

# ARKANSAS TEACHER RETIREMENT SYSTEM

## Enabling Laws

Act 97 of 2012  
A.C.A. §24-7-101 et seq.

## History and Organization

### **MISSION:**

The Arkansas Teacher Retirement System (ATRS) is a cost sharing, multiple-employer, combination contributory/non-contributory 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 for public school teachers and other educationally related employees as defined by Act 427 of 1973, as amended. ATRS is committed to providing high quality member services (including education and counseling), effectively and prudently managing the investment of the assets of the System, and making accurate and timely benefit payments to retired members or beneficiaries.

As of June 30, 2011, ATRS had 72,293 active members; 32,099 retired members and beneficiaries receiving benefits; 4,487 T-DROP participants; and 12,439 terminated plan members entitled to but not yet receiving benefits. The monthly benefits payroll averaged over \$54,000,000. The System had 337 participating employers. As of June 30, 2011, total assets were over \$13,000,000,000 with net assets available for benefits of over \$11,800,000,000. The System's revenue sources consist of employer and employee contributions and investment earnings.

### **HISTORY OF THE AGENCY:**

The 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. Numerous changes were made to the teacher retirement laws over the next 20 years. Act 93 of 1957 combined the existing laws and made further refinements. Act 93 of 1957 was superseded by Act 42 of 1971, which included the changes made since 1957. The teacher retirement laws were rewritten in entirety by Act 427 of 1973. Subsequent changes have been made in the form of amendments to Act 427. Statutes covering the Teacher Retirement System are primarily located in Title 24 of the Arkansas Code, particularly Chapter 7.

Act 541 of 1977 placed the system on the level-percent of payroll funding method and for the first time provided that the employer contribution rate is determined by the most recent actuarial valuation of the System. Act 472 of 1989 exercised the General Assembly's prerogative to set the employer contribution rate. Act 340 of 2003 authorized the ATRS Board of Trustees to set the employer contribution rate beginning July 1, 2003 subject to legislative maximums. The current employer contribution rate is set at 14% of active member payroll.

Act 776 of 1979 provided for an alternate benefit formula multiplier of 1.125% of the final average salary times total years of service. Act 435 of 1981 increased the multiplier to 1.4% and Act 127 of 1983 increased it to 1.5% effective July 1, 1983, and to 1.59% effective July 1, 1984. Act 802 of 1987 increased the contributory multiplier of 1.59% to 1.65% effective July 1, 1987, to 1.70% effective July 1, 1988, and to 1.75% effective July 1, 1989. This act also set the multiplier for non-contributory service for the same effective dates at 1.0%, 1.0378%, 1.07% and 1.10% respectively. Act 44 of 1991 increased the 1.75% contributory multiplier to 1.85% effective July 1, 1991, 1.95% effective July 1, 1992, and provided certain financial conditions were met, to 2.05% effective July 1, 1993. This act also set the non-contributory multiplier for the same effective dates at 1.17%, 1.23% and 1.29% respectively. Act 992 of 1997 again increased the contributory multiplier to 2.065% and 1.305% for non-contributory service. Act 396 of 1999 authorized the Board of Trustees to raise the multipliers for contributory and non-contributory service to 2.125% and 1.365% respectively, which was implemented by the Board effective January 1, 2000. On July 1, 2001, the Board of Trustees raised the multipliers for contributory and non-contributory service to 2.15% and 1.39% respectively under the provisions of Act 396 of 1999. Beginning in 1997, ATRS is prohibited by various statutes from implementing any benefit enhancement if (1) it would cause ATRS' unfunded actuarial accrued liabilities to exceed a thirty-year amortization or (2) ATRS has unfunded actuarial accrued liabilities being amortized over a period exceeding thirty years until the unfunded actuarial accrued liability is reduced.

Act 504 of 1985 established a non-contributory plan for members of the system in addition to the contributory plan. Members were allowed to elect to be contributory or non-contributory and could change that election one time. Beginning July 1, 1993, the law was amended by Act 435 of 1993 to allow any member to change his/her election concerning member contributions once each fiscal year. Under Act 14 of 1991, effective July 1, 1991, all new members of the Teacher Retirement System automatically became members of the non-contributory plan but could elect to become contributory members prior to the preparation of the first payroll of the fiscal year. Act 435 of 1993, effective July 1, 1993, provided that any former active member who returns to service also automatically becomes a non-contributory member, with the option to become a contributory member, and must make the election in the same manner as a new member. Act 81 of 1999, amended by Act 907 of 1999, provided that new members who enter covered service after July 1, 1999 will be automatically enrolled in the contributory plan. Act 907 also provided that members who were working in a covered position prior to July 1, 2000 must before June 30, 2000 make an irrevocable election to be in either the contributory or non-contributory plan and that this election would remain in effect for the remainder of the member's covered service. In addition, this Act provided former active members who entered covered service after June 30, 1999, one year to make an irrevocable election of the contributory or non-contributory plan. In both cases of active and former active members, if no election was made by the prescribed deadline, the member was permanently enrolled in the plan in which he/she was enrolled on the deadline.

