

ARKANSAS BUDGET SYSTEM
AGENCY PROGRAM COMMENTARY
1999 - 2001

GOALS, OBJECTIVES AND ANTICIPATED ACHIEVEMENTS

The Arkansas Teacher Retirement System (ATRS) is a pension fund that provides survivor, disability, and age and service retirement benefits for public school teachers and other covered employees. The mission of ATRS is to provide optimum benefits which will enhance the quality of life for its members.

It is a further objective of this program to serve retired teachers in a manner that recognizes their service to the state while taking into account inflationary effects on fixed retirement incomes. The Teacher Retirement System is administered in a manner that will provide both service to the membership and fiscally sound management of the trust fund. As we approach the Year 2000 the proposed budget will enable the staff to provide an improved information program and an expanded public image to its members. It will enable the System to maintain a more efficient and effective records-keeping system, an improved investments/accounting system, an expanded range of counseling services, a new investment plan for active members (457 Plan), greater coverage of counseling services outside of the Little Rock office, and more preretirement programs for active members.

BASE LEVEL REQUEST

A base or continuing level budget would not be adequate for the rapid growth of this agency. Since the move into the Teacher Retirement Building in 1996, we have implemented numerous legislative changes that directly impacted members of the System. Some of these include purchase of service, interest rate increases, five-year vesting, full retirement coverage after 28 years of service, reciprocity between state retirement system-administered DROP plans, alternative tax treatment for member contributions, death benefits for both active and retired members, lower number of years used for members' final average salary for the computation of retirement benefits, and applied ad hoc retiree raises. Because of the volume and scope of such legislation, some projects are yet to be implemented. Therefore, base level would not allow the necessary and productive operation of the Teacher Retirement System into the Year 2000.

Additional appropriation is necessary to accommodate the increase in direct deposits, the increase in actuarial fees for program impact projections, and to enable the Board and staff to stay abreast of the rapid changes and trends in the economic environments which directly impact the System. In addition, maintenance operation expenses will not be adequate for the operation of our facility. Necessary maintenance to the facility is required as well as additional office equipment.

Because of the Year 2000 conversion (Y2K), data processing costs will double. In order to keep pace with technology, an increased level of services with the Department of Information Systems (DIS) is necessary. Other projected expenses

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include enhanced field preretirement counseling, life planning workshops and additional postage for quarterly newsletters which are all vital to achieving the mission of this agency.

GENERAL STATEMENT

The ATRS appropriations are funded directly from the trust fund. Because pension funds are increasingly using new technology which impacts the livelihoods of such a large portion of the population, ATRS must continue its efforts in providing the same.

The anticipated needs for ATRS are realistic and on target for the new millennium. Our goal is to operate in a manner that our members and other pension funds identify as being exemplary. Benefits for members, salaries to maintain highly technical and necessary staff, investment management, operational expenses, capital outlay, professional fees and services, and travel are the lifeline of this agency.

CHANGE LEVEL REQUESTS

The following are the 1999-2001 biennium priority programs for ATRS:

CL 1 - CH. 00 - Regular Salaries

During the 1997-98 fiscal year it became apparent that many of the legislative mandates would not be implemented without additional critical staff. ATRS was able to obtain six (6) new supplemental positions out of a request of seven (7) through 1998-99. We are now requesting that these six (6) positions become permanent positions for this agency:

1. Grade 22 - Lead Programmer Analyst
2. Grade 20 - Program Coordinator
3. Grade 20 - Records Management Coordinator
4. Grade 18 - Accountant
5. Grade 17 - Administrative Assistant II
6. Grade 17 - Administrative Assistant II

Four (4) of the six (6) positions were needed to implement legislation enacted during the 1997 session. The Grade 20 - Records Management Coordinator, and Grade 18 - Accountant were requested to help implement Act 1309 of 1997. This act established the Arkansas Tax-Deferred Tuition Savings Program. The act specifies this program is to be administered by

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the Arkansas Teacher Retirement System, but did not provide for personnel to help administer the program. Two (2) Grade 17 - Administrative Assistant II positions were needed to help with the increased workloads of present employees caused by 1997 legislation. Some of this additional workload was brought about by:

>Act 206 of 1997 which allows members to use pre-tax dollars for employee contributions and to use pre-tax dollars to repay refunds or to purchase service.

>Act 142 of 1997 changed the amount of interest the System charges for members to repay a refund or to purchase service. This change was expected to increase purchase requests three-fold, but it actually was four-fold.

>Act 1022 of 1997 provides a lump sum death benefit for both active and retired members. The average is between 40 to 50 deaths per month.

>Act 417 of 1997 increased the number of trustees on our Board and method of election. This act required that we separate members into three classifications: Administrators, Teachers and Non-certified. Before this legislation, such classification of members was not necessary.

>Act 857 of 1997 created reciprocity between ATRS and alternate retirement plans.

>Act 927 of 1997 provided for reciprocity between Arkansas retirement system-administered deferred retirement option plans (DROP).

All of the above legislation caused delays in processing normal member requests.

The Grade 22 - Lead Programmer Analyst is needed. This employee is responsible for the coordination of computer program remediation of over 500,000 lines of computer code. This effort was coordinated with Mr. Michael Hipp, Director of the Department of Information Systems.

The Grade 20 - Program Coordinator is needed to help members with problems due to special circumstances related to their accounts. Because members need specific counseling for disability and survivor cases, adding this position allowed our regular retirement counselors to work on less complicated, "normal" requests and maintain the high quality of service our members have come to expect.

Without these new positions we will not be able to continue implementing past nor future legislation.

