

**ARKANSAS PERFORMANCE BUDGETING AND ACCOUNTABILITY SYSTEM  
AGENCY PROGRAM COMMENTARY  
2003-2005**

**AGENCY PROGRAM COMMENTARY**

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 that will enhance the quality of life for its members.

It is a further objective of this program to serve retired members 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 service to the membership and fiscally sound management of the trust fund. As we enter the next biennium (2003-2005) the proposed budget will continue to enable the staff to provide an improved information program and an expanded public image to ATRS' members. It will enable the System to maintain a more efficient and effective record keeping system, an improved investments/accounting system, an expanded range of counseling services, an improved investment plan for active members (457 Plan), greater coverage of counseling services outside of the Little Rock office, more member-oriented printed brochures and newsletters, and more pre-retirement 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, we have continued to implement numerous legislative changes that directly impact members of the System. Listed below are the legislative changes that have had, or will have, a direct impact on the system:

>Act 11/99; Act 29/99; Act 30/99; Act 110/99; Act 221/99; Act 312/99; Act 395/99; Act 396/99; Act 400/99; Act 404/99; Act 555/99; Act 773/99; Act 864/99; Act 865/99; Act 906/99; Act 907/99; Act 908/99; Act 996/99; Act 1521/99 and Act 1590/99.

Additional appropriation is necessary to accommodate the increase in direct deposits (EFT) for the retirees, increase in Data Processing fees and Professional Fees and Services to rewrite the membership system, purchase new computer equipment, purchase two new vehicles for pre-retirement (field service) counseling each year of the biennium, maintain video teleconferencing equipment and maintain the agency's new web site. Increased cost of printing brochures and newsletters will enhance the service to the membership. Rapid changes of trends in the retirement industry, which impacts economic environments, will directly impact the

<p><b>AGENCY</b> Arkansas Teacher Retirement System</p>	<p><b>DIRECTOR</b> <i>G. Wayne Greathouse</i> G. Wayne Greathouse, Interim</p>	<p><b>AGENCY PROGRAM COMMENTARY</b></p>	<p><b>PAGE</b> <b>350</b></p>
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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.

Rewriting the membership system and maintaining the current system, which includes a new investment/accounting system, operating two Ethernet environments, will cause data processing costs to more than double. The staff will need to travel for specialized training in the three new systems. In order to keep pace with technology, an increased level of services with the Department of Information Systems (DIS) is necessary. Other projected expenses include additional travel expenses to enable the Board and staff to stay abreast of the rapid changes and trends in the economic, technological, and general operation of pension environments. Additional appropriation will be necessary to include enhanced field pre-retirement 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 impact the livelihoods of such a large portion of the population, ATRS must continue relentless 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 2003-2005 biennium priority programs for ATRS:

*CL 1 – CI. 00 – Regular Salaries*

During the 2001-2003 biennium we have consistently used contract labor and extra help to maintain a minimal level of service for our active and retired members. It is expected the 2003-2005 legislative session will mandate additional changes that will be extremely

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critical without additional staff. Although we have added new technology to streamline processes and procedures, higher-level positions are needed with applicable salary to compensate the skill level necessary to maintain these new systems. Audit findings require additional monitoring and maintaining of certain records.

We are requesting twelve (12) new positions as follows:

**1. Reporting Specialist III (Grade 15)**

The Reporting Specialist III would be the lead operator for image operations by determining the proper placement of documents, incoming and outgoing, in the Image System and reviewing the quality and accuracy of Image documents. Over the past 10 years there has been a 37% increase in the number of members to be serviced by the System. This in turn increases the amount of documents that need to be imaged and maintained.

**2. Accountant (Grade 18) Accounting Department**

The accountant will compile and maintain data, analyze results and prepare reports. The Accountant must be able to identify and correct discrepancies in documents and numeric data and to provide technical assistance to other staff inside and outside the Accounting Department regarding accounting policies and procedures. The job duties of the accountant will be make daily deposits, purchases refunds of contributions and quarterly reporting.

**3. Accountant (Grade 18) Investment Department**

The Accountant would be responsible for developing and/or maintaining accounting records and compiling reports depicting the agency's fiscal status. The Accountant would post Arkansas Related transactions and record capital calls, distributions, management fees and expense requests for Alternative Investments in the monthly schedule. The Accountant would obtain administrative approval on all requests before payment is made and file paperwork in daily sorter.

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**4. Accountant II (Grade 19)**

The Accountant II would oversee the processing of Refunds. In recent years the law has changed allowing members to be contributory again. This has increased our workload in the Refunds department. We also have an increase in refunds due to purchase account error corrections. The process of refunding overpayments must be keyed manually to AASIS, manually to our membership system, manually added to our 1099R federal tax report and manual general ledger entries created.

**5. Real Estate Account Specialist (Grade 19)**

The Real Estate Account Specialist will work closely with all property managers hired by the System to manage Real Estate owned by the System. The Real Estate Specialist will be responsible for all invoices, lease renewals and new lease agreements, renovation of property and the repair of existing equipment on the property.

**6. Agency Fiscal Manager (Grade 22)**

We anticipate a significant increase in accounts and payments due to the Economics and Tax Relief Act of 2001 that allows eligible retirement plan funds to be rolled over into ATRS. From January 1, 2002, when the Act went into effect until June 1, 2002, 84 rollovers have been received totaling \$1.4 million.

**7. Data Processing Operations Manager (Grade 22)**

The Data Processing Operations Manager would be responsible for reviewing and analyzing existing procedures, policies, hardware, personnel and general operations to determine efficiency and effectiveness. The Manager would meet with users and application staff to discuss new system implementation and operations requirements and develops or revises procedures for computer operators.

**8. Deputy Director of Finance (Grade 99)**

The Deputy Director of Finance will be responsible for the System's Investment and Accounting Departments and will report directly to the Executive Director. ATRS has increased in assets from approximately \$5 billion to approximately \$7.5 billion. The number of

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money managers has increased to over 30 managers at the current time. The Deputy Director of Finance will be able to provide and assist the departmental managers with policies and long-range strategies for the different departments. This person will work closely with the Investment and Accounting Managers, Money Managers, Custodians, Consultants, Actuaries and Internal and External Auditors.

**9. Real Estate Specialist (Grade 19)**

The Real Estate Specialist will work closely with all property managers hired by the System to manager Real Estate owned by the System. The Real Estate Specialist will be responsible for all invoices, lease renewals and new lease agreements, renovation of property and the repair of existing equipment on the property.

**10. Agency Reporting Manager (Grade 22)**

The Agency Reporting Manager will be responsible for Purchase Account Payments. These payments have increased from over 1,100 members paying \$4.6 million to over 2,200 members paying mostly monthly payments of over \$8.2 million. This has increased over the last 4 years due to members being able to have before tax payments withheld from their paychecks.

**11. Personnel Supervisor (Grade 22)**

ATRS is requesting a Personnel Supervisor to perform the following job duties: developing, implementing and monitoring procedures to govern personnel actions within the agency, including supervision of payroll functions and conferring with various levels of management to ascertain need for new policies, procedures or systems. The Personnel Supervisor will provide information, advice and interpretations of various personnel laws, guidelines, policies and procedures to all agency personnel.

**12. Purchasing Agent (Grade 18)**

The Purchasing Agent will be responsible for purchasing supplies, materials, services and equipment, contacting vendors, writing justifications to obtain single bid items, preparing bid requisitions, product specifications, preparing vehicle use reports and maintaining inventory. In the past, our agency has kept the responsibility of ordering and maintaining supplies with the payroll

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personnel. Because the payroll personnel workload has increased, we must separate these functions to maintain an orderly flow of work as directed by auditors.

Without these new positions, service would be impeded to implement past and future legislation. This request increases these employees' regular payroll salaries to a total of \$2,542,851 for 2003-2004 (increase of \$449,949) and \$2,611,503 for 2004-2005 (increase of \$462,093).

***CL 2 – CI 11 – Capital Outlay***

Changes are yet being made from the conversion of Y2K. A new postage machine will be purchased in the next biennium due to bar code reading that the government will require on all new postage machines due to terrorist preventive measures. Aging vehicles will need to be replaced – 2 in the first year of the biennium and 2 in the second year. In addition, 2 fax machines and 2 copiers are to be replaced, and a high-speed printer for human resources. With the addition of new positions, we will need furniture and equipment. Therefore, we are requesting a total of \$200,000 for 2003-2004 and \$100,000 for 2004-2005.

***CL 3 – CI 44 – Data Processing Services***

The pace of technology today is growing faster than ever before. What we plan for now, or three years into the future, may be outdated by the time we get there. For that reason, we are requesting special language for the carry-over clause for unused dollars for the first fiscal year (2003-2004 – carry-over from June 30, 2004 to June 30, 2005), of the biennium be carried to the second year of the biennium. The funds appropriated are returned to our trust fund if not used. We do not feel a need to spend dollars or lose them.

We are beginning the next 24-month period of design and installation phase of our new member system. The initial development stage has been completed and we must continue. More and more new technology is coming available and to ensure that our completed product is not obsolete upon completion we must take the time to be sure our interfaces will be compatible with the latest upgrades. While the rewrite is taking place we must maintain our current legacy systems to give up-to-date information on 1099's, purchases of service, actuarial information and other supporting documentations for day-to-day operations.