Act 653 of 1989 provided that any person employed full-time by a school district after July 1, 1989, must become a member of the Teacher Retirement System. Act 43 of 1991 removed the right of a part-time employee to be excluded from membership in the Teacher Retirement System. Act 1026 of 1993 provided that part-time school personnel who accumulate less than 30 days of service within a fiscal year are not eligible for membership in the Teacher Retirement System.

Act 1096 of 1995 established the Teacher Deferred Retirement Option Plan (T-DROP), which allows members to defer receipt of benefit payments, and to continue to work in a position covered by Teacher Retirement. In order to make T-DROP more cost neutral, Acts 991 and 992 of 2003 made changes in the methods for determining plan contributions for new members in the T-DROP on or after September 1, 2003 and required that employer contributions recommence for members whose effective date in T-DROP is before September 1, 2003. Act 298 of 2007, effective July 1, 2007, changes the date for entering T-DROP to July 1; provides for the extension of employer contribution requirement for pre-September 2003 T-DROP members beyond July 1, 2011 and causes it to be the same as the regular employer contribution rate after July 1, 2013.

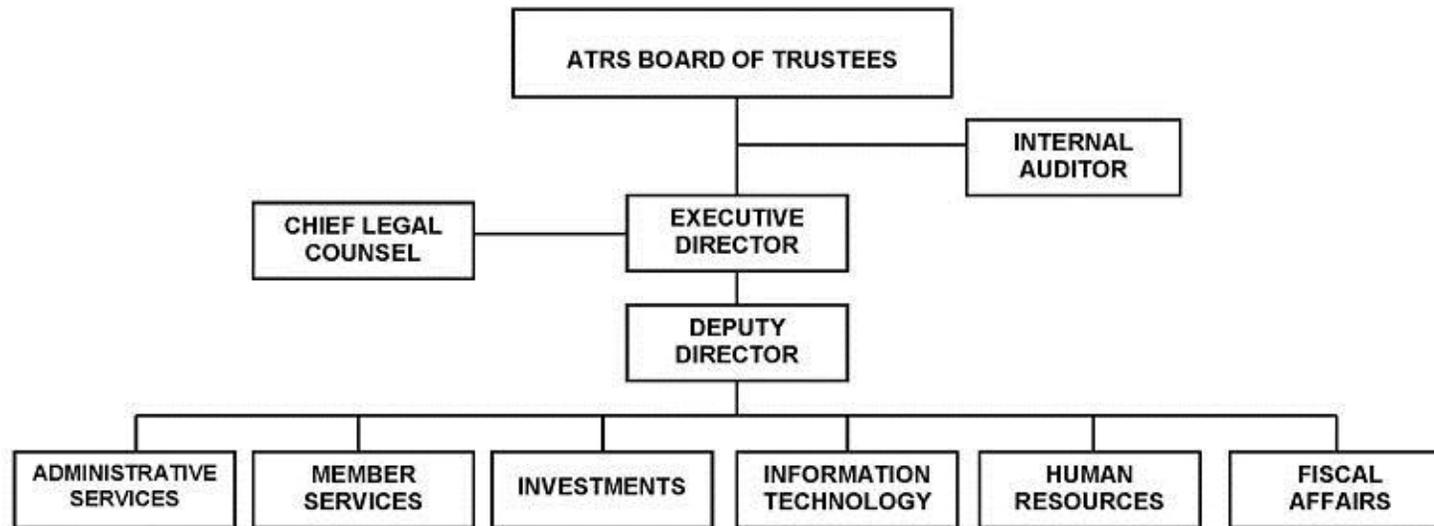
Act 461 of 2001 defined "Normal Retirement Age" as age 65, thus allowing members who reach that age to apply for retirement benefits without termination of employment. This Act also designates that members under age 65 must terminate employment for a minimum of 30 days to be eligible for retirement benefits.