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In addition, we are requesting six (6) Grade 18- Field Service Representatives and one (1) Grade 18 - Management Project Analyst I in the Preretirement Education department to be reclassified as Grade 19 - Retirement Counselors. Currently, the employees in this department counsel members just as the in-house retirement counselors do. The only difference is they counsel members on-site -- in the members' place of employment. This request increases these employees' regular payroll salaries a total of \$192,640 for the first year of the biennium, a total of \$1,803,776 for 1999-2000, and increases \$198,033 for the second year, for a total of \$1,854,280 for 2000-2001.

CL 2 - CH. 44 - Data Processing Services

Technology is growing so quickly that current services and equipment will be outdated within three years. Internet access is becoming the way of doing business in the future and ATRS is going to have to become internet enabled. We expect to enable 20 internet users in the next biennium.

As the agency expands its public image, more emphasis will be placed on interactive member applications which allows each member access to his/her own individual service history. This will require more sophisticated firewall software to protect the member data bases. More available public information will require special graphics, desktop publishing and improved printing equipment.

Our most recent agency Information System Plan (ISP) advocates interactive video teleconferencing as a solution to disseminating retirement information to administrators, bookkeepers and members. Although we currently have equipment that will conduct these teleconferencing sessions, much of the system is already outdated and needs upgrades and replacement. Maintenance alone was \$17,000 for 1997-98.

Mainframe services (programming services, costs to store imaged documents and data bases, costs for batch processing) will certainly grow in the next biennium. As internet capabilities are linked to mainframe data bases, programming will have to be performed on the mainframe end of the of the spectrum to give members the requested information. As we near the Year 2000 additional programming charges will be incurred as screens, reports and programs are expanded and software added that will "bridge" the dates to the programs until the actual reports and screens can be changed to print and display the four digit years. The number of lines of COBOL code that will have to be remediated is in excess of 500,000 lines. As legislation changes, programs have to change. As member services expand, programming services have to expand with them. The mainframe data services bill will likely double in the next biennium.

In summary, in order to keep pace with technology, in order to complete the remediation process of the volume of mainframe COBOL computer code, and to support the growing needs of the staff to work smarter, we are requesting an

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increase of \$960,000 for a total of \$1,800,000 for 1999-2000, and an increase of \$1,260,000 for a total of \$2,100,000 for 2000-2001 for Data Processing Services.

CL 3 - CH. 02 - Operating Expenses

During the last biennium, the Board approved inclusion of the System's retirees in the mailing of the ATRS newsletter, causing printing and postage costs to escalate. We plan to increase the number of issues mailed to both active and retired members from two (2) to four (4) issues per fiscal year. Because of this we expect printing and postage costs will double.

Bookkeeper workshops will be implemented to better inform ATRS employers that report to ATRS via magnetic media and the AR Public School Computer Network. The reporting of contributions and payments through the employer deferred payment plans will be more understandable through training in hands-on workshops.

The addition of three (3) new positions to the Board of Trustees will require more training, travel, meals and lodging for official business. Therefore, our operating expense will increase \$128,070 for a total of \$3,281,582 for 1999-2000 and \$423,736 for a total of \$3,649,594 for 2000-2001.

CL 4 - CH. 9 - Conference Fees & Travel

This agency does business with approximately 23 investment managers and consultants. In order to monitor, perform site inspections, maintain due diligence on prospective companies, and review practical computer applications, the appropriation for travel must be increased. The Director and several other employees serve on legislative boards and commissions for various regional and national teacher retirement organizations and Governmental Finance Officers Association (GFOA) committees. In addition, travel by employees would be necessary to conduct state-wide bookkeeper workshops. An increase to travel costs as well as meals & lodging is needed for these purposes. This will be in addition to regular travel by the Board and employees to conferences and meetings required to stay abreast of changes in the legislative, investments and financial industry. Therefore travel will increase \$16,005 to \$48,764 for 1999-2000 and \$20,975 to \$53,734 for 2000-2001.

CL 5 - CH. 11 - Capital Outlay

The Year 2000 conversion (Y2K) will present more changes than we can possibly anticipate. Making sure the technology is not purchased too quickly to get the best equipment for the Y2K conversion has been a decision that has been studied at

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length. The purchase of all new equipment which contain computer chips that are Y2K compliant will take place in this biennium. This includes copy machines, fax machines and portable communication equipment. Our mailing equipment is over 10 years old and will need to be replaced. Maintenance on vehicles will increase because of our aging fleet. We have five (5) vehicles that will need to be replaced on a rotating basis; two (2) the first year of the biennium and three (3) the second year. We have six (6) new positions who will need computers and additional workspace furniture, calculators and printers.

It is anticipated that software purchased for the investment/accounting local area network (LAN) will allow transactions from custodian banks to be processed via the internet. This is necessary to keep up with technology for GASB & GFOA. Therefore, we are requesting a total of \$190,750 for 1999-2000 and \$193,070 for 2000-2001.

CL 6 - CH. 10 - Professional Fees and Service

A wide array of services has been utilized from companies that provide specialized services on a short-term basis. This has helped us implement programs and improve processes in an efficient, effective and timely manner. In the past biennium this included studying the implementation of ATRS' 457 Plan. Details had to be developed that would best benefit the members as well as the System. Other studies included changes to our investment and accounting system to provide timely information with less effort and to comply with State and federal regulations and mandates. Supplemental short-term studies provided by the actuarial firm during the legislative session included various retiree payroll ad hoc increases in various increments, several multiplier proposals and possible insurance coverage for retirees. ATRS has also relied heavily upon technology-consulting services during the past several years since technology is changing so quickly. Without constant education and training our staff members lack the expertise necessary to implement such things as new operating systems and networks. Because current staff is engaged in implementing 1997 legislation in addition to administrative policies and programs, there is very little time for formal training outside the agency. This is the primary function of the professional fees and services -- short-term consulting services; in order to keep pace with modern technology. Therefore, we are requesting an increase of \$39,500 for a total of \$164,804 for 1999-2000 and an increase of \$45,000 for a total of \$170,304 for 2000-2001.

