

ARKANSAS TEACHER RETIREMENT SYSTEM

April 3, 2023

1400 West Third Street

BOARD ROOM

Little Rock, AR 72201

Board of Trustees Meeting

11:00 a.m.

Trustees

Danny Knight, Chair

Kelly Davis, Vice Chair

Anita Bell

Kathy Clayton

Susan Ford

Dr. Mike Hernandez

Shawn Higginbotham

Michael Johnson

Bobby G. Lester

Chip Martin

Jeff Stubblefield

Ex Officio Trustees

Susannah Marshall, State Bank Commissioner

Jacob Oliva, Secretary, Dept. of Education

Honorable Dennis Milligan, State Auditor

Honorable Mark Lowery, State Treasurer

AGENDA
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES

April 3, 2023

11:00 a.m.

1400 West Third Street
Little Rock, AR 72201

- I. ***Call to Order/Roll Call.** page 1.
- II. ***Adoption of Agenda.** page 2.
- III. Executive Summary. (Attachment No. 1) page 5.
- IV. ***Approval of Prior Meeting Minutes.**
 - A. ***February 6, 2023, Minutes.** (Attachment No. 2) page 10.
 - B. ***March 9, 2023, Minutes.** (Attachment No. 3) page 18.
- V. ***Member's Eligibility to Retire Using Purchased Future Service Credit.**
Jennifer Liwo, General Counsel (Attachment No. 4) page 20.
 - A. ***Resolution 2023-16.** (Attachment No. 5) page 28.
- VI. Legislative Audit - Financial Report June 30, 2022 -Update. (Attachment No. 6) page 31.
- VII. Legislative Audit - GASB Report - Update. (Attachment No. 7) page 62.
- VIII. Report of Member Interest Amount Waived Under A.C.A. Sec. 24-7-205.
- IX. Report of Employer Penalties and Interest Waived Under A.C.A. Sec. 24-7-411.
(Attachment No. 8) page 86.
- X. Audit Committee Report.
 - A. Internal Audit: Application of IRS 415 Limit Follow-Up Report. (Attachment No. 9) page 87.

* Action Item

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XI. Investment Committee Report.

A. Arkansas Related and Investment Update.

1. List of Fund Closings.

- a. Arrowstreet Global Equity ACWI Alpha Extension 130/30820, LP, a fund that uses advanced computer models to select global stocks for a long/short strategy, the Board authorized commitment of up to \$800 million dollars on December 5, 2022 was accepted and closed on March 15, 2023.
- b. DIF Infrastructure VII Cooperatief U.A. and DIF Infrastructure VII SCSp (collectively DIF VII), an infrastructure fund focused on public-private partnership projects including toll roads, regulated utilities, and renewable energy projects, the Board authorized commitment of up to €50 million euros on December 5, 2022 was accepted and closed on February 14, 2023.
- c. Franklin Park Venture Capital Opportunity Fund, LP, a fund that invests in later stage venture capital funds, the Board authorized additional commitment of up to \$30 million dollars on December 5, 2022 was accepted and closed on February 10, 2023.
- d. Franklin Park International Fund XI, LP, a fund that invests in international private equity, the Board authorized additional commitment of up to \$30 million dollars on December 5, 2022 was accepted and closed on February 10, 2023.
- e. GCG Investors VI, L.P., a fund focused on middle market debt and equity opportunities, the Board authorized commitment of up to \$30 million dollars on February 6, 2023 with Imminent Need was accepted and closed on March 8, 2023.
- f. Franklin Park Co- Investment Fund VI, L.P., a fund focused on private equity co-investments, the Board authorized commitment of up to \$65 million dollars on February 6, 2023 with Imminent Need was accepted and closed on February 24, 2023.

B. General Investment Consultant Report.

1. Preliminary Performance Report for the Month Ending February 28, 2023. (Attachment No. 10) page 94.
2. ***Recommendation to approve for Board adoption Resolution 2023-13 authorizing an investment of up to \$50 million dollars in Chatham Asset Private Debt and Strategic Capital Fund IV, L.P.** (Attachment No. 11) page 119.

* Action Item

- a. ***Resolution 2023-13.** (Attachment No. 12) page 148.
- 3. ***Recommendation to approve for Board adoption Resolution 2023-14 authorizing an investment of up to \$40 million dollars in Prophet MSR Opportunities Fund.** (Attachment No. 13) page 150.
 - a. ***Resolution 2023-14.** (Attachment No. 14) page 187.
- C. Real Assets Consultant Report.
 - 1. ***Recommendation to approve for Board adoption Resolution 2023-15 authorizing an investment of up to \$50 million dollars in Lone Star Real Estate Fund VII, LP.** (Attachment No. 15) page 189.
 - a. ***Resolution 2023-15.** (Attachment No. 16) page 195.
- XII. Operations Committee Report.
 - A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members in Attendance.
 - 1. Open Forum.
 - B. ATRS 2023 Legislative Package Update. (Attachment No. 17) page 197.
- XIII. ***Staff Reports.**
 - A. ***Medical Committee Report. A total of 9 Applicants were approved.** (Attachment No. 18) page 274.
- XIV. ***Recess for Lunch.**
- XV. ***Reconvene Board Meeting.**
- XVI. ***Appointment of Interim Executive Director.**
- XVII. Work on Executive Director Application Process.
- XVIII. Other Business.
- XIX. ***Adjourn.**

EXECUTIVE SUMMARY

TO: Board of Trustees
FROM: ATRS Staff
RE: Executive Summary
DATE: April 3, 2023

A. *February 6, 2023, Minutes. page 10.

B. *March 9, 2023, Minutes. page 18.

V. *Member's Eligibility to Retire Using Purchased Future Service Credit. *Jennifer Liwo, General Counsel* page 20.

This is an issue as to whether a member can be permitted to use unearned future service credit purchased through a contract buyout settlement agreement to retire before the member's employment contract with the school district would naturally have terminated. This is an action item.

A. *Resolution 2023-16. page 28.

VI. Legislative Audit - Financial Report June 30, 2022 -Update. page 31.

The Division of Legislative Audit has provided ATRS staff with the annual financial report for the fiscal year that ended on June 30, 2022. There were no findings in the report. This report still has to be reviewed by the Legislative Joint Auditing Committee, scheduled for April 14, 2023.

VII. Legislative Audit - GASB Report - Update. page 62.

The Division of Legislative Audit and GRS Actuaries have completed their annual report required by the Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions." There were no findings in the report. This report still has to be reviewed by the Legislative Joint Auditing Committee, scheduled for April 14, 2023.

VIII. Report of Member Interest Amount Waived Under A.C.A. Sec. 24-7-205.

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

IX. Report of Employer Penalties and Interest Waived Under A.C.A. Sec. 24-7-411. page 86.

ATRS may also waive employer interest and penalties when reports or payments

are late or have issues due to a new bookkeeper, inclement weather, sickness and other situations that justify a waiver. Eight (8) employer penalties and interest amounts were waived for this reporting period in the amount of \$2,890.57. This is a standard report for information and is not an action item.

X. Audit Committee Report.

A. Internal Audit: Application of IRS 415 Limit Follow-Up Report. page 87.

Application of IRS 415 Limit Follow-Up Report will be presented by Dena Dixon.

XI. Investment Committee Report.

A. Arkansas Related and Investment Update.

1. List of Fund Closings.

- a. **Arrowstreet Global Equity ACWI Alpha Extension 130/30820, LP, a fund that uses advanced computer models to select global stocks for a long/short strategy, the Board authorized commitment of up to \$800 million dollars on December 5, 2022 was accepted and closed on March 15, 2023.**
- b. **DIF Infrastructure VII Cooperatief U.A. and DIF Infrastructure VII SCSp (collectively DIF VII), an infrastructure fund focused on public-private partnership projects including toll roads, regulated utilities, and renewable energy projects, the Board authorized commitment of up to €50 million euros on December 5, 2022 was accepted and closed on February 14, 2023.**
- c. **Franklin Park Venture Capital Opportunity Fund, LP, a fund that invests in later stage venture capital funds, the Board authorized additional commitment of up to \$30 million dollars on December 5, 2022 was accepted and closed on February 10, 2023.**
- d. **Franklin Park International Fund XI, LP, a fund that invests in international private equity, the Board authorized additional commitment of up to \$30 million dollars on December 5, 2022 was accepted and closed on February 10, 2023.**
- e. **GCG Investors VI, L.P., a fund focused on middle market debt and equity opportunities, the Board authorized commitment of up to \$30 million dollars on February 6, 2023 with Imminent Need was accepted**

and closed on March 8, 2023.

- f. **Franklin Park Co- Investment Fund VI, L.P., a fund focused on private equity co-investments, the Board authorized commitment of up to \$65 million dollars on February 6, 2023 with Imminent Need was accepted and closed on February 24, 2023.**

B. General Investment Consultant Report.

- 1. **Preliminary Performance Report for the Month Ending February 28, 2023. page 94.**

PJ Kelly of Aon Hewitt Investment Consulting will provide the Board with a preliminary portfolio update for the month ending February 28, 2023.

- 2. ***Recommendation to approve for Board adoption Resolution 2023-13 authorizing an investment of up to \$50 million dollars in Chatham Asset Private Debt and Strategic Capital Fund IV, L.P. page 119.**

Founded in 2002 and based in Chatham, NJ, the fund is designed to provide clients with exposure to illiquid and opportunistic debt assets both on a long and short basis. The fund seeks to take advantage of opportunities arising from the mismatch between the supply of capital available to middle market companies and the demand for capital from those companies.

Prior to co-founding the management company in 2003, Anthony Melchiorre was a Managing Director and Head of Global High Yield Trading at Morgan Stanley from 1998 to 2002. At Morgan Stanley, Mr. Melchiorre actively traded a proprietary book including domestic and global investments in high yield debt, bank debt, and high yield credit derivatives. His duties also included responsibility for the risk management of a \$4.3 billion dollar global balance sheet. In addition to his experience at Morgan Stanley, Mr. Melchiorre garnered over fifteen years of experience as a high yield trader for various other firms. Previous funds in this series have averaged a 21.3% return. In 2021, ATRS invested in Fund III which currently has a net 21% IRR. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested. Aon Hewitt Investment Consulting recommends an investment of up to \$50 million dollars in Chatham Asset Private Debt and Strategic Capital Fund IV, L.P. with Imminent Need, and ATRS staff concurs.

- a. ***Resolution 2023-13. page 148.**

- 3. ***Recommendation to approve for Board adoption Resolution 2023-14 authorizing an investment of up to \$40 million dollars in Prophet MSR Opportunities Fund. page 150.**

Prophet Capital Management was founded in 1995 by Bobby Epstein, who previously traded mortgage derivatives and founded MBS services firm Arbour Financial Corporation. Prophet was initially formed as a friends-and-family venture to invest in certain alternative fixed income and mortgage markets when deemed attractive and return capital when played out. In 2008, Prophet was reorganized as Prophet Capital Asset Management LP, preserving the same goals but with a focus on institutional investors. In 2009, CIO David Rosenblum joined Prophet after spending 17 years in various roles at Goldman Sachs, where he was ultimately named head of structured credit portfolio management. Since the addition of Mr. Rosenblum, the strategy lineup has progressed from distressed post-GFC investments to timely structured credit and mortgage opportunities in response to the changing market environment. The fund targets a net 12% IRR. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested. Aon Hewitt Investment Consulting recommends an investment of up to \$50 million dollars in Prophet Mortgage Servicing Opportunities Fund Class A with Imminent Need, and ATRS staff concurs.

a. ***Resolution 2023-14.** page 187.

C. Real Assets Consultant Report.

1. ***Recommendation to approve for Board adoption Resolution 2023-15 authorizing an investment of up to \$50 million dollars in Lone Star Real Estate Fund VII, LP.** page 189.