Act 23 of the Second Extraordinary Session of 2003, as amended by Act 47, provides that effective July 1, 2005 and each July 1 thereafter, active members of ATRS who have previously elected to eliminate members' contributions to make an irrevocable election to become contributory. The Acts further mandate that, effective July 1, 2005, any active member whose status changes from nonteacher status to teacher status under contract for 181 days or more shall become contributory. Act 93 of 2007, effective July 1, 2007, provides that beginning July 1, 2007, and each July 1 thereafter, active noncontributory members may make an irrevocable election to become contributory; inactive or rescinding members may make an irrevocable election to become contributory at the time of reemployment regardless of a previous noncontributory status; new members who are not under contract or are contracted less than 181 days enter the system as non-contributory but may make an irrevocable election to become contributory.

## **ADMINISTRATION:**

The general administration and responsibility for the proper operation of the system and for making effective the provisions of the teacher retirement laws is vested in the 15-member Board of Trustees. The State Bank Commissioner, State Treasurer, State Auditor and the Commissioner of the Department of Education serve as ex-officio members on the Board. Eleven (11) members are elected to the Board; eight (8) are active members and three (3) represent retirees. The Board believes that its paramount purpose is to provide an adequate and equitable retirement plan for the members of the System, to protect its members in the event of total and permanent disability, and to provide in part for their dependents upon their deaths.

The trustees serve without compensation except reimbursement for any necessary expenses incurred in attending meetings of the Board or in performing other official duties as defined by the Board. The Board appoints the Executive Director for the system as well as an actuarial firm to serve as technical advisor on matters regarding the operation of the system on an actuarial basis. The Board has the authority to employ professional investment counsel and to appoint a medical board to advise the Board on disability claims. The Board meets at least quarterly and must have eight (8) members present for a quorum. At least eight (8) concurring votes are needed to reach a decision.



## **Agency Commentary**

Over the next ten (10) years Arkansas Teacher Retirement System (ATRS) forecast a 60% increase of retirees. This increase reflects a tremendous turnover in our current active membership. To provide for the expected growth in retirees, deluge of new members along with the compounding of challenges to the System by longer life expectancies, ATRS will need to systematically step up its manpower to meet the anticipated growing demand for services.

Nevertheless, in light of current economic conditions, ATRS makes every effort to maintain a tight rein while also attempting to keep pace with fluctuating markets, retiree/member increases, and the impact these challenges have on member behavior.

The ATRS budget request was created to best prepare ATRS to address the nation's economic health and expected growing demands in member services.

### **C01/C08 Request - Regular Salaries and Staffing**

It is imperative that ATRS be adequately staffed, trained and prepared to provide the high quality services that our members have come to expect. From maintaining years of historical data on each member to providing an exact benefit estimate, it is incumbent upon ATRS to provide knowledgeable, accurate and timely information to each individual to assist them in making the right decisions towards their retirement.

ATRS requests a total of 13 positions for the 2013-2015 Biennium: Ten (10) new positions for FY14 (Regular Salaries \$391,957; Matching \$149,424) and an additional three (3) new positions for FY15 (Regular Salaries \$489,011; Matching \$189,002).

### **FISCAL YEAR 2014 PERSONNEL REQUESTS (2QW/CI 501:00:00 & CI 501:00:03):**

**(1) ATRS Associate Director of Information Technology (N908) (C08 Change Level)** - Based on the increasing demands on the ATRS custom developed and maintained in house financial programs/systems. ATRS requests a position to oversee the activities of our Information Technology section. This position will be responsible for making recommendations for the overall planning, formulation, and administration of policies and programs including the strategic direction and development of information systems and overall management of associated electronically stored information to meet the agency's needs.

**(1) Senior Investment Manager (C126)** - This position will act as the overall coordinator of Money Manager and Custodian Bank relations and assist with litigation monitoring. This position will conduct on-going evaluations of investment performance to ensure productivity, cost effectiveness, and strategic fit within the overall portfolio and will oversee the areas of ATRS Real Estate, Private Equity, and Public Markets.

**(3) Retirement Coordinator (C119)** - First and foremost these positions are requested to meet the succession needs of ATRS. Current statistics show that ATRS could lose 25% of its management staff immediately due to age or service retirement and, within the next four (4) to six (6) years, and additional 25% of management staff is eligible for age or service retirement. Simply said - ATRS could lose up to 50% of its management staff by 2018. It is critical that ATRS aligns its personnel to provide adequate training and experience and to allow a continuity of knowledge throughout the ranks. These three (3) positions would be placed in our Payroll/Disbursement Department, Benefits

and Counseling Department and Membership Department. These positions will provide a mid-level supervisor to assist each department manager with the day-to-day operations thus freeing up the department manager to address the more complex issues. This "hands-on" experience is key to the transference of historical knowledge and experience. In addition, these positions will assist in making the day-to-day operations and special projects flow much more smoothly as ATRS operations become more complex due to accounting changes (GASB) and the increasing numbers of retirees.