CL 7 - CH. 43 - Professional Services

Because of the diverse need for expertise an increase is need for Professional Services contracts. It is necessary for ATRS to retain a law firm to handle real estate reviews before submission to the Board of Trustees for approval to purchase. Advice is needed on the impact of Board decisions and the Board's fiduciary responsibility, and most recently, tax advice pertaining to rollovers on members' accounts. Immediate legal response to member requests is often a necessity to avoid liability. An attorney could be used for day-to-day operations but the retention of a law firm

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provides a variety of legal experts. We are including funds for several expected actuarial studies which include the Y2K conversion, insurance coverage for retired members, and compounding cost-of-living adjustments. The system's unfunded liabilities must stay within a 30-year amortization period so each piece of legislation be studied quickly and thoroughly to see the impact on the amortization period of the fund. Thus, our Professional Services will increase \$75,000 to \$325,000 for 1999-2000, and \$156,250 to \$406,250 for 2000-2001.

CL 8 - CH. 23 - Benefits (Appropriation A76)

When ATRS began electronic fund transfers (EFT's) in August, 1994, a budget of \$74,000,000 was requested. EFT's have increased from 50% of the retirants' payroll in 1994 to 71% of the payroll in 1997. Effective July 1, 1998 new ATRS retirees are required to receive their checks via EFT. This will eliminate the loss of paper warrants and be a better tracking system for payments. Therefore, we are requesting that an increase in this appropriation by \$36,000,000 to \$216,000,000 for 1999-2000 and \$56,000,000 to \$236,000,000 for 2000-2001.

CL 9 - CH. 14 - Refunds

Refunds have been predictable for several years but allowances must be anticipated for members' decisions. Although we have experienced fewer people getting refunds, withdrawals are larger in amounts. Also, there is a trend in which people are returning to the contributory plan. This will have an impact in the future if members decide to withdraw their contributions. Therefore, an increase of \$3,000,000 for a total of \$10,000,000 is being requested for 1999-2000, and \$4,000,000 for a total of \$11,000,000 for 2000-2001.

CL 10 - CH. 23 - Benefits (Appropriation 075)

Since the payment of benefits is the basis for ATRS' existence, this area of the budget is always covered. Only older retirees may continue to receive paper warrants for payment of their benefits and their benefit amounts are smaller. The older retiree population is being reduced annually, and therefore the warrant budget. We would like to reduce the warrant appropriation by <\$15,000,000> for a total of \$125,000,000 for 1999-2000 and <20,000,000> for a total of \$120,000,000 for 2000-2001.

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ARKANSAS TEACHER RETIREMENT SYSTEM
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 1996

Assets				Liabilities			Total Equity
Cash and Investments	Fixed	Other	Total	Current	Long-Term	Total	
\$ 4,728,083,751	\$ 196,557	\$ 70,294,089	\$ 4,798,574,397	\$ 19,663,576	\$ 117,988	\$ 19,781,564	\$ 4,778,792,833

Revenues				Expenditures					Other Sources (Uses)	
Inter-governmental	Federal	Licenses and Fees	Other	Total	Salaries and Matching	Grants and Aid	Capital	Other Operating	Total	
\$ 0	\$ 0	\$ 0	\$ 837,111,391	\$ 837,111,391	\$ 1,616,091	\$ 0	\$ 0	\$ 175,314,595	\$ 176,930,686	\$ 0

Findings

PROFESSIONAL SERVICES CONTRACTS - The audit of expenditures for professional services revealed that one vendor providing services under contract with the Agency was paid \$539.20 in excess of the contract amount. Procurement of professional services is prescribed in Part II - Chapter 10 of the State Accounting Procedures Manual.

Recommendations

Review and comply with Chapter II-10 of the State Accounting Procedures Manual regarding professional services contracts.

ARKANSAS BUDGET SYSTEM
 EMPLOYMENT SUMMARY
 AS REQUIRED BY ACT 358 OF 1993
 (A.C.A 19-4-307)

AGENCY TITLE 375 - ARK TEACHER RETIRE SYS

	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>10</u>	<u>33</u>	<u>43</u>	<u>80%</u>
BLACK EMPLOYEES	<u>2</u>	<u>7</u>	<u>9</u>	<u>17%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>0</u>	<u>2</u>	<u>2</u>	<u>4%</u>
TOTAL EMPLOYED AS OF 08/08/98			<u>11</u>	<u>20%</u>
DATE			TOTAL MINORITIES	
			<u>54</u>	<u>100%</u>
			TOTAL EMPLOYEES	

Bill Ashura
 AGENCY DIRECTOR

* PERCENTAGE TOTALS MAY NOT ADD DUE TO ROUNDING

CASH FUND BALANCE DESCRIPTION

AS OF JUNE 30, 1998

AGENCY: ARKANSAS TEACHER RETIREMENT SYSTEM (375)

ACCOUNT INFORMATION				STATUTORY/OTHER RESTRICTIONS ON USE:
FUND ACCT.	BALANCE	TYPE	LOCATION	
375	\$0.00	Wire Transfer	1st Commercial Bank, LR	A.C.A. 19-4-801 establishes that the agency can use funds for payments to retired members and their beneficiaries by check or wire transfer.
				STATUTORY PROVISIONS FOR FEES, FINES, PENALTIES: None
				REVENUE RECEIPTS CYCLE: Monthly
				FUND BALANCE UTILIZATION: Fund balance is returned to the Trust Fund at the end of each fiscal year.
ACCOUNT INFORMATION				STATUTORY/OTHER RESTRICTIONS ON USE:
FUND ACCT.	BALANCE	TYPE	LOCATION	
				STATUTORY PROVISIONS FOR FEES, FINES, PENALTIES:
				REVENUE RECEIPTS CYCLE:
				FUND BALANCE UTILIZATION:

ARKANSAS BUDGET SYSTEM DEPARTMENT APPROPRIATION SUMMARY

AGENCY TITLE Ark. Teacher Retirement (375)		1997-99 Expenditures			1999-01 Biennium Request				1999-01 Executive Recommendation				
Appropriations		Actual	No of	Budgeted	No of	Year 1	No. of	Year 2	No. of	Year 1	No. of	Year 2	No. of
Code	Name	1997-98	Pos	1998-99	Pos	1999-00	Pos.	2000-01	Pos.	1999-00	Pos.	2000-01	Pos.
A76	Teacher Retirement - Cash	\$141,478,504		\$180,000,000		\$216,000,000		\$236,000,000		\$216,000,000		\$236,000,000	
075	Teacher Retirement - Operations	81,078,903	54	160,677,320	53	150,015,131	59	146,765,099	59	149,790,334	59	146,158,182	59
312	Property Management	0		500,000		500,000		500,000		500,000		500,000	
TOTALS		\$222,557,407	54	\$341,177,320	53	\$366,515,131	59	\$383,265,099	59	\$366,290,334	59	\$382,658,182	59
Funding Sources			% of Total		% of Total		% of Total		% of Total		% of Total		% of Total
Fund Balances													
General Revenues													
Special Revenues													
Federal Funds													
Constitutional Officers Fund													
State Central Services Fund													
Non-Revenue Receipts													
Cash Funds		141,478,504	63.6%	180,000,000	52.8%	216,000,000	58.9%	236,000,000	61.6%	216,000,000	59.0%	236,000,000	61.7%
Trust Funds		81,078,903	36.4%	161,177,320	47.2%	150,515,131	41.1%	147,265,099	38.4%	150,290,334	41.0%	146,658,182	38.3%
Total Funding		222,557,407	100.0%	341,177,320	100.0%	366,515,131	100.0%	383,265,099	100.0%	366,290,334	100.0%	382,658,182	100.0%
Excess Appro./ (Funding)													
TOTAL		\$222,557,407		\$341,177,320		\$366,515,131		\$383,265,099		\$366,290,334		\$382,658,182	
DEPARTMENT Arkansas Teacher Retirement System (375)			DIRECTOR Bill A. Shirron						DEPARTMENT APPROPRIATION SUMMARY BR 40				

ARKANSAS BUDGET SYSTEM DEPARTMENT PROGRAM SUMMARY

AGENCY TITLE	1997-99 Expenditures				1999-01 Biennium Request				1999-01 Executive Recommendation			
	Actual 1997-98	No. of Pos.	Budgeted 1998-99	No. of Pos.	Year 1 1999-00	No. of Pos.	Year 2 2000-01	No. of Pos.	Year 1 1999-00	No. of Pos.	Year 2 2000-01	No. of Pos.
Ark. Teacher Retirement System (375)												
Teacher Retirement	\$222,557,407	54	\$340,677,320	53	\$366,015,131	59	\$382,765,099	59	\$365,790,334	59	\$382,158,182	59
Property Management	0		500,000		500,000		500,000		500,000		500,000	
TOTALS	\$222,557,407	54	\$341,177,320	53	\$366,515,131	59	\$383,265,099	59	\$366,290,334	59	\$382,658,182	59
Funding Sources		% of Total		% of Total		% of Total		% of Total		% of Total		% of Total
Fund Balances												
General Revenues												
Special Revenues												
Federal Funds												
Constitutional Officers Fund												
State Central Services Fund												
Non-Revenue Receipts												
Cash Funds	141,478,504	63.6%	180,000,000	52.8%	216,000,000	58.9%	236,000,000	61.6%	216,000,000	59.0%	236,000,000	61.7%
Trust Funds	81,078,903	36.4%	161,177,320	47.2%	150,515,131	41.1%	147,265,099	38.4%	150,290,334	41.0%	146,658,182	38.3%
Total Funding	222,557,407	100.0%	341,177,320	100.0%	366,515,131	100.0%	383,265,099	100.0%	366,290,334	100.0%	382,658,182	100.0%
Excess Appro./ (Funding)												
TOTAL	\$222,557,407		\$341,177,320		\$366,515,131		\$383,265,099		\$366,290,334		\$382,658,182	
DEPARTMENT					DIRECTOR				DEPARTMENT PROGRAM SUMMARY			
Arkansas Teacher Retirement System (375)					Bill A. Shirron				BR 22			

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

The Arkansas Teacher Retirement System is requesting an increase of \$36,000,000 in FY00 and \$56,000,000 in FY01 for the cash appropriation which allows the Agency to make benefit payments by direct deposit to retirants of the Teacher Retirement System. This service to members has been expanding rapidly since its inception in FY94, and beginning in FY99, all new retirees are required to receive benefits through direct deposit.

The Executive Recommendation provides for the Agency Request.

AGENCY	APPROPRIATION	CASH FUND	ANALYSIS OF	PAGE
Name: Arkansas Teacher Retirement System	Name: Teacher Retirement - Cash	Name: Teacher Retirement - Cash	BUDGET REQUEST	
Code: 375	Code: A76	Code: 375	BR20	355