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Therefore, we are requesting a total of \$9,034,149 for the 2003-2004 fiscal year (an increase of \$1,483,549) and a total of \$8,770,530 for the 2004-2005 fiscal year (an increase of \$1,219,930).

***CL 4 – CI 23 – Benefits (Appropriation 075)***

The payment of benefits is the basis for ATRS' existence; this area is always covered. Only older retirees continue to receive paper warrants for payments of their benefits, and their benefit payments are smaller. In the past biennium, this amount was reduced. However, monitoring of this particular appropriation is showing a substantial increase in payout amount due to the Teacher Deferred Retirement Option Plan (T-DROP), which has been in existence since August, 1995.

Each year, members' T-DROP distributions increase, and the number of members retiring out of T-DROP have increased each year by 45%. For the past three years distributions were \$9,474,689; \$15,904,751.53 for 388 retirees in the 2001-2002 fiscal year. Therefore, we must increase our benefits amount to \$105,000,000 for 2003-2004 (an increase of \$10,000,000), and \$125,000,000 for 2004-2005 (an increase of \$30,000,000).

***CL 5 – CI 02 – Maintenance & Operation***

The legal aspects of a board member's responsibility are far reaching. It is imperative that we stay abreast of the necessary technology, governance, administrative practices, actuarial principles, and emerging issues. The fiduciary responsibility of most commission and board members are not made known until they realize the importance of their vote and the impact that vote has on public policy. Therefore, we wish to increase the educational training for existing and new board members to a "must-have." Board policy provides for educational seminars. In addition, we would like to require managerial staff to attend certain GFOA classes as well as public plan policy courses, and continuing education courses that relate directly to their job of expertise. Also, several board positions will become vacant in the next biennium (Three (3) 6-year terms to expire in 2004 and 2005). With our 78,000 active members and 17,000 retired members, these elections cost from \$30,000 to \$35,000 each, not including runoffs and postage. Therefore, we are requesting an increase in our maintenance and operations by \$217,619 for a total of \$3,152,876 for 2003-2004 and \$227,304 for a total of \$3,162,561 for the 2004-2005 fiscal year.

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***CL 6 – CI 23 – Benefits (Appropriation A76)***

Effective July, 1998, new ATRS retirees are required to receive the checks via electronic fund transfer (EFT). This has eliminated the loss of paper warrants and has been a better tracking system for payments. Therefore, we are requesting an increase in this appropriation by \$474,000,000 for 2003-2004 (an increase of \$25,000,000) and \$510,000,000 for 2004-2005 (an increase of \$61,000,000).

***CL 7 – CI 10 – Professional Fees and Services***

In the past biennium, several consultants were hired for specific expertise in the areas of real estate, property management consultants and legal advice. This will continue. In the next biennium we will also hire expertise in organizational development to review the organization as a whole, and an accounting firm to give independent reviews of the properties owned by the system.

Additional information will be needed from the actuary to stay abreast of the legislative requests for changes to benefit formulas and contribution rates. Comparative actuarial information is also needed. Therefore, we are requesting a total budget of \$300,000 for 2003-2004 (an increase of \$50,000) and \$310,000 for 2004-2005 (an increase of \$60,000).

***CL 8 – CI 14 – Refunds***

Refunds have been predictable for several years, but allowances must be anticipated for members' decisions. Although we have experienced few people getting refunds, withdrawals are larger in amount. For the past 4 years, more members are contributory than non-contributory. This will have an impact in the future if members decide to withdraw their contributions. However, until we see an upturn in the amount of withdrawals, we would like to reduce the amount of the appropriation by \$2,500,000 for a total of \$6,500,000 for 2003-2004, and \$2,500,000 for a total of \$6,500,000 for 2004-2005.

*The increases in the total budget for this agency are basically the increases in benefits to retirees. All other commitment items have been redistributed for better usage of the funds.*

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DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF:  
ARKANSAS TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2000

Findings	Recommendations
<p>Management failed to establish written policies for the use of Agency cell phones assigned to employees resulting in unauthorized usage by the Deputy Director, Dr. Angelo Coppola, totaling \$1,447. Also, this individual used Federal Express services for personal business amounting to \$149. Dr. Coppola's reimbursement of \$1,596 was received on July 15, 2001 and subsequently deposited to State Treasury on July 20, 2001.</p>	<p>Develop written policies for cell phone usage.</p>
<p>During the three-year fiscal period ended June 30, 2001, ATRS investment managers paid for the expenses of employees and their guest(s) to attend an investment meeting/Texas deer hunt, a business meeting/trip to the Masters Golf Tournament and a business partnership meeting in Dublin, Ireland. The Board of Trustees of ATRS has not adopted a formal policy stating the circumstances under which it would be permissible for an employee and their guest(s) to attend and represent the Agency's interest at investment managers business meetings and participate in associated perquisites.</p>	<p>The Board adopt a policy governing gratuities of this nature.</p>
<p>Dr. Angelo Coppola traveled to Santa Fe, New Mexico on five (5) occasions that included a combination of business/personal days during the three-year fiscal period ended June 30, 2001. Seven (7) personal days for these trips by Dr. Coppola were recorded as workdays instead of annual leave.</p>	<p>Maintain accurate time and leave records.</p>
<p>It was again noted that the accounting department did not maintain adequate accounting records and documentation to support ledger entries and reported balances for accounts receivable and professional fees. As a result, the Agency's record for accounts receivable was overstated \$5,308,732 and the administrative expense for professional fees and investment revenues were both overstated \$3,566,216.</p>	<p>Establish guidelines to ensure proper administrative review, adequate written policies and procedures and proper training of personnel.</p>

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF:  
ARKANSAS TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2000

Findings

The investment department management's failure to establish effective controls over investments resulted in:

- Overpayment of investment management fees for alternative investments totaling \$77,129.
- Numerous errors in recording transactions for alternative investments leading to an overstatement of investments totaling \$18,026,268 and understatement of management fees amounting to \$8,831,809.
- Errors on domestic and international gain/loss accounts totaling \$56,458,244 and \$32,265,167, respectively, from not preparing proper investment reconciliations.
- Omissions of income and expenses and other recording errors on real estate transactions causing an overstatement of income amounting to \$178,510 and an overstatement of expenses totaling \$1,564,134.

These circumstances indicated inadequate staff training, lack of proper supervision and absence of written policies which could jeopardize the reliability of the Agency's financial records.

Recommendations

Implement policies to ensure that the investment staff is properly trained and supervised and that procedures have been developed for the investment accounting and control functions.

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
 EMPLOYMENT SUMMARY  
 Required by: A.C.A. 19-4-307

AGENCY TITLE: 0375 AR TEACHER RETIREMENT SYSTEM

	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>11</u>	<u>32</u>	<u>43</u>	<u>78%</u>
BLACK EMPLOYEES	<u>2</u>	<u>9</u>	<u>11</u>	<u>20%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>0</u>	<u>1</u>	<u>1</u>	<u>2%</u>
TOTAL EMPLOYED AS OF			<u>12</u>	<u>22%</u>
			TOTAL MINORITIES	
			<u>55</u>	<u>100%</u>
			TOTAL EMPLOYEES	

08/05/2002  
DATE

  
 \_\_\_\_\_  
 AGENCY DIRECTOR

**CASH FUND BALANCE DESCRIPTION**  
**AS OF JUNE 30, 2002**

**AGENCY:** Arkansas Teacher Retirement System (375)

ACCOUNT INFORMATION				STATUTORY/OTHER RESTRICTIONS ON USE:
FUND ACCT.	BALANCE	TYPE	LOCATION	
375	\$0.00	Wire Transfer	Regions 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.
				<b>STATUTORY PROVISIONS FOR FEES, FINES, PENALTIES:</b>
				None
				<b>REVENUE RECEIPTS CYCLE:</b>
				Monthly
				<b>FUND BALANCE UTILIZATION:</b>
				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	
				<b>STATUTORY PROVISIONS FOR FEES, FINES, PENALTIES:</b>
				<b>REVENUE RECEIPTS CYCLE:</b>
				<b>FUND BALANCE UTILIZATION:</b>

## AGENCY INFORMATION TECHNOLOGY PROJECTS RECOMMENDED FOR OVERSIGHT

STATE AGENCY: Arkansas Teacher Retirement System

AGENCY NUMBER: 375

AGENCY HEARING DATE: 10/16/02

<u>PROJECT NAME</u>	<u>TIMEFRAME</u>	<u>FY04 COST/SOURCE OF FUNDS</u>	<u>FY05 COST/SOURCE OF FUNDS</u>
1. Member Data System	07//01/01 – 06/30/05	\$1,506,730.00/Trust	\$1,506,730.00/Trust

**REASONS FOR OVERSIGHT**

- A. Project Extended
- B.
- C.
- D.

<u>PROJECT NAME</u>	<u>TIMEFRAME</u>	<u>FY04 COST/SOURCE OF FUNDS</u>	<u>FY05 COST/SOURCE OF FUNDS</u>
2.			