**(2) Retirement Counselor (C117)** - In preparation for the increasing volume of new retirees, new members, and the increase in ongoing maintenance of active members' files, ATRS is requesting additional Retirement Counselors to ensure that our members' needs are met.

**(1) Human Resources Recruiter (C116)** - Due to turnover, internal promotions, and personnel growth, the Human Resources Department is hard pressed to adequately meet, in a timely manner, the personnel needs of the agency. This additional position would handle all aspects of posting, screening, and interviews (scheduling, preparing interview packets, processing new employee, etc.) for vacant positions which would greatly increase the efficiency of the department. This position would allow the current Human Resources staff to address more demanding personnel issues and to focus on the development and training of employees and supervisors to insure compliance with state and federal employment laws.

**(1) Administrative Analyst (C115)** - As ATRS membership continues to grow and new members come in to the system, it is imperative that there is sufficient staff to establish and maintain records. This position will be utilized in the Membership Department to evaluate, verify, request, and post information to the membership system. As a new member, the first step with ATRS is the entry of accurate member information and, the maintenance of this information throughout the member's "life" with ATRS. The Membership Department works daily with ATRS employers to verify the ATRS status of potential hires. Through this process ATRS and ATRS Employers have significantly decreased the number of retiree termination/separation violations. This position will assist with the status verification process.

**(1) Administrative Analyst III (C112)** - This position will be utilized in the ATRS Call Center to assist with the flow of requested paperwork and to provide administrative assistance to the Call Center Manager and staff. The Call Center has greatly increased the number of calls and member contact since being established January of 2011. In addition to answering calls, the Call Center also process the requested forms and information to the members. This position will also serve as a backup for two (2) front desk receptionists to provide coverage during breaks and absences. Currently ATRS utilizes an extra help position but, due to the limited hours (1,000) per fiscal year it is impossible to provide backup coverage for two (2) full-time positions for an entire year. This arrangement is extremely inefficient because it requires continual training of additional extra help each time the 1,000 hour limit is reached.

## **FISCAL YEAR 2015 PERSONNEL REQUESTS (2QW/CI 501:00:00 & CI 501:00:03):**

**(1) Retirement Coordinator (C119)** - As addressed in the 2014 personnel request, this position is needed to meet the succession needs of ATRS. Current statistics show that ATRS could lose 25% of its management staff immediately due to age or service retirement and, within the next four (4) to six (6) years, and additional 25% of management staff is eligible for age or service retirement. Simply said - ATRS could lose up to 50% of its management staff by 2018. It is critical that ATRS aligns its personnel to provide adequate training and experience and to allow a continuity of knowledge throughout the ranks. This position would be placed in our newest department, the ATRS Call Center. This position will provide a mid-level supervisor to assist the Call Center manager with the day-to-day operations thus freeing up the manager to address the more complex issues. This "hands-on" experience is key to the transference of historical knowledge and experience.

**(1) Retirement Counselor (C117)** - In preparation for the increasing volume of new retirees, new members, and the increase in ongoing maintenance of active members' files, ATRS is requesting additional Retirement Counselors to ensure that our members' needs are met.

**(1) Administrative Analyst (C115)** - As ATRS membership continues to grow and new members come in to the system, it is imperative that there is sufficient staff to establish and maintain records. This position will be utilized in the Membership Department to evaluate, verify, request, and post information to the membership system. As a new member, the first step with ATRS is the entry of accurate member information and, the maintenance of this information throughout the member's "life" with ATRS. The Membership Department works daily with ATRS employers to verify the ATRS status of potential hires. Through this process ATRS and ATRS Employers have significantly decreased the number of retiree termination/separation violations. This position will assist with the status verification process.

## **C01 Request - Benefits-NonEmployee - Refunds/Reimbursements (C26/CI 501:00:23 & CI 501:00:14):**

Expected normal growth in the number of retirees as noted above and the potential effect on member behavior due to potential legislative changes and market performance compels ATRS to request a "safety-net" appropriation. This appropriation will ensure that ATRS is prepared for any action that triggers a significant reaction. Therefore, ATRS request an increase of \$72,000,000 in each fiscal year of the biennium to accommodate retiree benefits. ATRS also request an increase of \$2,331,559 in FY14 and \$2,931,559 in FY15 to address an increase in taxes and refunds.