John P. Grayken formed Lone Star in 1995 and continues to lead the highly successful, Texas based firm. Lone Star Real Estate Fund VII, L.P. will be a closed-end, global, opportunistic fund. The fund will invest in distressed and opportunistic commercial real estate debt and equity assets with a target net IRR to investors of 11-12%. The global allocation levels are expected to be no more than 70% in any one of Europe, Japan or North America or 15% in other markets. Lone Star has organized twenty-four private equity funds with aggregate capital commitments since inception totaling over \$89 billion dollars. The aggregate projected net IRR across the prior funds for commercial real estate-related investments is 16.22%. ATRS previously invested in Fund IV of the series in 2015 that has generated a net IRR of 12.2%. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested. Aon Hewitt Investment Consulting recommends an investment of up to \$50 million dollars in Lone Star Real Estate Fund VII, L.P. with Imminent Need, and ATRS staff concurs.

a. ***Resolution 2023-15.** page 195.

XII. Operations Committee Report.

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

1. Open Forum.

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

B. ATRS 2023 Legislative Package Update. page 197.

XIII. *Staff Reports.

A. *Medical Committee Report. A total of 9 Applicants were approved. page 274.

The Medical Committee Report is a standard report made by staff on behalf of the Medical Committee approving disability cases. A total of 9 disability applications were received, 8 were approved, and 1 needed more information. This is not an action item.

XIV. *Recess for Lunch.

XV. *Reconvene Board Meeting.

XVI. *Appointment of Interim Executive Director.

XVII. Work on Executive Director Application Process.

XVIII. Other Business.

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

**Monday, February 6, 2023
11:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Kelly Davis, Vice Chair
Anita Bell
Kathy Clayton
Susan Ford*
Dr. Mike Hernandez
Shawn Higginbotham
Michael Johnson
Bobby Lester
Chip Martin
Jeff Stubblefield
Susannah Marshall, Bank Commissioner
Jason Brady, designee for Hon. Dennis Milligan
Hon. Mark Lowery, State Treasurer

Board Members Absent

Jacob Oliva, Secretary, Department of Ed.

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer
Dena Dixson, Int. Audit/Risk Mgmt.*
Braeden, Duke, Software Support Analyst
Vicky Fowler, Manager, Human Resources
Willie Kincade, Director of Operations
Mike Lauro, Information System Manager*
Jennifer Liwo, General Counsel
Manju, Director, Information Technology
Jerry Meyer, Manager, Real Assets
Whitney Sommers, Administrative Analyst
Leslie Ward, Manager, Private Equity
Brenda West, Internal Audit/Risk Mgmt.
Misty Yant, Manager, Accounting/Reporting*

Guest Present

Donna Morey, ARTA
Robin Nichols
Chae Hong, Aon Hewitt
Katie Comstock, Aon Hewitt
PJ Kelly, Aon Hewitt*
Gar Chung – FinNews*
Amy Fecher*
Bela Kirpalani, MandateWire*
ID# 683108*
ID: Carlos*
ID: David*
ID: JodyC*

**Via ZOOM*

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 11:00 a.m. Roll call was taken. Mr. Oliva was absent.

II. Motion to Excuse Absent Board Members.

Mr. Lester *moved to excuse Mr. Oliva from the February 6, 2023, meeting. Ms. Bell seconded the motion, and the Board unanimously approved the motion.*

III. Adoption of Agenda.

Mr. Higginbotham *moved for adoption of the Agenda. Ms. Davis seconded the motion, and the Board unanimously approved the motion.*

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

V. Approval of December 5, 2022, Minutes

Mr. Johnson *moved for approval of the Minutes of the Board of Trustees meeting of December 5, 2022. Mr. Lester seconded the motion, and the Board unanimously approved the motion.*

VI. Correcting a Scrivener’s Error in Resolution No. 2022-42, Authorization to pay Post 10-Year T-DROP Interest for Fiscal Year 2023.

Mr. Stubblefield *moved to adopt Resolution 2023-01, Correcting Scrivener’s Error in Resolution 2022-42, Authorization to pay Post 10-Year T-DROP Interest for Fiscal Year 2023. Mr. Brady seconded the motion, and the Board unanimously adopted the resolution.*

VII. Staff Empowerment.

A. Authority to Transact Business.

1. Resolution 2023-02.

Ms. Marshall *moved to adopt Resolution 2023-02, Authority to Transact Business on behalf of the ATRS Board of Trustees. Mr. Lester seconded the motion, and the Board unanimously adopted the resolution.*

B. Specific Powers of Executive Director.

1. Resolution 2023-03.

Mr. Higginbotham moved to adopt Resolution 2023-03, Authorizing Specific Powers of Executive Director on behalf of the ATRS Board of Trustees. Ms. Bell seconded the motion and the Board *unanimously adopted the resolution.*

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

1. Resolution 2023-04.

Ms. Clayton *moved to adopt* Resolution 2023-04, Appointment of ATRS as Manager of LLC's. Ms. Davis *seconded the motion*, and the Board *unanimously adopted the resolution.*

VIII. Authority to Reimburse Trustee Expenses for 2023.

A. Resolution 2023-05.

Mr. Brady *moved to adopt* Resolution 2023-05, authorizing ATRS to reimburse ATRS Trustees for miscellaneous expenses and losses in salary resulting from Board of Trustees meeting attendance or other official Board duties. Dr. Hernandez *seconded the motion*, and the Board *unanimously adopted the resolution.*

IX. Authorization for Board Travel and Expense Reimbursement for 2023.

A. Resolution 2023-06.

Mr. Johnson *moved to adopt* Resolution 2023-06, authorizing ATRS to reimburse ATRS Trustees for expenses used in traveling for official Board duties. Ms. Marshall *seconded the motion*, and the Board *unanimously adopted the resolution.*

X. Adoption of 2023-2024 Employer Contribution Rate.

A. Resolution 2023-07.

Ms. Marshall *moved to adopt* Resolution 2023-07, Adoption Employer Contribution Rate at the rate of 15.00% for the fiscal year starting July 1, 2023. Mr. Martin *seconded the motion*, and the Board *unanimously adopted the resolution.*

XI. Adoption of 2023-2024 Member Contribution Rate.

A. Resolution 2023-08.

Mr. Stubblefield *moved to adopt* Resolution 2023-08, with a correction to the date for Adoption of Member Contribution Rate at the rate of 7.00% for the fiscal year starting July 1, 2023. Mr. Brady *seconded the motion*, and the Board *unanimously adopted the resolution*.

XII. Surcharge Rate for Outsourced Positions.

A. Resolution 2023-09

Ms. Bell *moved to adopt* Resolution 2023-09, Surcharge Rate of 4% applied to Outsourced Positions. Mr. Lowery *seconded the motion*, and the Board *unanimously adopted the resolution*.

XIII. Actuarial Valuations, June 30, 2022. Mr. Rhoden presented the annual reports prepared by the Actuaries concerning the valuation of liability to active and inactive members along with the valuation of liabilities for annuities being paid to current retirees and current beneficiaries.

A. Active & Inactive Members. This report reflects the liabilities owed by ATRS to active and inactive members.

Mr. Brady *moved to accept* the Actuarial Valuations for Active & Inactive Members as of June 30, 2022. Mr. Higginbotham *seconded the motion*, and the Board *unanimously approved the motion*.

B. Retirees & Beneficiaries. This report reflects the liabilities to ATRS retirees, beneficiaries, survivors, and incapacitated children.

Mr. Martin *moved to accept* the Actuarial Valuations Retirees & Beneficiaries as of June 30, 2021. Ms. Marshall *seconded the motion*, and the Board *unanimously approved the motion*.

XIV. Report of Member Interest Waived Under A. C. A. Section 24-7-205. Mr. Rhoden presented the member interest amount waived report. ATRS waives interest for members when there is a dispute between ATRS and the member as to whether ATRS made a mistake or otherwise did not do all that was required on the member's account. No member interest was waived for this reporting period.

XV. Report of Employer Interest and Penalties Waived Under A. C. A. Sec. 24-7-411. Mr. Rhoden presented the employer interest and penalties waived

report. ATRS may also waive employer interest and penalties when reports or payments are late or have issues due to a new bookkeeper, inclement weather, sickness and other situations that justify a waiver. Five (5) employer penalties and interest amounts were waived for this reporting period in the amount of \$2,028.54.

XVI. Member’s Eligibility to Retire Using Purchase Future Service Credit.

Mr. Rhoden presented the Board with information concerning a member’s eligibility to retire using purchase of future service credit.

Mr. Brady moved to table the matter until the April 3, 2023, Board Meeting. Mr. Lester seconded the motion, and the Board unanimously adopted the resolution.

XVII. Investment Committee Report. Chip Martin, Chair, gave a report on the Investment Committee Meeting.

A. Arkansas Related and Investment Update.

- 1. List of Fund Closings and Board Policies Report.** Rod Graves, Deputy Director, gave an update on recent investment activity and Board Policies Report.

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

- 1. Preliminary Performance Report for the Quarter Ending December 31, 2022.** Katie Comstock of Aon Hewitt Investment Consulting provided the Committee with a preliminary portfolio update for the quarter ending December 31, 2022.

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

- 1. Performance Report for the Quarter Ending September 30, 2022.** Chae Hong Aon Hewitt Investment Consulting provided the Committee with a performance report for the quarter ending September 30, 2022.

D. Private Equity Consultant Report. *Franklin Park*

- 1. Preliminary Private Equity Portfolio Review for the Quarter Ended September 30, 2022.** Michael Bacine of Franklin Park

provided the Committee with the private equity portfolio review for the quarter ended September 30, 2022

2. **Recommendation to approve for Board adoption Resolution 2023-10 authorizing an investment of up to \$30 million dollars in LLR Equity Partners VII, L.P. with Imminent Need.** Michael Bacine of Franklin Park provided the Committee with the recommendation for Board adoption of Resolution 2023-10, to authorize an investment of up to \$30 million dollars in LLR Equity Partners VII, L.P. with Imminent Need

Staff concurs with the recommendation.

Mr. Martin *moved to approve* Resolution 2023-10 authorizing an investment of up to \$30 million dollars in LLR Equity Partners VII, L.P. with Imminent Need. The Board *unanimously approved the motion.*

3. **Recommendation to approve for Board adoption Resolution 2023-11 authorizing an investment of up to \$30 million dollars in GCG Investors VI, L.P. with Imminent Need.** Michael Bacine of Franklin Park provided the Committee with the recommendation for Board adoption of Resolution 2023-11 authorizing an investment of up to \$30 million dollars in GCG Investors VI, L.P. with Imminent Need.

Staff concurs with the recommendation.

Mr. Martin *moved to approve* Resolution 2023-11 authorizing an investment of up to \$30 million dollars in GCG Investors VI, L.P. with Imminent Need. The Board *unanimously approved the motion.*

4. **Recommendation to approve Resolution 2023-12, authorizing an investment of up to \$65 million dollars in Franklin Park Co- Investment Fund VI, L.P. with Imminent Need.** Michael Bacine presented the Committee with the recommendation to approve for Board Adoption Resolution 2023-12, authorizing an investment of up to \$65 million dollars in Franklin Park Co- Investment Fund VI, L.P. with Imminent Need.

Staff concurs with the recommendation.

Mr. Martin moved to approve Resolution 2023-12, authorizing an investment of up to \$65 million dollars in Franklin Park Co- Investment Fund VI, L.P. with Imminent Need. The Board unanimously approved the motion

XVIII. Operations Committee Report. Bobby Lester, Chair, gave a report on the Operations Committee meeting.

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

1, Open Forum.

B. ATRS 2023 Legislative Package update. Director Rhoden and Jennifer Liwo, General Counsel, gave the Committee an update on ATRS' legislative package.

XIX. Board of Trustees Disability Review. Under the Disability Review procedure described in A.C.A.24-7-704(b)(3)(D) the Board shall approve the recommendations of the Medical Committee. Willie Kincade provided the Board with two (2) disability reviews for Board consideration.

A. In Re: ATRS ID#378469.

Ms. Davis moved to approve ATRS ID# 378469 Disability Review Order. Mr. Martin seconded the motion and the Board unanimously approved the Motion.