**REASONS FOR OVERSIGHT**

- A.
- B.
- C.
- D.

**Office of Information Technology Comments:** Project timeframe extended due to additional requirements for automating manual process and implementing legal mandates.

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**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**STATE AGENCY PUBLICATIONS**

**Fiscal Year 2002-2003**

**Required by: A.C.A. 25-1-204**

**AGENCY:** Arkansas Teacher Retirement System (0375)

NAME OF PUBLICATION	STATUTORY AUTHORIZATION	PUBLICATION REQUIRED FOR GOVERNOR AND/OR GENERAL ASSEMBLY ONLY	NUMBER OF COPIES PUBLISHED	REASON(S) FOR CONTINUED PUBLICATION AND DISTRIBUTION
Annual Report	24-7-305(d)(1)	Yes	800	Required by Arkansas Law Required by GFOA and other entities as well as Board-ATRS
Handbook of Benefits	No	No	50,000	Requested by Board of Trustees
Brochures & Booklets Dis. Retirement & Membership T-DROP & Survivor Benefits	No	No	10,000 each	Requested by Board of Trustees (Jan 2000)
Law Book	Yes	Yes	800	Required by Law and continued by Board of Trustees
Newsletter(s)	No	No	90,000 bi-annually	Requested by Board of Trustees Quarterly

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Department Appropriation Summary

Agency Name ARKANSAS TEACHER RETIREMENT SYSTEM  
Agency Code 375

Code	Appropriation Name	2001-02		2002-03		Agency Request				Executive Recommendation			
		Actual		Budget	Pos.	2003-04		2004-05		2003-04		2004-05	
						Pos.	Pos.	Pos.		Pos.	Pos.	Pos.	
075	Teacher Retirement - Trust	85,286,158		124,828,058	61	134,699,014	73	154,437,636	73	132,416,933	65	152,464,168	65
312	Property Management	0		500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
A76	Teacher Retirement - Cash	251,496,939		449,000,000	0	474,000,000	0	510,000,000	0	474,000,000	0	510,000,000	0
Grand Total		336,783,097		574,328,058	61	609,199,014	73	664,937,636	73	606,916,933	65	662,964,168	65

Name	Funding Sources													
	Code		% of Total		% of Total		% of Total		% of Total		% of Total		% of Total	
Cash Funds	4000045	251,496,939	74.7	449,000,000	78.2	474,000,000	77.8	510,000,000	76.7	474,000,000	78.1	510,000,000	76.9	
Trust Funds	4000050	85,286,158	25.3	125,328,058	21.8	135,199,014	22.2	154,937,636	23.3	132,916,933	21.9	152,964,168	23.1	
Total Funding		336,783,097	100.0	574,328,058	100.0	609,199,014	100.0	664,937,636	100.0	606,916,933	100.0	662,964,168	100.0	
Excess Appro(Funding)		0		0		0		0		0		0		
Grand Total		336,783,097		574,328,058		609,199,014		664,937,636		606,916,933		662,964,168		



**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
DEPARTMENT PROGRAM SUMMARY**

AGENCY TITLE	2001-03 Expenditures				2003-05 Biennium Request				2003-05 Executive Recommendation			
	Actual 2001-02		Budgeted 2002-03	No. of Pos.	Year 1 2003-04	No. of Pos.	Year 2 2004-05	No. of Pos.	Year 1 2003-04	No. of Pos.	Year 2 2004-05	No. of Pos.
Arkansas Teacher Retirement System (375)												
Administration	7,946,546		21,328,058	61	23,699,014	73	23,437,636	73	21,416,933	65	21,464,168	65
Benefits	328,836,551		553,000,000	0	585,500,000	0	641,500,000	0	585,500,000	0	641,500,000	0
<b>TOTALS</b>	<b>\$336,783,097</b>		<b>\$574,328,058</b>	<b>61</b>	<b>\$609,199,014</b>	<b>73</b>	<b>\$664,937,636</b>	<b>73</b>	<b>\$606,916,933</b>	<b>65</b>	<b>\$662,964,168</b>	<b>65</b>
<b>Funding Sources</b>		<b>% of Total</b>		<b>% of Total</b>		<b>% of Total</b>		<b>% of Total</b>		<b>% of Total</b>		<b>% of Total</b>
Fund Balances		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
General Revenues		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Special Revenues												
Federal Funds		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Constitutional Officers Fund												
State Central Services Fund												
Revolving Funds		0.0%		0.0%		0.0%		0.0%		0.0%		0.0%
Cash Funds	251,496,939	74.7%	449,000,000	78.2%	474,000,000	77.8%	510,000,000	76.7%	474,000,000	78.1%	510,000,000	76.9%
Trust Funds	85,286,158	25.3%	125,328,058	21.8%	135,199,014	22.2%	154,937,636	23.3%	132,916,933	21.9%	152,964,168	23.1%
Total Funding	336,783,097	100.0%	574,328,058	100.0%	609,199,014	100.0%	664,937,636	100.0%	606,916,933	100.0%	662,964,168	100.0%
Excess Appro./ (Funding)	0		0		0		0		0		0	
<b>TOTAL</b>	<b>\$336,783,097</b>		<b>\$574,328,058</b>		<b>\$609,199,014</b>		<b>\$664,937,636</b>		<b>\$606,916,933</b>		<b>\$662,964,168</b>	
DEPARTMENT	DIRECTOR				DEPARTMENT PROGRAM SUMMARY							
Arkansas Teacher Retirement System	G. Wayne Greathouse, Interim Director				<b>366</b>							

**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**ANALYSIS OF BUDGET REQUEST**  
**2003-2005**

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

The agency is requesting twelve new positions: Deputy Director of Finance -Grade 99 (\$82,160 for FY04 and \$84,378 for FY05), Agency Reporting Manager – Grade 22 (\$42,336 for FY04 and \$43,479 for FY05), Personnel Supervisor – Grade 22 (\$42,336 for FY04 and \$43,479 for FY05), Real Estate Account Specialist – Grade 19 (\$31,453 for FY04 and \$32,302 for FY05), Accountant – Grade 18 (\$28,730 for FY04 and \$29,505 for FY05), Purchasing Agent - Grade 18 (\$29,506 for FY04 and \$30,302 for FY05), and six additional positions for the biennium : Agency Fiscal Manager – Grade 22 (\$41,223 for FY04 and \$42,336 for FY05), Data Processing Operations Manager - Grade 22 (\$41,223 for FY04 and \$42,336 for FY05), Real Estate Specialist - Grade 19 (\$31,453 for FY04 and \$32,302 for FY05), Accountant II - Grade 19 (\$30,626 for FY04 and \$31,452 for FY05), Accountant – Grade 18 (\$28,730 for FY04 and \$29,505 for FY05), Reporting Specialist III - Grade 15 (\$21,000 for FY04 and \$21,567 for FY05),

The Base Level request includes a 2.7% salary increase each year over the FY03 salary levels for all incumbents plus associated increases in Personal Services Matching. Included in Personal Services Matching is a \$33 per month increase in the monthly contribution for State employee's health insurance for a total state contribution of \$280 per month per budgeted employee.

Requested change levels include:

Operating Expenses-Increase of \$217,619 in FY04 and \$227,304 in FY05, for the purpose of increasing the educational training for existing and new board members so that they can meet their fiduciary responsibility, also, three (3) board member positions will become vacant in 2004-2005, the election expenses cost between \$30,000 and \$35,000 per position.

Capital Outlay –Increase of \$200,000 in FY04 and \$100,000 in FY05, to purchase postage machine, two vehicles each year, fax machines, copiers, furniture and equipment.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: Arkansas Teacher Retirement System	Name: Arkansas Teacher Retirement System	Name: Teacher Retirement	BUDGET REQUEST	<b>367</b>
Code: 375	Code: 075	Code: TER		

**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**ANALYSIS OF BUDGET REQUEST**  
**2003-2005**

Benefits - Increase of \$10,000,000 in FY04 and \$30,000,000 in FY05. This is due to appropriation levels needed for the Teacher Deferred Retirement Option Plan (T-DROP). The number of members retiring under T-DROP has increased by 45% over the past three years.

Refunds- Decrease of \$2,500,000 in FY04 and \$2,500,000 in FY05. The number of refunds has diminished over the past several years and the Agency would like to reduce appropriation.

Professional Fees - Increase of \$50,000 in FY04 and \$60,000 in FY05, to hire consultants in organizational development and for independent review of property ownership.

Data Processing Services - Increase of \$1,483,549 in FY04 and \$1,219,930 in FY05 for 24-month design and implementation of new member system.