## **C01 Request - Benefits-NonEmployee - Refunds/Reimbursements (2QW/CI 501:00:23 & CI 501:00:14):**

Expected normal growth in the number of retirees as noted above and the potential effect on member behavior due to potential legislative changes and market performance compels ATRS to request a "safety-net" appropriation for all areas of Pension and Retirement Benefits. This appropriation will ensure that ATRS is prepared for any action that triggers a significant reaction. Therefore, ATRS request an increase of

\$60,300,000 in each fiscal year of the biennium to accommodate retiree benefits and T-Drop payments. ATRS also request an increase of \$7,858,645 in FY14 and \$9,858,645 in FY15 to address an increase in taxes and refunds. Additional appropriation is requested to address a new program the ATRS Board is offering to our retiring T-DROP members titled CBA (Cash Balance Account). Members will have the option of not only annuitizing all or part of their T-DROP balance with ATRS for an enhancement to their monthly benefit, but will also be able to leave all or part of their T-DROP account in an interest bearing account at ATRS that pays very competitive interest rates without putting the principal at risk. The interest rates will vary between 2% and 4% with a provision in the rules that states the minimum interest rates cannot be lowered by ATRS for entrants that enter under the existing rates. The initial rate begins at 2% and increases to 4% over eight years. ATRS will allow quarterly withdrawals and additional hardship withdrawals if needed. ATRS looks forward to this new program designed to assist members by providing them with a quality new program to enhance their retirement planning. ATRS is requesting \$75,000,000 for FY14 and \$125,000,000 for FY15 to allow for adequate appropriation to address quarterly CBA withdrawals.

**C01 Request - Legal Fees (2QW/CI 506:00:10):**

As noted above, member behavior due to potential legislative changes and fluctuating market performance could lead to possible unexpected litigation. ATRS request an increase of \$214,465 in each fiscal year of the biennium to address any unexpected increase in legal fees.

**Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
ARKANSAS TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2011

Findings

Recommendations

None

None

**State Contracts Over \$25,000 Awarded To Minority Owned Businesses Fiscal Year 2012**

None

## Employment Summary

	Male	Female	Total	%
White Employees	19	42	61	77 %
Black Employees	5	8	13	16 %
Other Racial Minorities	1	4	5	7 %
Total Minorities			18	23 %
Total Employees			79	100 %

## Cash Fund Balance Description as of June 30, 2012

Fund Account	Balance	Type	Location
3750000	\$0	Checking	First Security Bank

### Statutory/Other Restrictions on use:

ACA 1-4-801 establishes that the agency can use a cash fund. ACA 24-7-403 restricts the use to benefits, refunds and other disbursements in accordance with ACA 24-7 et seq.

### 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 the year.

## Publications

### A.C.A. 25-1-204

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
Agency Comprehensive Annual Financial Report	24-7-305(e)(1), 24-2-702	Y	Y	500	Reports on the financial health of ATRS; provides necessary information to ATRS board; required by GFOA and other entities

# Department Appropriation Summary

## Historical Data

## Agency Request and Executive Recommendation

Appropriation	2011-2012		2012-2013		2012-2013		2013-2014					2014-2015						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
2QV Property Management	0	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
2QW Teacher Retirement System-Operations	134,091,953	88	182,640,918	92	182,904,257	92	182,794,025	92	326,708,516	102	326,665,030	101	182,799,685	92	378,850,808	105	378,807,322	104
C26 Teacher Retirement System-Cash	669,687,937	0	831,068,441	0	831,068,441	0	831,068,441	0	905,400,000	0	905,400,000	0	831,068,441	0	906,000,000	0	906,000,000	0
<b>Total</b>	<b>803,779,890</b>	<b>88</b>	<b>1,014,209,359</b>	<b>92</b>	<b>1,014,472,698</b>	<b>92</b>	<b>1,014,362,466</b>	<b>92</b>	<b>1,232,608,516</b>	<b>102</b>	<b>1,232,565,030</b>	<b>101</b>	<b>1,014,368,126</b>	<b>92</b>	<b>1,285,350,808</b>	<b>105</b>	<b>1,285,307,322</b>	<b>104</b>

