no active management value added or fees (except for private markets and hedge funds, where traditional passive investments are not available)
- **Volatility** assumptions are set with a forward-looking view, considering:
 - Implied volatilities priced into option contracts of various terms
 - Historical volatility levels
 - For illiquid asset classes, such as real estate, de-smoothing techniques are employed when assessing historic volatility levels
 - The broad economic/market environment
- **Correlation** assumptions are formulated with reference to historic experience over different time periods and during different economic conditions

Aon's Capital Market Assumption Coverage

Fixed Income	Equities	Alternatives	Macro Variables
Nominal Government Bonds	All major regions covered including Emerging Markets	Hedge Funds (7 Single Strategies; Fund of Hedge Funds; Broad Hedge Funds)	Inflation
Inflation-linked Government Bonds	U.S. Large and Small Cap	Real Estate (Total Market, Core and U.S. REITs)	Currency Movements
Corporate Bonds	Non-U.S. Developed and Emerging Markets	Private Equity	
High Yield Debt	Global Equity	Infrastructure	
Bank Loans	Equity Insurance Risk Premium (High Beta)	Commodities	
Emerging Market Debt (Hard, Local, Corporate)		Equity Insurance Risk Premium (Low Beta)	
Multi-Asset Credit			
Private Debt (Direct Lending)			

- Continually expanding coverage
- Equities and Bond assumptions formed at regional level for the U.S., U.K., Europe ex-U.K., Japan, Canada, Australia and Switzerland. Real estate assumptions for U.S., U.K., Canada and Europe

Aon's Capital Market Assumption Framework

Building Block Approach

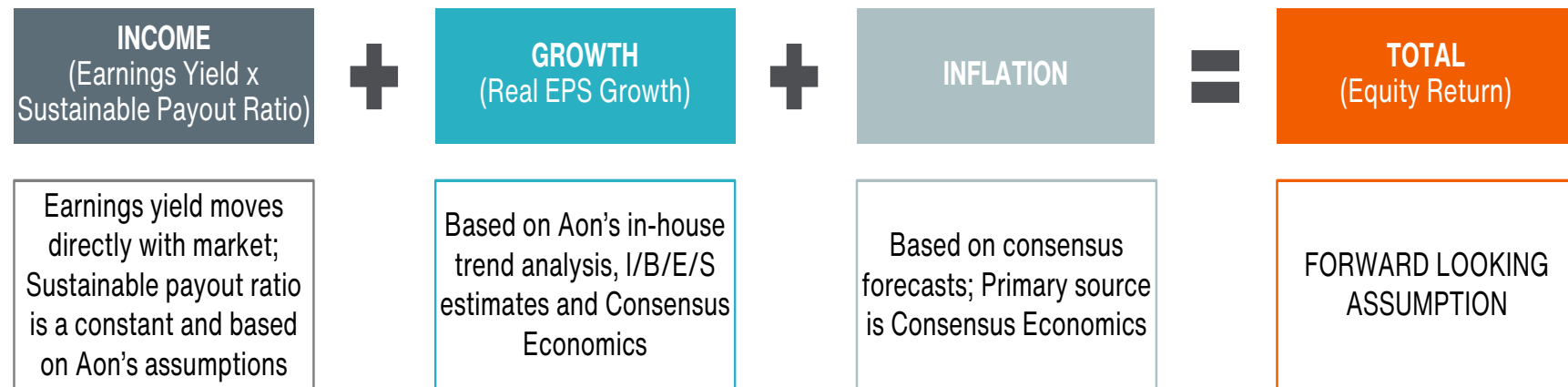
Expected return estimates for equity and fixed income are developed using a building block approach

Expected returns based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation

Where necessary, judgment-based modifications are made to these inputs

Return assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment from our specialist research teams

Example: Public Equities



Expected Returns and Risks

03/31/2024 Assumptions (30-Year)

	30-yr	30-yr	30-yr
Equity	Expected Real Return ¹	Expected Nominal Return ¹	Expected Volatility ¹
Large Cap U.S. Equity	4.3%	6.7%	18.4%
Small Cap U.S. Equity	4.8%	7.2%	24.7%
Global Equity (Developed & Emerging)	4.6%	7.0%	18.7%
International (Non-U.S.) Equity (Developed)	4.3%	6.7%	19.7%
Emerging Markets Equity	4.5%	6.9%	22.5%
Fixed Income			
Cash (Gov't)	1.6%	3.9%	2.1%
Cash (LIBOR)	2.2%	4.6%	2.2%
TIPS	2.0%	4.3%	4.5%
Core U.S. Fixed Income (Market Duration)	2.2%	4.6%	5.4%
Long Duration Bonds - Gov't / Credit	2.8%	5.2%	9.8%
Long Duration Bonds - Credit	3.4%	5.8%	10.7%
Long Duration Bonds - Gov't	2.3%	4.7%	10.4%
High Yield Bonds	3.6%	6.0%	10.8%
Bank Loans	4.0%	6.4%	7.5%
Non-US Developed Bond (0% Hedged)	1.3%	3.6%	11.0%
Non-US Developed Bond (50% Hedged)	1.7%	4.0%	6.6%
Non-US Developed Bond (100% Hedged)	1.9%	4.2%	4.1%
Short Duration Bonds - Gov't	1.6%	3.9%	2.7%
Short Duration Bonds - Credit	2.3%	4.7%	3.2%
Intermediate Duration Bonds - Gov't	1.6%	3.9%	4.2%
Intermediate Duration Bonds - Credit	2.5%	4.9%	5.3%
Market Duration Bonds - Gov't (Model Portfolios)	1.6%	3.9%	4.9%
Core Plus - Fixed Income (Model Portfolios)	2.6%	5.0%	6.1%
Emerging Market Bonds (Sov. USD)	3.7%	6.1%	12.2%
Emerging Market Bonds (Corporate USD)	3.5%	5.9%	11.4%
Emerging Market Bonds (Sov. Local)	3.3%	5.7%	13.4%
Alternative Investments			
Hedge Funds - Direct (Universe)	3.0%	5.4%	5.7%
Hedge Funds - Direct (Institutional Quality)	4.5%	6.9%	5.7%
eLDI	3.7%	6.1%	6.1%
Private Real Estate (Core)	3.4%	5.8%	15.3%
Private Real Estate (Non-Core)	5.2%	7.6%	25.4%
U.S. REITs	4.1%	6.5%	19.0%
Infrastructure (Closed-End)	4.9%	7.3%	15.0%
Closed-End Real Assets (Model Portfolios)	5.9%	8.3%	16.1%
Private Equity	7.1%	9.6%	20.5%
Commodities	2.7%	5.1%	16.9%
Hedge Funds - Low Beta (Universe)	2.5%	4.9%	4.3%
Hedge Funds - High Beta (Universe)	3.5%	5.9%	8.7%
Hedge Funds - Low Beta (Institutional Quality)	3.5%	5.9%	4.3%
Hedge Funds - High Beta (Institutional Quality)	5.5%	7.9%	8.7%
Private Debt -- Direct Lending	5.4%	7.8%	17.4%
Timberland	2.4%	4.8%	12.3%
Farmland	3.1%	5.5%	15.4%
Liquid Return-Seeking Fixed Income (Institutional C	4.6%	7.0%	9.3%
Liquid Return-Seeking Fixed Income (Universe)	3.9%	6.3%	9.3%
65% US Equity/35% Non-US Equity	4.6%	7.0%	18.5%
7-10 Yr Capital Efficiency	-0.4%	1.9%	25.2%
Long Treasury Capital Efficiency	1.2%	3.5%	29.8%
Inflation	0.0%	2.3%	1.7%

¹ Expected returns are using Aon 30 Year Capital Market Assumptions as of 03/31/2024. 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.

2021/2022 Asset-Liability Study: Summary and Conclusions

Portfolio Analysis

- The expected annual return assumption for the Current Policy is 7.16%¹ over the next 30 years with annualized volatility of 13.99%
- **Current Policy is well-diversified** with public equity, private equity, return-seeking fixed income, real assets, and an opportunistic allocation

Asset-Liability Projection Analysis

- Plan is projected to experience annual hurdle rate surplus resulting in increasing expected future funded ratios
 - **The Current Policy is projected to reach full funding in 2040**
- Adverse market experience could significantly impact the funded status of the Plan as contributions are not systematically responsive to changes in the Plan's funded status
 - In times of economic stress, the ATRS Board may need to act on their legislative ability to authorize changes to contribution levels

Liquidity Analysis

- The **Current Policy portfolio has sufficient liquidity** in the modeled Base and Recession scenarios
- Under a Dark Skies scenario, assets are projected to decline significantly over ten years
 - Liquidity issues in this scenario have more to do with a lack of systematic funding than too much in illiquid assets

2021/2022 Asset-Liability Study: ATRS Profile

Asset-Liability Snapshot				
Metric (\$, Billions)	As of 6/30/2021		Est. as of 12/31/2021	
	Value	Fund %	Value	Fund %
Market Value of Assets	\$21,469	89.5%	\$21,778	89.3%
Actuarial Value of Assets	\$19,343	80.6%		
Liability Metrics				
Actuarial Liability (AL) ¹	\$23,987		\$24,377	

Target Asset Allocation as of 12/31/2021		
Metric (\$, Millions)	Value	Alloc %
Return-Seeking		
- Public Equity	\$11,542.1	53%
- Private Equity	\$2,613.3	12%
- Opportunistic/Liquid Alternatives	\$1,088.9	5%
- Liquid Return-Seeking Fixed Income	\$1,524.4	7%
- Open-End Real Assets	\$1,306.7	6%
- Closed-End Real Assets	\$1,960.0	9%
- Total	\$20,035.3	92%
Risk-Reducing		
- Core Bonds	\$1,742.2	8%
- Total	\$1,742.2	8%
Total	\$21,777.5	100%

Key Observations:

- Pension plan is estimated to be **89.3%** funded on a market value of assets basis as of **December 31, 2021**
- Asset hurdle rate of **10.05%**, via cash funding and investment returns, needed to maintain or improve actuarial funded status
- The Total Expected Asset Growth rate (EROA plus Contributions) exceeds the Liability Hurdle Rate by **17bps** which will be expected to increase the funded ratio

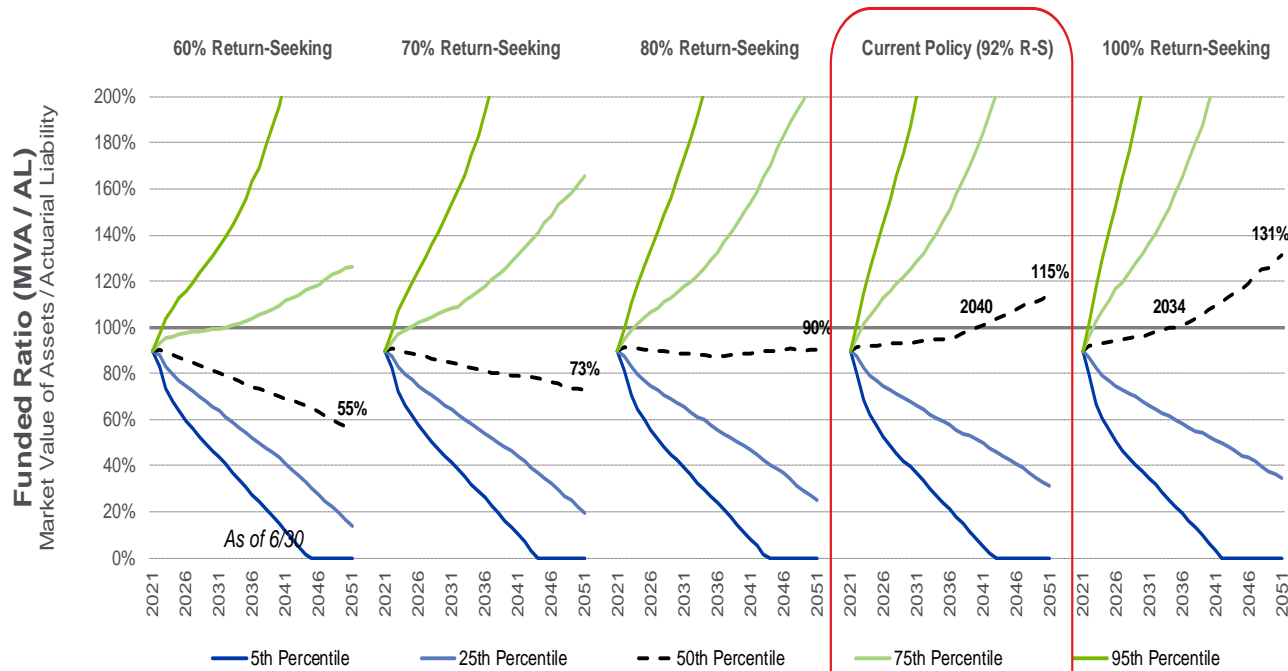
Asset-Liability Growth Metrics			
Metric (\$, Millions)	Value	% Liability	% Assets
AL Discount Cost	\$1,767.3	7.25%	8.12%
AL Normal Cost	\$411.0	1.69%	1.89%
Plan Expenses	\$7.6	0.03%	0.04%
Total Liability Hurdle Rate	\$2,186.0	8.97%	10.05%
Expected Return on Assets ²	\$1,558.7	6.39%	7.16%
Total Contributions	\$667.3	2.74%	3.06%
Total Exp. Asset Growth	\$2,226.0	9.13%	10.22%
Hurdle Rate (Shortfall)/Surplus	\$40.0	0.16%	0.17%
Est. Benefit Payments	\$1,372.3	5.63%	6.30%

¹ Based on a 7.25% discount rate consistent with the June 30, 2021 valuation results.