The Executive Recommendation provides for the following:

- Three Grade 19 -Accountant II (two at \$30,626 for FY04 and \$31,452 for FY05, one at \$31,453 in FY04 and \$32,302 in FY05), Grade 99- Deputy Director of Finance (\$78,121 for FY04 and \$80,231 for FY05), Grade 15- Purchasing Agent (\$20,215 for FY04 and \$20,761 for FY05).
- Discontinue the Associate Director – Investments which is replaced by the Deputy Director of Finance.
- Increase in Capital Outlay in the amount of \$75,000 for FY04 and \$50,000 for FY05.
- Increase in Benefits (Trust Funds) in the amount of \$10,000,000 for FY04 and \$30,000,000 for FY05.
- Decrease of Refunds by \$2,500,000 for FY04 and \$2,500,000 for FY05.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: Arkansas Teacher Retirement System	Name: Arkansas Teacher Retirement System	Name: Teacher Retirement	BUDGET REQUEST	<b>368</b>
Code: 375	Code: 075	Code: TER		

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Appropriation Summary

Agency Name ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code 375  
 Appropriation Name Teacher Retirement - Operations  
 Appropriation Code 075  
 Fund Name Teacher Retirement - Trust  
 Fund Code TER

Character Name	Expenditures						Agency Request										Recommendations				
	2001-02		2002-03		2002-03		2003-04				2004-05						2003-04		Executive		
	Actual	Budget	Pos.	Authorized	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.	2003-04	Pos.	2004-05	Pos.
Regular Salaries	1,898,918	2,037,879	61	2,050,479	61	2,092,902	61	449,949	12	2,542,851	73	2,149,410	61	462,093	12	2,611,503	73	2,223,818	65	2,283,859	65
Extra Help	56,860	105,000	14	105,000	14	105,000	14	0	0	105,000	14	105,000	14	0	0	105,000	14	105,000	14	105,000	14
Personal Serv Match	528,223	591,758	0	626,805	0	626,895	0	129,680	0	756,575	0	638,388	0	132,092	0	770,480	0	669,695	0	681,889	0
Overtime	28,909	150,000	0	150,000	0	150,000	0	0	0	150,000	0	150,000	0	0	0	150,000	0	150,000	0	150,000	0
Operating Expenses	2,096,505	2,935,257	0	2,935,257	0	2,935,257	0	217,619	0	3,152,876	0	2,935,257	0	227,304	0	3,162,561	0	2,935,257	0	2,935,257	0
Travel Conferences	25,807	42,759	0	42,759	0	42,759	0	0	0	42,759	0	42,759	0	0	0	42,759	0	42,759	0	42,759	0
Capital Outlay	16,802	250,000	0	250,000	0	0	0	200,000	0	200,000	0	0	0	100,000	0	100,000	0	75,000	0	50,000	0
Prof. Fees & Serv.	3,294,522	170,304	0	170,304	0	170,304	0	0	0	170,304	0	170,304	0	0	0	170,304	0	170,304	0	170,304	0
Benefits-Non-Emp.	74,640,220	95,000,000	0	95,000,000	0	95,000,000	0	10,000,000	0	105,000,000	0	95,000,000	0	30,000,000	0	125,000,000	0	105,000,000	0	125,000,000	0
Refunds/Reimburse	2,699,392	9,000,000	0	9,000,000	0	9,000,000	0	(2,500,000)	0	6,500,000	0	9,000,000	0	(2,500,000)	0	6,500,000	0	6,500,000	0	6,500,000	0
Professional Services	0	250,000	0	250,000	0	250,000	0	50,000	0	300,000	0	250,000	0	60,000	0	310,000	0	250,000	0	250,000	0
Data Processing Services	0	7,550,600	0	7,550,600	0	7,550,600	0	1,483,549	0	9,034,149	0	7,550,600	0	1,219,930	0	8,770,530	0	7,550,600	0	7,550,600	0
Investment Counsel	0	6,744,500	0	6,744,500	0	6,744,500	0	0	0	6,744,500	0	6,744,500	0	0	0	6,744,500	0	6,744,500	0	6,744,500	0
Grand Total	85,286,158	124,828,058	75	124,875,704	75	124,668,217	75	10,030,797	12	134,699,014	87	124,736,218	75	29,701,419	12	154,437,637	87	132,416,933	79	152,464,168	79

Funding Sources Name	2001-02 Actual	2002-03 Budget	2002-03 Pos.	2002-03 Authorized	2002-03 Pos.	2003-04 Base Level	2003-04 Pos.	2003-04 Change Level	2003-04 Pos.	2003-04 Total	2003-04 Pos.	2004-05 Base Level	2004-05 Pos.	2004-05 Change Level	2004-05 Pos.	2004-05 Total	2004-05 Pos.	2003-04	2003-04 Pos.	2004-05	2004-05 Pos.
Trust Funds	85,286,158	124,828,058	*****	*****	*****	124,668,217	*****	10,030,797	*****	134,699,014	*****	124,736,218	*****	29,701,419	*****	154,437,637	*****	132,416,933	*****	152,464,168	*****
Total Funding	85,286,158	124,828,058	*****	*****	*****	124,668,217	*****	10,030,797	*****	134,699,014	*****	124,736,218	*****	29,701,419	*****	154,437,637	*****	132,416,933	*****	152,464,168	*****
Excess Appropr(Funding)	0	0	*****	*****	*****	0	*****	0	*****	0	*****	0	*****	0	*****	0	*****	0	*****	0	*****
Grand Total	85,286,158	124,828,058	*****	*****	*****	124,668,217	*****	10,030,797	*****	134,699,014	*****	124,736,218	*****	29,701,419	*****	154,437,637	*****	132,416,933	*****	152,464,168	*****

No fund balances are reflected because funds are transferred to the State Treasury as needed to process payments.

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**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**Biennial Appropriation Summary**

Agency Name                    ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code                    375  
 Appropriation Name            Teacher Retirement - Operations  
 Appropriation Code            075  
 Fund Name                      Teacher Retirement -Trust  
 Fund Code                      TER

Character		Expenditures				
		2001-02	2002-03		2002-03	
Name	Code	Actual	Budget	Pos.	Authorized	Pos.
Regular Salaries	5010000	1,898,918	2,037,879	61	2,050,479	61
Extra Help	5010001	56,860	105,000	14	105,000	14
Personal Serv Match	5010003	528,223	591,758	0	626,805	0
Overtime	5010006	28,909	150,000	0	150,000	0
Operating Expenses	5020002	2,096,505	2,935,257	0	2,935,257	0
Travel-Conferences	5050009	25,807	42,759	0	42,759	0
Capital Outlay	5120011	16,802	250,000	0	250,000	0
Prof. Fees & Serv.	5060010	3,294,522	170,304	0	170,304	0
Benefits-Non-Emp.	5100023	74,640,220	95,000,000	0	95,000,000	0
Refunds/Reimburse	5110014	2,699,392	9,000,000	0	9,000,000	0
Professional Services	5900043	0	250,000	0	250,000	0
Data Processing Services	5900044	0	7,550,600	0	7,550,600	0
Investment Counsel	5900046	0	6,744,500	0	6,744,500	0
<b>Grand Total</b>		<b>85,286,158</b>	<b>124,828,058</b>	<b>75</b>	<b>124,875,704</b>	<b>75</b>

Funding Sources						
Name	Code					
Trust Funds	4000050	85,286,158	124,828,058	*****	*****	*****
Total Funding		85,286,158	124,828,058	*****	*****	*****
Excess Appro/(Funding)		0	0	*****	*****	*****
<b>Grand Total</b>		<b>85,286,158</b>	<b>124,828,058</b>	<b>*****</b>	<b>*****</b>	<b>*****</b>

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Appropriation Summary

Agency Name ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code 375  
 Appropriation Name Teacher Retirement - Operations  
 Appropriation Code 075  
 Fund Name Teacher Retirement -Trust  
 Fund Code TER

Character		Agency Request											
		2003-04						2004-05					
Name	Code	Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.
Regular Salaries	5010000	2,092,902	61	449,949	12	2,542,851	73	2,149,410	61	462,093	12	2,611,503	73
Extra Help	5010001	105,000	14	0	0	105,000	14	105,000	14	0	0	105,000	14
Personal Serv Match	5010003	626,895	0	129,680	0	756,575	0	638,388	0	132,092	0	770,479	0
Overtime	5010006	150,000	0	0	0	150,000	0	150,000	0	0	0	150,000	0
Operating Expenses	5020002	2,935,257	0	217,619	0	3,152,876	0	2,935,257	0	227,304	0	3,162,561	0
Travel-Conferences	5050009	42,759	0	0	0	42,759	0	42,759	0	0	0	42,759	0
Capital Outlay	5120011	0	0	200,000	0	200,000	0	0	0	100,000	0	100,000	0
Prof. Fees & Serv.	5060010	170,304	0	0	0	170,304	0	170,304	0	0	0	170,304	0
Benefits-Non-Emp.	5100023	95,000,000	0	10,000,000	0	105,000,000	0	95,000,000	0	30,000,000	0	125,000,000	0
Refunds/Reimburse	5110014	9,000,000	0	(2,500,000)	0	6,500,000	0	9,000,000	0	(2,500,000)	0	6,500,000	0
Professional Services	5900043	250,000	0	50,000	0	300,000	0	250,000	0	60,000	0	310,000	0
Data Processing Services	5900044	7,550,600	0	1,483,549	0	9,034,149	0	7,550,600	0	1,219,930	0	8,770,530	0
Investment Counsel	5900046	6,744,500	0	0	0	6,744,500	0	6,744,500	0	0	0	6,744,500	0
<b>Grand Total</b>		<b>124,668,217</b>	<b>75</b>	<b>10,030,797</b>	<b>12</b>	<b>134,699,014</b>	<b>87</b>	<b>124,736,218</b>	<b>75</b>	<b>29,701,419</b>	<b>12</b>	<b>154,437,636</b>	<b>87</b>