ARKANSAS BUDGET SYSTEM

CHARACTER TITLE	-----EXPENDITURES-----			-----99-00 FISCAL YEAR-----			-----00-01 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----			
	97-98	98-99	98-99	CHANGE		TOTAL	CHANGE		TOTAL	EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	AUTHORIZED	BASE	LEVEL	REQUEST	BASE	LEVEL	REQUEST	99-00	00-01	99-00	00-01
BENEFITS	141,478,504	180,000,000	180,000,000	180,000,000	36,000,000	216,000,000	180,000,000	56,000,000	236,000,000	216,000,000	236,000,000		
TOTAL	141,478,504	180,000,000	180,000,000	180,000,000	36,000,000	216,000,000	180,000,000	56,000,000	236,000,000	216,000,000	236,000,000		
PROPOSED FUNDING SOURCES			*****										
FUND BALANCES			*****										
GENERAL REVENUES			*****										
SPECIAL REVENUES			*****										
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
NON-REVENUE RECEIPTS			*****										
CASH FUNDS	141,478,504	180,000,000	*****	180,000,000	36,000,000	216,000,000	180,000,000	56,000,000	236,000,000	216,000,000	236,000,000		
OTHER			*****										
TOTAL FUNDING	141,478,504	180,000,000	*****	180,000,000	36,000,000	216,000,000	180,000,000	56,000,000	236,000,000	216,000,000	236,000,000		
EXCESS APPRO/ (FUNDING)			*****										
TOTAL	141,478,504	180,000,000	*****	180,000,000	36,000,000	216,000,000	180,000,000	56,000,000	236,000,000	216,000,000	236,000,000		

DEPT 010 SEPARATE AGENCIES
 AGY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
 APPRO A76 TEACHER RETIREMENT - CASH
 FUND 375 TEACHER RETIREMENT CASH-(375)

APPROPRIATION SUMMARY

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ARKANSAS BUDGET SYSTEM

PROGRAM/SERVICE INFORMATION LIST

RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----EXPENDITURES-----		-----1999 - 01 BIENNIUM REQUESTS-----				-----RECOMMENDATIONS-----							
					---ACTUAL--- 97-98	---BUDGETED--- 98-99	-----FY 1999 - 00-----		-----FY 2000 - 01-----		-----EXECUTIVE-----		-----LEGISLATIVE-----					
								REQUEST		REQUEST		1999-00	2000-01	1999-00	2000-01			
000		375	375 A76	B	141,478,504	180,000,000	180,000,000	0		180,000,000	0	180,000,000	180,000,000					
001		375	375 A76	C01			36,000,000	0		56,000,000	0	36,000,000	56,000,000					
<p>When ATRS began electronic fund transfers (EFT's) in August, 1994, a budget of \$74,000,000 was requested. EFT's have increased from 50% of the retirants' payroll in 1994 to 71% of the payroll in 1997. Effective July 1, 1998 new ATRS retirees are required to receive their checks via EFT. This will eliminate the loss of paper warrants and be a better tracking system for payments. Therefore, we are requesting that an increase in this appropriation by \$36,000,000 to \$216,000,000 for 1999-2000 and \$56,000,000 to \$236,000,000 for 2000-2001.</p>																		

DEPT 010 SEPARATE AGENCIES
 AGY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
 APPRO A76 TEACHER RETIREMENT - CASH
 FUND 375 TEACHER RETIREMENT CASH-(375)

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**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

The Arkansas Teacher Retirement System provides age, service, survivor and disability benefits for public school teachers and other covered employees. The System is managed in such a way as to provide service and benefits to the membership while remaining fiscally sound.

The 6 positions requested are a continuation of positions which were approved through Supplemental Personal Services procedures for FY99. Four of these positions were needed to implement legislation enacted during the 1997 Session of the General Assembly. A Records Management Coordinator (Grade 20) and an Accountant (Grade 18) were requested to implement Act 1309 of 1997 which established the Arkansas Tax-Deferred Savings Program. Two Administrative Assistant II positions (Grade 17) were requested to handle increased workloads related to various new legislation such as Act 206 of 1997 which allowed members to use pretax dollars for employee contributions, Act 142 of 1997 which increased the amount of interest to repay refunds, and Act 857 of 1997 which created reciprocity between the Teacher Retirement System and alternate retirement plans.

The Lead Programmer/Analyst (Grade 22) is responsible for the coordination of the Teacher Retirement's extensive data processing system with the Department of Information Systems. The Management Project Analyst II (Grade 20) was assigned to assist members with special counseling for more complicated situations such as disability and survivor cases.

Other personnel requests include the reclassification of six Field Service Representatives (Grade 18) and one Management Project Analyst I (Grade 18) to Retirement Counselors (Grade 19). These employees provide the same counseling services as the in-house counselors except at the members' places of employment.

The Base Level request for salaries includes a cost of living increase of 2.8% each year and related Personal Services Matching costs.

Additional Operating Expenses of \$128,270 in FY00 and \$423,736 in FY01 are requested for postage and printing to provide 4 mailings of the ATRS newsletter to members and retirees, provide training and official business travel for the three additional Board members, and provide workshops for employers to train them how to report to the System by means of magnetic media and the Arkansas Public School Computer Network (APSCN).

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: Arkansas Teacher Retirement System Code: 375	Name: Arkansas Teacher Retirement System Code: 075	Name: Teacher Retirement Code: TER	BUDGET REQUEST BR20	358

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

An increase in Conference Fees and Travel of \$16,005 in FY00 and \$20,975 in FY01 is requested to enable employees to monitor, perform site inspections, and maintain due diligence regarding the 23 investment managers and consultants. Additional travel expenses are also requested to allow the Director and other employees to serve on various regional and national organizations and committees.

The Agency is anticipating the need for additional contractual services for various actuarial studies and technology-related services to improve the investment and accounting systems to provide timely information and to comply with State and federal regulations and mandates. An additional \$39,500 in FY00 and \$45,000 in FY01 is requested for Professional Fees and Services.

Capital Outlay of \$190,750 in FY00 and \$193,070 in FY01 is requested to purchase new equipment such as microcomputers, copy machines and fax machines which will be Y2K compliant, to purchase new mail equipment and to replace 5 vehicles over the biennium.

The Agency is requesting an increase of \$3,000,000 in FY00 and \$11,000,000 in FY01 for the Refunds line item. Although the number of refunds has diminished over the past several years, the amounts per refund have increased and this request would bring the appropriation to a level which would provide a necessary cushion for the next biennium.