² Expected returns are using Aon Investments' Q1 2022 Capital Market Assumptions. Assumptions do not include fees/expenses. See capital market assumptions disclosure pages in the Appendix. Percentages may not sum to 100% due to rounding.

2021/2022 Asset-Liability Study:

Asset-Liability Projection Results



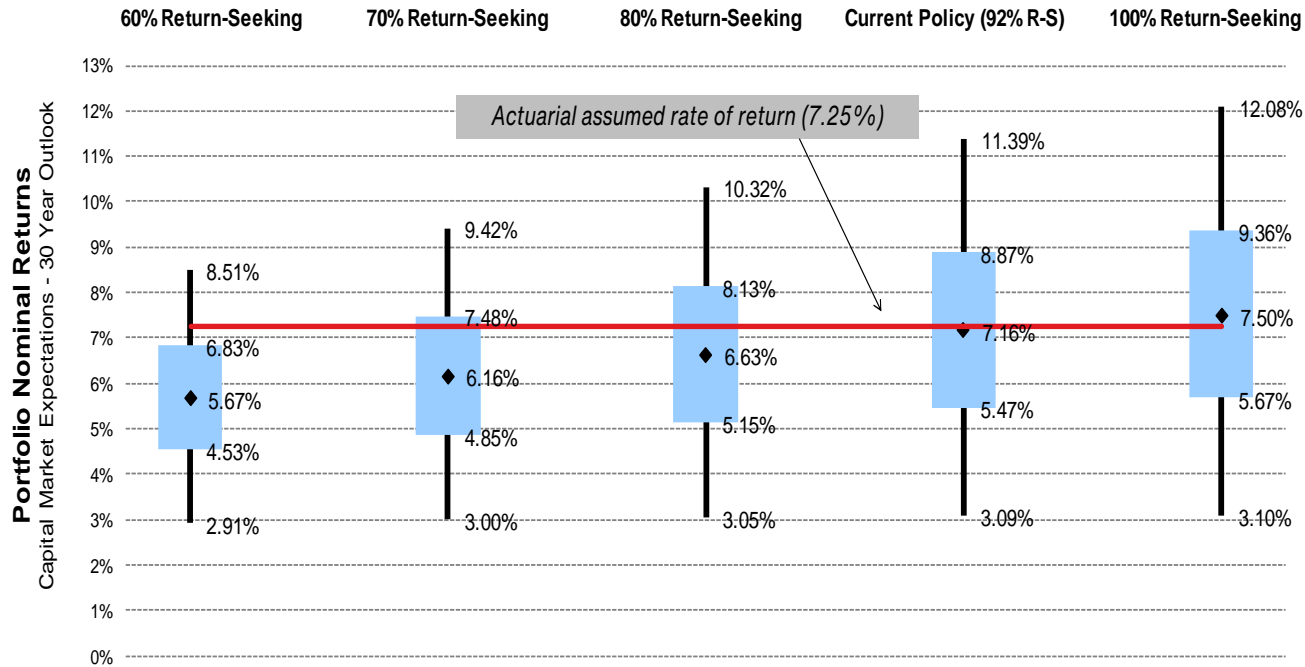
Key Takeaways:

- The Plan is expected to reach full funding under the current policy in the central expectation (50th percentile) by 2040
- Return-seeking allocations above 80% are expected to grow the funded ratio in the central expectation (50th percentile)

Strategy	60% Return-Seeking			70% Return-Seeking			80% Return-Seeking			Current Policy (92% R-S)			100% Return-Seeking		
Year	2031	2041	2051	2031	2041	2051	2031	2041	2051	2031	2041	2051	2031	2041	2051
5th Percentile	44%	12%	0%	41%	10%	0%	39%	8%	0%	37%	5%	0%	35%	3%	0%
25th Percentile	64%	41%	14%	64%	44%	19%	65%	47%	25%	66%	50%	31%	66%	51%	35%
50th Percentile	80%	69%	55%	84%	79%	73%	89%	89%	90%	94%	101%	115%	97%	109%	131%
75th Percentile	99%	111%	126%	108%	131%	166%	118%	154%	>200%	129%	185%	>200%	136%	>200%	>200%
95th Percentile	135%	>200%	>200%	154%	>200%	>200%	173%	>200%	>200%	>200%	>200%	>200%	>200%	>200%	>200%

2021/2022 Asset-Liability Study: Range of Nominal Returns

Results below reflect expectations at the time of the asset liability study (

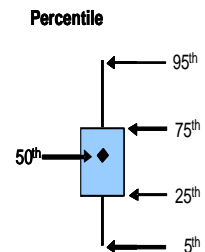


Probability of Meeting/Exceeding 7.25%	60% Return-Seeking	70% Return-Seeking	80% Return-Seeking	Current Policy (92% R-S)	100% Return-Seeking
	17.9%	28.9%	38.9%	48.5%	53.6%

Key Takeaway:

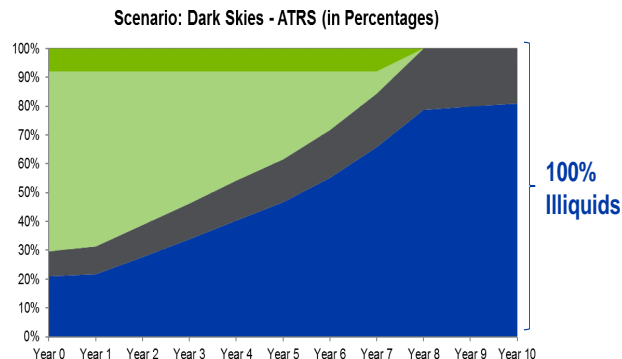
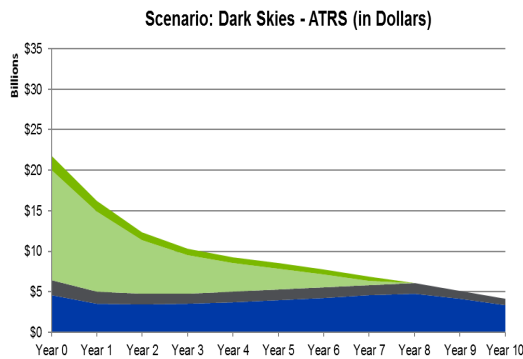
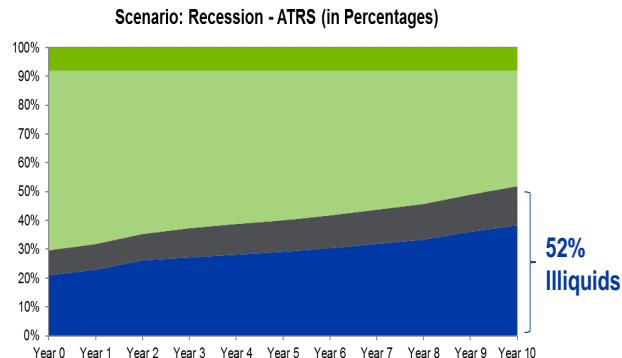
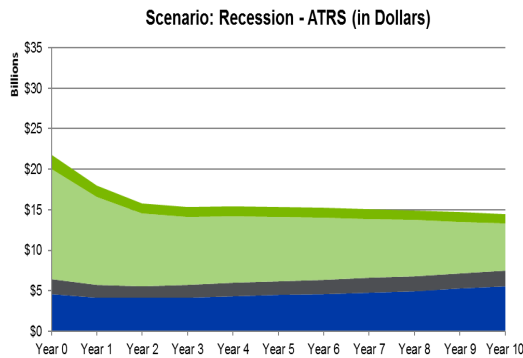
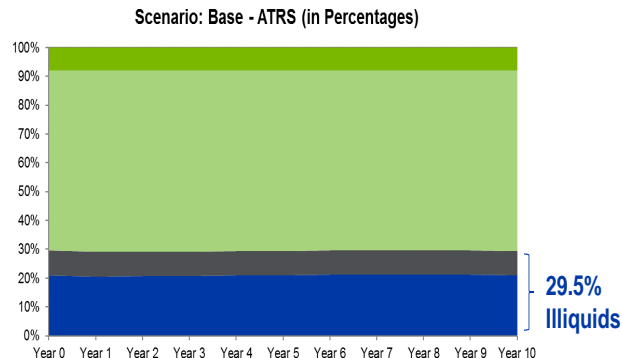
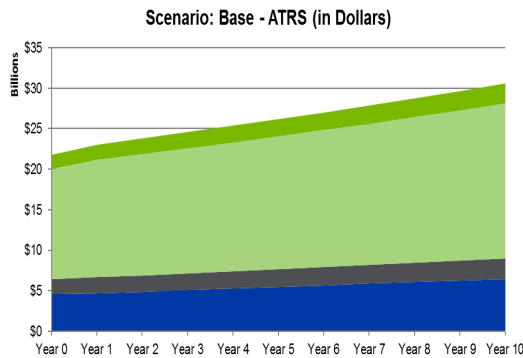
- Current Policy (92% R-S) has a 49% probability of meeting and/or exceeding the actuarial rate of return (7.25%)

Expected returns are using Aon Investments' Q1 2022 Capital Market Assumptions. Assumptions do not include fees/expenses. All expected returns are geometric (long-term compounded; rounded to the nearest decimal) and net of investment fees. Expected returns presented are models and do not represent the returns of an actual client account. Not a guarantee of future results. See capital market assumptions disclosure pages in the Appendix.



2021/2022 Asset-Liability Study: Liquidity Analysis - Summary of Results | Current Policy

■ Illiquid: 10+ Years ■ Illiquid: 5-10 Years ■ Quasi-Liquid ■ Liquid (Return-Seeking Assets) ■ Liquid (Risk-Reducing Assets)



Key Takeaways:

- The Current Policy has sufficient liquidity in the modeled Base and Recession scenarios
- Under a Dark Skies scenario, assets are projected to decline significantly over ten years
- Liquidity issues in this scenario have more to do with a lack of systematic funding than too much in illiquid assets