B. In Re: ATRS ID# 259038

Mr. Stubblefield moved to approve ATRS ID# 259038 Disability Review Order. Ms. Marshall seconded the motion and the Board unanimously approved the Motion.

XX. Staff Reports.

A. Medical Committee Report. Mr. Kincade reported that a total of Ten (10) Disability Retirement Applications were approved.

Ms. Ford moved to approve the Medical Committee Report. Mr. Lowery seconded the motion and the Board unanimously approved the Motion.

XXI. Other Business: None

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

Mr. Lester *moved to adjourn* the Board Meeting. Mr. Martin *seconded the Motion* and the Board *unanimously approved the Motion*.

Meeting adjourned at 11:38 a.m.

Clint Rhoden,
Executive Director

Mr. Danny Knight, Chair
Board of Trustees

Tammy Porter,
Recorder

Date Approved

**MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING**

**Thursday, March 9, 2023
4:15 p.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Chair
Kelly Davis, Vice Chair*
Anita Bell*
Susan Ford*
Dr. Mike Hernandez*
Shawn Higginbotham*
Michael Johnson*
Bobby Lester*
Chip Martin*
Jeff Stubblefield*
Susannah Marshall, Bank Commissioner*
Jason Brady, designee for Auditor Milligan*
Hon. Mark Lowery, State Treasurer*

Board Member Absent

Kathy Clayton
Jacob Oliva, Secretary, Dept. of Education

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Assistant/Board Secretary
Curtis Carter, Chief Financial Officer*
Dena Dixson, Internal Audit/Risk Management*
Braeden Duke, Software Specialist Analyst
Vicky Fowler, Manager, Human Resources
Mike Lauro, Information Technology
Jennifer Liwo, General Counsel*
Jerry Meyer, Manager, Real Assets
Joe Sithong, Manager, Information Technology*
Brenda West, Internal Audit/Risk Management

Guest Present

Donna Morey, ARTA*
Jack Dowd, Aon Hewitt Investment Consulting*
Chae Hong, Aon Hewitt Investment Consulting*
Roran O'Brien*
Clint Leman*
Richard Estes*
Matthew Hooker*
Lenovo Tab P10*

*Via ZOOM

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 4:23 p.m. Roll call was taken. Ms. Kathy Clayton and Jacob Oliva, Secretary of Dept. of Education were absent.

- II. **Adoption of Agenda.**

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

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

IV. Member’s Eligibility to Retire Using Purchased Future Service Credit. Director Rhoden presented the Board with the issue regarding a member’s eligibility to retire using purchased future credit. Mr. Richard Estes presented his case to the Board. After discussion from ATRS Board members and Mr. Estes presentation, the Board decided to table the matter

Dr. Hernandez *moved to table* this matter until the April 3, 2023, regular Board meeting. Mr. Stubblefield seconded the motion. Roll call vote was taken, with seven (7) YES and six (6) NO. The Board unanimously approved the Motion.

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

A. Recommendation to approve for Board adoption a motion to authorize the use of up to \$15 million dollars of recallable distributions for the US Agriculture farmland investment program.

Staff concurs with the recommendation.

Mr. Martin *moved to approve the Recommendation to authorize the use of up to \$15 million dollars of recallable distributions for the US Agriculture farmland investment program, and the Board unanimously approved the motion.*

VI. Other Business. Director Rhoden read a statement to the Board resigning as Executive Director effective March 31, 2023. The Board expressed their appreciation and gratitude to Director Rhoden for a job well done.

VI. Adjourn. With No other business, Mr. Knight *adjourned* meeting

Meeting adjourned at 5:23 p.m.

Clint Rhoden, Executive Director

Mr. Danny Knight, Chair

Tammy Porter, Recorder

Date Approved



MEMO TO: BOARD OF TRUSTEES OF THE ARKANSAS TEACHER RETIREMENT SYSTEM

FROM: EXECUTIVE DIRECTOR, CLINT RHODEN

SUBJECT: MEMBER'S ELIGIBILITY TO RETIRE USING UNEARNED FUTURE SERVICE CREDIT PURCHASED THROUGH A CONTRACT BUYOUT SETTLEMENT AGREEMENT

I. Questions Presented

Should a member be permitted to use unearned future service credit purchased through a contract buyout settlement agreement to retire before the member's employment contract with the school district would naturally have terminated?

II. Relevant Facts

The question presented to the Board derives from facts concerning a member (ATRS ID # 476265) ("Member") of the Arkansas Teacher Retirement System ("ATRS"). The Member currently has twenty-four (24) years of service credit in the system.

On September 20, 2022, the Member entered into a contract buyout settlement agreement ("Agreement") with his covered employer. Under the terms of the Agreement, the Member remains on paid administrative leave until June 30, 2023, following which the Member's employment contract will be terminated.

Additionally, under the terms of the Agreement, for the Member's benefit and following the termination of his contract with the school district, the school district agreed to pay ATRS for two (2) years of service credit covering the 2023-2024 and 2024-2025 school years. Payment for the service credit is intended to be made on or about July 1, 2023.

Applying the terms of the Agreement, the Member would have twenty-five (25) years of service credit by June 30, 2023. Thereafter, if ATRS receives payment in full for two (2) years of service credit covering the 2023-2024 and 2024-2025 school years, the member will have twenty-seven (27) years of service credit in ATRS.

On October 6, 2022, the Member contacted Martha Miller ("Miller") and asked when he could retire based on the Agreement. Miller advised that she would review the Agreement and follow-up with him.

After reviewing the Agreement, on October 7, 2022, Miller contacted the Member and advised that she thought he could retire as soon as the school district paid for the two (2) years of service credit, but the Executive Director would need to review his file and make a final decision.



During the October 7, 2022, phone call, Miller further explained to the Member that he could retire (when and if eligible to retire) and return to work after the six-month termination separation period, but he could not earn additional service credit by working during the next two (2) years and stacking earned credit on top of the purchased service credit. Miller continued on to explain that if the Member wanted to retire with twenty-eight (28) years of service credit and without an early retirement penalty, the Member would need to work for an additional year after July 1, 2025.

Since October 2022, the Member has continued to inquire as to whether or not the two (2) years of purchased service credit, intended to be purchased on July 1, 2023, can be used by him to retire effective July 1, 2023, as an early voluntary retiree, or, alternatively, whether he must wait to retire on July 1, 2025, which is when his contract with the school district would naturally have terminated.

As the facts pertaining to the Member raised a novel situation unaddressed by the law, rules, or policy applicable to ATRS, the ATRS administration determined that rendering a final decision on the matter was within the purview of the Board.

III. Law, Rules, and Policy

While the law, rules, and policy applicable to ATRS are devoid of any guidance concerning the question presented, the following laws, rules, and policy may be helpful to the Board in deciding the issue.

A. Authority of the Board

Ark. Code Ann. § 24-7-305(a)(1) provides, “*Both the contributory plan provided by this act and the noncontributory plan [...] shall be under the administration and control of the Board of Trustees of the Arkansas Teacher Retirement System [...].*”

Additionally, ATRS Board Policy 1 – Board Governance, § (1)(A) states, “*The authority and responsibility for the administration, management, and control of the Retirement System, and for the construing and carrying out the provisions of the plan is vested in the Board of Trustees [...]. The Board is responsible for the governance of ATRS. It is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable legal mandates.*”

Based on the provisions of the Arkansas Code and the ATRS Board Policy, the Board has the authority to determine generally for all members of the system, whether or not unearned future service credit purchased through a contract buyout settlement agreement may be used by a member of the system to retire before the member’s contract with the school district would have naturally terminated

B. Actuarial Analysis

In its actuarial analysis of the issue, GRS stated, “*Allowing the person to retire prior to the time the contract would otherwise have been fulfilled is not consistent with the manner in which the cost is being calculated. Even if the ATRS early retirement reduction factor (ERR) is applied to the person’s benefit to*



account for the early start, there could be cases wherein the ERR would be sufficient to offset the cost of the earlier retirement and cases where it might not be. If the Board wishes to allow retirement prior to the time the contract would have been fulfilled, we would suggest a review of the calculator being used for contract buyouts to determine whether any adjustments are needed.”

GRS’ analysis does not speak directly to whether or not the Board should permit unearned future service credit purchased through a contract buyout settlement agreement to be used by a member to retire before the member’s contract with the school district would have naturally terminated. Rather, GRS only notes that if an earlier retirement is permitted, ATRS will need to adjust its calculation of the actuarial cost of the purchased service credit to offset any cost to the system that may arise due to the member’s earlier retirement.

C. Service Credit

In order to earn one (1) year of service credit, a member must be employed with a covered employer for a minimum of one hundred sixty (160) days per fiscal year. Ark. Code Ann. § 24-7-601(b)(1). However, Ark. Code Ann. § 24-7-601(b)(3) is clear that a “*member shall not receive more than one (1) year of service credit for the member’s employment with a covered employer and reciprocal system employer in any one (1) fiscal year.*” ATRS Rule 7 – Reporting and Eligibility, § (III)(a)(3), similarly provides that a “*member shall not earn more than one (1) year of credited service in a fiscal year.*”

It may be argued that Ark. Code Ann. § 24-7-601 only prohibits a member from earning or receiving more than one (1) year of service credit with the same covered employer and does not prohibit the member from earning or receiving more than one (1) year of service credit if the member is employed with more than one (1) covered employer during the same fiscal year.

However, this interpretation of the law does not account for ATRS Rule 7, which clearly states that a member cannot *earn* more than one (1) year of credited service in a fiscal year. Service credit is earned by rendering employment services to a covered employer. Therefore, if a member was employed with two (2) or more covered employers in a fiscal year, under ATRS Rule 7, the member would be limited to earning or receiving through a covered employer only one (1) year of service credit for the fiscal year.

In the Member’s case, to align the provisions of the Agreement with the provisions of Ark. Code Ann. § 24-7-601 and ATRS Rule 7, the two (2) years of service credit being purchased under the Agreement must be split, with one (1) year of service credit applied to the 2023-2024 fiscal year and the remaining year applied to the 2024-2025 fiscal year.

Given the distribution of the two (2) years of service credit explained above, if the Member returned to covered employment during the 2023-2024 or 2024-2025 fiscal year, the Member could not earn or receive additional service on top of the service credit purchased under the Agreement as the Member would have already received the maximum one-year of service credit for each of the fiscal years. Allowing the Member to earn additional service credit during the 2023-2024 or 2024-2025 fiscal year would be in contravention to Ark. Code Ann. § 24-7-601 and ATRS Rule 7.



D. Purchased Service Credit

ATRS offers various types of purchasable service credit to include without limitation, military service credit, service credit for service in the National Guard and armed forces reserve, domestic federal service credit, out-of-state service credit, overseas service credit, service in the General Assembly, service credit for leave of absence to obtain an advanced degree (“sabbatical leave”), and private school service credit (collectively “purchasable service credit”).

Purchasable service credit differs from service credit purchased through a contract buyout settlement agreement. First, purchasable service credit is retrospective in nature while service credit purchased through a contract buyout settlement is prospective in nature.

Second, purchasable service credit requires a person to earn the service through some action; that is, the member must have performed the service that would make the member eligible to purchase the specific type of purchasable service credit. For example, in order to purchase service credit for service in the General Assembly, a member would have had to have served as a member of the General Assembly.

In contrast, service credit purchased through a contract buyout settlement agreement does not necessarily require a member to earn the service credit through some action. The service credit may be unearned as the member can still receive the service credit without rendering any service to a covered employer.

In summary, unlike purchasable service credit, service credit purchased through a contract buyout settlement agreement allows a person to earn or receive in the system service credit for a period of time occurring in the future without the person performing a service or action to earn the service credit.