Funding Sources		%		%		%		%		%		%		%		%		%
Cash Fund 4000045	669,687,937	83.3	831,068,441	81.9	831,068,441	81.9	905,400,000	73.5	905,400,000	73.5	831,068,441	81.9	906,000,000	70.5	906,000,000	70.5		
Trust Fund 4000050	134,091,953	16.7	183,140,918	18.1	183,294,025	18.1	327,208,516	26.5	327,165,030	26.5	183,299,685	18.1	379,350,808	29.5	379,307,322	29.5		
<b>Total Funds</b>	<b>803,779,890</b>	<b>100.0</b>	<b>1,014,209,359</b>	<b>100.0</b>	<b>1,014,362,466</b>	<b>100.0</b>	<b>1,232,608,516</b>	<b>100.0</b>	<b>1,232,565,030</b>	<b>100.0</b>	<b>1,014,368,126</b>	<b>100.0</b>	<b>1,285,350,808</b>	<b>100.0</b>	<b>1,285,307,322</b>	<b>100.0</b>		
Excess Appropriation/(Funding)	0		0		0		0		0		0		0		0			
<b>Grand Total</b>	<b>803,779,890</b>		<b>1,014,209,359</b>		<b>1,014,362,466</b>		<b>1,232,608,516</b>		<b>1,232,565,030</b>		<b>1,014,368,126</b>		<b>1,285,350,808</b>		<b>1,285,307,322</b>			

## Agency Position Usage Report

FY2010 - 2011						FY2011 - 2012						FY2012 - 2013					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
89	84	5	89	0	5.62 %	92	78	14	92	0	15.22 %	92	78	14	92	0	15.22 %

## **Analysis of Budget Request**

**Appropriation:** 2QV - Property Management

**Funding Sources:** TER - Teacher Retirement Fund

The Property Management Program of the Arkansas Teacher Retirement System pays for the necessary expenses to maintain properties that the System holds as investments. These expenses include, but are not limited to, 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 Agency Request is for Base Level of \$500,000 each year.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 2QV - Property Management

**Funding Sources:** TER - Teacher Retirement Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	Historical Data			2013-2014			2014-2015		
	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Property Management 5900046	0	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	0	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
<b>Funding Sources</b>									
Trust Fund 4000050	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Total Funding	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000

## **Analysis of Budget Request**

**Appropriation:** 2QW - Teacher Retirement System-Operations

**Funding Sources:** TER - Teacher Retirement Fund

The Arkansas Teacher Retirement System provides age, service, survivor, and disability benefits for public school teachers and other covered employees. This appropriation is funded by trust funds of the Teacher Retirement System.

Base Level Regular Salaries and Personal Services Matching includes Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY13 line item maximum.

In addition to Base Level of \$182,794,025 in FY14 and \$182,799,685 in FY15, the Agency Change Level requests of \$143,914,491 in FY14 and \$196,0511,123 in FY15 reflects the following:

- Regular Salaries and Personal Services Matching of \$541,381 in FY14 to support ten (10) positions: one (1) ATRS Associate Director of Information Technology, one (1) Senior Investment Manager, three (3) Retirement Coordinators, two (2) Retirement Counselors, one (1) Human Resources Recruiter, one (1) Administrative Analyst and one (1) Administrative Analyst II; and \$678,013 in FY15 to support thirteen (13) positions - one (1) ATRS Associate Director of Information Technology, one (1) Senior Investment Manager, four (4) Retirement Coordinators, three (3) Retirement Counselors, one (1) Human Resources Recruiter, two (2) Administrative Analyst and one (1) Administrative Analyst II. These positions will be used to provide high quality member services to an increasing number of retirees.
- Reclassification of two (2) positions: Reclassify an Accounting Coordinator to a Public Information Coordinator and a Fiscal Support Supervisor to an Accountant II.
- Professional Fees of \$214,465 each year to provide for a potential increase in legal fees due to legislative changes and fluctuating market performance.
- Benefits Non-employee of \$135,300,000 in FY14 and \$185,300,000 in FY15 to implement the new Cash Balance Account(CBA) Program which offers enhanced investment options to retiring T-Drop members; to provide for (CBA) quarterly withdrawals and to respond to potential legislative and market changes.
- Refunds/Reimbursements of \$7,858,645 in FY14 and \$9,858,645 in FY15 to address increases in disbursements for taxes and refunds of contributions to terminating active members.

The Executive Recommendation provides for the Agency Request with the exception of the request for the Human Resources Recruiter (C116).