Arkansas Teacher Retirement System Board Education

July 2024

Table of Contents

I	PE OVERVIEW & STRATEGIES
II	FUND SELECTION & DUE DILIGENCE PROCESS
III	ATRS PE PORTFOLIO OVERVIEW

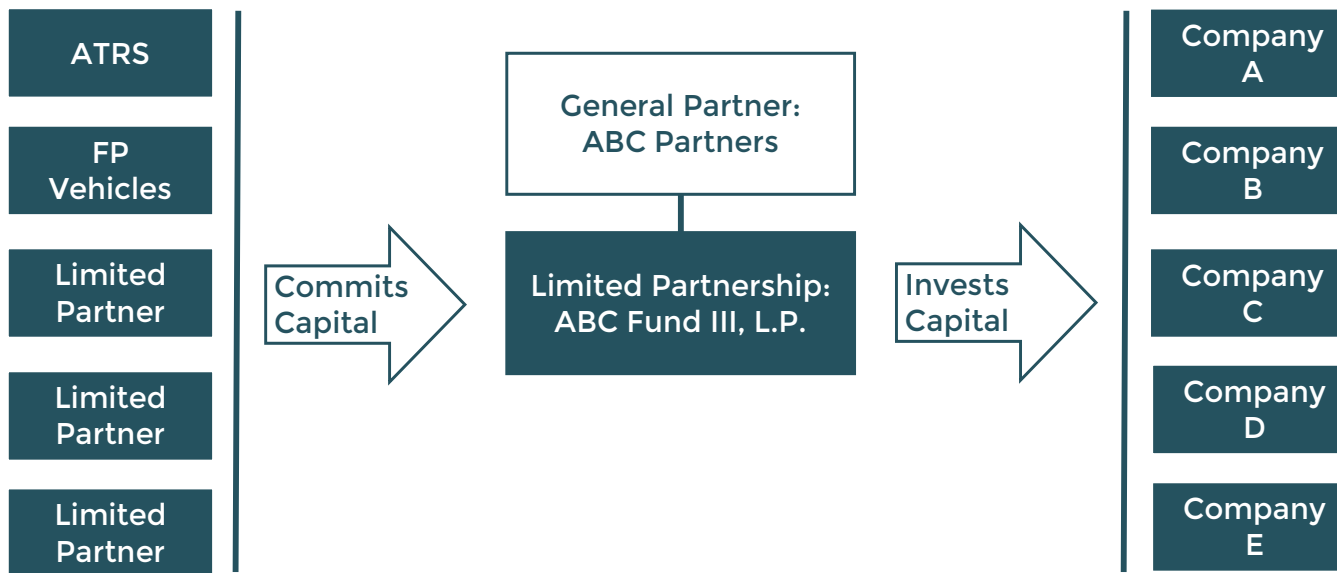




PE Overview & Strategies

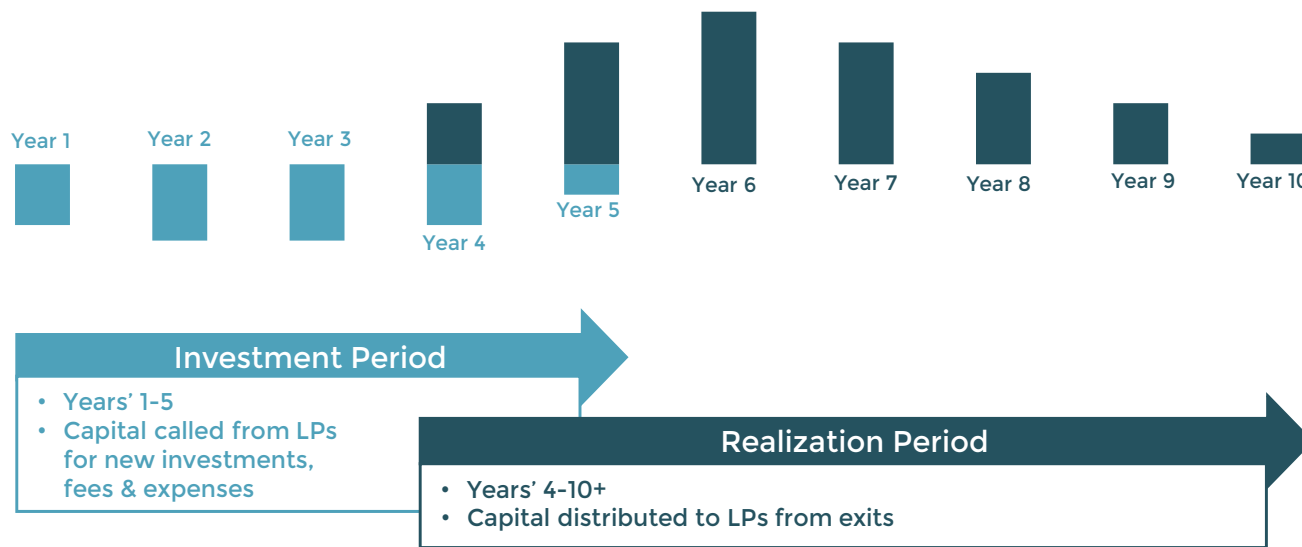
Fund Structure

Limited partnerships managed by private equity firms (General Partners)



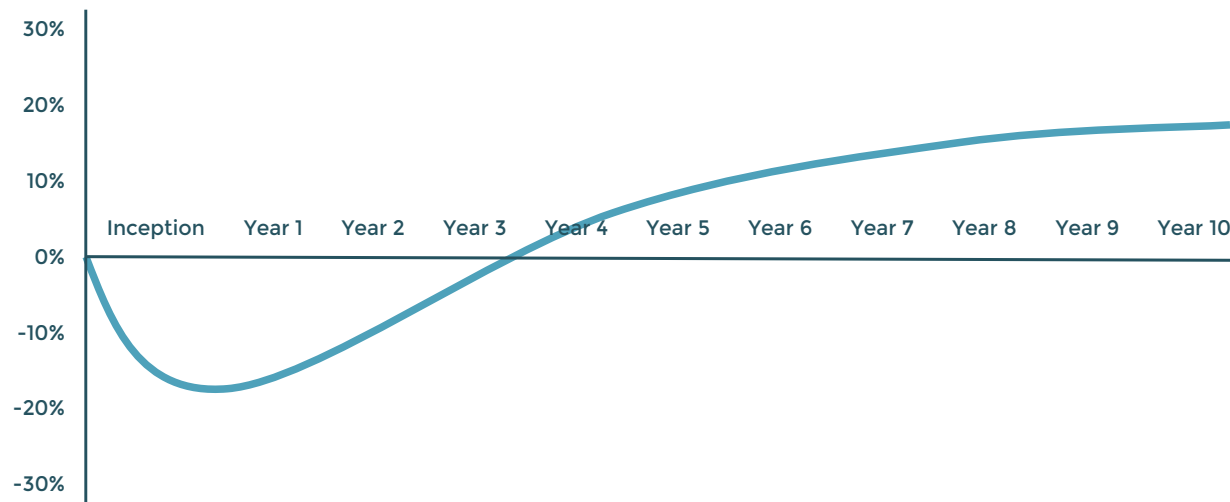
Lifecycle

Private equity is a long-term asset class with a lifespan of 10+ years



J-Curve

IRR is typically negative in early years due to the impact of fees when investments are generally held at cost



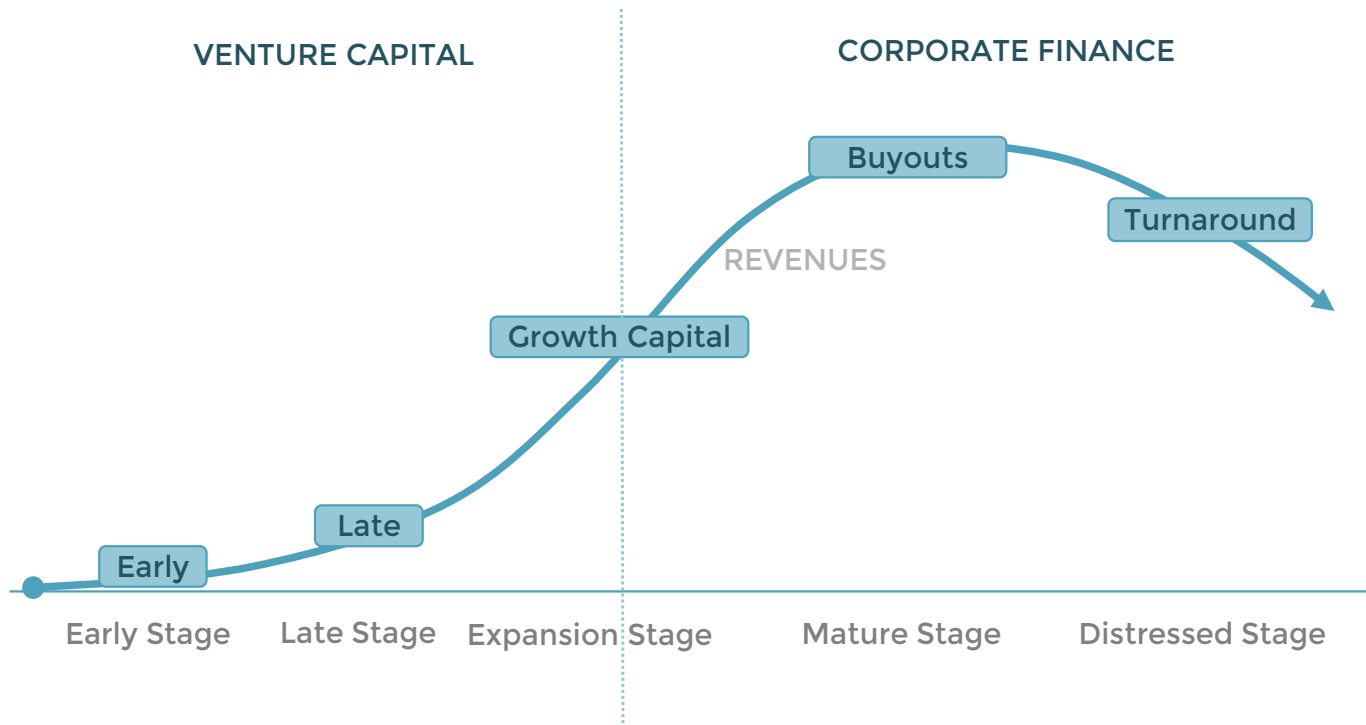
Role of General Partner

Managers focus on buying, creating value, and selling companies



Overview of Private Equity Strategies

Strategies span across the company business lifecycle



Venture Capital

Return potential is highly attractive but also highly risky



Investment profile of venture funds:

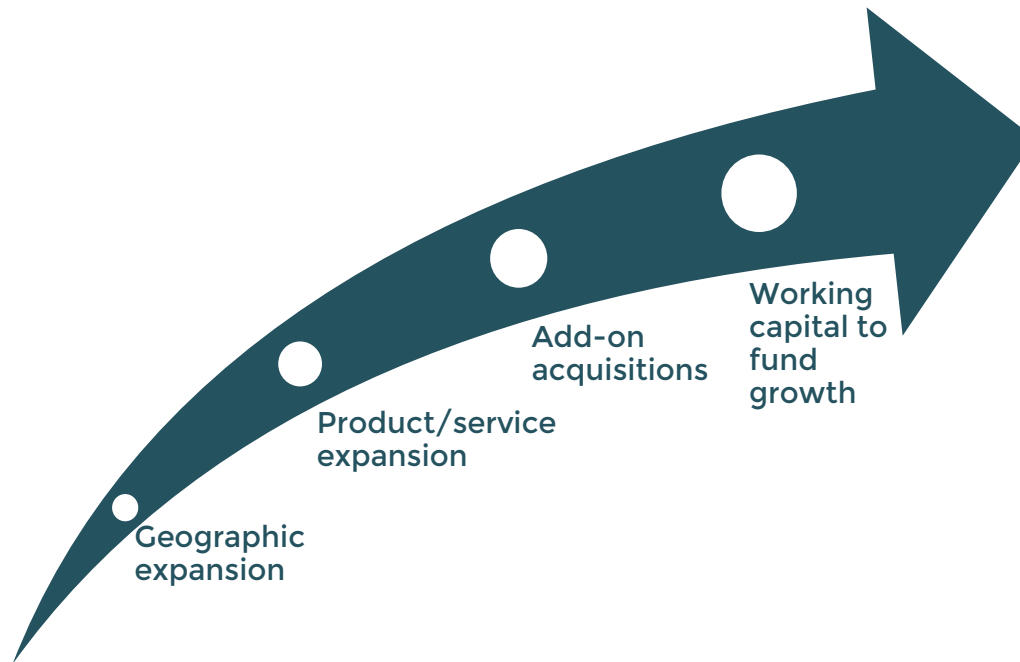
- Many are sector specific (technology, life sciences)
- Many are company lifecycle specific (seed, early, late)
- The earlier the stage, the higher the risk
- Half or more of all venture investments are losses

ATRS Exposure:

- Franklin Park Venture Capital Funds (early stage)
- Franklin Park Venture Capital Opportunity Funds (later stage)

Growth Capital

Investments in rapidly growing business that are at or near profitability



Investment profile of growth capital funds:

- Typically non-control investments
- Typically target high growth industries (technology, business services, healthcare)
- Typically focused on small and middle market companies

ATRS Exposure:

- Direct primary commitments (larger funds)
- Franklin Park Corporate Finance Access Funds (smaller funds)
- Franklin Park Co-Investment Funds (co-investments)

Buyouts

Investments in mature companies across all sectors and business sizes

Strategies

- Leveraged buyout (LBO)
- Management buyout (MBO)
- Management buy-in (MBI)
- Public to private
- Roll-up/consolidation
- Buy & build
- Spin-off
- Recapitalization (recap)

Size Categories

- Small: Enterprise value (EV) < \$100 million
- Lower Mid: EV > \$100 million, < \$250 million
- Upper Mid: EV > \$250 million, < \$1 billion
- Large: EV > \$1 billion

Investment profile of buyout funds:

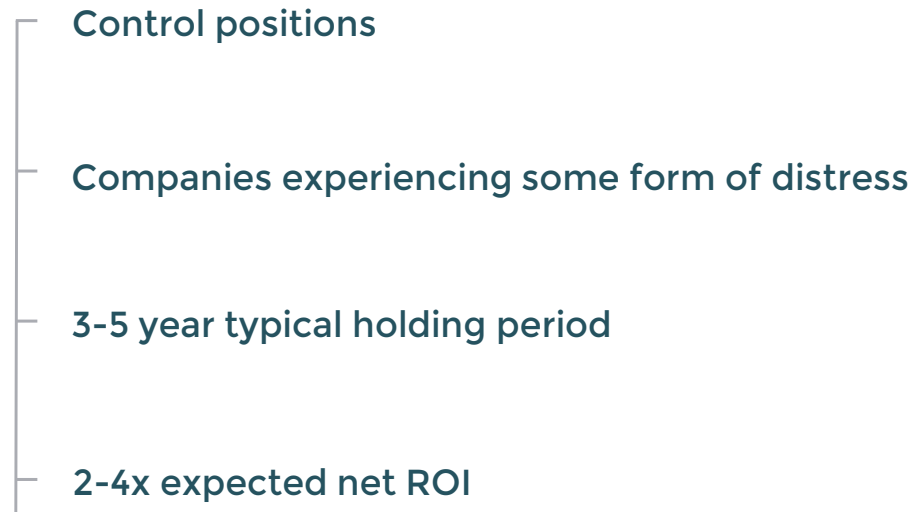
- Typically control investments
- Focused on a broad range of industries
- Investments are structured as equity

ATRS Exposure:

- Direct primary commitments (larger funds)
- Franklin Park Corporate Finance Access Funds (smaller funds)
- Franklin Park Co-Investment Funds (co-investments)

Turnaround

Acquisition of businesses that have operational or financial issues



Investment profile of turnaround funds:

- Operationally and/or financially stressed companies
- Control equity (but may enter through debt investment)
- Diversified by size and sector

ATRS Exposure:

- Direct primary commitments (larger funds)
- Franklin Park Corporate Finance Access Funds (smaller funds)
- Franklin Park Co-Investment Funds (co-investments)

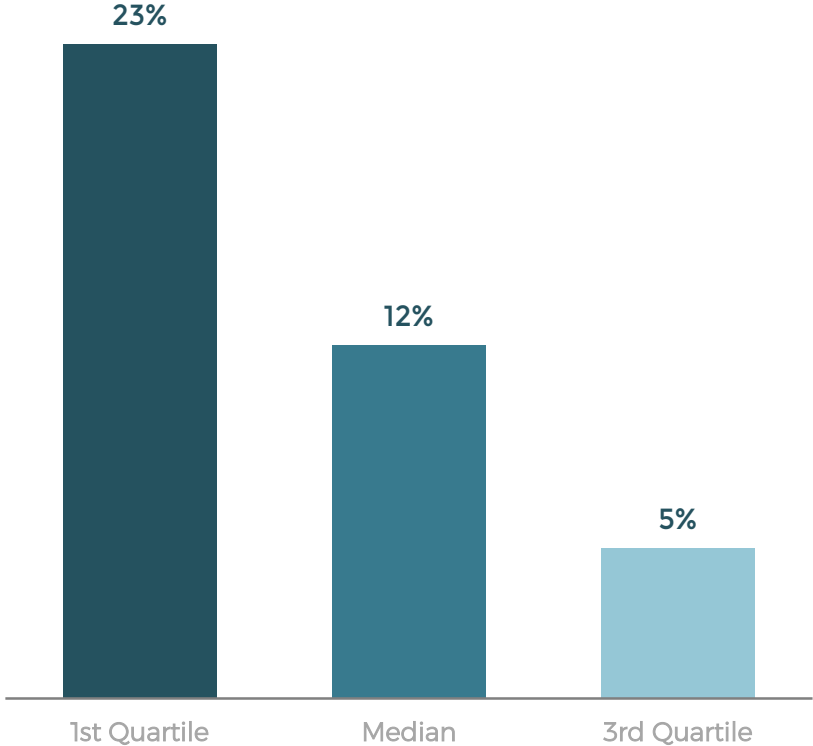


Fund Selection & Due Diligence Process

Manager Selection is Critical

Top quartile performance is necessary to justify investment in the asset class¹

Net Return Dispersion

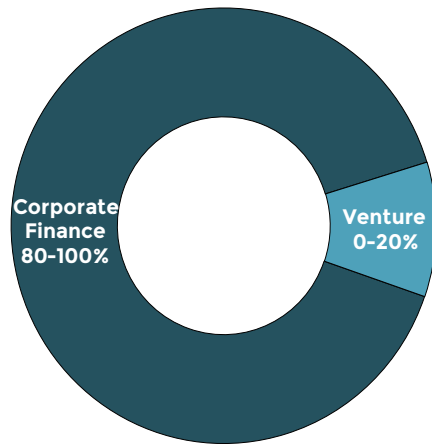


Source: Thomson One Cambridge Associates all U.S. private equity benchmark vintages 1981-2017, as of March 31, 2022

¹Based on Franklin Park's experience and analysis. Other market participants may have differing views. Investments in private funds are illiquid, high-risk investments that involve substantial risk of loss. Past results are not necessarily indicative of future performance. Wherever there is the potential for profit, there is the potential for loss.

Portfolio Construction

Opportunistic manager selection with prudent risk management

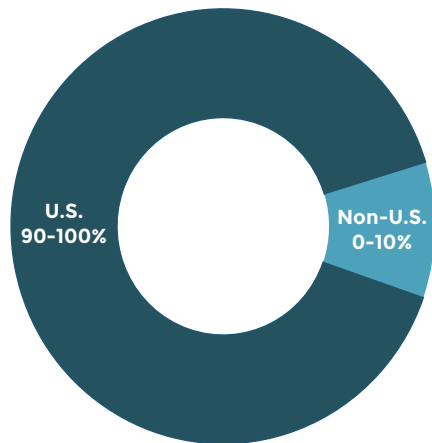


Opportunistic Approach

- We believe opportunistic manager selection is the optimal approach for private equity portfolio construction

Risk Management

- We believe selecting a manager that fails to generate top quartile performance is the greatest risk in private equity
- Equal weight vintage years and fund commitments
- Portfolio constraints to limit exposures to certain strategies and geographies



Keys to Successful Private Market Investing

Lessons learned over multiple cycles

Don't chase track records.

Bad managers can have good returns, and vice versa.
Seek managers that are best-positioned to outperform prospectively.

Seek clearly defined investment strategies.

Managers that have clearly defined strategies can have repeatable success, have teams moving in the same direction, and are able to measure, learn and improve

Identify critical success factors for each strategy and market.

Determine which attributes will drive success and evaluate them.

Rank and rate peer groups.

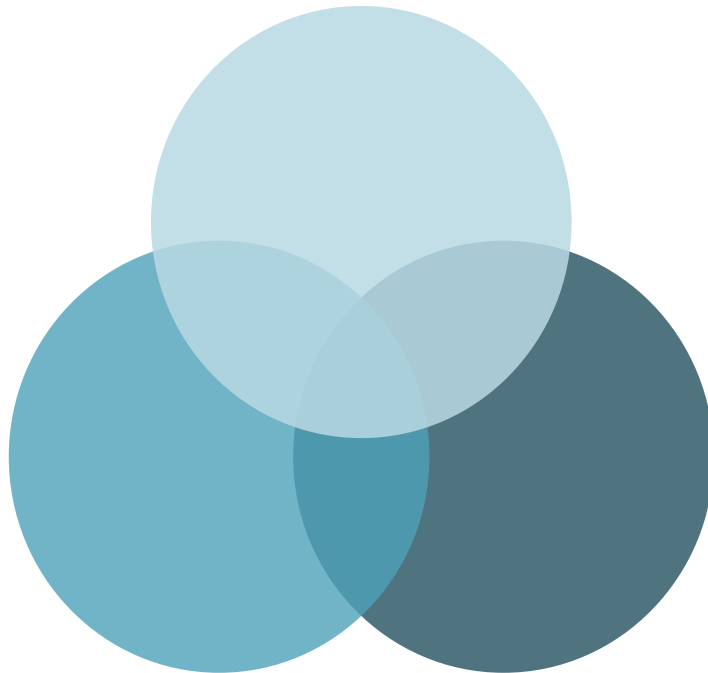
Finding the best requires knowledge about each manager's direct competitors.
Each market has leaders and laggards.

Back managers when they are both experienced and driven.

Experience matters but so does drive.
Drive has a lifecycle.

Manager Selection Criteria

Consistently applied investment characteristics

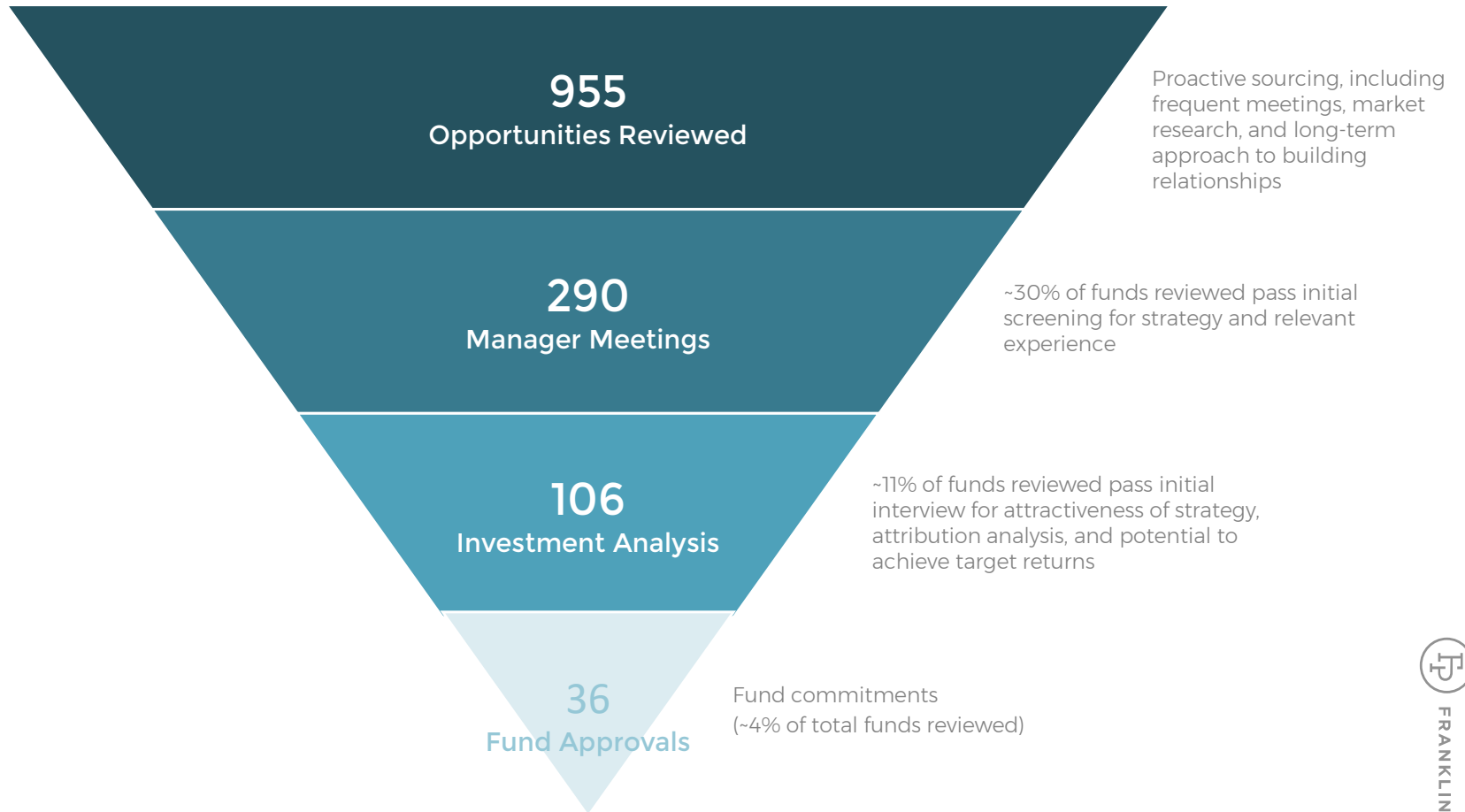


We seek managers that possess an edge, expertise in their domain and create equity value through operating improvement rather than financial leverage.