Funding Sources													
Name	Code												
Trust Funds	4000050	124,668,217	*****	10,030,797	*****	134,699,014	*****	124,736,218	*****	29,701,419	*****	154,437,637	*****
Total Funding		124,668,217	*****	10,030,797	*****	134,699,014	*****	124,736,218	*****	29,701,419	*****	154,437,637	*****
Excess Appro/(Funding)		0	*****	0	*****	0	*****	0	*****	0	*****	0	*****
<b>Grand Total</b>		<b>124,668,217</b>	<b>*****</b>	<b>10,030,797</b>	<b>*****</b>	<b>134,699,014</b>	<b>*****</b>	<b>124,736,218</b>	<b>*****</b>	<b>29,701,419</b>	<b>*****</b>	<b>154,437,636</b>	<b>*****</b>

**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**Biennial Appropriation Summary**

Agency Name            ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code            375  
 Appropriation Name     Teacher Retirement - Operations  
 Appropriation Code     075  
 Fund Name                Teacher Retirement -Trust  
 Fund Code                TER

Character		Recommendations							
		Executive				Legislative			
Name	Code	2003-04	Pos.	2004-05	Pos.	2003-04	Pos.	2004-05	Pos.
Regular Salaries	5010000	2,223,817	65	2,283,859	65	0	0	0	0
Extra Help	5010001	105,000	14	105,000	14	0	0	0	0
Personal Serv Match	5010003	669,695	0	681,889	0	0	0	0	0
Overtime	5010006	150,000	0	150,000	0	0	0	0	0
Operating Expenses	5020002	2,935,257	0	2,935,257	0	0	0	0	0
Travel-Conferences	5050009	42,759	0	42,759	0	0	0	0	0
Capital Outlay	5120011	75,000	0	50,000	0	0	0	0	0
Prof. Fees & Serv.	5060010	170,304	0	170,304	0	0	0	0	0
Benefits-Non-Emp.	5100023	105,000,000	0	125,000,000	0	0	0	0	0
Refunds/Reimburse	5110014	6,500,000	0	6,500,000	0	0	0	0	0
Professional Services	5900043	250,000	0	250,000	0	0	0	0	0
Data Processing Services	5900044	7,550,600	0	7,550,600	0	0	0	0	0
Investment Counsel	5900046	6,744,500	0	6,744,500	0	0	0	0	0
<b>Grand Total</b>		<b>132,416,933</b>	<b>79</b>	<b>152,464,168</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Sources									
Name	Code								
Trust Funds	4000050	132,416,933	*****	152,464,168	*****	0	*****	0	*****
Total Funding		132,416,933	*****	152,464,168	*****	0	*****	0	*****
Excess Approl/(Funding)		0	*****	0	*****	0	*****	0	*****
<b>Grand Total</b>		<b>132,416,933</b>	<b>*****</b>	<b>152,464,168</b>	<b>*****</b>	<b>0</b>	<b>*****</b>	<b>0</b>	<b>*****</b>



ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Rank by Appropriation

Agency Name ARKANSAS TEACHER RETIREMENT SYSTEM  
Agency Code 375  
Appropriation Name Teacher Retirement - Trust  
Appropriation Code 075  
Fund Name Teacher Retirement - Trust  
Fund Code TER

Rank	Justification	Designation	Cost Center	2001-02			2002-03			Agency Request			Executive Recommendation			Legislative Recommendation		
				Actual	Budget	Pos.	Budget	Pos.	2003-04	2004-05	Pos.	2003-04	2004-05	Pos.	2003-04	2004-05	Pos.	
1	During the 2001-2003 biennium we have consistently used contract labor and extra help to maintain a minimal level of service for our active and retired members. It is expected the 2003-2005 legislative session will mandate additional changes that will be extremely critical without additional staff. Although we have added new technology to streamline processes and procedures, higher-level positions are needed with applicable salary to compensate the skill level necessary to maintain these new systems.  Audit findings require additional monitoring and maintaining of certain records. We are requesting two positions received in 2002-2003 ( Purchasing Agent II - Gr. 18 and an Accountant I - Gr. 18) become permanent positions as well as eight (8) new positions ( Reporting Specialist III - Gr. 15, 2, Acct. II - Gr. 18, Acct. I - Gr. 19, Real Estate Account Spec. - Gr. 19, Agency Fiscal Manager - Gr. 22, Data Processing Operations Manager - Gr. 22, Dep. Dir. of Fin. - Gr. 99). This request increases these employee's regular salaries to a total of \$ 3,083,506 for 2003-2004 and \$ 3,814,855 for the biennium of 2003-2005.	BL	Total	85,286,158	124,828,056	61	124,668,217	61	124,736,218	61	124,668,217	61	124,736,218	61	0	0	0	0
C01		306675 ATRS-Gen. Operations	0	0	0	526,859	11	540,081	11	245,782	5	251,963	5	0	0	0	0	
C01		Total	0	0	0	526,859	11	540,081	11	245,782	5	251,963	5	0	0	0	0	
1		C13	Position Not Recommended	306675 ATRS-Gen. Operations	0	0	0	0	0	0	(72,066)	(1)	(74,012)	(1)	0	0	0	0
C13		Position Not Recommended	0	0	0	0	0	0	(72,066)	(1)	(74,012)	(1)	0	0	0	0		
2	Changes are yet being made from the conversion of Y2K. A new postage machine will be purchased in the next biennium due to bar code reading that the government will require on all new postage machines due to terrorist preventive measures. Aging vehicles will need to be replaced 2 in the first year of the biennium and 2 in the second year. In addition, 2 fax machines and 2 copiers are to be replaced, and a high speed printer for human resources. With the addition of 8 new positions, we will need furniture and equipment. Therefore, we are requesting a total of \$200,000 for 2003-2004 and \$100,000 for 2004-2005.	C02	306675 ATRS-Gen. Operations	0	0	0	200,000	0	100,000	0	75,000	0	50,000	0	0	0	0	0
C02		Total	0	0	0	200,000	0	100,000	0	75,000	0	50,000	0	0	0	0	0	
C08		Technology	306675 ATRS-Gen. Operations	0	0	0	1,536,319	1	1,274,034	1	0	0	0	0	0	0	0	0
3	The pace of technology today is growing faster than ever before. What we plan for now, or three years into the future, may be outdated by the time we get there. For that reason, we are requesting special language for the carry-over clause for unused dollars for the first fiscal year (2003-2004 carry-over from June 30, 2004 to June 30, 2005), of the biennium be carried to the second year of the biennium. The funds appropriated are returned to our trust fund if not used. We do not feel a need to spend dollars or lose them.  We are beginning the next 24-month period of design and installation phase of our new member system. The initial development stage has been completed and we must continue. More and more new technology is coming available and to ensure that our completed and we must continue. More and more new technology is coming available and to ensure that our completed product is not obsolete upon completion we must take the time to be sure our interfaces will be compatible with the latest upgrades. Therefore, we are requesting a total of \$ 9,032,981 for 2003-2004 fiscal year (an increase of \$ 1,482,381) and a total of \$ 8,770,530 for the 2004-2005 fiscal year (an increase \$ 1,219,930).	C08	Technology	Total	0	0	0	1,536,319	1	1,274,034	1	0	0	0	0	0	0	0
C03		306675 ATRS-Gen. Operations	0	0	0	10,000,000	0	30,000,000	0	10,000,000	0	30,000,000	0	0	0	0	0	
4	The payment of benefits is the basis for ATRS' existence, this area is always covered. Only older retirees continue to receive paper warrants for payments of their benefits payments are smaller. In the past biennium, this amount was reduced. However, monitoring of this particular appropriation is showing a substantial increase in payout amount due to the Teacher Deferred Retirement Option Plan (T-DROP), which has been in existence since August, 1995.  Each year, members' T-Drop distributions increase, and the number of members retiring out of T-DROP have increased each year by 45%. For the past three years distributions were \$ 9,474,689, \$ 15,904,751 for 388 retirees in the 2001-2002 fiscal year. Therefore, we must increase our benefits amount to \$ 105,000,000 for 2003-2004 (an increase of \$ 10,000,000), and \$ 125,000,000 for 2004-2005 (an increase \$ 30,000,000).	C03	Total	0	0	0	10,000,000	0	30,000,000	0	10,000,000	0	30,000,000	0	0	0	0	0
C04		306675 ATRS-Gen. Operations	0	0	0	217,619	0	227,304	0	0	0	0	0	0	0	0	0	
5	The legal aspects of a board member's responsibility are far reaching. It is imperative that we stay abreast of the necessary technology, governance, administrative practices, actuarial principles, and emerging issues. The fiduciary responsibility of most commission and board members are not made known until they realize the importance of their vote and the impact that vote has on public policy. Therefore, we wish to increase the educational training for existing and new board members to a "must have." Board policy provides for educational seminars. In addition, we would like to require managerial staff to attend certain GFOA classes as well as public plan policy courses, and continuing education courses that relate directly to their job of expertise.	C04	306675 ATRS-Gen. Operations	0	0	0	217,619	0	227,304	0	0	0	0	0	0	0	0	0
C04		Total	0	0	0	217,619	0	227,304	0	0	0	0	0	0	0	0	0	