# Appropriation Summary

**Appropriation:** 2QW - Teacher Retirement System-Operations

**Funding Sources:** TER - Teacher Retirement Fund

## Historical Data

## Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	3,811,082	4,003,345	4,255,441	4,042,589	4,434,546	4,403,833	4,046,889	4,535,900	4,505,187
<b>#Positions</b>		<b>88</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>102</b>	<b>101</b>	<b>92</b>	<b>105</b>	<b>104</b>
Extra Help	5010001	160,999	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
<b>#Extra Help</b>		<b>14</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>
Personal Services Matching	5010003	1,332,939	1,400,139	1,411,382	1,514,002	1,663,426	1,650,653	1,515,362	1,704,364	1,691,591
Overtime	5010006	2,691	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Operating Expenses	5020002	2,032,444	2,934,889	2,934,889	2,934,889	2,934,889	2,934,889	2,934,889	2,934,889	2,934,889
Conference & Travel Expenses	5050009	9,796	30,759	30,759	30,759	30,759	30,759	30,759	30,759	30,759
Professional Fees	5060010	292,229	343,650	343,650	343,650	558,115	558,115	343,650	558,115	558,115
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Benefits-Non Employee	5100023	116,414,863	158,700,000	158,700,000	158,700,000	294,000,000	294,000,000	158,700,000	344,000,000	344,000,000
Refunds/Reimbursements	5110014	7,608,928	10,228,136	10,228,136	10,228,136	18,086,781	18,086,781	10,228,136	20,086,781	20,086,781
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Professional Sevices	5900043	0	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Data Processing Services	5900044	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Investment Counsel	5900046	2,425,982	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Total</b>		<b>134,091,953</b>	<b>182,640,918</b>	<b>182,904,257</b>	<b>182,794,025</b>	<b>326,708,516</b>	<b>326,665,030</b>	<b>182,799,685</b>	<b>378,850,808</b>	<b>378,807,322</b>
<b>Funding Sources</b>										
Trust Fund	4000050	134,091,953	182,640,918		182,794,025	326,708,516	326,665,030	182,799,685	378,850,808	378,807,322
Total Funding		134,091,953	182,640,918		182,794,025	326,708,516	326,665,030	182,799,685	378,850,808	378,807,322
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		134,091,953	182,640,918		182,794,025	326,708,516	326,665,030	182,799,685	378,850,808	378,807,322

## Change Level by Appropriation

**Appropriation:** 2QW - Teacher Retirement System-Operations  
**Funding Sources:** TER - Teacher Retirement Fund

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>182,794,025</b>	<b>92</b>	<b>182,794,025</b>	<b>100.0</b>	<b>182,799,685</b>	<b>92</b>	<b>182,799,685</b>	<b>100.0</b>
C01	Existing Program	143,802,162	9	326,596,187	178.7	195,938,794	12	378,738,479	207.2
C08	Technology	112,329	1	326,708,516	178.7	112,329	1	378,850,808	207.2
C10	Reclass	0	0	326,708,516	178.7	0	0	378,850,808	207.2

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>182,794,025</b>	<b>92</b>	<b>182,794,025</b>	<b>100.0</b>	<b>182,799,685</b>	<b>92</b>	<b>182,799,685</b>	<b>100.0</b>
C01	Existing Program	143,758,676	8	326,552,701	178.6	195,895,308	11	378,694,993	207.2
C08	Technology	112,329	1	326,665,030	178.7	112,329	1	378,807,322	207.2
C10	Reclass	0	0	326,665,030	178.7	0	0	378,807,322	207.2

### Justification

C01	ATRS request a total of 13 positions for the 13-15 Biennium: Ten (10) positions for FY14 and an additional three (3) positions for FY15. This will increase Regular Salaries and Personal Matching by \$541,381 in FY14 and \$678,013 in FY15. (totals include C08 request) ATRS membership and retiree numbers increase yearly. These positions will allow ATRS to meet the increased demands that have occurred over the past years and prepare for future projected increases. Current forecast project a 60% increase in retirees over the next ten(10) years. As members move to retirement, new members take their place and it is important that ATRS has adequate staff to provide quality service as members make life time decisions. ATRS Statistics reflect that a large number, approximately 50%, of knowledgeable management staff will have the ability to retire due to age or service within the next 4 - 6 years. It is imperative that ATRS looks at succession and many of these positions will be placed in various departments though out the agency as mid-level supervisors. This hands-on experience is key to the transference of historical knowledge and experience.Expected normal growth in the number of retirees, approximate 60% over the next ten (10) years, and the potential effect on member behavior due to potential legislative changes and market performance compels ATRS to request a "safety-net" appropriation for all areas of Pension and Retirement Benefits. This appropriation will ensure that ATRS is prepared for any action that triggers a significant reaction. Therefore, ATRS request an increase of \$60,300,000 in each fiscal year of the biennium to accommodate retiree benefits and T-Drop payments. ATRS also request an increase of \$7,858,645 in FY14 and \$9,858,645 in FY15 to address an increase in taxes and refunds. Also, as noted above, member behavior due to potential legislative changes and fluctuating market performance could lead to possible unexpected litigation. ATRS also requests an increase of \$214,465 in each fiscal year of the biennium to address any unexpected increase in legal fees. Additional appropriation is requested to address a new program the ATRS Board is offering to our retiring T-DROP members titled CBA (Cash Balance Account). Members will have the option of not only annuitizing all or part of their T-DROP balance with ATRS for an enhancement to their monthly benefit, but will also be able to leave all or part of their T-DROP account in an interest bearing account at ATRS that pays very competitive interest rates without putting the principal at risk. ATRS will allow quarterly withdrawals and additional hardship withdrawals if needed. ATRS is requesting \$75,000,000 for FY14 and \$125,000,000 for FY15 to allow for adequate appropriation to address quarterly CBA withdrawals.
C08	ATRS request for an ATRS Associate Director of Information Technology (N908) position is based on the increasing demands on the ATRS custom developed and maintained in house financial programs/systems. This position will oversee the activities of our Information Technology section. This position will be responsible for making recommendations for the overall planning, formulation, and administration of policies and programs including the strategic direction and development of information systems and overall management of associated electronically stored information to meet the agency's needs.
C10	Reclassification of two (2) positions: Reclassify an Accounting Coordinator to a Public Information Coordinator and a Fiscal Support Supervisor to an Accountant II.