- Attractive Strategy**
 Market inefficiency, Value-add
- Sustainable Competitive Advantages**
 Deal sourcing advantages, Domain expertise
- Exceptional & Driven Team**
 Proven skill, Motivated & economically aligned

Due Diligence Activity (2023)

Broad market coverage with highly selective decision making



Due Diligence Process Overview

Proven and consistent fund selection process





ATRS PE Portfolio Overview

Portfolio Overview

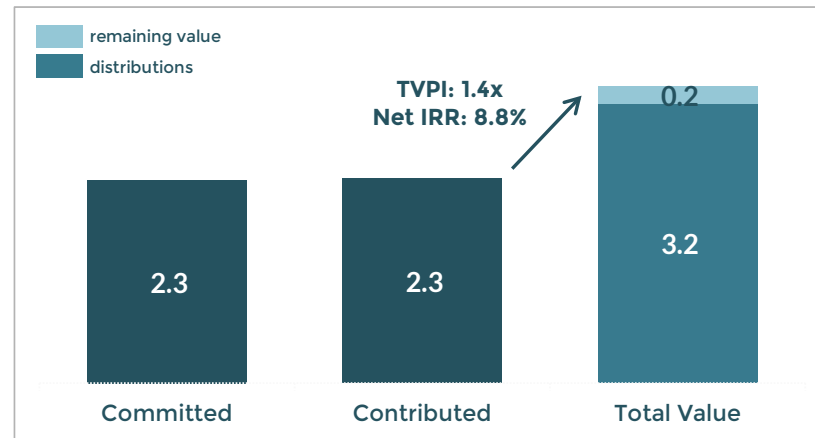
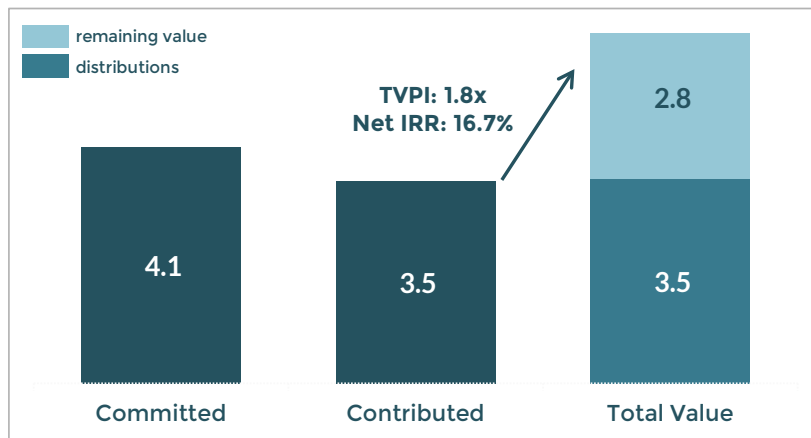
The Post 2006 Fund Portfolio has generated a net IRR of 16.7% as of December 31, 2023

Post 2006 Fund Portfolio

Inception	2007
Total Commitments	\$4.1 billion
Number of Funds	123
% Contributed/Committed	86%
% Distributed/Contributed	101%

Rest of Portfolio

Inception	1996
Total Commitments	\$2.3 billion
Number of Investments	29
% Contributed/Committed	101%
% Distributed/Contributed	137%



Notes:

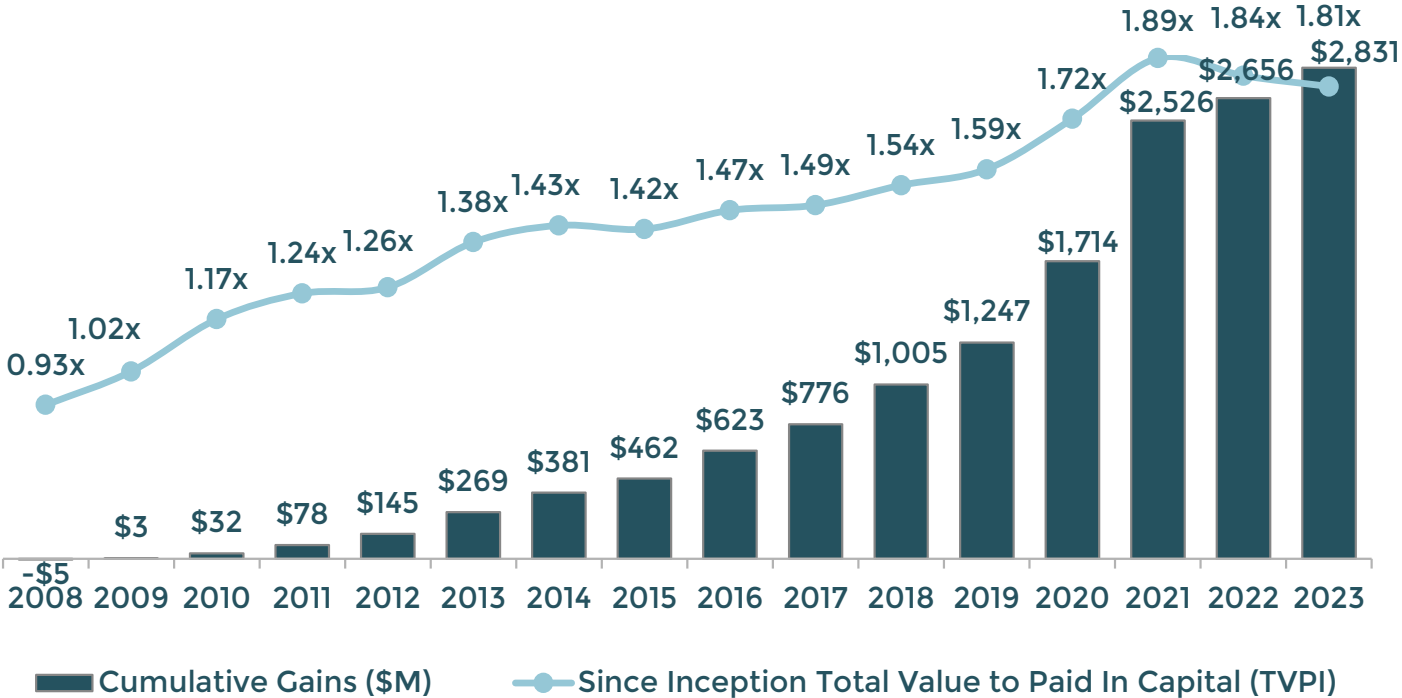
(1) Data as of December 31, 2023

(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 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 12/31/23
U.S. corporate finance (core funds)	Direct Commitments	55.9%	16.1%
U.S. corporate finance (smaller funds)	Franklin Park Corporate Finance Access Funds	5.1%	20.8%
Corporate finance (co-investments)	Franklin Park Co-Investment Funds & ATRS/FP	16.2%	19.0%
Non-U.S. corporate finance	Franklin Park International Funds	8.7%	11.3%
Global Venture Capital (all stage)	Franklin Park Venture Capital Funds	14.0%	20.2%
Total		100.0%	16.7%

Notes:

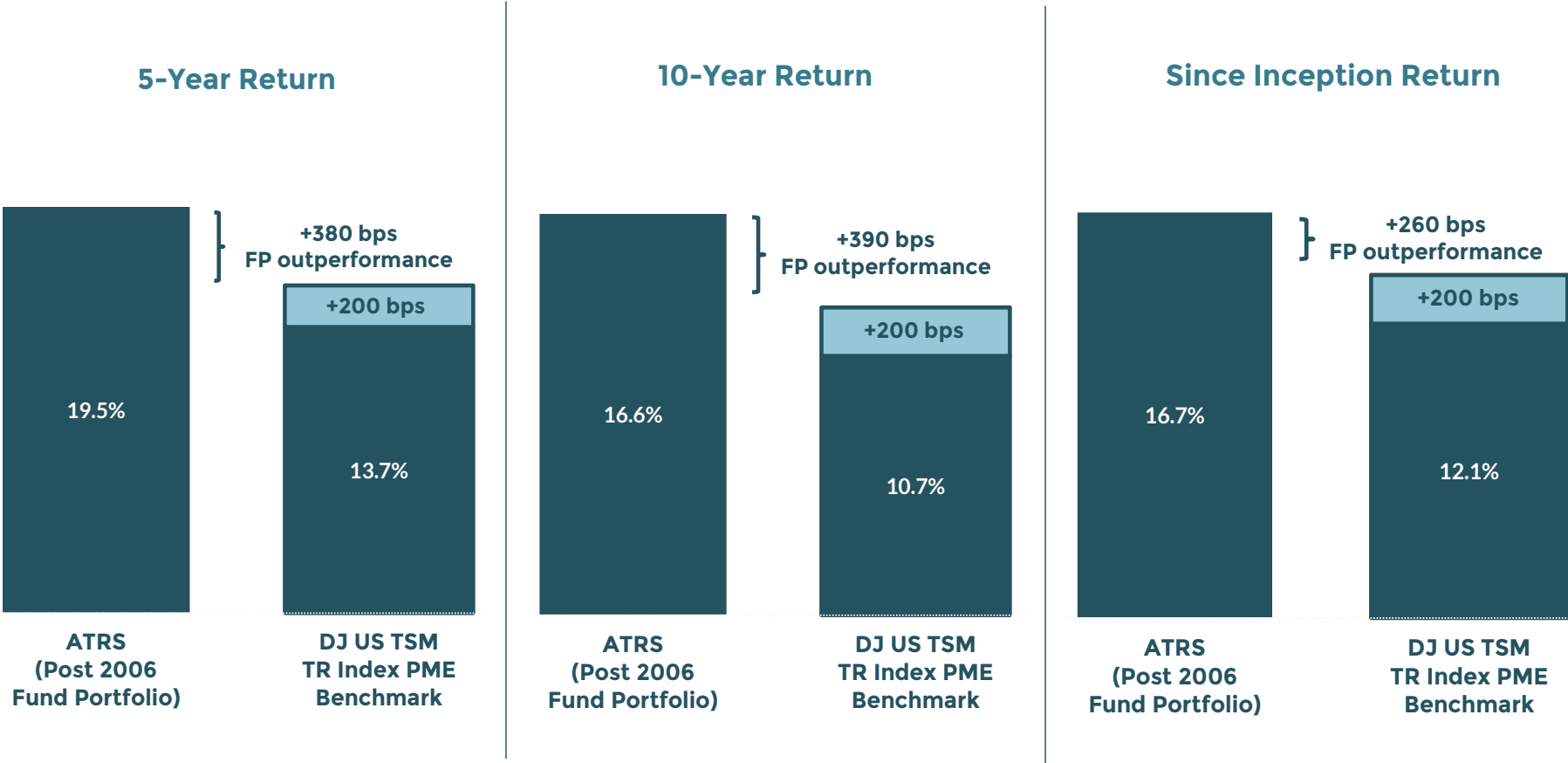
(1) Data as of December 31, 2023

(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.

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 December 31, 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.



Franklin Park Associates, LLC

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Franklin Park Associates, LLC is an SEC registered investment advisor pursuant to the Investment Advisors Act of 1940



Arkansas Freedom of Information Act

Open Public Meeting Law and Disclosure of Public Records

July 15, 2024



Overview

- Purpose of the Arkansas Freedom of Information Act
- Open Public Meeting Law
- Disclosure of Public Records

Arkansas Freedom of Information Act

- ❑ Codified at A.C.A. § 25-19-106 et seq.
- ❑ Home to the Open Public Meeting Law (A.C.A. § 25-19-106) and the law concerning the disclosure of public records (A.C.A. § 25-19-105).
- ❑ Enacted for the public benefit.
 - What does this mean?
 - We want transparency.
 - We want the public to know.
 - We will reasonably construe the Act in a manner that favors being open and transparent with the public.

Open Public Meeting Law - Requirement

- ❑ All officially scheduled, special, and called Board meetings must be **recorded in a manner that captures sound** (i.e. :- audio or video and audio recording, broadcast that can be recorded).
- ❑ **All** Board and Committee (Board) meetings must be **public meetings**.
- ❑ What is a **public meeting of the Board**?
 - Any formal or informal meeting.
 - Any special or regular meeting.

Question

Danny and Bobby meet at the Farmer's Market. They discuss...

- How ripe the tomatoes look. Is this a public meeting?

- How ripe the tomatoes look and maybe having ATRS invest in local tomato production. Is this a public meeting?

Questions

Chip, Anita, and Jeff are e-mailing each other. In their e-mail chain they discuss...

- How the last Board meeting went. Is this a public meeting?

The Executive Director sends all the Board members an e-mail update about ATRS.

- Is this a public meeting?

Public Meeting Indicators

- It's probably a public meeting if:
 - More than one Board member is present.
 - Past, present, or pending ATRS business is being discussed.

Open Public Meeting - Exception

Executive Sessions

- An executive session is a public meeting that does not have to be open to the public or recorded.
- The executive session and its specific purpose must be **publicly announced before** the executive session is held.

Question

The Board wants to go into executive session to discuss...

- Their opinion on the latest version of the ATRS rules and policies that were presented to them? Can this be discussed in executive session?

Purpose of an Executive Session

- ❑ Purpose is to consider the employment, appointment, promotion, demotion, disciplining, or resignation of any public officer or employee.
- ❑ Purpose **cannot** be to **defeat the reason for or spirit of the Arkansas Freedom of Information Act.**

Executive Session – Who can Attend?