**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
 Biennial Rank by Appropriation

Agency Name ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code 375  
 Appropriation Name Teacher Retirement - Trust  
 Appropriation Code 075  
 Fund Name Teacher Retirement - Trust  
 Fund Code IER

Rank	Justification	Designation	Cost Center	2001-02		2002-03		Agency Request		Executive Recommendation		Legislative Recommendation			
				Actual	Budget	Pos.	Pos.	2003-04	Pos.	2003-04	Pos.	2003-04	Pos.	2004-05	Pos.
7	Also, several board positions will become vacant in the next biennium (Three (3) 6 year terms expire in 2004 and 2005). With our 75,000 active members and 17,000 retired members, these elections cost from \$30,000 to \$25,000 each, not including audits and postage. Therefore, we are requesting an increase in our maintenance and operations by \$ 217,619 for a total of \$ 3,152,218 for 2003-2004, and \$ 227,304 for a total of \$ 3,162,561 for the 2004-2005 fiscal year.	C04		0	0	0	0	217,619	0	227,304	0	0	0	0	
				306,675	0	0	0	50,000	0	60,000	0	0	0	0	0
				Total	0	0	0	0	217,619	0	227,304	0	0	0	0
8	In the past biennium, several consultants were hired for specific expertise in the areas of real estate property management consultants and legal advice. This will continue in the next biennium we will also hire expertise in organizational development to review the organization as a whole, and an accounting firm to give independent reviews of the properties owned by the system.  Additional information will be needed from the actuary to stay abreast of the legislative request for changes to benefits formulas and contribution rates. Comparative actuarial information is also needed. Therefore, we are requesting a total budget of \$300,000 for 2003-2004 (an increase of \$ 50,000) and \$ 310,000 for 2004-2005 (an increase of \$ 60,000)  Arkansans have been predictable for several years, but allowances must be anticipated for members' decisions. Although we have experienced few members getting refunds, withdrawals are larger in amount. For the past 4 years, more members are contributory than non-contributory. This will have an impact in the future if members decide to withdraw their contributions. However, until we see an upturn in the amount of withdrawals, we would like to reduce the amount of the appropriation by -\$ 2,500,000 for a total of \$5,500,000 for 2003-2004, and -\$ 2,500,000 for a total of \$ 6,500,000 for 2004-2005.	C05	ATRS Gen. Operations	0	0	0	0	50,000	0	60,000	0	0	0	0	
				0	0	0	0	50,000	0	60,000	0	0	0	0	
				Total	0	0	0	0	50,000	0	60,000	0	0	0	0
		C06	ATRS Gen. Operations	0	0	0	0	(2,500,000)	0	(2,500,000)	0	(2,500,000)	0	(2,500,000)	
				0	0	0	0	(2,500,000)	0	(2,500,000)	0	(2,500,000)	0	(2,500,000)	
				Total	0	0	0	0	(2,500,000)	0	(2,500,000)	0	(2,500,000)	0	(2,500,000)
<b>Grand Total</b>				65,288,158	124,828,068	61	134,699,014	73	154,437,637	73	132,416,933	65	152,464,169	65	

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**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**ANALYSIS OF BUDGET REQUEST**  
**2003-2005**

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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 Agency Request.

<b>AGENCY</b> Name: Arkansas Teacher Retirement System Code: 375	<b>APPROPRIATION</b> Name: Property Management Code: 312	<b>TREASURY FUND</b> Name: Teacher Retirement Code: TER	<b>ANALYSIS OF BUDGET REQUEST</b>	<b>PAGE</b>  <b>374</b>
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ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Appropriation Summary

Agency Name      ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code      375  
 Appropriation Name      Property Management  
 Appropriation Code      312  
 Fund Name      Teacher Retirement -Trust  
 Fund Code      TER

Character Name	Expenditures					Agency Request										Recommendations					
	2002-03		2003-04			2003-04					2004-05					Executive					
	Actual	Budget	Pos.	Authorized	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.	2003-04	2004-05	Pos.	
Property Management	0	500,000	0	500,000	0	500,000	0	0	0	500,000	0	500,000	0	0	0	500,000	0	500,000	0	500,000	0
Grand Total	0	500,000	0	500,000	0	500,000	0	0	0	500,000	0	500,000	0	0	0	500,000	0	500,000	0	500,000	0

Funding Sources Name	2001-02 Actual	2002-03 Budget	2002-03 Pos.	2002-03 Authorized	2002-03 Pos.	2003-04 Base Level	2003-04 Pos.	2003-04 Change Level	2003-04 Pos.	2003-04 Total	2003-04 Pos.	2004-05 Base Level	2004-05 Pos.	2004-05 Change Level	2004-05 Pos.	2004-05 Total	2004-05 Pos.	2003-04	2004-05	Pos.	
Trust Funds	0	500,000	*****	*****	*****	500,000	*****	0	*****	500,000	*****	500,000	*****	0	*****	500,000	*****	500,000	*****	500,000	*****
Total Funding	0	500,000	*****	*****	*****	500,000	*****	0	*****	500,000	*****	500,000	*****	0	*****	500,000	*****	500,000	*****	500,000	*****
Excess Appro(Funding)	0	0	*****	*****	*****	0	*****	0	*****	0	*****	0	*****	0	*****	0	*****	0	*****	0	*****
Grand Total	0	500,000	*****	*****	*****	500,000	*****	0	*****	500,000	*****	500,000	*****	0	*****	500,000	*****	500,000	*****	500,000	*****

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**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**Biennial Appropriation Summary**

Agency Name                    ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code                    375  
 Appropriation Name            Property Management  
 Appropriation Code            312  
 Fund Name                      Teacher Retirement -Trust  
 Fund Code                      TER

Character		Expenditures				
		2001-02	2002-03	2002-03		
Name	Code	Actual	Budget	Pos.	Authorized	Pos.
Property Management	5900046	0	500,000	0	500,000	0
Grand Total		0	500,000	0	500,000	0

Funding Sources						
Name	Code					
Trust Funds	4000050	0	500,000	*****	*****	*****
Total Funding		0	500,000	*****	*****	*****
Excess Appro/(Funding)		0	0	*****	*****	*****
Grand Total		0	500,000	*****	*****	*****

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Appropriation Summary

Agency Name            ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code            375  
 Appropriation Name    Property Management  
 Appropriation Code    312  
 Fund Name              Teacher Retirement -Trust  
 Fund Code              TER

Character Name                      Code		Agency Request											
		2003-04						2004-05					
		Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.
Property Management	5900046	500,000	0	0	0	500,000	0	500,000	0	0	0	500,000	0
Grand Total		500,000	0	0	0	500,000	0	500,000	0	0	0	500,000	0

Funding Sources													
Name	Code												
Trust Funds	4000050	500,000	*****	0	*****	500,000	*****	500,000	*****	0	*****	500,000	*****
Total Funding		500,000	*****	0	*****	500,000	*****	500,000	*****	0	*****	500,000	*****
Excess Appro/(Funding)		0	*****	0	*****	0	*****	0	*****	0	*****	0	*****
Grand Total		500,000	*****	0	*****	500,000	*****	500,000	*****	0	*****	500,000	*****

**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**Biennial Appropriation Summary**

Agency Name                    ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code                    375  
 Appropriation Name            Property Management  
 Appropriation Code            312  
 Fund Name                      Teacher Retirement -Trust  
 Fund Code                      TER

Character		Recommendations							
		Executive				Legislative			
Name	Code	2003-04	Pos.	2004-05	Pos.	2003-04	Pos.	2004-05	Pos.
Property Management	5900046	500,000	0	500,000	0	0	0	0	0
Grand Total		500,000	0	500,000	0	0	0	0	0

Funding Sources									
Name	Code								
Trust Funds	4000050	500,000	*****	500,000	*****	0	*****	0	*****
Total Funding		500,000	*****	500,000	*****	0	*****	0	*****
Excess Appro/(Funding)		0	*****	0	*****	0	*****	0	*****
Grand Total		500,000	*****	500,000	*****	0	*****	0	*****



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**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**ANALYSIS OF BUDGET REQUEST**  
**2003-2005**

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The Arkansas Teacher Retirement System is requesting an increase of \$25,000,000 in FY04 and \$61,000,000 in FY05 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 presently all new retirees are required to receive benefits through direct deposit.

The Executive Recommendation provides for Agency Request.