Generally, a member’s covered employment will not overlap with the period of time covered by purchased purchasable service credit. However, an overlap can occur in situations involving National Guard or armed forces reserve service credit. This is because a person in the National Guard or armed forces reserve can work for a covered employer while he or she is on-call with the National Guard or armed forces reserve. It is for this reason that Ark. Code Ann. § 24-7-610(e) specifically provides, “*Service in the National Guard or armed forces reserve service shall be credited to the year in which it was rendered even if the member has concurrent service with a covered employer.*” Therefore, members who purchase National Guard or armed forces reserve service credit may receive more than one (1) year of service credit in a fiscal year. However, this does not violate Ark. Code Ann. § 24-7-601 and ATRS Rule 7 as the additional service credit was not earned or received through or in connection with employment with a covered employer.

It should be noted that if the only fact transposed in the Member’s situation was that two (2) service credit years of purchasable service credit was purchased instead of two (2) years of service credit through the Agreement, the current practice of the system would allow the Member to retire on July 1, 2023, instead of waiting until July 1, 2025.



On a final note, service credit purchased under a contract buyout settlement agreement and for which no actual service is performed is the purchase of “air-time” or “nonqualified service credit”.¹ A governmental retirement plan cannot use more than five (5) years of nonqualified service credit to calculate a plan participant’s benefit under the plan. 26 U.S.C. § 415.

Therefore, it is suggested that the Board clarify that a member may only use up to five (5) years of unearned service credit purchased through a contract buyout settlement agreement to retire, regardless of whether there are gaps between the time in which the service credit was purchased.

E. Voluntary Retirement and Early Voluntary Retirement

A member may retire under voluntary retirement if the member has attained sixty (60) years of age and has at least five (5) years of actual and reciprocal service credit. Ark. Code Ann. § 24-7-701(a)(1)(A). Additionally, regardless of age, a member may retire under voluntary retirement if the member has twenty-eight (28) years of service credit. Ark. Code Ann. § 24-7-701(a)(1)(A).

A member may retire under early voluntary retirement if the member is under sixty (60) years of age and has a combined total of at least twenty-five (25) years of actual and reciprocal service, including purchased or free credited service.

In the Member’s case, the Member is currently ineligible for either voluntary retirement and early voluntary retirement. At the conclusion of his paid administrative leave on June 30, 2023, the Member will have twenty-five years (25) of service credit and will be eligible for early voluntary retirement.

Additionally, if the two (2) years of service credit are purchased in accordance with the Agreement on or about July 1, 2023, the Member will have a total of twenty-seven (27) years of service credit in the system, which will enable the Member to retire under early voluntary retirement with a higher benefit payment.

¹ In relevant part, “nonqualified service credit” is service credit that does not fall within one (1) of the following:

1. Service (including parental, medical, sabbatical, and similar leave) as an employee of the Government of the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of a repayment [...]);
2. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee [...] of an educational organization described [...] which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed;
3. Service as an employee of an association of employees [...]; or
4. Military service (other than qualified military service [...]) recognized by such governmental plan.

26 U.S.C. § 415(n)(3)(C).



F. Member Contributions

ATRS Rule 7, § (III)(b)(2), provides that a “*contributory member shall contribute the percentage of his or her salary that is set by the Board.*” Additionally, ATRS Rule 6 – Membership, § (III)(a)(2), provides that a “*contributory member shall not elect to become a noncontributory member.*”

All covered employers are required to deduct member contributions from the salary of each member on the covered employer’s payroll. Ark. Code Ann. § 24-7-406(c)(1)(A). Member contributions must be deducted for every payroll period from the date of the member’s entry into the system until the member retires or terminates. Ark. Code Ann. § 24-7-406(c)(1)(A). Covered employers must remit member contributions to the system. Ark. Code Ann. § 24-7-406(c)(1)(A). Each member is deemed to consent and agree to the deduction of their member contributions. Ark. Code Ann. § 24-7-406(c)(3)(A).

The Arkansas Code and the ATRS Rules do not include a provision exempting a member from the contribution requirement when the member is employed by a covered employer during a period of time that is also covered by a contract buyout settlement agreement.

The Member is a contributory member of the system and cannot elect to become a noncontributory member of the system. Additionally, under the Arkansas Code, the Member is deemed to have consented to agree to the deduction of his member contributions. As provided by the Arkansas Code and the ATRS Rules, if the Member returns to covered employment during the period of time covered by the Agreement or after, the member is required to pay contributions on any salary earned by the member with a covered employer.

G. Manifest Injustice

Ark. Code Ann. § 24-7-205(e) grants the Board the authority to “*waive or modify the impact of a rule, provision, or law that does not violate federal law or jeopardize the tax-qualified status of the system to correct or prevent a manifest injustice that would affect the system, benefit participant, or employer in a particular instance.*”

For the purpose of creating an appropriate record, the Manifest Injustice procedures requires a referral of a potential or alleged manifest injustice to be made to the Executive Director. ATRS Rule 17-1 – Manifest Injustice, § (VI). The referral may be made by an ATRS Trustee, ATRS staff member, including the Executive Director, benefit participant, beneficiary, covered employer, or another interested party such as a guardian or a fiduciary. ATRS Rule 17-1, § (VI).

Ark. Code Ann. § 24-7-202(25)(A) defines “manifest injustice” as “*an obvious unfairness that has a direct and observable unconscionable effect that will occur as a result of a technical error or error of judgment, when the error made by the system, a benefit participant, or employer, and the disparity of outcome to the parties, when taken together and supported by clear and convincing evidence, show a great harm to the integrity of the system as a whole, the benefit participant, or an employer, unless the system is afforded the discretion to resolve the matter in a fair manner.*”



In determining manifest injustice the system may consider: (1) The degree of fault of the system, benefit participant, or employer; (2) An ambiguity in the interpretation of the circumstances, rule, or law; (3) The cost to the system of correcting the error that is far outweighed by the benefit afforded to the system, benefit participant, or employer; (4) Whether or not an expedited decision is in the public interest; (5) The fundamental fairness of a remedy in a particular situation; and (6) Whether or not the status quo would result in an unconscionable outcome. Ark. Code Ann. § 24-7-202(25)(B).

Manifest injustice procedures have not been applied to the Member's situation as a referral was never filed or submitted to the Executive Director by the Member or any other person. Per ATRS Rule 17-1, ATRS staff are not required to make a manifest injustice referral.

It should be noted that the manifest injustice provisions are intended to give the Board, or the Executive Director as designee within the bounds of applicable limitations, the authority to waive or modify the impact of a rule, provision, or a law.

As previously stated, the Member's issue is a novel situation that is not addressed by a rule, provision, policy, or law applicable to ATRS. Therefore, the manifest injustice procedures could not have been initiated before the Board, by resolution or otherwise, made a determination on the appropriate general procedure or rule to be applied in situations that are the same or similar to the Member's situation.

If the Board would prefer to initiate a manifest injustice action concerning the Member, the Board will first need to determine the final rule or policy of general applicability concerning the Member's issue. If the Board opines that its determination may cause a manifest injustice to the Member, the Board may make a manifest injustice referral in order to initiate the manifest injustice proceedings.

IV. Proposed Options for the Board

The Board of Trustees may consider adopting and vote to adopt one of the following rules:

1. A member shall not use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire under voluntary retirement or early voluntary retirement before the member's employment contract with the school district would naturally have terminated;
2. Regardless of the member's age, a member may use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire under voluntary retirement or early voluntary retirement before the member's employment contract with the school district would naturally have terminated. However, ATRS shall not use more than five (5) continuous or intermittent years of any nonqualified service credit available to a member under the system to determine the member's eligibility for retirement under the system or to calculate the member's benefit under the system;
3. Regardless of the member's age, a member may use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to



retire under voluntary retirement, but not early voluntary retirement, before the member's employment contract with the school district would naturally have terminated. However, ATRS shall not use more than five (5) continuous or intermittent years of any nonqualified service credit available to a member under the system to determine the member's eligibility for retirement under the system or to calculate the member's benefit under the system; or

4. A member who is at least sixty (60) years of age may use unearned future service credit purchased through a contract buyout settlement agreement to retire under voluntary retirement before the member's employment contract with the school district would naturally have terminated. However, ATRS shall not use more than five (5) continuous or intermittent years of any nonqualified service credit available to a member under the system to calculate the member's benefit under the system.

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

RESOLUTION
No. 2023-16

**UNEARNED FUTURE SERVICE CREDIT PURCHASED THROUGH
CONTRACT BUYOUT SETTLEMENT AGREEMENTS**

WHEREAS, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is responsible for the administration, management, and control of the system and for construing and carrying out the provisions of the plan; and

WHEREAS, the Board is responsible for the governance of the system and is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable mandates; and

WHEREAS, both the contributory plan and the noncontributory plan of ATRS is under the administration and control of the Board; and

WHEREAS, 26 U.S.C. § 415 prohibits a governmental retirement plan from using more than five (5) years of nonqualified service credit to calculate a plan participant's benefit plan under the plan; and

WHEREAS, 26 U.S.C. § 415 defines "nonqualified service credit" as "*permissive service credit other than that allowed with respect to— (i) service (including parental, medical, sabbatical, and similar leave) as an employee of the Government of the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of a repayment described in subsection (k)(3)), (ii) service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in clause (i)) of an educational organization described in section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed, (iii) service as an employee of an association of employees who are described in clause (i), or (iv) military service (other than qualified military service under section 414(u)) recognized by such governmental plan*"; and

WHEREAS, the current law, rules, and policies applicable to ATRS do not address whether or not a member should be permitted to use unearned future

service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire before the member's employment contract with the school district would have naturally terminated; and

WHEREAS, on April 3, 2023, during its regularly scheduled meeting, the Board considered the comments of system member ATRS ID # 476265 and ATRS staff, in determining whether or not a member should be permitted to use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire before the member's employment contract with the school district would have naturally terminated; and

WHEREAS, the Board finds that the following selected rule should be applied in the case of any member who desires to use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire before the member's employment contract with the school district would have naturally terminated:

- A member cannot use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire under voluntary retirement or early voluntary retirement before the member's employment contract with the school district would naturally have terminated.
- Regardless of the member's age, a member may use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire under voluntary retirement or early voluntary retirement before the member's employment contract with the school district would naturally have terminated. However, ATRS shall not use more than five (5) continuous or intermittent years of any nonqualified service credit available to a member under the system to determine the member's eligibility for retirement under the system or to calculate the member's benefit under the system.
- Regardless of the member's age, a member may use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire under voluntary retirement, but not early voluntary retirement, before the member's employment contract with the school district would naturally have terminated. However, ATRS shall not use more than five (5) continuous or intermittent years of any nonqualified service credit available to a member under the system to determine the member's eligibility for retirement under the system or to calculate the member's benefit under the system.

- A member who is at least sixty (60) years of age may use unearned future service credit (nonqualified service credit) purchased through a contract buyout settlement agreement to retire under voluntary retirement before the member's employment contract with the school district would naturally have terminated. However, ATRS shall not use more than five (5) continuous or intermittent years of any nonqualified service credit available to a member under the system to calculate the member's benefit under the system; and

NOW, THEREFORE, BE IT RESOLVED, that the above adopted rule shall be applied in all cases concerning a member who desires to use unearned future service credit purchased through a contract buyout settlement agreement to retire before the member's employment contract with the school district would have naturally terminated; and

FURTHER, BE IT RESOLVED, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement the decision of the Board.

Adopted this 3rd day of April, 2023.