The request to reduce the Benefits line item by \$15,000,000 in FY00 and \$20,000,000 in FY01 is a result of more retirees opting to receive benefit payments by direct deposit and the requirement that all new retirees have direct deposit for benefits.

An increase of \$75,000 in FY00 and \$156,250 in FY01 is requested for Professional Services which pays for actuarial studies on such items as benefit increases, insurance coverage for retirees, and cost-of-living adjustments. In addition, the System wants to retain a law firm for various tasks such as real estate reviews, advice on the legal ramifications of Board actions, and tax consequences of rollovers on members' accounts.

Additional Data Processing Services of \$960,00 in FY00 and \$1,260,000 in FY01 is requested in order to keep the Agency up-to-date on technology issues. The Agency will provide Internet access to a member's individual service records which will require sophisticated software to protect the data bases and provide security. Video teleconferencing can

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: Arkansas Teacher Retirement System	Name: Arkansas Teacher Retirement System	Name: Teacher Retirement	BUDGET REQUEST	359
Code: 375	Code: 075	Code: TER	BR20	

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

provide for dissemination of retirement information to members and employers. Also, data processing services such as programming, costs to store imaged documents, and costs of batch and online processing will increase as Internet capabilities are added and member services are expanded.

This appropriation is funded by trust funds of the Teacher Retirement System.

The Executive Recommendation provides for the Base Level request, as well as the following additional requests:

- (1) The six positions which are currently authorized to the Agency as Supplemental positions. No position reclassifications are recommended.
- (2) An additional \$10,000 each year for Conference Fees and Travel.
- (3) The Agency's request for Professional Fees and Services.
- (4) The Agency's request for Capital Outlay.
- (5) The Agency's request for Refunds/Reimbursements.
- (6) The Agency's request to reduce the Benefits line item.
- (7) The Agency's request for additional Data Processing Services.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: Arkansas Teacher Retirement System Code: 375	Name: Arkansas Teacher Retirement System Code: 075	Name: Teacher Retirement Code: TER	BUDGET REQUEST BR20	360

ARKANSAS BUDGET SYSTEM

01 02 03 04 05 06 07 08 09 10 11 12 13 14

CHARACTER TITLE	-----EXPENDITURES-----			-----99-00 FISCAL YEAR-----			-----00-01 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----			
	97-98	98-99	98-99	BASE	CHANGE	TOTAL	BASE	CHANGE	TOTAL	EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	AUTHORIZED							99-00	00-01	99-00	00-01
REGULAR SALARIES	1,488,341	1,555,416	1,551,887	1,611,136	192,640	1,803,776	1,656,247	198,033	1,854,280	1,790,812	1,840,953		
NUMBER OF POSITIONS	54	53	54	53	6	59	53	6	59	59	59		
EXTRA HELP	36,220	105,000	105,000	105,000	0	105,000	105,000	0	105,000	105,000	105,000		
NUMBER OF POSITIONS	11	14	14	14	0	14	14	0	14	14	14		
PERSONAL SERV MATCHING	437,173	557,085	505,732	525,011	57,339	582,350	533,909	58,399	592,308	579,792	589,679		
OVERTIME	13,780	150,000	150,000	150,000	0	150,000	150,000	0	150,000	150,000	150,000		
SUPPLEMENTAL EMERG SALARIES	33,839	195,339	0	0	0	0	0	0	0	0	0		
OPERATING EXPENSES	925,704	2,971,917	3,225,858	2,971,917	128,270	3,100,187	2,971,917	423,736	3,395,653	2,971,917	2,971,917		
CONF FEES & TRAVEL	27,387	32,759	32,759	32,759	16,005	48,764	32,759	20,975	53,734	42,759	42,759		
PROF FEES & SERVICES	193,764	125,304	125,304	125,304	39,500	164,804	125,304	45,000	170,304	164,804	170,304		
CAPITAL OUTLAY	69,781	150,000	150,000	0	190,750	190,750	0	193,070	193,070	190,750	193,070		
REFUNDS/REIMBURSEMENTS	5,458,318	7,000,000	7,000,000	7,000,000	3,000,000	10,000,000	7,000,000	4,000,000	11,000,000	10,000,000	11,000,000		
BENEFITS	66,942,667	140,000,000	140,000,000	140,000,000	-15,000,000	125,000,000	140,000,000	-20,000,000	120,000,000	125,000,000	120,000,000		
PROFESSIONAL SERVICES	113,307	250,000	250,000	250,000	75,000	325,000	250,000	156,250	406,250	250,000	250,000		
DATA PROCESSING SERVICES	622,591	840,000	840,000	840,000	960,000	1,800,000	840,000	1,260,000	2,100,000	1,800,000	2,100,000		
INVESTMENT COUNSEL	4,716,031	6,744,500	6,744,500	6,744,500	0	6,744,500	6,744,500	0	6,744,500	6,744,500	6,744,500		
TOTAL	81,078,903	160,677,320	160,681,040	160,355,627	(10,340,496)	150,015,131	160,409,636	(13,644,537)	146,765,099	149,790,334	146,158,182		
PROPOSED FUNDING SOURCES			*****										
FUND BALANCES			*****										
GENERAL REVENUES			*****										
SPECIAL REVENUES			*****										
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
NON-REVENUE RECEIPTS			*****										
CASH FUNDS			*****										
TRUST FUNDS	81,078,903	160,677,320	*****	160,355,627	(10,340,496)	150,015,131	160,409,636	(13,644,537)	146,765,099	149,790,334	146,158,182		
TOTAL FUNDING	81,078,903	160,677,320	*****	160,355,627	(10,340,496)	150,015,131	160,409,636	(13,644,537)	146,765,099	149,790,334	146,158,182		
EXCESS APPRO/ (FUNDING)			*****										
TOTAL	81,078,903	160,677,320	*****	160,355,627	(10,340,496)	150,015,131	160,409,636	(13,644,537)	146,765,099	149,790,334	146,158,182		

DEPT 010 SEPARATE AGENCIES
 AGY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
 APPRO 075 ARKANSAS TEACHER RETIREMENT SYSTEM
 FUND TER TEACHER RETIREMENT(375)

The FY99 Budgeted amount in Regular Salaries exceeds the Authorized amount due to the implementation of the pay plan during the 1997-99 biennium. The FY99 Budgeted amount in Personal Services Matching exceeds the Authorized amount due to pay plan implementation and additional matching associated with the Supplemental Emergency Salaries authorized in FY99.