## **Analysis of Budget Request**

**Appropriation:** C26 - Teacher Retirement System-Cash

**Funding Sources:** 375 - Arkansas Teacher Retirement Fund-Cash

The Arkansas Teacher Retirement System cash fund allows the Agency to make payments to beneficiaries by check or direct deposit.

In addition to Base Level of \$831,068,441 each year, the Agency is requesting the following Change Levels:

- Benefits Non-employee of \$72,000,000 each year to address the growth in the number of retirees and to respond to potential legislative and market changes.
- Refunds/Reimbursements of \$2,331,559 in FY14 and \$2,931,559 in FY15 each year to address increases in disbursements for taxes and refunds of contributions to terminating active members.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** C26 - Teacher Retirement System-Cash  
**Funding Sources:** 375 - Arkansas Teacher Retirement Fund-Cash

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	2011-2012	2012-2013	2012-2013	2013-2014			2014-2015		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Benefits-Non Employee 5100023	668,062,855	828,000,000	828,000,000	828,000,000	900,000,000	900,000,000	828,000,000	900,000,000	900,000,000
Refunds/Reimbursements 5110014	1,625,082	3,068,441	3,068,441	3,068,441	5,400,000	5,400,000	3,068,441	6,000,000	6,000,000
<b>Total</b>	<b>669,687,937</b>	<b>831,068,441</b>	<b>831,068,441</b>	<b>831,068,441</b>	<b>905,400,000</b>	<b>905,400,000</b>	<b>831,068,441</b>	<b>906,000,000</b>	<b>906,000,000</b>
<b>Funding Sources</b>									
Cash Fund 4000045	669,687,937	831,068,441		831,068,441	905,400,000	905,400,000	831,068,441	906,000,000	906,000,000
<b>Total Funding</b>	<b>669,687,937</b>	<b>831,068,441</b>		<b>831,068,441</b>	<b>905,400,000</b>	<b>905,400,000</b>	<b>831,068,441</b>	<b>906,000,000</b>	<b>906,000,000</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>669,687,937</b>	<b>831,068,441</b>		<b>831,068,441</b>	<b>905,400,000</b>	<b>905,400,000</b>	<b>831,068,441</b>	<b>906,000,000</b>	<b>906,000,000</b>

## Change Level by Appropriation

**Appropriation:** C26 - Teacher Retirement System-Cash  
**Funding Sources:** 375 - Arkansas Teacher Retirement Fund-Cash

### Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>831,068,441</b>	<b>0</b>	<b>831,068,441</b>	<b>100.0</b>	<b>831,068,441</b>	<b>0</b>	<b>831,068,441</b>	<b>100.0</b>
C01	Existing Program	74,331,559	0	905,400,000	108.9	74,931,559	0	906,000,000	109.0

### Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>831,068,441</b>	<b>0</b>	<b>831,068,441</b>	<b>100.0</b>	<b>831,068,441</b>	<b>0</b>	<b>831,068,441</b>	<b>100.0</b>
C01	Existing Program	74,331,559	0	905,400,000	108.9	74,931,559	0	906,000,000	109.0

### Justification

C01	Expected normal growth in the number of retirees, approximate 60% over the next ten (10) years, and the potential effect on member behavior due to potential legislative changes and market performance compels ATRS to request a "safety-net" appropriation. This appropriation will ensure that ATRS is prepared for any action that triggers a significant reaction. Therefore, ATRS request an increase of \$72,000,000 in each fiscal year of the biennium to accommodate retiree benefits. ATRS also request an increase of \$2,331,559 in FY14 and \$2,931,559 in FY15 to address an increase in taxes and refunds.
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