- Board
- At the request of the Board:
 - Executive Director.
 - Person interviewing for the Executive Director position.
 - The employee whose employment, appointment, promotion, demotion, discipline, or resignation is being considered by the Board.
 - The immediate supervisor of the employee involved.

Executive Session – Aftermath

- ❑ Reconvene in public session, present any motion, resolution etc. related to the executive session, and vote on the matter.
- ❑ A resolution, ordinance, rule, contract, regulation, or motion considered or arrived at in executive session is **not** legal.

Public Meeting - Notice

- ❑ What are ATRS' public notice obligations?
 - For regular meetings, notify anyone who requests it of the date, time, and place of each regularly scheduled Board meeting.
 - For emergency or special meetings, notify local media and other media outlets with an interest in ATRS business if they have requested notice.
 - Notice must be provided at least two (2) hours before the emergency or special meeting.

Disclosure of Public Records

- ❑ A “public record” is any written document, recording, film, tape, electronic or computer based information, or data compilation in any medium that:
 - Is kept by ATRS or that ATRS is required by law to keep; and
 - Constitutes a record of the **performance or lack of performance of ATRS functions** that are or should be carried out by the Board or ATRS staff.

- ❑ Examples: Personnel records, procurement contracts, Board meeting materials, e-mails, documents received from a third-party etc.

Requesting Public Records

- ❑ Unless there is an **exemption**, all public records are open to inspection and copying by **a citizen of the State of Arkansas**.

- ❑ The following people cannot request public records under FOIA?
 - People who are not Arkansas citizens.
 - People who are incarcerated in a correctional facility at the time of their FOIA request.

- ❑ Examples of exempted records:
 - Files that if disclosed would give advantage to competitors or bidders
 - Documents that cannot be disclosed by court order
 - Personal contact information of nonelected state employees and nonelected school employees

- ❑ ATRS is not required to compile or create a record in order to satisfy a FOIA request.



Thank You

THE FIDUCIARY DUTY

OWED BY MEMBERS OF THE BOARD OF TRUSTEES
OF THE ARKANSAS TEACHERS RETIREMENT SYSTEM

Presented by: Heartsill Ragon III, Gill Ragon Owen, PA

425 W. Capitol Ave. 38th floor Little Rock, Arkansas

Introduction

- ▶ All members of the Board of Trustees owe a fiduciary duty to the System's beneficiaries.
- ▶ Fiduciary considerations should be the guiding principles behind all decisions rendered by the Board of Trustees.
- ▶ As counsel to the System, it is important to continually educate members of the Board of Trustees about the scope of their fiduciary duty obligations.

Fiduciary Duty Categories

- ▶ Investment fiduciaries include:
 - Members of the Board of Trustees
 - Senior System staff members
 - Actuaries
 - Investment consultants
 - Legal advisors

Fiduciary Duty Categories

- ▶ Fiduciary duties fall under two broad categories:
 - Duty of Loyalty:
 - all parties must act solely in the best interest of System Beneficiaries
 - all parties must avoid conflicts of interest and self-dealing
 - Duty of Care:
 - all parties must act with the care, skill and prudence exercise by similar fiduciaries
 - all parties must exercise due diligence in connection with the investment System assets
 - all parties must incur costs that are reasonable and appropriate.

Areas of Fiduciary Responsibility

- ▶ Trustees and System representatives are responsible for exercising due diligence with regard to the following matters:
 - Fund Management and Administration
 - must ensure that the retirement system benefits are adequately funded in order to pay liabilities
 - must determine that system assets are equal to or greater than system liabilities
 - must maintain a written strategy in order to attain and maintain income and assets sufficient to fund System beneficiary liabilities
 - Communications and Education
 - must prepare annual reports and periodic newsletters
 - perform educational workshops
 - convene pre-retirement seminars
 - distribute periodic newsletters

Areas of Fiduciary Responsibility

- ▶ Trustees and System representatives are responsible for exercising due diligence with regard to the following matters:
 - Investment Activities
 - must maintain a written investment policy and investment objectives
 - selection of investment consultants
 - selection of investment managers
 - monitoring investment performance

Standard of Care - Generally

- ▶ Historically, a “prudent person” standard has applied, but changes to the Restatement of Trusts has shifted to a “prudent investor” standard.
- ▶ The prudent investor standard, in accordance with Modern Portfolio Theory, measures “prudence” based upon the performance of trust’s overall investment performance, rather than based upon the performance of specific individual investments.
- ▶ Additionally, “prudence” is determined by the facts and circumstances existing at the time of the investment, as opposed to the advantages of post-investment hindsight.

Important Arkansas Statutes

- ▶ Arkansas Code Annotated Section 24-2-610, The Prudent Investor Rule.
 - Trustees must comply with the prudent investor rule which may be expanded or altered pursuant to the provisions of the trust.
 - Trustees maintain no liability to beneficiaries if the trustees acted in reasonable reliance on the provisions of the trust.
- ▶ Arkansas Code Annotated Section 24-2-611, Standard of Care.
 - Trustees shall invest trust assets as a prudent investor would by considering the purposes, terms, distribution requirements, and other circumstances of the trust.
 - Trustee shall exercise reasonable care, skill and caution.
 - Trustee investment decisions must be evaluated not in isolation but in the context of the trust portfolio as a whole and as part of an overall investment strategy with risk and return objectives suited to the trust.

Important Arkansas Statutes

- ▶ Arkansas Code Annotated Section 24-2-611, Standard of Care. (cont.)
 - Among circumstances for trustee consideration:
 - general economic conditions
 - effects of inflation
 - tax consequences
 - the role that individual investments play with overall investment portfolio strategy
 - income and capital appreciation
 - liquidity needs
 - Trustees shall make reasonable efforts to verify facts relevant to investment decisions and asset management.

Important Arkansas Statutes

- ▶ Arkansas Code Annotated Section 24-2-612, Diversification.
 - Trustee shall diversify investments unless, because of special circumstances, diversification would be inappropriate.
- ▶ Arkansas Code Annotated Section 24-to-613(b), Duties at Inception.
 - Trustee shall develop a written investment policy of the goals of the trust in the rules to be followed to achieve the goals.
 - Trustee shall measure performance of the funds and shall bear interest investment performance against jointly agreed benchmarks.
- ▶ Arkansas Code Annotated Section 24-2-617, Reviewing Compliance.
 - The prudent investor rule is determined in light of the facts and circumstances existing at the time of the Trustee's decision and not determined by hindsight.

Important Arkansas Statutes

- ▶ Arkansas Code Annotated Section 24-2-618, Delegation of Investment Functions.
 - Trustees may delegate investment and management duties.
 - In delegating such duties, Trustees must exercise reasonable care, skill and caution in:
 - selecting agents
 - establishing the scope and terms of the delegation
 - monitoring agent performance
 - Investment agents must exercise reasonable care in complying with the terms of the delegation
 - Trustees complying with these provisions are not liable to trust beneficiaries for the decisions or actions of the investment agents.

How Can Fiduciaries Breach Their Duty?

- ▶ Self-dealing such as the participation in conflicts of interest or pursuit of personal gain
- ▶ Misappropriation of fund assets or property
- ▶ Failure to administer fund assets in a prudent manner
- ▶ Failure to perform due diligence in selecting investment managers and advisors
- ▶ Failure to diversify investments
- ▶ Failure to monitor investment performance
- ▶ Misrepresentation of statements of fact
- ▶ Failure to provide accurate information
- ▶ Misuse of confidential information

Best Practices

- ▶ Thorough knowledge of applicable fiduciary duty statutes
- ▶ Adoption of governance policies and conflict of interest policies
- ▶ Written statement of investment policies and objectives
- ▶ Annual audit of financial and management operations
- ▶ Periodic review of policies and procedures
- ▶ Establishment of trustee education program
- ▶ Continuing staff education and training
- ▶ Dissemination of accurate information to trust beneficiaries
- ▶ Performance of due diligence in selecting managers and professional consultants
- ▶ Monitoring of fund assets and investment manager performance
- ▶ Enlisting legal review of agreements related to portfolio investments
- ▶ Obtaining a fiduciary liability insurance

QUESTIONS?

Presented by: Heartsill Ragon III, Gill Ragon Owen, PA

425 W. Capitol Ave. 38th floor Little Rock, Arkansas



Proxy Voting Presentation

Laura Posner
July 15, 2024

COHENMILSTEIN



What is a Proxy Vote?



All shareholders of a company are entitled to a proxy vote, which is your opportunity to have your **say in how the company is governed**.

Investors cast proxy vote on a **wide-range of issues** including, most typically, on things such as stock compensation plans, executive compensation, board member elections, proposed mergers and acquisitions, and the company's auditor.

How Does Proxy Voting Work?

Publicly traded **companies report to their shareholders through annual shareholder meetings** and other communications. Most companies hold meetings and elections at least once a year, and most of these annual meetings occur between March and June.

Companies send **proxy statements**, detailing the resolutions that shareholders will be voting on during the meeting in advance of the meeting.

Shareholders may vote at a shareholder meeting by attending in person. Most shareholders, however, vote by "proxy" without being present in person, either online, by phone, or by mail. Companies set what is known as a "record date" and those who own the company's shares on that record date have the right to vote.

Typically, fund companies vote on behalf of fund investors.

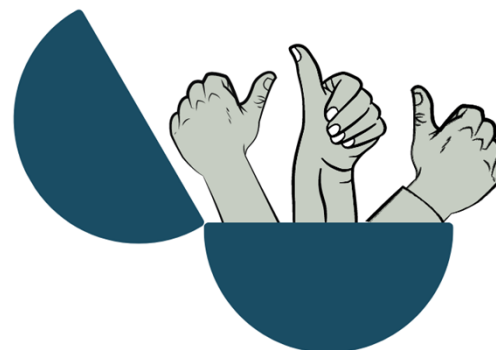


Why Vote?

Proxy voting and investment stewardship are key to protecting **long-term portfolio value**.

Proxy votes are **binding resolutions** that can concretely reshape the course of a company. The range of items up for vote on a proxy ballot affords shareholders an opportunity to weigh in on the governance and direction of a company, having a **real impact** at both the company level, but also often across an industry or even the market more broadly.

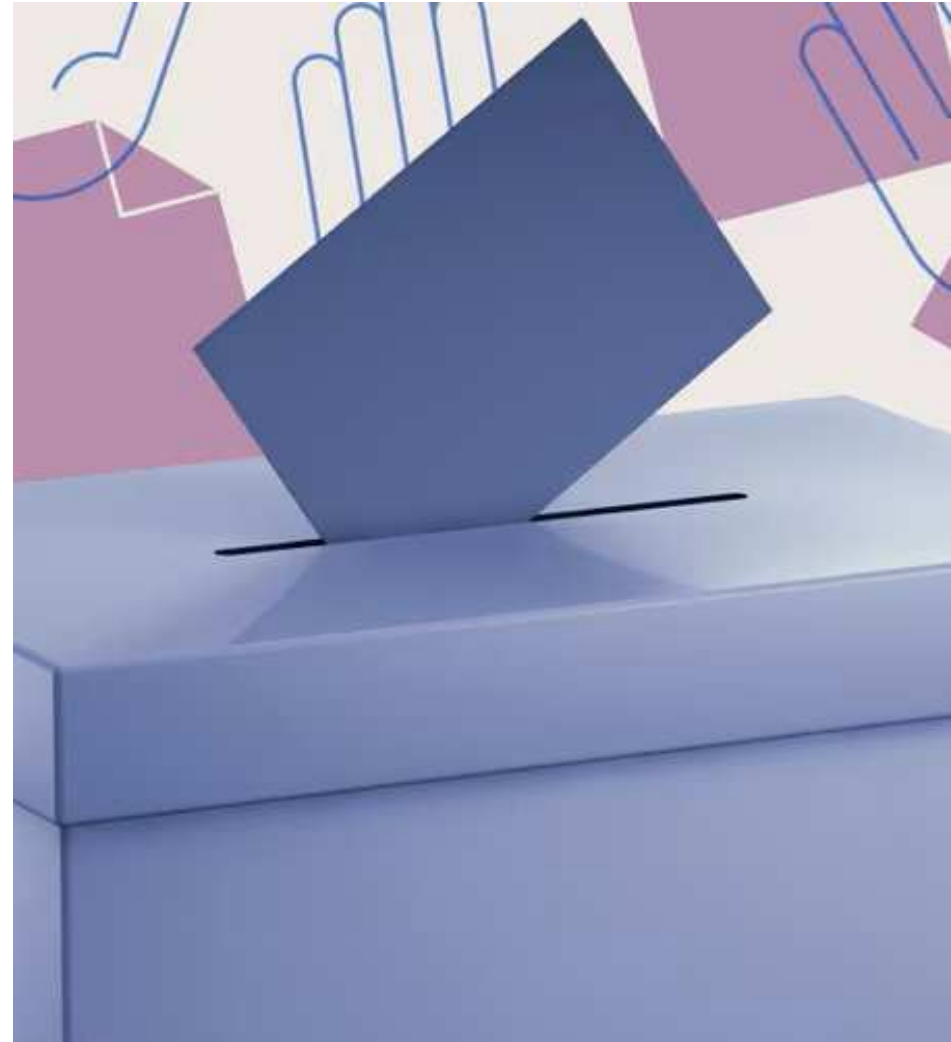
- Corporate board elections are a great example: board composition can make a difference between one packed with directors beholden to management versus one with directors focused on long-term shareholder returns.
- Even nonbinding proposals, such as an advisory vote on compensation practices, can help influence and change the incentives of company executives.