APPROPRIATION SUMMARY

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ARKANSAS BUDGET SYSTEM
PROGRAM/SERVICE INFORMATION LIST
RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----1999 - 01 BIENNIUM REQUESTS-----				-----R E C O M M E N D A T I O N S-----										
					-----EXPENDITURES-----		-----FY 1999 - 00-----		-----FY 2000 - 01-----		-----EXECUTIVE-----		-----LEGISLATIVE-----						
					---ACTUAL---	---BUDGETED---	---REQUEST---	---REQUEST---	1999-00	2000-01	1999-00	2000-01							
				97-98	98-99														
00		TER	375 075	B	81,078,903 54	160,677,320 53	160,355,627 53		160,409,636 53					160,355,626 53	160,409,635 53				
01		TER	375 075	C01			234,458 6		240,477 6					234,458 6	240,477 6				
<p>During the 1997-98 fiscal year it became apparent that many of the legislative mandates would not be implemented without additional critical staff. ATRS was able to obtain six (6) new supplemental positions out of a request of seven (7) through 1998-99. We are requesting that these six (6) positions become permanent position for this agency: (1) Grade 22 - Lead Programmer Analyst; (1) Grade 20 - Program Coordinator; (1) Grade 20 - Records Management Coordinator; (1) Grade 18 - Accountant; and (2) Grade 17 - Administrative Assistant II.</p>																			
01		TER	375 075	C10			15,521 0		15,955 0										
<p>We are also requesting six (6) Grade 18- Field Services Representatives and one (1) Grade 18 - Management Project Analyst I in the Preretirement Education department to be reclassified as Grade 19 - Retirement Counselors. Currently, the employees in this department counsel members just as the in-house retirement counselors do. The only difference is they counsel members on-site in the members' place of employment.</p>																			

EPT 010 SEPARATE AGENCIES
 GY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
 PPRO 075 ARKANSAS TEACHER RETIREMENT SYSTEM
 UND TER TEACHER RETIREMENT(375)

RANK BY APPROPRIATION
BR 264

ARKANSAS BUDGET SYSTEM
PROGRAM/SERVICE INFORMATION LIST
RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----EXPENDITURES-----		-----1999 - 01 BIENNIUM REQUESTS-----		-----RECOMMENDATIONS-----									
					---ACTUAL---	---BUDGETED---	-----FY 1999 - 00-----	-----FY 2000 - 01-----	-----EXECUTIVE-----		-----LEGISLATIVE-----							
					97-98	98-99	REQUEST	REQUEST	1999-00	2000-01	1999-00	2000-01						
002		TER	375 075	C08			960,000 0	1,260,000 0	960,000	1,260,000								
<p>Mainframe services (programming services, costs to store imaged documents and data bases, costs for batch processing) will certainly grow in the next biennium. As internet capabilities are linked to mainframe data bases, programming will have to be performed on the mainframe end of the of the spectrum to give members the requested information. As we near the Year 2000 additional programming charges will be incurred as screens, reports and programs are expanded and software added that will "bridge" the dates to the programs until the actual reports and screens can be changed to print and display the four digit years. The number of lines of COBOL code that will have to be remediated is in excess of 500,000 lines. The mainframe data services bill will likely double in the next biennium. To keep pace with technology, in order to complete the remediation process of the volume of mainframe COBOL computer code, and to support the growing needs of the staff to work smarter, we are requesting an increase of \$960,000 for a total of \$1,800,000 for 1999-2000, and an increase of \$1,260,000 for a total of \$2,100,000 for 2000-2001 for Data Processing Services.</p>																		
003		TER	375 075	C02			128,270 0	423,736 0										
<p>We plan to increase the number of issues mailed to both active and retired members from two (2) to four (4) issues per fiscal year. Because of this we expect printing and postage costs will double. A bookkeeper workshops will be implemented to better inform ATRS employers that report to ATRS via magnetic media and the AR Public School Computer Network. The addition of three (3) new positions to the Board of Trustees will require more training, travel, meals and lodging for official business. Therefore, our operating expense will increase \$128,070 for a total of \$3,281,582 for 1999-2000 and \$423,736 for a total of \$3,649,594 for 2000-2001.</p>																		
004		TER	375 075	C03			16,005 0	20,975 0	10,000	10,000								
<p>This agency does business with approximately 23 investment managers and consultants. In order to monitor, perform site inspections, due diligence on prospective companies, and review practical computer applications, the appropriation for travel must be increased. The Director and several other employees serve on legislative boards and commissions for various regional and national teacher retirement organizations and Governmental Finance Officers Association (GFOA) committees. In addition, travel by employees would be necessary to conduct state-wide bookkeeper workshops. An increase to travel costs as well as meals & lodging is needed for these purposes. This will be in addition to regular travel by the Board and employees to conferences and meetings required to stay abreast of changes in the legislative, investments and financial industry.</p>																		

DEPT 010 SEPARATE AGENCIES
 AGY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
 APPRO 075 ARKANSAS TEACHER RETIREMENT SYSTEM
 FUND TER TEACHER RETIREMENT(375)