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

ARKANSAS TEACHER RETIREMENT SYSTEM

Annual Financial Report

June 30, 2022



ARKANSAS TEACHER RETIREMENT SYSTEM
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2022

Independent Auditor's Report
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

FINANCIAL STATEMENTS

	<u>Exhibit</u>
Statement of Fiduciary Net Position	A
Statement of Changes in Fiduciary Net Position	B
Notes to Financial Statements	

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Schedule of Changes in Net Pension Liability and Related Ratios	1
Schedule of Contributions	2
Schedule of Investment Returns	3
Notes to Required Supplementary Information	

OTHER INFORMATION (Unaudited)

	<u>Schedule</u>
Schedule of Selected Information	4

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Arkansas Teacher Retirement System
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Fiduciary Pension Trust Fund of the Arkansas Teacher Retirement System, an office of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Arkansas Teacher Retirement System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fiduciary Pension Trust Fund of the Arkansas Teacher Retirement System as of June 30, 2022, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the office, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As indicated above, the financial statements of the Arkansas Teacher Retirement System are intended to present the financial position and the changes in financial position of only that portion of the Fiduciary Pension Trust Fund of the State that is attributable to the transactions of the Arkansas Teacher Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2022, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the financial statements, in 2022 the office adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Other Matters

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Arkansas Teacher Retirement System are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Arkansas Teacher Retirement System individually. Our opinion on the basic financial statements is not affected by the omission of this information.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the Schedule of Selected Information but does not include the basic financial statements, required supplementary information, and our auditor's reports thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the office's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
January 10, 2023
SA1037522

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Arkansas Teacher Retirement System
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fiduciary Pension Trust Fund of the Arkansas Teacher Retirement System (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Arkansas Teacher Retirement System's basic financial statements, and have issued our report thereon dated January 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

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

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 10, 2023

ARKANSAS TEACHER RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

Exhibit A

	Totals
ASSETS	
Cash and cash equivalents	\$ 367,097,595
Receivables:	
Member contributions	11,161,680
Employer contributions	27,931,363
Investment trades pending	22,734,956
Accrued investment income	19,710,817
Due from other funds	4,052,757
Other receivables	8,688,539
Total Receivables	94,280,112
Investments, at fair value:	
Public equities	3,653,122,876
Fixed income	1,385,176,672
Real estate	203,361,821
Pooled investments	5,411,394,714
Alternative investments	8,472,390,499
State recycling tax credits	144,000,000
Investment derivatives	10,632
Total Investments	19,269,457,214
Securities lending collateral	770,201,695
Capital assets, net of accumulated depreciation	89,714
Other assets	103,247
 TOTAL ASSETS	 20,501,229,577
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	685,899
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 20,501,915,476
 LIABILITIES	
Accrued expenses and other liabilities	762,426
Compensated absences	602,734
Post-employment benefit liability	3,241,556
Investment trades pending payable	30,567,166
Accrued investment expenses	12,681,186
Securities lending liability	770,276,668
Due to other funds	2,246,426
 TOTAL LIABILITIES	 820,378,162
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	2,070,062
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 822,448,224
 NET POSITION RESTRICTED FOR PENSION BENEFITS	 \$ 19,679,467,252

The accompanying notes are an integral part of these financial statements.

ARKANSAS TEACHER RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	Totals
ADDITIONS	
Contributions:	
Member	\$ 183,315,252
Employer	501,522,604
Total contributions	684,837,856
Investment income	
From investing activities:	
Net appreciation (depreciation) in fair value of investments	(1,220,967,830)
Interest and dividends	179,888,115
Real estate operating income	6,387,875
Total investment income (loss)	(1,034,691,840)
Less investment expense	51,906,810
Net investment income (loss)	(1,086,598,650)
From securities lending activities:	
Securities lending gross income	5,308,266
Less: securities lending expense	1,780,441
Net securities lending income (loss)	3,527,825
Other income	225,661
TOTAL ADDITIONS (LOSSES)	(398,007,308)
DEDUCTIONS	
Benefits	1,374,220,915
Refunds of contributions	10,426,792
Administrative expenses	6,650,604
TOTAL DEDUCTIONS	1,391,298,311
NET CHANGE IN NET POSITION	(1,789,305,619)
NET POSITION - BEGINNING OF YEAR	21,468,772,871
NET POSITION - END OF YEAR	\$ 19,679,467,252

The accompanying notes are an integral part of these financial statements.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 266 of 1937, as amended, established the Arkansas Teacher Retirement System (ATRS) as an office of Arkansas state government for the purpose of providing retirement benefits for public school and other public education employees. Act 427 of 1973, as amended, provided that the general administration of ATRS, responsibility for its proper operation, and responsibility for making effective the provisions of the Teacher Retirement law are vested in a 15-member Board of Trustees. The State Bank Commissioner, Treasurer of State, Auditor of State, and Commissioner of Elementary and Secondary Education are ex-officio trustees. The remaining 11 trustees are elected and consist of seven active members of ATRS with at least five years of actual service, three retired members receiving an annuity from ATRS, and one active or retired member from a minority racial ethnic group. The seven active trustees consist of one member from each of the four congressional districts; two employed in positions requiring an administrator's license, of which one must be a superintendent or an educational cooperative director; and one member employed in a position that does not require state licensure. The trustees are elected in accordance with rules adopted by the Board. Board members serve as trustees without compensation but are reimbursed for any necessary expenses incurred to attend Board meetings or perform other duties authorized by the Board.

B. Plan Description

ATRS is a cost-sharing, multiple-employer, defined benefit pension plan that covers employees of schools and education-related agencies, including Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations licensed and regulated by Division of Developmental Disabilities Services of the Department of Human Services.

On June 30, 2022, the number of participating employers was as follows:

Public schools	258
State colleges and universities	39
State agencies	17
Other/privatized	<u>26</u>
Total	<u><u>340</u></u>

On June 30, 2022, ATRS's membership consisted of the following:

Retirees or beneficiaries currently receiving benefits	52,748
T-DROP participants	3,251
Inactive plan members (not receiving benefits)	13,986
Active members	
Fully vested	45,504
Non-vested	<u>22,623</u>
Total	<u><u>138,112</u></u>

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Plan Description (Continued)

Members are eligible for full retirement benefits at age 60 with five or more years of actual and reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual and reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (FAS) (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual average) and (2) the number of years of service. For active members as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 907 of 1999, effective July 1, 1999, requires all new members under contract for 181 or more days to be contributory. Act 443 of 2021, effective July 1, 2021, increased the required number of contract days to 185 or more days. Act 385 of 2005 allows noncontributory members to make an irrevocable election to become contributory on July 1 of each fiscal year.

A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is calculated by multiplying 100% of the member's base retirement annuity times 3%. Act 780 of 2017 allows the Board of Trustees to evaluate any future COLA adjustments on an annual basis to determine if a simple or compound COLA increase will be given based on the financial condition of the system.

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credit. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member contributions and accumulation of service credit will cease once a member enters T-DROP. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits will be calculated beginning with the member's plan benefit reduced by 1% for each year of credited service. The Board of Trustees may authorize early participation in T-DROP for members with at least 28 years but less than 30 years of credited service. The plan deposit for early participation will be calculated the same as the regular T-DROP deposit with a further reduction of at least .5% but not more than 1% for each month of credited service under 30 years. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts cease at the completion of 10 years of participation in the program; however, a member may continue employment and will continue to receive interest on the account balance at the 10-year plus interest rate set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive a distribution as a lump-sum cash payment or monthly annuity, roll it into another tax-deferred account, or defer the distribution into a T-DROP cash balance account held by ATRS.

Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 or more years of actual service. The minimum benefit amount is \$6,667 and an additional amount is provided based on the member's retirement date and years of contributory service up to a \$10,000 maximum.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds, if applicable to this Agency, are recognized in the accompanying financial statements.

Fiduciary Funds

Trust and Custodial Funds – Trust and Custodial Funds are used to report resources held by the Agency in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Pension Trust Funds, Employee Health Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds. The specific activity accounted for at this Agency includes the following: Arkansas Teacher Retirement System Pension Trust Fund.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. The economic resources measurement focus and accrual basis of accounting are used in Fiduciary Fund financial statements. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

E. Federal Income Tax Status

During the year ended June 30, 2022, ATRS was a qualified plan under 26 USC § 401(a) and was exempt from federal income taxes under 26 USC § 501(a).

F. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, cash in State Treasury, cash on deposit with investment managers, and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the custodial bank into bank-sponsored commingled funds that are invested in U.S. Government and agency securities and other short-term investments. The STIF accounts have a weighted average maturity of 90 days or less and the holdings are stated at fair value.

G. Deposits and Investments

Deposits

Deposits consist of cash in bank, cash in State Treasury, cash on deposit with investment managers, and cash in short-term investment funds totaling \$2,693,081, \$3,226,786, \$110,310,808, and \$250,866,845, respectively. The STIF account is valued at amortized cost which approximates fair value and all other deposits are carried at cost. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. As of June 30, 2022, none of the Agency's bank balance of \$2,726,389 was exposed to custodial credit risk.

ARKANSAS TEACHER RETIREMENT SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Deposits (Continued)

As of June 30, 2022, \$1,958,613 of \$110,722,803 in cash held by investment managers was exposed to custodial credit risk as it was uninsured and uncollateralized.

As of June 30, 2022, none of the \$250,866,845 balance in cash in the STIF account was exposed to custodial credit risk as it was collateralized with securities held by the custodial agent in the name of ATRS.

Investments

Ark. Code Ann. §§ 24-2-601 — 24-2-619 authorizes the ATRS Board of Trustees to have full power to invest and reinvest monies of ATRS and to hold, purchase, sell, assign, transfer or dispose of any of the investments, or investment proceeds in accordance with the prudent investor rule.

Each investment manager is required to invest within the specific guidelines and parameters set by the Board of Trustees. Asset allocation guidelines have been established as follows:

<u>Asset Allocation</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Total equity	48.0%	53.0%	58.0%
Fixed income	13.0%	15.0%	17.0%
Alternatives	N/A*	5.0%	N/A*
Real assets***	N/A*	15.0%	N/A*
Private equity	N/A*	12.0%	N/A*
Cash equivalents	0.0%	0.0%	5.0%

*Due to the illiquid nature of alternatives, real assets, and private equity, it is not prudent to set rebalancing ranges for these asset classes.

**Additional allocations to total equity may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted alternatives, real assets, and private equity.

***Real assets include real estate, timber, agriculture, and infrastructure.

The fair value measurement of investments is categorized within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. In instances where inputs used to measure fair value fall into different levels, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The hierarchy of inputs is defined as follows:

- Level 1: Unadjusted quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Assets classified in Level 1 are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3 are valued using an internal fair value as provided by the investment manager due to lack of an independent pricing source. For investments that do not have a readily determinable fair value and fall outside of the fair value hierarchy, the system establishes the value by utilizing the Net Asset Value (NAV) or its equivalent as a practical expedient.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument(s) and should not be perceived as the particular investment's risk. The fair value measurement of plan investments and securities lending collateral as of June 30, 2022, was as follows:

<u>Investments measured at fair value</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Public equity investments:				
Domestic equities	\$ 2,476,613,809	\$ 2,476,613,809		
International equities	994,157,696	994,157,696		
Preferred equities	182,351,371	171,495,838		\$ 10,855,533
Fixed income investments:				
U.S. Government obligations	72,496,599		\$ 72,496,599	
Corporate obligations	990,097,138		990,097,138	
Asset- and mortgage-backed securities	39,020,680		39,020,680	
Fixed income funds	33,281,653		33,281,653	
Promissory notes	250,280,602			250,280,602
Real estate investments:				
Real estate	70,559,802			70,559,802
Real estate investment trusts	132,802,019	132,802,019		
State recycling tax credits:	144,000,000		144,000,000	
Derivative investments:				
Forward contracts	10,632		10,632	
Total plan investments at fair value	<u>5,385,672,001</u>	<u>\$ 3,775,069,362</u>	<u>\$ 1,278,906,702</u>	<u>\$ 331,695,937</u>

Investments measured at net asset value (NAV)

Pooled investments:	
Collective investment trusts	4,282,835,628
Closed end funds	646,963,161
Exchange traded funds	24,392,712
Mutual funds	457,203,213
Alternative investments:	
Private equity funds	3,196,118,061
Real estate funds	2,013,967,561
Hedge funds	1,032,960,553
Other private investments	<u>2,229,344,324</u>
Total plan investments at net asset value	13,883,785,213

Total plan investments \$ 19,269,457,214

Securities Lending Collateral:
Compass fund* \$ 770,201,695

*Cash collateral received totaled \$770,276,668. The amount reported in the GASB Statement No. 40 footnote above is the market value of the collateral received at June 30, 2022.