What is on a Proxy Ballot?

A **typical proxy ballot** contains a list of directors to be voted on, an item for approving the auditor selected by the board for the next fiscal year, and an item requesting shareholders to vote on the top five executive officers' pay for the previous fiscal year. The proxy materials accompanying the ballot give detailed information on each of these items.

About half of U.S. company ballots also contain additional items called **shareholder resolutions**. An investor who holds a minimum level of stock in a company directly, can file shareholder resolutions. These shareholder resolutions can cover a range of issues, but most typically involve issues such as lobbying disclosure, climate change, diversity, and data privacy.



The Role of Fund Companies in Proxy Voting

The growing market share of **index investing** compounds the importance of the proxy-voting process.

When **actively managed** funds dominate, they can lobby management or sell the stock if they don't like a company's direction.

Index funds don't have a choice in which stocks to own—so while the index providers can lobby management for better governance, ultimately the only lever they have is through their votes.



State Government Employee Retirement Protection Act (§ 24-2-801)

A fiduciary shall act “solely in the pecuniary interest of the participants and beneficiaries.” (803(a)(1))

- Must **diversify** so as to minimize the risk of large losses. (803(a)(3))

ESG factors are pecuniary only if it “presents an **economic risk or opportunity** that a qualified investment professional would treat as a material economic consideration.” (804(c)(1))

- Must **compare** to alternative investments. (804(c)(3-4))

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4
5 By: Representatives McAlindon, Gonzales
6 By: Senator J. Bryant
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As Enrolled: H3/28/23
A Bill

HOUSE BILL 1253

For An Act To Be Entitled
AN ACT TO CREATE THE STATE GOVERNMENT EMPLOYEE
RETIREMENT PROTECTION ACT; AND FOR OTHER PURPOSES.

Subtitle
TO CREATE THE STATE GOVERNMENT EMPLOYEE
RETIREMENT PROTECTION ACT.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 24, Chapter 2, is amended to add an additional subchapter to read as follows:

Subchapter 8 – State Government Employee Retirement Protection Act

24-2-801. Title.
This subchapter shall be known and may be cited as the "State Government Employee Retirement Protection Act".

24-2-802. Definitions.
As used in this subchapter:

(1) "Fiduciary" means a person who, with respect to a pension benefit plan:

(A) Exercises any discretionary authority or discretionary control regarding the management of the pension benefit plan or exercises an authority or control regarding the management or disposition of the pension benefit plan's assets;

(B) Has any discretionary authority or discretionary

§ 24-2 801(cont'd.)

“All shares “shall be voted upon **solely in the pecuniary interest** of the pension benefit participants.” (805(a)(1))

“Voting to further a **non-pecuniary** environmental, social, political, ideological or other benefit or goal is prohibited.” (805(a)(2))

- Proxy advisory firms must follow and make a **written commitment** to follow HB 1253. (805(d))
- **Annual report** of proxy votes. (805(e)(1))

1 State of Arkansas *As Engrossed: H3/28/23*
2 94th General Assembly **A Bill**
3 Regular Session, 2023 HOUSE BILL 1253
4
5 By: Representatives McAlindon, Gonzales
6 By: Senator J. Bryant
7
8 **For An Act To Be Entitled**
9 AN ACT TO CREATE THE STATE GOVERNMENT EMPLOYEE
10 RETIREMENT PROTECTION ACT; AND FOR OTHER PURPOSES.
11
12 **Subtitle**
13 TO CREATE THE STATE GOVERNMENT EMPLOYEE
14 RETIREMENT PROTECTION ACT.
15
16
17
18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
19
20 SECTION 1. Arkansas Code Title 24, Chapter 2, is amended to add an
21 additional subchapter to read as follows:
22 Subchapter 8 – State Government Employee Retirement Protection Act
23
24 24-2-801. Title.
25 This subchapter shall be known and may be cited as the "State
26 Government Employee Retirement Protection Act".
27
28 24-2-802. Definitions.
29 As used in this subchapter:
30 (1) "Fiduciary" means a person who, with respect to a pension
31 benefit plan:
32 (A) Exercises any discretionary authority or discretionary
33 control regarding the management of the pension benefit plan or exercises an
34 authority or control regarding the management or disposition of the pension
35 benefit plan's assets;
36 (B) Has any discretionary authority or discretionary

ATRS

Investment Policy 4

“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.” (D.1)

Fiduciaries “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 . . .any right to appurtenant to an investment, shall take into account **only pecuniary factors.**” (D.3)

ATRS Board Policy 4 STATEMENT OF INVESTMENT POLICY A.C.A. § 24-7-305

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,

ATRS Board Policy 4, page 1

ATRS

Investment Policy 4

“All shares . . . shall be voted on solely in the pecuniary interest of the System’s plan beneficiaries, in accordance with Arkansas Code § 24-2-801.” (T.1)

Proxy advisors must provide a written commitment to adhere to the System’s guidelines and to vote shares based only on pecuniary factors and in consistent with Arkansas Code § 24-2-801. (T.2 & T.3)

ATRS Board Policy 4 STATEMENT OF INVESTMENT POLICY A.C.A. § 24-7-305

I. Board - Investment Policies and Procedures

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ATRS Board Policy 4, page 1


ATRS Proxy Voting Confirmation & Commitment

Designed to comply with § 24-2-801.

Signatory commits to following § 24-2-801 and ATRS Investment Policy 4.

Signatory will only vote ATRS' proxies based solely on pecuniary factors.

Signatory will provide ATRS with an annual report of all proxy votes.




Arkansas Teacher Retirement System

PROXY VOTING CONFIRMATION AND COMMITMENT

The purpose of this Proxy Voting Confirmation and Commitment is to ensure compliance with Ark. Code Ann. § 24-2-801 et seq., also known as the State Government Employee Retirement Protection Act and ATRS Board Policy 4 – Investment Policy as it pertains to proxy voting and the services provided by BlackRock (“Fiduciary”) to the Arkansas Teacher Retirement System (“ATRS”).

This Proxy Voting Confirmation and Commitment governs a one-year period from July 1, 2023, to June 30, 2024. By signing this Proxy Voting Confirmation and Commitment, Fiduciary confirms and commits to the following:

- Ark. Code Ann. § 24-2-801 et seq. and ATRS Board Policy 4 – Investment Policy were received by Fiduciary and the Fiduciary has carefully reviewed and fully understands the same;
- The fiduciary obligations as described and mandated by Ark. Code Ann. § 24-2-801 et seq. and ATRS Board Policy 4 – Investment Policy are understood by Fiduciary;
- The Fiduciary has a practice of: (A) Following guidelines to act based only on pecuniary factors when engaging with portfolio companies, and (B) Voting shares or proxies based solely on pecuniary factors. Fiduciary agrees to adhere to the aforementioned practice for the period July 1, 2023, to June 30, 2024. Further, Fiduciary agrees to reasonably ensure that the services it provides to ATRS adheres to the aforementioned practice for the period July 1, 2023, to June 30, 2024;
- The Fiduciary has a practice of following proxy voting guidelines that take into consideration only pecuniary factors. Fiduciary agrees to adhere to the foregoing practice for the period July 1, 2023, to June 30, 2024. Further, Fiduciary agrees to reasonably ensure that the services it provides to ATRS adheres to the aforementioned practice for the period July 1, 2023, to June 30, 2024; and
- The Fiduciary agrees to provide ATRS with an annual tabulation and report of all proxy votes for presentation to the Board of Trustees of the Arkansas Teacher Retirement System and publication on the ATRS website.

BlackRock:
Signature: 
Title: Andrea Picard, Managing Director
Date: 10/12/2023

1

Let's Connect

Laura Posner

Partner

lposner@cohenmilstein.com

212.220.2925



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

**RESOLUTION
No. 2024-04**

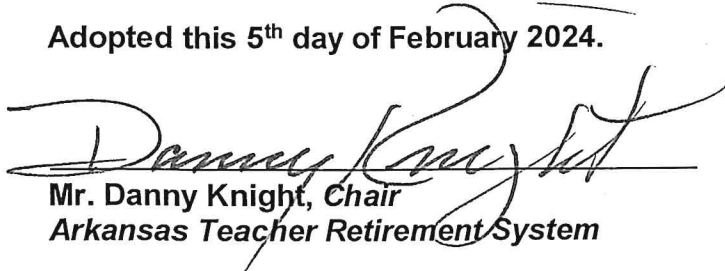
Authority to Reimburse Trustee Expenses for 2024

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 5th 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

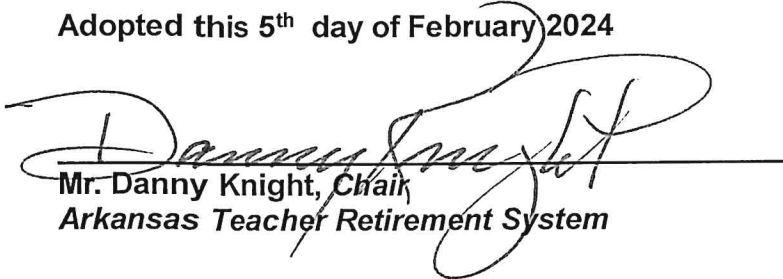
FURTHER RESOLVED, That the adoption of this resolution authorizes reimbursement for any such expenses including those incurred in 2024 prior to the adoption of this resolution; and

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 5th day of February 2024



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

Addendum A

Resolution 2024-04

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 BOARD OF TRUSTEES HANDBOOK

TABLE OF CONTENTS

<u>Chapter</u>	<u>Description</u>	<u>Page No.</u>
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2	Arkansas Teacher Retirement System Board of Trustees and Trustee Information	4
3	Terms of Elected Trustee Office and Vacancies	12
4	Administrative Staff – Board Support	14
5	Board Meetings	18

CHAPTER

1

Mission, History and Organization of Arkansas Teacher Retirement System.

Mission

The Arkansas Teacher Retirement System (“ATRS”) is a cost sharing, multiple-employer, combination contributory/noncontributory defined benefit pension plan. ATRS provides age and service retirement benefits, Teacher Deferred Retirement Option Plan benefits, disability retirement benefits, survivor benefits and lump sum death benefits.

As of June 30, 2023, ATRS 66,633 active members; 51,405 retired members and beneficiaries receiving benefits; 3,465 T-DROP participants; and 13,574 terminated plan membered entitled to but not yet receiving benefits. The monthly benefit payroll averages \$1,994. The System had 342 participating employers. As of June 30, 2023, total assets had risen to over \$20,745,857,372 with net assets available for benefit of over \$20,675,051,918.

The Arkansas Teacher Retirement System of the State of Arkansas was established by authority of the Arkansas General Assembly on March 17, 1937 pursuant to Act 266 of 1937. Changes were made to the teacher retirement laws over the next 20+ years. The following ACTS were established that affected ATRS over the years:

CHAPTER

2

Arkansas Teacher Retirement System Board of Trustees and Trustee Information.

The authority and responsibility for the administration, management, and control of the Arkansas Teacher Retirement System (“Retirement System”), and for the construing and carrying out the provisions of the plan is vested in the 15 member Board of Trustees (“Board”). Eleven (11) members are elected to the Board, eight (8) are active member, and three (3) represent retirees. Four (4) members are *Ex Officio* comprised of the State Bank Commissioner, State Treasurer, State Auditor and Secretary of the Department of Education. The Board is responsible for the governance of the Retirement System. It is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable legal mandates.

BOARD PLAN ADMINISTRATION

The function of the Board is to make certain contributions that lead the System toward the desired performance and ensure that it occurs. The Board’s specific contributions are unique to its trusteeship role and necessary for appropriate governance and management. Board decisions are to be based on facts and expert opinions.

The contributions of the Board are as follows:

- The link between the System and its Members.

- Written governing policies that, at the broadest levels, address the governance process, Board-staff relationships, ends and limitations.
- The assurance of Executive Director performance according to ATRS Board Policy.