<b>AGENCY</b> Name: Arkansas Teacher Retirement System Code: 375	<b>APPROPRIATION</b> Name: Teacher Retirement - Cash Code: A76	<b>CASH FUND</b> Name: Teacher Retirement - Cash Code: 375	<b>ANALYSIS OF BUDGET REQUEST</b>	<b>PAGE</b>  378
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**ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM**  
**Biennial Appropriation Summary**

Agency Name                    ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code                    375  
 Appropriation Name            Teacher Retirement - Cash  
 Appropriation Code            A76  
 Fund Name                      Arkansas Teacher Retirement - Cash  
 Fund Code                      375

Character		Expenditures				
		2001-02	2002-03		2002-03	
Name	Code	Actual	Budget	Pos.	Authorized	Pos.
Benefits	5100023	251,496,939	449,000,000	0	449,000,000	0
Grand Total		251,496,939	449,000,000	0	449,000,000	0

Funding Sources						
Name	Code					
Cash Funds	4000045	251,496,939	449,000,000	*****	*****	*****
Total Funding		251,496,939	449,000,000	*****	*****	*****
Excess Appro/(Funding)		0	0	*****	*****	*****
Grand Total		251,496,939	449,000,000	*****	*****	*****

ARKANSAS PERFORMANCE BUDGETING & ACCOUNTABILITY SYSTEM  
Biennial Appropriation Summary

Agency Name            ARKANSAS TEACHER RETIREMENT SYSTEM  
 Agency Code            375  
 Appropriation Name     Teacher Retirement - Cash  
 Appropriation Code     A76  
 Fund Name               Arkansas Teacher Retirement - Cash  
 Fund Code               375

Character		Agency Request											
		2003-04						2004-05					
Name	Code	Base Level	Pos.	Change Level	Pos.	Total	Pos.	Base Level	Pos.	Change Level	Pos.	Total	Pos.
Benefits	5100023	449,000,000	0	25,000,000	0	474,000,000	0	449,000,000	0	61,000,000	0	510,000,000	0
<b>Grand Total</b>		<b>449,000,000</b>	<b>0</b>	<b>25,000,000</b>	<b>0</b>	<b>474,000,000</b>	<b>0</b>	<b>449,000,000</b>	<b>0</b>	<b>61,000,000</b>	<b>0</b>	<b>510,000,000</b>	<b>0</b>

Funding Sources													
Name	Code	2003-04		2004-05		2003-04		2004-05		2003-04		2004-05	
Cash Funds	4000045	449,000,000	*****	25,000,000	*****	474,000,000	*****	449,000,000	*****	61,000,000	*****	510,000,000	*****
Total Funding		449,000,000	*****	25,000,000	*****	474,000,000	*****	449,000,000	*****	61,000,000	*****	510,000,000	*****
Excess Appro/(Funding)		0	*****	0	*****	0	*****	0	*****	0	*****	0	*****
<b>Grand Total</b>		<b>449,000,000</b>	<b>*****</b>	<b>25,000,000</b>	<b>*****</b>	<b>474,000,000</b>	<b>*****</b>	<b>449,000,000</b>	<b>*****</b>	<b>61,000,000</b>	<b>*****</b>	<b>510,000,000</b>	<b>*****</b>

Arkansas Budget System  
Program Performance Budget Request

**Section 1. Program Goals:**

Agency, Director and Program Name	Program Description	Program Goals
Arkansas Teacher Retirement System G. Wayne Greathouse, Interim Director <b>AGENCY OPERATIONS ADMIN.</b>	To provide high quality member services, including education, and counseling to customers (i.e. members, retirees, employers) about the benefit program and other available services: To effectively manage the investment of the assets of the Arkansas Teacher Retirement System (ATRS): To provide administrative and support services for ATRS.	Goal 1- To provide our members and retirees with the highest level of benefits, customer services, and timely accurate information.

Objective ID	Objective	Objective Description
<b>131GL10BJ1</b>	1	To maximize benefit levels and customer satisfaction of members and retirees through the efficient administration of retirement legislation and the effective allocation and management of fund assets of the Arkansas Teacher Retirement System.

**Section 2. Performance Measures:**

Objective	Measure Type	Measure Description	03 Projected	04 Target	05 Target
1	Efficiency	Ensure all participants reported by employers are members of the system and status is correct	95.0%	95.5%	96.0%
	Output	Site visit to provide counseling sessions for active members of the system	100%	100%	100%
	Efficiency	Applications are processed to make effective annuity payment date	97%	97%	97%
	Output	Personally present, or videoconference, seminars on related topics	20 seminars per year	20 seminars per year	20 seminars per year
	Efficiency	Respond to members' requests within 5 business days	97%	97%	97%
	Output	Number of newsletters per year provided to members	2 newsletters per year	2 newsletters per year	2 newsletters per year
	Effort	Number of Agency proprietary systems administered	3	3	3
	Efficiency	Administrative cost per active and retired member	\$100	\$100	\$100
	Effort	Number of Performance Measures achieved	70%	75%	80%
	Outcome	Number of prior year findings repeated in subsequent audit	6	5	5

Arkansas Budget System  
Program Performance Budget Request

Section 3. Line Items:

	FY02 Actual	FY03 Budgeted	FY04 Base	FY04 Change Level	FY04 Request	FY05 Base	FY05 Change Level	FY05 Request	FY04 Executive Rec.	FY05 Executive Rec.	FY04 Legislative	FY05 Legislative
Regular Salaries	1,898,918	2,037,879	2,092,902	449,949	2,542,851	2,149,410	462,093	2,611,503	2,223,817	2,283,859		
-Number of Positions	61	61	61	12	73	61	14	75	65	65		
Extra Help	56,860	105,000	105,000		105,000	105,000		105,000	105,000	105,000		
-Number of Positions	14	14	14		14	14		14	14	14		
Personal Services	528,223	591,758	626,895	129,680	756,575	638,388	132,092	770,480	669,696	681,889		
Overtime	28,909	150,000	150,000		150,000	150,000		150,000	150,000	150,000		
Operating Expenses	2,096,505	2,935,258	2,935,257	217,619	3,152,876	2,935,257	227,304	3,162,560	2,935,257	2,935,257		
Conference Fees/ Travel	25,807	42,759	42,759		42,759	42,759		42,759	42,759	42,759		
Professional Fees/ Services	3,294,522	170,304	170,304		170,304	170,304		170,304	170,304	170,304		
Capital Outlay	16,802	250,000		200,000	200,000		100,000	100,000	75,000	50,000		
Data Processing (44)	0	7,550,600	7,550,600	1,483,549	9,034,149	7,550,600	1,219,930	8,770,530	7,550,600	7,550,600		
Prof. Services (43)	0	250,000	250,000	50,000	300,000	250,000	60,000	310,000	250,000	250,000		
Invest. Counsel (46)	0	6,744,500	6,744,500		6,744,500	6,744,500		6,744,500	6,744,500	6,744,500		
Property Manage	0	500,000	500,000		500,000	500,000		500,000	500,000	500,000		
Total	7,946,546	21,328,058	21,168,217	2,530,797	23,699,014	21,236,218	2,201,419	23,437,636	21,416,933	21,464,168	0	0

Arkansas Budget System  
Program Performance Budget Request

**Section 4. Program Funding:**

	FY02 Actual	FY03 Budgeted	FY04 Base	FY04 Change Level	FY04 Request	FY05 Base	FY05 Change Level	FY05 Request	FY04 Executive Rec.	FY05 Executive Rec.	FY04 Legislative	FY04 Legislative
Trust Fund	7,946,546	21,328,058	21,168,217	2,530,797	23,699,014	21,236,218	2,201,419	23,437,636	21,416,933	21,464,168		
Total Funding	7,946,546	21,328,058	21,168,217	2,530,797	23,699,014	21,236,218	2,201,419	23,437,636	21,416,933	21,464,168	0	0
Excess Appro./(Funding)												
Totals	7,946,546	21,328,058	21,168,217	2,530,797	23,699,014	21,236,218	2,201,419	23,437,636	21,416,933	21,464,168	0	0

**Section 5. Analysis of Program Objectives:**

Objective 1	FY02 Actual	FY03 Budgeted	FY04 Base	FY04 Change Level	FY04 Request	FY05 Base	FY05 Change Level	FY05 Request	FY04 Executive Rec.	FY05 Executive Rec.	FY04 Legislative	FY05 Legislative
	7,946,546	21,328,058	21,168,217	2,530,797	23,699,014	21,236,218	2,201,419	23,437,636	21,416,933	21,464,168		

**EXPLANATION OF CHANGE LEVEL FOR OBJECTIVE 1**

**CL 1-Regular Salaries**

During the 2001-2003 biennium we have consistently used contract labor and extra help to maintain a minimal level of service for our active and retired members. It is expected the 2003-2005 legislative session will mandate additional changes that will be extremely critical without additional staff. Although we have added new technology to streamline processes and procedures, higher-level positions are needed with applicable salary to compensate the skill level necessary to maintain these new systems. Audit findings require additional monitoring and maintaining of certain records.

We are requesting that the six (6) supplemental positions we received in 2002-2003 which are a Purchasing Agent II, Accountant II, Real Estate Specialist, Agency Reporting Manager, Personnel Supervisor and Deputy Director of Finance, become permanent and an additional eight (8) new positions (Reporting Specialist III (Gr. 15), 2 Accountants (Gr. 18), Accountant II (Gr. 19), Real Estate Account Specialist (Gr. 19), Agency Fiscal Manager (Gr. 22), and Deputy Director of Finance (Gr. 99). This request increases the employees' regular payroll salaries to a total of \$ 2,542,851 for 2003-2004 (an increase of \$ 449,949) and \$ 2,611,503 for 2004-2005 (an increase of \$ 462,093).