Public equity investments are classified as Level 1 and valued based on published market prices and quotations from either national security exchanges or active markets for those securities.

Fixed income investments are classified as Level 2 and include publicly traded securities in inactive markets. Investments in this category are sourced from reputable pricing vendors using price matrix models and techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Real estate consists of direct real estate investments and real estate investment trusts. Direct real estate investments are classified as Level 3 and are comprised mostly of owned properties leased to commercial enterprises. These investments are valued using professional property valuations or appraisals, net of debt borrowed against the related assets. Appraisals and valuations are updated every three years. Real estate investment trust is valued at net asset value (NAV) per share calculated at the estimated market value of the total assets less liabilities divided by the number of common shares outstanding. These are classified as Level 1 since they report a daily NAV per share and are actively traded on either national security exchanges or active markets for those securities.

Pooled investments consist of collective investments trusts, closed end funds, exchange traded funds and mutual funds. The fair value of these investments is determined based on NAV per share calculated as assets less liabilities divided by the number of shares owned. These investments are classified as Level 1 since they report a daily NAV per share and are actively traded on either national security exchanges or active markets for those securities.

Derivative investments include forward contracts and warrants and are classified as Level 2 and valued using observable exchange, dealer, or broker market pricing.

Alternative Investments are valued using the NAV per share (or its equivalent) but generally do not have a readily obtainable market value. These values are based on the capital account balance of the general partner reports at the end of each reporting period, adjusted by subsequent contributions, distributions, management fees, and changes in values of foreign currency. There are inherent uncertainties in estimating fair values for these types of investments, and it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different from the reported net asset value. Generally, the investments cannot be redeemed or have certain redemption restrictions and distributions are from the liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

The unfunded commitments and redemption terms for alternative investments measured at the NAV per share (or its equivalent) are presented in the following table:

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments:				
Collective investment trusts	\$ 4,282,835,628		Daily - Monthly	1-15 days
Closed end funds	646,963,161		Daily	Daily
Exchange traded funds	24,392,712		Daily	Daily
Mutual funds	457,203,213		Daily	Daily
Alternative investments:				
Private equity funds				
Buyout funds	1,252,463,922	\$ 649,011,101	N/A	N/A
Distressed debt funds	30,180,581	34,882,798	N/A	N/A
Growth equity funds	38,574,317	18,757,033	N/A	N/A
Hard assets	235,302,129	42,477,803	N/A	N/A
Infrastructure funds	383,597,421	146,011,539	Quarterly - Annually	90 days
Mezzanine funds	40,506,399	17,243,201	N/A	N/A
Multi-strategy funds	521,273,742	225,670,362	N/A	N/A
Structured capital funds	52,112,301	48,765,017	N/A	N/A
Turnaround funds	113,299,673	78,437,309	N/A	N/A
Venture capital funds	528,807,576	142,684,560	N/A	N/A
Real estate funds				
Core funds	894,534,716	70,000,000	Quarterly	30-90 days
Debt funds	104,932,514	80,303,758	Quarterly	90 days
Farmland funds	246,224,783	2,134,323	Quarterly	60 days
Opportunistic funds	140,976,463	372,277,058	N/A	N/A
Timberland funds	335,923,075		Quarterly	90 days
Value added funds	291,376,010	315,278,896	N/A	N/A
Hedge funds				
Co-investment funds	42,593,287	59,880,757	Quarterly	65 days
Credit funds	158,929,830		Quarterly - Annually	90 days
Equity funds	34,804,338		Quarterly	60 days
Event driven funds	70,618,769		Annually	90 days
Global macro funds	192,735,536		Monthly	3-15 days
Reinsurance funds	158,903,286		Semi-annually - Annually	60-90 days
Relative value funds	85,622,296		Daily - Quarterly	45 days
Risk premia funds	288,753,211		Weekly - Monthly	3-5 days
Other				
Private investments	2,229,344,324		Daily - Monthly	3-10 days
Total plan investments at net asset value	<u>\$ 13,883,785,213</u>	<u>\$ 2,303,815,515</u>		

Private Equity Funds – Private equity funds include 67 buyout funds, 3 distressed debt funds, 3 growth equity funds, 13 hard asset funds, 11 infrastructure funds, 4 mezzanine funds, 5 multi-strategy funds, 4 structured capital funds, 9 turnaround funds, and 15 venture capital funds that invest mostly in private companies across a variety of industries. The value of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 2 to 10 years.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Real Estate Funds – Real estate funds include 7 core funds, 9 debt funds, 2 farmland funds, 20 opportunistic funds, 2 timberland funds, and 21 value added funds that invest primarily in the United States, Europe, and Asia. Fund investments can be made in the debt, equity, or a combination of both in real estate property ventures. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets in the real estate funds is 2 to 10 years.

Hedge Funds – Hedge funds consist of 1 co-investment fund, 4 credit funds, 1 equity fund, 1 event driven fund, 2 global macro funds, 12 re-insurance funds, 1 relative value fund and 3 risk premia funds. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Redemption ranges from monthly to annually depending on the manager (with the exception of one fund that currently has a 1-year hold). Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Securities Lending Collateral - Cash collateral received from borrowers in the securities lending program is invested in a collective investment fund comprised of a liquidity pool. The value of this fund has been determined by the fund administrator using the NAV per share (or its equivalent).

Concentration of Investments – Generally accepted accounting principles require each pension plan to disclose investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represent 5% or more of the pension plan's fiduciary net position. As of June 30, 2022, the Agency had investments of 5% or more of fiduciary net position in the following organizations:

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

<u>Organization</u>	<u>Net Asset Value</u>
Blackrock Institutional Trust Company, N.A.	
BlackRock MSCI ACWI IMI Index Fund	\$ 838,337,834
BlackRock U.S. Core Plus Bond Fund	250,927,113
Total	<u>\$ 1,089,264,947</u>
Franklin Park Associates, LLC	
ATRS/FP Private Equity Fund, LP	\$ 412,492,667
Franklin Park Corporate Finance Access Fund, LP	45,106,100
Franklin Park Corporate Finance Access Fund II, LP	7,211,364
Franklin Park International Fund 2011, LP	13,301,480
Franklin Park International Fund 2012, LP	8,317,828
Franklin Park International Fund 2013, LP	15,929,282
Franklin Park International Fund 2014, LP	17,625,279
Franklin Park International Fund 2015, LP	24,546,668
Franklin Park International Fund 2016, LP	23,586,733
Franklin Park International Fund 2017, LP	31,027,813
Franklin Park International Fund 2018, LP	26,014,716
Franklin Park International Fund 2019, LP	20,224,069
Franklin Park International Fund X, LP	14,319,630
Franklin Park International Fund XI, LP	480,184
Franklin Park Venture Capital Fund XIII, LP	35,872,568
Franklin Park Venture Capital Fund XIV, LP	3,697,396
Franklin Park Venture Capital Opportunity Fund, LP	10,271,875
Franklin Park Venture Fund Series 2008, LP	24,448,288
Franklin Park Venture Fund Series 2009, LP	11,134,168
Franklin Park Venture Fund Series 2010, LP	33,410,818
Franklin Park Venture Fund Series 2011, LP	57,842,352
Franklin Park Venture Fund Series 2012, LP	44,793,926
Franklin Park Venture Fund Series 2013, LP	46,124,304
Franklin Park Venture Fund Series 2014, LP	65,936,497
Franklin Park Venture Fund Series 2015, LP	46,336,614
Franklin Park Venture Fund Series 2016, LP	47,834,792
Franklin Park Venture Fund Series 2017, LP	31,125,527
Franklin Park Venture Fund Series 2018, LP	40,557,057
Franklin Park Venture Fund Series 2019, LP	29,421,395
Total	<u>\$ 1,188,991,390</u>
Jacobs Levy Equity Management, Inc.	
Jacobs Levy 130-30 Core 3 Fund, LLC	<u>\$ 1,046,063,010</u>
State Street Global Advisors Trust Company	
State Street MSCI ACWI IMI Index Securities Lending Fund	\$ 928,297,265
State Street U.S. Aggregate Bond Index Non-Lending Fund	857,865,268
Total	<u>\$ 1,786,162,533</u>

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -5.15%.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary shown below indicates that 96% of the Agency's investment maturities are one year or longer.

Investment Type	Total	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Convertible preferred equities	\$ 111,492,189	\$ 88,689,968	\$ 4,649,249	\$ 148,965	\$ 18,004,007
U.S. Government obligations	72,496,599	11,245,822	33,057,202	22,864,844	5,328,731
Corporate obligations	990,097,138	30,243,815	675,050,729	211,025,466	73,777,128
Asset- and mortgage-backed securities	39,020,680		6,494,515	7,025,045	25,501,120
Fixed income funds	33,281,653		33,281,653		
Promissory notes	250,280,602		5,015,816		245,264,786
Collective investment trusts	1,844,583,839		735,791,458	1,108,792,381	
Private investments	355,299,695			355,299,695	
State recycling tax credits	144,000,000	16,000,000	64,000,000	64,000,000	
Total	<u>\$ 3,840,552,395</u>	<u>\$ 146,179,605</u>	<u>\$ 1,557,340,622</u>	<u>\$ 1,769,156,396</u>	<u>\$ 367,875,772</u>
<u>Securities Lending Collateral</u>					
Compass fund	<u>\$ 635,294,081</u>	<u>\$ 635,294,081</u>			

Asset-Backed Securities – As of June 30, 2022, ATRS held asset-backed securities with a fair value of \$28,103,232. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. ATRS's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Mortgage-Backed Securities – As of June 30, 2022, mortgage-backed securities had a fair value of \$5,265,158. The yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost.

Corporate Bonds – As of June 30, 2022, ATRS held corporate bonds with a fair value of \$240,616,402. Corporate bonds are debt instruments that are issued by private corporations. These bonds have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates.

Convertible Corporate Bonds – As of June 30, 2022, ATRS held convertible bonds with a fair value of \$746,480,737. Convertible bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds generally offer lower coupon rates and promised yields to maturity in exchange for the value of the option to trade the bond into stock.

Promissory Notes – ATRS also held 4 promissory notes with a fair value of \$250,280,602 at June 30, 2022. Promissory notes are a form of debt that companies use to raise money in exchange for payment of a fixed amount of periodic income at a specified date or on demand. Three unsecured promissory notes were issued to Big River Steel Holdings, LLC and one secured note was issued to Highland LP.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the credit quality of investments in debt securities as described by nationally-recognized statistical rating organizations. A formal investment policy that limits investment in debt based on their statistical rating as a means of managing exposure to credit risk has not been adopted by the Agency.

As of June 30, 2022, the Agency’s exposure to credit risk as rated by Standard and Poor’s and Moody’s Investor Service is as follows:

Standard and Poor’s		Moody’s Investors Service	
Rating	Total	Rating	Total
AAA	\$ 8,662,840	Aaa	\$ 8,117,880
AA	1,625,339	Aa	253,224,104
A	276,368,412	A	18,209,183
BBB	175,211,479	Baa	145,581,016
BB	109,946,379	Ba	90,747,634
B	39,457,363	B	58,034,579
CCC or below	21,351,357	Caa or below	5,185,764
Unrated	3,135,432,627	Unrated	3,188,955,636
Total	\$ 3,768,055,796	Total	\$ 3,768,055,796
<u>Securities Lending Collateral</u>			
Unrated	\$ 635,294,081	Unrated	\$ 635,294,081

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Agency, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Agency’s name. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that investments may not be returned. As of June 30, 2022, none of the Agency’s investments were exposed to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency’s investment in a single issuer (not including investments issued or explicitly guaranteed by the U.S. Government, investment in mutual funds, external investment pools, or other pooled investments). The Agency has not adopted a formal investment policy to limit the amount it may invest in any one issuer to manage the concentration of credit risk. As of June 30, 2022, none of the Agency’s investments in any one issuer represent more than 5% of total investments.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Agency does not have an investment policy that limits investment in foreign currency.