RANK BY APPROPRIATION
 BR 264

ARKANSAS BUDGET SYSTEM
PROGRAM/SERVICE INFORMATION LIST
RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----EXPENDITURES-----		-----1999 - 01 BIENNIUM REQUESTS-----				-----RECOMMENDATIONS-----							
					---ACTUAL---	---BUDGETED---	-----FY 1999 - 00-----		-----FY 2000 - 01-----		-----EXECUTIVE-----		-----LEGISLATIVE-----					
					97-98	98-99	REQUEST	REQUEST	1999-00	2000-01	1999-00	2000-01						
005		TER	375 075	C05			190,750 0			193,070 0				190,750	193,070			
<p>The Year 2000 conversion (Y2K) will present more changes than we can possibly anticipate. Making sure the technology is not purchased too quickly to get the best equipment for the Y2K conversion has been a decision that has been studied at length. The purchase of all new equipment which contain computer chips that are Y2K compliant will take place in this biennium. This includes copy machines, fax machines and portable communication equipment. Our mailing equipment is over 10 years old and will need to be replaced. Maintenance on vehicles will increase because of our aging fleet. We have five (5) vehicles that will need to be replaced on a rotating basis; two (2) the first year of the biennium and three (3) the second year. We have six (6) new positions who will need computers and additional workspace furniture, calculators and printers. It is anticipated that software purchased for the investment/accounting local area network (LAN) will be allow transactions from custodian banks to be processed via the internet. This is necessary to keep up with technology for GASB & GFOA.</p>																		
006		TER	375 075	C04			114,500 0			201,250 0				39,500	45,000			
<p>A wide array of services has been utilized from companies that provide specialized services on a short-term basis which has helped us implement programs and improve processes in an efficient, effective and timely manner. Supplemental short-term studies provided by the actuarial firm during included various retiree payroll ad hoc increases in various increments, several multiplier proposals and possible insurance coverage for retirees. ATRS has also relied heavily upon technology consulting services during the past several years since technology is changing so quickly. Because current staff is engaged in implementing 1997 legislation in addition to administrative policies and programs, there is very little time for formal training outside the agency. This is the primary function of the professional fees and services -- short-term consulting services; in order to keep pace with modern technology.</p>																		
007		TER	375 075	C06			-12,000,000 0			-16,000,000 0				-12,000,000	-16,000,000			
<p>Refunds have been predictable for several years but allowances must be anticipated for members' decisions. Although we have experienced fewer people getting refunds, withdrawals are larger in amounts. Also, there is a trend in which people are returning to the contributory plan. This will have an impact in the future if members decide to withdraw their contributions. Therefore, an increase of \$3,000,000 for a total of \$10,000,000 is being requested for 1999-2000, and \$4,000,000 for a total of \$11,000,000 for 2000-2001.</p> <p>Since the payment of benefits is the basis for ATRS' existence, this area of the budget is always covered. Only older retirees may continue to receive paper warrants for payment of their benefits and their benefit amounts are smaller. The older retiree population is being reduced annually, and therefore the warrant budget. We would like to reduce the warrant appropriation by <\$15,000,000> for a total of \$125,000,000 for 1999-2000 and <20,000,000> for a total of \$120,000,000 for 2000-2001.</p>																		

DEPT 010 SEPARATE AGENCIES
AGY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
APPRO 075 ARKANSAS TEACHER RETIREMENT SYSTEM
FUND TER TEACHER RETIREMENT(375)

RANK BY APPROPRIATION
BR 264

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

The Arkansas Teacher Retirement System is requesting the Base Level of \$500,000 each year for the property management program which is a contingency appropriation to pay expenses to maintain properties which the System holds as investments. Expenses include, but are not limited to, such items as attorney fees, foreclosure expenses, selling expenses, audit costs, appraisal expenses, property management fees, property rehabilitation costs, travel expenses related to property management, property repairs, property maintenance, advertising expenses, and property operating expenses.

The Executive Recommendation provides for the Agency Request.

AGENCY Name: Arkansas Teacher Retirement System Code: 375	APPROPRIATION Name: Property Management Code: 312	TREASURY FUND Name: Teacher Retirement Code: TER	ANALYSIS OF BUDGET REQUEST BR20	PAGE 365
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ARKANSAS BUDGET SYSTEM

01 02 03 04 05 06 07 08 09 10 11 12 13 14

CHARACTER TITLE	-----EXPENDITURES-----			-----99-00 FISCAL YEAR-----			-----00-01 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----			
	97-98 ACTUAL	98-99 BUDGETED	98-99 AUTHORIZED APPRO	BASE	CHANGE LEVEL	TOTAL REQUEST	BASE	CHANGE LEVEL	TOTAL REQUEST	EXECUTIVE		LEGISLATIVE	
										99-00	00-01	99-00	00-01
PROPERTY MANAGEMENT	0	500,000	500,000	500,000	0	500,000	500,000	0	500,000	500,000	500,000		
TOTAL	0	500,000	500,000	500,000	0	500,000	500,000	0	500,000	500,000	500,000		
PROPOSED FUNDING SOURCES			*****										
FUND BALANCES			*****										
GENERAL REVENUES			*****										
SPECIAL REVENUES			*****										
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
NON-REVENUE RECEIPTS			*****										
CASH FUNDS			*****										
TRUST FUNDS		500,000	*****	500,000		500,000	500,000		500,000	500,000	500,000		
TOTAL FUNDING		500,000	*****	500,000		500,000	500,000		500,000	500,000	500,000		
EXCESS APPRO/ (FUNDING)			*****										
TOTAL		500,000	*****	500,000		500,000	500,000		500,000	500,000	500,000		

DEPT 010 SEPARATE AGENCIES
 AGY 375 ARKANSAS TEACHER RETIREMENT SYSTEM
 APPRO 312 PROPERTY MANAGEMENT

APPROPRIATION SUMMARY

BR 215

FUND TER TEACHER RETIREMENT(375)