**CL 2-Capital Outlay**

Changes are yet being made from the conversion of Y2K. A new postage machine will be purchased to make necessary changes in the next biennium due to bar code reading that the government will require on all new postage machines due to terrorist preventive measures. This will require a new machine for our agency. Aging vehicles will need to be replaced - 2 in each year of the biennium. In addition 2 fax machines and 2 copiers are to be replaced also a high-speed printer is needed for human resources. With the addition of 8 new positions, we will need furniture and equipment. Therefore, we are requesting a total of \$ 200,000 for 2003-2004 and \$ 100,000 for 2004-2005.

**CL3- Data Processing Services**

The pace of technology today is growing faster than ever before. What we plan for now, or three years into the future, may be outdated by the time we get there. For that reason, we are requesting special language for the carry-over clause for unused dollars for the first fiscal year (2003-2004- carry-over from June 30, 2004 to June 30, 2005), of the biennium be carried to the second year of the biennium. The funds appropriated are returned to our trust fund if no used.

We are beginning the next 24-month period of design and installation phase of our new member system. The initial development stage has been completed and we must continue. More and more new technology is coming available and to ensure that our completed product is not obsolete upon completion we must take the time to be sure our interfaces will be compatible with the latest upgrades. While the rewrite is taking place we must maintain our current legacy systems to give up-to date information on 1099's, purchases of

Arkansas Budget System  
Program Performance Budget Request

service, actuarial information and other supporting documentations for day-to-day operations. Therefore, we are requesting a total of \$ 9,034,149 for the 2003-2004 fiscal year (an increase of \$ 1,483,549) and a total of \$ 8,770,559 for the 2004-2005 fiscal year (an increase of \$ 1,219,930).

**CL 5- Maintenance & Operation**

The legal aspects of a board member's responsibility are far reaching. It is imperative that we stay abreast of the necessary technology, governance, administrative practices, actuarial principles, and emerging issues. The fiduciary responsibility of most commission and board members are not made known until they realize the importance of their vote and the impact that vote has on public policy. Therefore, we wish to increase the educational training for existing and new board members to a "must-have." Board policy provides for educational seminars. In addition, we would like to require managerial staff to attend certain GFOA classes as well as public plan policy courses, and continuing education courses that relate directly to their job of expertise. Also, several board positions will become vacant in the next biennium (three (3) 6-year terms to expire in 2004 and 2005). With our 78,000 active members and 17,000 retired members, these elections cost from \$30,000 to \$35,000 each not including runoffs and postage. Therefore, we are requesting an increase of \$ 217,619 for a total of \$ 3,152,876 for 2003-2004 and \$ 227,304 for a total of \$ 3,162,561 for the 2004-2005 fiscal year.

**CL 7 – Professional Fees and Services**

In the past biennium, several consultants were hired for specific expertise in the areas of real estate, property management consultants and legal advice. This will continue. In the next biennium we will also hire expertise in organizational development to review the organization as a whole, and an accounting firm to give independent reviews of the properties owned by the system. Additional information will be needed from the actuary to stay abreast of the legislative requests for changes to benefit formulas and contribution rates. Independent and comparative actuarial information is also needed. Therefore, we are requesting a total budget of \$ 300,000 for 2003-2004 (an increase of \$ 50,000) and \$ 310,000 for 2004-2005 (an increase of \$ 60,000).

Arkansas Budget System  
Program Performance Budget Request

**Section 1. Program Goals:**

Agency, Director and Program Name	Program Description	Program Goals
Arkansas Teacher Retirement System G. Wayne Greathouse, Interim Exec. Dir. <b>BENEFIT PAYMENTS</b>	To provide accurate and timely benefit payments to retired members or beneficiaries and refunds to active/inactive members or employers of the Arkansas Teacher Retirement System (ATRS).	Goal 1-To provide for the accurate, timely payment of benefits/payouts to retired members/eligible beneficiaries and refunds to active/inactive members and employers.

Objective ID	Objective	Objective Description
NEWGL10B1	1	To produce accurate and timely benefit payments for retired members or beneficiaries via Automated Clearing House (ACH) Payment methodologies and to produce accurate and timely benefit payments/payouts for retired or beneficiaries and refunds to active/inactive members and employer via the Arkansas State Treasury by administering and maintaining the integrity of the Arkansas Teacher Retirement System membership database.

**Section 2. Performance Measures:**

Objective	Measure Type	Measure Description	03 Projected	04 Target	05 Target
1	Outcome	Percent of member earnings, service and contributions recorded correctly in membership data base	95.0%	95.5%	96.0%
	Outcome	Percent of initial payments made to retirees, or beneficiaries, by requested date, or within 30 days of receipt of required documentation.	98.0%	98.5%	99.0%

**Section 3. Line Items:**

	FY02 Actual	FY03 Budgeted	FY04 Base	FY04 Change Level	FY04 Request	FY05 Base	FY05 Change Level	FY05 Request	FY04 Executive Rec.	FY05 Executive Rec.	FY04 Legislative	FY05 Legislative
Benefits	328,836,551	553,000,000	553,000,000	32,500,000	585,500,000	553,000,000	88,500,000	641,500,000	585,500,000	641,500,000		
Total	328,836,551	553,000,000	553,000,000	32,500,000	585,500,000	553,000,000	88,500,000	641,500,000	585,500,000	641,500,000	0	0



Arkansas Budget System  
Program Performance Budget Request

**Section 4. Program Funding:**

	FY02 Actual	FY03 Budgeted	FY04 Base	FY04 Change Level	FY04 Request	FY05 Base	FY05 Change Level	FY05 Request	FY04 Executive Rec.	FY05 Executive Rec.	FY04 Legislative	FY04 Legislative
Cash Funds	251,496,939	449,000,000	449,000,000	25,000,000	474,000,000	449,000,000	61,000,000	510,000,000	474,000,000	510,000,000		
Trust Fund	77,339,612	104,000,000	104,000,000	7,500,000	111,500,000	104,000,000	27,500,000	131,500,000	111,500,000	131,500,000		
Total Funding	328,836,551	553,000,000	553,000,000	32,500,000	585,500,000	553,000,000	88,500,000	641,500,000	585,500,000	641,500,000	0	0
Excess Appro./(Fundi ng)												
Totals	328,836,551	553,000,000	553,000,000	32,500,000	585,500,000	553,000,000	88,500,000	641,500,000	585,500,000	641,500,000	0	0

**Section 5. Analysis of Program Objectives:**

Objective 1	FY02 Actual	FY03 Budgeted	FY04 Base	FY04 Change Level	FY04 Request	FY05 Base	FY05 Change Level	FY05 Request	FY04 Executive Rec.	FY05 Executive Rec.	FY04 Legislative	FY05 Legislative
	328,836,551	553,000,000	553,000,000	32,500,000	585,500,000	553,000,000	88,500,000	641,500,000	585,500,000	641,500,000		

**EXPLANATION OF CHANGE LEVEL FOR OBJECTIVE 1**

**CL 4- Benefits (075)**

The payment of benefits is the basis for ATRS' existence; this area is always covered. Only older retirees continue to receive paper warrants for payments of their benefits, and their benefit payments are smaller. In the past biennium, this amount was reduced. However, monitoring of this particular appropriation is showing a substantial increase in payout amount due to the Teacher Deferred Retirement Option Plan (T-DROP), which has been in existence since August, 1995.

Each year, members' T-DROP distributions increase, and the number of members retiring out of T-DROP have increased each year by 45%. The longer a person remains in T-DROP the more the distribution payout. For the past three years distributions have increased tremendously. Therefore, we must increase our benefits' amount to **\$105,000,000 for 2003-2004 (an increase of \$ 10,000,000), and \$125,000,000 for 2004-2005 (an increase of \$ 30,000,000).**

**CL6 – Benefits (A76-Direct Deposit)**

Effective, July 1998, new ATRS retirees were required to receive their checks VIA electronic fund transfer (EFT). This has eliminated the loss of paper warrants and has been a better tracking system for payments. Therefore, we are requesting an increase in this Fund Center (appropriation) to a total of **\$ 474,000,000 for 2003-2004 (an increase of \$ 24,000,000) and \$ 510,000,000 for 2004-2005 (an increase of \$ 61,000,000).**

**CL 9- Refunds**

Refunds have been predictable for several years, but allowances must be anticipated for members' decisions. Although we have experienced fewer members getting refunds, withdrawals are larger in amounts. For the past 4 years, more members are contributory than non-contributory. This will have an impact in the future if members decide to withdraw their contributions. However, until we see an upturn in the amount of withdraws, we would like to reduce the amount of the appropriation by **< \$ 2,500,000 > for a total of \$ 6,500,000 for 2003-2004, and < \$ 2,500,000 > for a total of \$ 6,500,000 for 2004-2005.**