The Agency’s exposure to foreign currency risk in U.S. dollars for investments and deposits at June 30, 2022, was as follows:

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Currency	Fair Value	Cash Deposits	Investments							
			Equities	Fixed Income	Real Estate	Pooled Investments	Alternative Investments	Forward Contracts	Securities Lending	
Argentine Peso	ARS \$ 540,017	\$ 303,299		\$ 236,718						
Australian Dollar	AUD 5,838,756				\$ 5,838,756					
Brazilian Real	BRL 29,941,708	62,885	\$ 27,294,097	2,584,726						
British Pound Sterling	GBP 363,983,292	45,507	141,213,417			19,668,431	\$ 201,644,118		\$ 1,411,819	
Canadian Dollar	CAD 31,919,584	147	20,784,053			7,582,846	3,552,538			
Chilean Peso	CLP 3,201,665		3,201,665							
Euro	EUR 484,056,557	59,759	407,713,759	441,771				\$ 76,370,747	(529,479)	
Hong Kong Dollar	HKD 122,536,350	385,995	117,729,030				3,675,911		745,414	
Hungarian Forint	HUF 3,282,734		3,282,734							
Indian Rupee	INR 411,996	411,996								
Japanese Yen	JPY 264,896,133	734,312	129,011,883						242,324	\$ 134,907,614
Mexican Peso	MXN 8,247,089		4,686,365	3,560,724						
New Taiwan Dollar	TWD 23,021,779	2	23,021,777							
Philippine Peso	PHP 3,452,219	7,015	3,445,204							
Singapore Dollar	SGD 4,786,316					4,786,316				
South African Rand	ZAR 8,501,610	75	8,501,535							
South Korean Won	KRW 62,183,514	2	62,092,136						91,376	
Swedish Krona	SEK 38,866,885	541	39,953,154						(1,086,810)	
Swiss Franc	CHF 56,680,910	(52,954)	56,645,764						88,100	
Thailand Baht	THB 5,584,782		5,584,782							
Yuan Renminbi	CNY 32	32								
Totals	<u>\$ 1,521,933,918</u>	<u>\$ 1,958,613</u>	<u>\$ 1,054,161,345</u>	<u>\$ 6,823,939</u>	<u>\$ 37,876,349</u>	<u>\$ 208,872,567</u>	<u>\$ 76,370,747</u>	<u>\$ 962,744</u>	<u>\$ 134,907,614</u>	

For Forward Currency Contracts in the schedule above, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number, therefore, represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

Derivatives – Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, forward foreign currency exchange and rights. ATRS investment guidelines state that derivatives may be used to reduce the risk in a portfolio but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines.

At June 30, 2022, the fair value balance of derivative instruments and the changes in fair value for the year then ended, were as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2022	
	Classification	Amount	Classification	Amount
Foreign currency forwards	Investment income	<u>\$ (217,721)</u>	Investments	<u>\$ 10,632</u>
Warrants	Investment income	<u>\$ (121,672)</u>	Investments	<u>\$ 0</u>

Foreign Currency Forwards – ATRS enters into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as unrealized appreciation (depreciation) in fair value of investments, a component of investment income, in the statement of changes in plan net position. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net appreciation (depreciation) in fair value of investments, a component of investment income, in the statement of changes in plan net position. At June 30, 2022, ATRS had outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of \$4,390,024 and market values of \$4,387,267, resulting in a net loss of \$2,757. Outstanding forward exchange currency contracts to sell foreign currencies with contract amounts of \$3,437,912 had market values of \$3,424,523, resulting in a net gain of \$13,389.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

The net fair value and net notional amounts of foreign currency forwards as of June 30, 2022, were as follows:

Foreign Currency Forwards	Fair Value at June 30, 2022	
	Fair Value	Net Notional
British Pound Sterling	\$ 7,209	GBP 101,105
Euro	3,159	EUR 1,556,205
Hong Kong Dollar	42	HKD 4,600,458
Swedish Krona	2,979	SEK 11,136,980
United States Dollar	(2,757)	USD 4,390,024
Totals	\$ 10,632	

Securities Lending Transactions – Arkansas Code Annotated and Board policy permit ATRS to participate in a securities lending program administrated by State Street Bank (the “Custodian”). The Custodian enters into agreements with broker-dealers or other entities to loan securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. There were no restrictions on the dollar amount of securities loaned by ATRS. Securities on loan to participating brokers at year-end include U.S. Government securities, corporate securities, and international securities. Brokers who borrow the securities provide cash or other collateral, including securities issued or guaranteed by the U.S. Government. Collateral must be provided in the amount of at least 100% of the market value of the loaned securities. ATRS cannot pledge or sell collateral securities received unless the borrower defaults. The cash collateral received on each loan is invested in a collective investment fund comprised of a liquidity pool and a duration pool.

As of June 30, 2022, the liquidity pool had an average duration of 3.90 days and an average weighted final maturity of 76.56 days for USD collateral. Because the loans are terminable at will, their duration generally will not match the duration of the investments made with cash collateral.

At year-end, ATRS had no credit risk exposure to borrowers due to the custodian’s indemnification agreement to purchase replacement securities, or return cash collateral in the event a borrower fails to return a loaned security or fails to pay the Agency for income of the securities while on loan. No borrowers failed to return loaned securities or pay distributions during the year. Investments made with cash collateral appear as an asset on the Statement of Plan Net Position. Corresponding liabilities are recorded, as ATRS must return the cash collateral to the borrower upon expiration of the loan.

ATRS is exposed to investment risk, including the possible loss of principal value in the cash collateral pool, due to fluctuation in the market value of the assets held by the cash collateral pool. As of June 30, 2022, the fair value of the securities lending liabilities exceeded the securities lending assets by \$74,974.

H. Capital Assets

Capital assets purchased and in the custody of this Agency were recorded as expenditures at the time of purchase. Assets with costs exceeding \$5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the Agency would have purchased the item. Depreciation is reported for capital assets based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

Assets:	Years
Equipment	5-20

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fiduciary activities:				
Equipment	\$ 970,414		\$ (48,478)	\$ 921,936
Less: Accumulated depreciation	864,174	\$ 16,448	(48,400)	832,222
Fiduciary activities, net	<u>\$ 106,240</u>	<u>\$ (16,448)</u>	<u>\$ (78)</u>	<u>\$ 89,714</u>

I. Compensated Absences – Employee Leave

Annual leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for their unused accrued annual leave up to 30 days. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

Sick leave is earned by all full-time employees and may be accrued up to 120 days. Compensation up to a maximum of \$7,500 for unused sick leave is payable to employees upon retirement.

Compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2022 and 2021, amounted to \$602,734 and \$597,032, respectively. The net changes to compensated absences payable during the year ended June 30, 2022, amounted to \$5,702.

J. Post-Employment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State and Public School Life and Health Insurance Board (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

The Agency contributes to the Plan, a single employer defined benefit OPEB plan administered by DTSS-EBD, on a monthly basis. The Board establishes medical and prescription drug benefits for three classes of covered individuals: active employees, terminated employees with accumulated benefits, and retirees and beneficiaries. The Plan is established on the basis of a pay-as-you-go financing requirement, and no assets are accumulated in a trust, as defined by Governmental Accounting Standards Board (GASB) Statement No. 75. The State's annual OPEB cost for the Plan is based on an actuarially-determined calculated amount made in accordance with GASB Statement No. 75.

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414 and may not exceed \$550 per budgeted position. Employees, retirees, and beneficiaries contribute varying amounts based on the type of coverage and inclusion of family members. Benefits for Medicare-eligible retirees are coordinated with Medicare Parts A and B, and the Plan is the secondary payer. The portion of the State's annual OPEB liability attributable to ATRS as of June 30, 2022, is \$3,241,556.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (an expense or expenditure) until a future period.

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

L. Contributions

The Agency's funding policy provides for periodic employer contributions at statutorily-established rates based on annual actuarial valuations. The employer contribution rate was 14.75% for the fiscal year ending June 30, 2022. Contributory members are required to contribute 6.75% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

M. Reserves

In accordance with the provisions of Ark. Code Ann. § 24-7-405, ATRS must maintain reserve accounts showing plan net position available for benefits. At June 30, 2022, the reserve accounts were funded at a level that complied with the Code provisions.

	Total
Members' deposit account reserve	\$ 12,705,935,722
Employers' accumulation account reserve	(7,008,782,952)
Retirement reserve	13,474,952,199
Teacher deferred retirement option plan account reserve	387,233,520
Survivor benefit account reserve	110,412,603
Income - expense account reserve	9,716,160
Total	\$ 19,679,467,252

The Code provisions define each of the reserve accounts as follows:

Members' Deposit Account Reserve – The account in which members' contributions shall be accumulated with regular interest and from which shall be made transfers and refunds of contributions.

Employers' Accumulation Account Reserve – The account in which shall be accumulated the employer's contributions to ATRS and from which shall be made transfers as provided in the Code.

Retirement Reserve – The account from which shall be paid all annuities and benefits in lieu of annuities payable as provided in this act to retirants who retired on account of superannuation or disability and to beneficiaries of such retirants.

Teacher Deferred Retirement Option Plan Account Reserve – The account in which shall be accumulated plan deposits made on behalf of the member with plan interest.

Survivor Benefit Account Reserve – The account from which shall be paid survivor benefits payable as provided in this act.

Income - Expense Account Reserve – The account to which shall be credited all investment income from invested assets of ATRS. It shall also be the account in which shall be accumulated the contributions made by employers for the administrative expenses of ATRS, from which shall be made annual transfers of interest credits and excess amounts to the other accounts of ATRS, and from which shall be paid all the expenses of the Board necessary for the administration and operation of ATRS.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Net Pension Liability

The components of the net pension liability of the participating employers at June 30, 2022, were as follows:

Total pension liability	\$ 24,957,898,206
Plan net position	<u>(19,679,467,252)</u>
Net pension liability	<u>\$ 5,278,430,954</u>
 Plan net position as a percentage of the total pension liability	 78.85%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Wage inflation rate	2.75%
Salary increases	2.75 - 7.75%
Investment rate of return	7.25%

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

Table	Scaling Factor	
	Males	Females
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

For each major asset class that is included in the pension plan target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Total equity	53.0%	5.3%
Fixed income	15.0%	1.3%
Alternatives	5.0%	4.8%
Real assets	15.0%	4.0%
Private equity	12.0%	7.6%
Cash equivalents	<u>0.0%</u>	0.5%
	100.0%	

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2: Net Pension Liability (Continued)

Single Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The fiscal year 2022 member and employer contribution rates are 6.75% and 14.75% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in fiscal year 2023. The ultimate member and employer rates will be 7% and 15%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. This includes payroll for current T-DROP participants and Return to Work retirees. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 7.25%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher than the current rate:

<u>Sensitivity of the Net Pension Liability to the Single Discount Rate</u>			
	1% Decrease	Current Rate	1% Increase
	6.25%	7.25%	8.25%
Net pension liability	\$ 8,391,000,499	\$ 5,278,430,954	\$ 2,696,128,616

NOTE 3: New Accounting Pronouncement

The Agency implemented GASB Statement No. 87, *Leases*, in the fiscal year ended June 30, 2022. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. GASB Statement No. 87 establishes a single model for lease accounting based on the principle that leases are financing arrangements of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources.

NOTE 4: Required Supplementary Schedules

Detailed historical information about the pension liabilities for which the pension plan’s assets are being held and managed and the significant assumptions used to measure these liabilities are required supplementary information. This required supplementary information, prepared in accordance with the parameters of GASB Statement No. 67, is included immediately following the notes to the financial statements.