GUIDING PRINCIPLES

The Board is dedicated to the proposition that its paramount purpose is that of providing an adequate and equitable retirement plan for the members of the teaching profession, to protect this group in the event total and permanent disability causes them to be unable to continue employment in their profession, and to provide in part for their dependents in case of death.

The Board is responsible for the prudent investment of System funds. The two paramount considerations in fund investment are safety and yield, with yield being of first importance, provided such investments comply with legally mandated safeguards.

The Board should be fully informed of its financial liabilities, not only to the retirees and beneficiaries, but also to active members of the teaching profession, and to make those liabilities known to members of the state legislature, to other state officials, and to education-related organizations.

The Board should provide all interested citizens with information regarding the System's procedures for investing the System's funds, as well as the budgeting, control, and disbursement of those funds.

The Board will actively promote the enactment of state and federal legislation that may improve the economic welfare of ATRS members.

The Board endorses programs of counseling and information designed to assist members who are approaching retirement.

The Board should be knowledgeable of the most current information regarding effective, efficient governance and operation of state retirement systems that could augment prudent decisions for the benefit of members. To this end, Board members are encouraged to participate actively in regional and national retirement organization programs that offer such information and training.

BOARD MEMBER DEVELOPMENT

The Board shall be comprised of fifteen (15) members, eleven elected member positions and four *Ex Officio* positions.

Current Board of Trustees Members (as of April 1, 2024)

Position #1, Member Trustee, 1st Congressional District: Ms. Susan Ford
Position #2 Member Trustee, 2nd Congressional District: Mr. Michael Johnson
Position #3 Member Trustee, 3rd Congressional District: Mr. Arthur “Chip” Martin
Position #4 Member Trustee, 4th Congressional District: Ms. Keri Hamilton
Position #5 Administrator Trustee: Dr. Michael Hernandez
Position #6 Administrator Trustee: Mr. Shawn Higginbotham
Position #7 Non Certified Trustee: Mr. Kelsey Bailey
Position #8 Minority Trustee: Ms. Anita Bell
Position #9 Retirant Trustee: Mr. Jeff Stubblefield
Position #10 Retirant Trustee: Mr. Bobby G. Lester
Position #11 Retirant Trustee: Mr. Danny Knight

Ex Officio Trustees

Hon. Dennis Milligan, State Auditor
Ms. Susannah Marshall, State Banking Commissioner
Mr. Jacob Oliva, Secretary, Department of Education
Hon. Larry Walther, State Treasurer

BOARD MEETINGS

The Board shall hold regular meetings at least quarterly. Additional meetings may be called by the Chair or scheduled by action of the Board in a regular meeting. Each trustee shall be entitled to one vote on each question before the Board, and at least eight affirmative votes shall be required for a decision by the Board at any meeting.

Quorum. Eight (8) Trustees shall constitute a quorum at any meeting of the Board.

Roberts Rules of Order shall be followed in the conduct of all meetings except when a departure from *Robert's* is authorized by action of the Board. The Board shall adopt an agenda at the beginning of each meeting. By a majority vote of the Board, items may be added to the agenda before it is adopted.

The Board Secretary shall prepare a tentative agenda and submit it to all trustees at least one week prior to a regularly scheduled meeting. The meeting packet will be made available to trustees not later than three days before the regularly scheduled meeting.

All meetings of the Board shall be public and in compliance with the Freedom of Information Act. Representatives of the Little Rock news media shall be notified of each meeting at least one week in advance.

BOARD COMMITTEES

The Board may establish committees to help carry out its responsibilities. Currently, there are three Board Committees: Audit, Investment, and Operations.

A quorum of each committee and the number of affirmative votes needed for a motion to carry shall be a majority of the designated size of the committee and shall report to the Board following each of their meetings.

AUDIT COMMITTEE The audit Committee is governed separately from the other Committees. The Audit Committee is composed of three (3) member of the ATRS Board of Trustees appointment by the Board chair and two at-large members from the public with extensive auditing experience approved by the Board. The at-large members must be independent and have no affiliation with the system.

The Audit Committee shall meet as needed on call by either the Committee Chair or the ATRS Internal Auditor. Actions taken by the Committee will be reported to the ATRS Board of Trustees.

Audit Committee Members (As of July 1, 2024).

Maggie Garrett, Chair
Jeff Stubblefield, Vice Chair
Danny Knight
Honorable Dennis Milligan
Glen Grayham

INVESTMENT COMMITTEE The Investment Committee is composed of eight (8) members. The Chair of the Board appoints five (5) members from the Board. The Chair will also serve as an *Ex Officio* voting member. The remaining two (2) members shall be the State Treasurer and the State Bank Commissioner up on their acceptance of the position.

Investment Committee Members (As of July 1, 2024).

Arthur “Chip” Martin, Chair
Shawn Higginbotham, Vice Chair
Susan Ford
Keri Hamilton
Michael Johnson
Danny Knight
Susannah Marshall, State Bank Commissioner
Hon. Larry Walther, State Treasurer

OPERATIONS COMMITTEE The Operations Committee is composed of eight (8) members. The Chair of the Board appoints five members from the Board. The Board Chair will also serve as an *Ex Officio* voting member. The remaining two (2) members shall be the State Auditor and the Cabinet Secretary of the Department of Education, upon their acceptance of the position.

Operations Committee Members (As of July 1, 2024).

Bobby Lester, Chair
Dr. Mike Hernandez, Vice Chair
Kelsey Bailey
Anita Bell
Danny Knight
Jeff Stubblefield
Jacob Oliva, Cabinet Secretary, Department of Education
Hon. Dennis Milligan, State Auditor

BOARD ELECTIONS

The general administration and proper operation of the System is vested in the Board of Trustees that consists of eleven (11) elected members and four (4) *Ex Officio* members. Pursuant to A.C.A. § 24-7-301, the Board shall adopt rules and regulations regarding the election of trustees and vacancies.

GENERAL RULES FOR CANDIDACY AND VOTING IN TRUSTEE ELECTIONS

1. Active Trustee Positions (Positions #1-4)

Must be an active member with a minimum of five (5) years of actual service, employed by a participating employer located in the congressional district for which he/she is seeking election, employed in a position requiring state teaching licensure or the equivalent under these rules.

Voting Eligibility for Positions #1-4 Active members, regardless of credited service, employed by participating employers located in the

respective congressional districts and who are otherwise eligible to be a candidate as stated above.

2. Administrator Trustee Positions (Positions #5-6)

Must be an active member with a minimum of five (5) years of actual service; at least one of the administrators serving as an active administrator trustee must be employed by a participating employer as an Arkansas school superintendent; if an election is being held for either position and the other administrator position is not held by a superintendent, candidates for the open position must be a superintendent and the notice of election shall so state that requirement; shall be licensed administrators employed by a participating employer.

Voting Eligibility for Positions #5-6: Active members, regardless of credited service, employed as licensed administrators.

3. Non-licensed Trustee Position (Position #7) Active member with a minimum of five (5) years of actual service, employed in a position not requiring state licensure.

Voting Eligibility for Position #7: Active members, regardless of credited service, who are employed by participating employers in non-licensed positions as defined these rules.

4. Minority Trustee Position (Position #8): An active or Retirant member of ATRS with a minimum of five (5) years of actual service and a member of a minority racial or ethnic group.

Voting Eligibility for Position #8 All active members, regardless of credited service and Retirant members.

5. Retired Member Trustee Positions (Positions #9-11) Retirant member of ATRS and a resident of the State of Arkansas. Voting Eligibility for Positions #9-11: All retirants of ATRS, regardless of present employment status or residency.

BOARD ELECTION PROCEDURES

The ATRS Board of Trustee Secretary handles Board elections and procedures.

CHAPTER 3

Terms of Elected Trustee Office and Vacancies

Duration of Term.

The term of office of each elected trustee shall be six (6) years unless the trustee is elected in a special election. A trustee who is elected in a special election shall serve for the remainder of the six-year term of the vacating trustee.

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. Each trustee shall continue to serve as trustee until his or her term expires unless he or she resigns or is otherwise ineligible under ATRS Rule 4.

In a year in which a six-year term of a trustee expires, the position shall be filled under the regular election schedule in Chapter 2 of this Handbook.

Rules on Elected Trustee Vacancies

Ineligibility of Active Member Trustee: 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.

Ineligibility of Retiree Member Trustee A retiree member trustee shall be ineligible to serve after becoming an active member.

Trustee Absence from Board Meetings: A trustee vacancy may occur if a trustee is absent from meetings. The Board or its designee shall notify the trustee after the trustee's second consecutive absence. 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.
- 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.

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.

CHAPTER

4

Administrative Staff – Board Support

ATRS Administrative Staff and Board Secretary are responsible for the preparation and upkeep of the Board member information, meeting materials and other Board related files.

Executive Director - Mr. Mark White

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

Duties of the Executive Director:

- Serves as the liaison between the Retirement System's actuaries, investment consultants, and real estate managers and the Board, helping to interpret the intent of the Board to the consultants, and coordinating their reports and recommendations to the Board;
- Serves as an *Ex Officio* non-voting member of the committees and Board;
- Operates ATRS within the boundaries of prudence and ethics established in Board policies on the Executive Director

Board Counsel

With respect to providing information and counsel to the Board, the Executive Director may not permit the Board to be uninformed. Accordingly, the Executive Director must:

- Always inform the Board of relevant trends, anticipated adverse media coverage, and material external or internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
- Submit the required monitoring data in a timely, accurate, and understandable fashion, directly addressing provisions of the Board policies being monitored.
- Marshal as many alternatives as needed for fully informed Board choices.
- Report actual or anticipated noncompliance with any policy of the Board.
- Provide requested information that would assist the actuary, investment consultant, and real estate manager in their efforts to make reports and recommendations directly to the Board without modification.
Report actual or anticipated noncompliance with any policy of the Board.

Executive Director Authority

Authority for implementing policy and the development of supporting procedures is delegated to the Executive Director. All Board authority delegated to staff is delegated through the Executive Director, so that all authority and accountability of staff is considered to be within the authority and accountability of the Executive Director.

Deputy Directors:

Mr. Rod Graves – Investments

Ms. Sarah C. Linam – Operations

The Deputy Directors support the Executive Director in the development and implementation of ATRS' strategic plans and policies, and provides leadership and direction to ATRS administration and staff.

Duties of the Deputy Directors

- Provides counsel and advice to the executive director regarding agency operations.
- Reviews and analyzes agency operations to evaluate the performance of the agency and to identify areas of program modifications and improvements, cost savings, and other information to report to the Board
- Ensures that the agency adheres to agency goals, objectives, and strategies.
- May confer with board members and staff members to discuss issues, coordinate activities, and resolve issues; and
- May act as Executive Director in the absence of the Executive Director.

Board Secretary/Office Manager: Ms. Tammy Porter

Duties of the Board Secretary:

- Creates and maintains Board and Committee meeting agendas.
- Gathers, assembles, and formats Board meeting materials for Board consumption
- Prepares travel authorization memos and reimbursement reports for Board members traveling to Board meetings.

- Records minutes for Board and Committee meetings.
- Maintains Board Minutes – originals and scanned images.
- Maintains Board Meeting files – copies of documents and presentations for all Board and Committee meetings.
- Notifies the press of every Board and Committee meeting, in accordance with the Freedom of Information Act

CHAPTER

5

Board Meetings

Board Meetings are to be held at least quarterly. Additional meetings may be called by the Chair or scheduled by action of the Board in a regular meeting.

Board Meetings are generally held on the first Monday of the month. The Committee meetings meet first and the full Board meets at the end. Though subject to change, the schedule of the meetings are:

Audit Committee: 8:00 a.m.
Investment Committee: 9:00 a.m.
Operations Committee: 10:30 a.m.
Board of Trustees: 11:00 a.m.

The Executive Director aids the Committee and Board chairs in leading the meetings.

Telephonic or ZOOM Board meetings. Regular Board meetings and special Board meetings can be telephonic or ZOOM, depending on the situation and circumstance.

Board Calendar

Board meeting calendar is submitted for review and approved at the end of every calendar year. Board meetings are usually on the first Monday of the month and are no more than three (3) months apart.

Board members are notified immediately if a meeting has been cancelled or postponed. The press must be notified at least one (1) week in advance of every regular meeting by the ATRS Board.

Board Secretary ensures that the calendar is accessible and up to date on the the ATRS website) under the “calendar” tab.

Board Secretary ensures that the calendar is also changed on the State of Arkansas website www.state.ar.us/government/calendar.

Board Agenda

Every Board and Committee follows a set agenda, in accordance with Robert’s Rules of Order. Administrative Staff develops meeting agendas at least 14 days in advance.