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013*
TOTAL PENSION LIABILITY										
Service cost	\$ 379,267,685	\$ 340,401,007	\$ 331,035,218	\$ 325,464,537	\$ 315,864,318	\$ 307,786,503	\$ 305,086,337	\$ 298,134,477	\$ 326,999,276	
Interest	1,720,782,101	1,655,575,883	1,608,463,162	1,551,511,422	1,504,613,059	1,485,759,965	1,433,768,167	1,371,168,271	1,326,709,192	
Changes in benefit terms						(469,205,711)			(27,405,705)	
Difference between actual and expected experience	4,880,583	108,860,237	(24,869,157)	119,427,343	(7,365,993)	(76,812,667)	(15,341,738)	123,519,055	(103,017,525)	
Changes in assumptions		887,447,380				1,374,950,899				
Benefit payments	(1,374,220,915)	(1,308,163,750)	(1,255,065,793)	(1,205,326,555)	(1,160,738,238)	(1,092,952,357)	(1,035,958,950)	(970,719,484)	(914,250,015)	
Refunds	(10,426,792)	(9,463,375)	(9,592,091)	(9,679,783)	(9,455,405)	(10,874,003)	(10,145,471)	(10,774,122)	(10,485,103)	
NET CHANGE IN TOTAL PENSION LIABILITY	720,282,662	1,674,657,382	649,971,339	781,396,964	642,917,741	1,518,652,629	677,408,345	811,328,197	598,550,120	
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	24,237,615,544	22,562,958,162	21,912,986,823	21,131,589,859	20,488,672,118	18,970,019,489	18,292,611,144	17,481,282,947	16,882,732,827	
TOTAL PENSION LIABILITY - END OF YEAR (A)	\$ 24,957,898,206	\$ 24,237,615,544	\$ 22,562,958,162	\$ 21,912,986,823	\$ 21,131,589,859	\$ 20,488,672,118	\$ 18,970,019,489	\$ 18,292,611,144	\$ 17,481,282,947	
PLAN NET POSITION										
Contributions - employer	\$ 501,522,604	\$ 472,567,147	\$ 446,228,128	\$ 430,864,656	\$ 424,488,126	\$ 414,954,939	\$ 410,358,229	\$ 408,230,472	\$ 404,920,440	
Contributions - member	183,315,252	168,129,972	153,105,134	141,885,632	138,766,747	133,109,939	131,100,983	128,555,684	125,225,906	
Net investment income	(1,590,291,257)	5,250,953,451	(165,766,491)	898,384,867	1,824,094,695	2,289,818,591	35,579,657	632,166,951	2,429,334,097	
Benefit payments	(1,374,220,915)	(1,308,163,750)	(1,255,065,793)	(1,205,326,555)	(1,160,738,237)	(1,092,952,357)	(1,035,958,950)	(970,719,484)	(914,250,015)	
Refunds	(10,426,792)	(9,463,375)	(9,592,091)	(9,679,783)	(9,455,405)	(10,874,003)	(10,145,471)	(10,774,122)	(10,485,103)	
Administrative expense	(6,650,604)	(7,326,797)	(8,454,436)	(7,134,784)	(9,336,430)	(7,825,595)	(8,059,030)	(8,034,857)	(8,034,236)	
Other	507,446,092									
NET CHANGE IN PLAN NET POSITION	(1,789,305,620)	4,566,696,648	(839,545,549)	248,994,033	1,207,819,496	1,726,231,514	(477,124,582)	179,424,644	2,026,711,089	
PLAN NET POSITION - BEGINNING OF YEAR	21,468,772,872	16,902,076,224	17,741,621,773	17,492,627,740	16,284,808,244	14,558,576,730	15,035,701,312	14,856,276,668	12,829,565,579	
PLAN NET POSITION - END OF YEAR (B)	\$ 19,679,467,252	\$ 21,468,772,872	\$ 16,902,076,224	\$ 17,741,621,773	\$ 17,492,627,740	\$ 16,284,808,244	\$ 14,558,576,730	\$ 15,035,701,312	\$ 14,856,276,668	
NET PENSION LIABILITY - END OF YEAR (A) - (B)	\$ 5,278,430,954	\$ 2,768,842,672	\$ 5,660,881,938	\$ 4,171,365,050	\$ 3,638,962,119	\$ 4,203,863,874	\$ 4,411,442,759	\$ 3,256,909,832	\$ 2,625,006,279	
Plan net position as a percentage of total pension liability	78.85%	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%	
Covered employee payroll	\$ 3,320,346,417	\$ 3,204,720,806	\$ 3,077,558,814	\$ 3,027,154,131	\$ 2,986,026,715	\$ 2,921,965,125	\$ 2,888,392,668	\$ 2,873,988,053	\$ 2,850,860,174	
Net pension liability as a percentage of covered employee payroll	158.97%	86.40%	183.94%	137.80%	121.87%	143.87%	152.73%	113.32%	92.08%	

* ATRS is only required to present those years for which information is available until the full 10-year trend is completed.

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 2

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Actuarially-determined contribution	\$ 493,022,221	\$ 474,196,689	\$ 450,612,124	\$ 447,791,482	\$ 422,365,685	\$ 423,846,831	\$ 437,434,470	\$ 474,773,530	\$ 485,904,529	
Actual contribution	501,522,604	472,567,147	446,228,128	430,864,656	424,488,126	414,954,939	410,358,229	408,230,472	404,920,440	
Contribution deficiency (excess)	<u>\$ (8,500,383)</u>	<u>\$ 1,629,542</u>	<u>\$ 4,383,996</u>	<u>\$ 16,926,826</u>	<u>\$ (2,122,441)</u>	<u>\$ 8,891,892</u>	<u>\$ 27,076,241</u>	<u>\$ 66,543,058</u>	<u>\$ 80,984,089</u>	
Covered employee payroll	\$ 3,320,346,417	\$ 3,204,720,806	\$ 3,077,558,814	\$ 3,027,154,131	\$ 2,986,026,715	\$ 2,921,965,125	\$ 2,888,392,668	\$ 2,873,988,053	\$ 2,850,860,174	
Actual contribution as a percentage of covered employee payroll	15.10%	14.75%	14.50%	14.23%	14.22%	14.20%	14.21%	14.20%	14.20%	

* ATRS is only required to present those years for which information is available until the full 10-year trend is completed.

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF INVESTMENT RETURNS
 FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2022

Schedule 3

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Annual money-weighted rate of return	-5.15%	31.82%	-0.96%	5.25%	11.46%	16.09%	0.24%	4.34%	19.27%	

* ATRS is only required to present those years for which information is available until the full 10-year trend is completed.

ARKANSAS TEACHER RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2022

NOTE 1: Summary of Significant Information Related to Required Supplementary Schedules

A. Schedule of Contributions

1. Changes in Benefit Terms

There were no significant changes in benefit terms for the year ended June 30, 2022.

2. Changes in Assumptions

There were no significant changes in assumptions for the year ended June 30, 2022.

3. Methods and Assumptions Used in Calculations of Actuarially-Determined Contributions

Valuation date: June 30, 2020

Actuarially determined contribution rates are calculated as of June 30 in the year which is one year prior to the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial cost method	Entry age normal; funding to retirement
Amortization method	Level percentage of payroll
Amortization period	30 years
Asset valuation method	4-year smoothed market for funding purposes ; 20% corridor
Payroll growth	2.75%
Salary increases	2.75 to 7.75% including inflation
Investment rate of return	7.50%
Mortality table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality headcount weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2017 from 2006.

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF SELECTED INFORMATION
 FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2022
 (UNAUDITED)

Schedule 4

	For the Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 20,501,229,577	\$ 22,005,819,561	\$ 17,272,901,062	\$ 18,281,516,802	\$ 18,088,381,003
Total Deferred Outflows of Resources	685,899		1,310,404		
Total Liabilities	820,378,162	537,941,055	371,416,146	539,895,029	595,753,263
Total Deferred Inflows of Resources	2,070,062		719,096		
Net Position Restricted for Pension Benefits	19,679,467,252		16,902,076,224	17,741,621,773	17,492,627,740
Total Additions (Losses)	(398,007,308)	5,891,652,600	433,570,198	1,471,135,154	2,387,349,568
Total Deductions	1,391,298,311	1,324,955,953	1,273,115,747	1,222,141,121	1,179,530,072

ARKANSAS TEACHER RETIREMENT SYSTEM

Schedules of Employer Allocations And Pension Amounts by Employer

June 30, 2022



ARKANSAS TEACHER RETIREMENT SYSTEM
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2022

Independent Auditor's Report

Schedule

Schedule of Employer Allocations

1

Schedule of Pension Amounts by Employer

2

Notes to Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Teacher Retirement System
Legislative Joint Auditing Committee

Report on the Schedules of Employer Allocations and Pension Amounts by Employer

Opinions

We have audited the schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the schedule of pension amounts by employer, and the related notes ("the schedules") for the Arkansas Teacher Retirement System as of and for the year ended June 30, 2022.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Arkansas Teacher Retirement System as of and for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the office, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

In preparing the schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedules.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting

We have audited the basic financial statements of the Arkansas Teacher Retirement System as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, and our report dated January 10, 2023, expressed an unmodified opinion on those financial statements.

Purpose of this Report

The purpose of this report is solely for the information and use of the Arkansas Teacher Retirement System's Board of Trustees and management, as well as the Arkansas Teacher Retirement System employers and their auditors, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
January 19, 2023
SA1037522S

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 1

Employer ID	Employer	Actual Employer Contributions	Employer Allocation Percentage
2001	Academics Plus Charter School	\$ 1,069,900	0.2133 %
125	Alma School District	3,092,139	0.6166
735	Alpena School District	454,362	0.0906
1339	Arch Ford Education Cooperative	3,450,132	0.6879
119	Arkadelphia School District	1,474,605	0.2940
4857	Arkansas Activities Association	169,606	0.0338
2000	Arkansas Arts Academy	778,058	0.1551
6875	Arkansas Association of Educational Administrators	74,026	0.0148
2034	Arkansas Connections Academy	912,630	0.1820
1-328	Arkansas Correctional School	921,503	0.1837
1-115	Arkansas Department of Career Education - Rehabilitation Services	981,330	0.1957
1-294	Arkansas Department of Career Education - Workforce Services	295,522	0.0589
1-405	Arkansas Department of Commerce - Cabinet Level	103,583	0.0207
1-017	Arkansas Department of Education	2,824,211	0.5631
1-406	Arkansas Department of Education - Cabinet Level	535,339	0.1067
1-409	Arkansas Department of Health - Cabinet Level	17,911	0.0036
1-391	Arkansas Department of Higher Education	125,277	0.0250
1-403	Arkansas Department of Human Services - Division of Youth Services	9,600	0.0019
1-407	Arkansas Department of Public Safety - Cabinet Level	8,827	0.0018
1-404	Arkansas Department of Workforce Services - Cabinet Level	110,917	0.0221
6864	Arkansas Easter Seals	144	0.0000
1-401	Arkansas Economic Development Commission	-	-
1-224	Arkansas Educational Television Network	691,310	0.1378
1-335	Arkansas Northeastern College	312,142	0.0622
1349	Arkansas River Education Cooperative	848,988	0.1693
6870	Arkansas School Boards Association	7,989	0.0016
1-399	Arkansas School for Math, Sciences and Arts	78,914	0.0157
1-008	Arkansas School for the Blind	559,675	0.1116
1-016	Arkansas School for the Deaf	873,513	0.1742
1-028	Arkansas State University - Beebe	116,923	0.0233
1-053	Arkansas State University - Jonesboro	473,108	0.0943
1-364	Arkansas State University - Mid-South Community College	36,138	0.0072
1-052	Arkansas State University - Mountain Home	9,311	0.0019
1-029	Arkansas State University - Newport	72,491	0.0145
1-202	Arkansas Teacher Retirement System	688,692	0.1373
1-045	Arkansas Tech University	433,994	0.0865
2008	Arkansas Virtual Academy	1,163,830	0.2321
973	Armored School District	435,861	0.0869
178	Ashdown School District	1,291,629	0.2575
693	Atkins School District	931,334	0.1857
674	Augusta School District	463,426	0.0924
337	Bald Knob School District	1,038,710	0.2071
365	Barton-Lexa School District	648,404	0.1293
333	Batesville School District	3,120,470	0.6222
214	Bauxite School District	1,235,909	0.2464
637	Bay School District	525,544	0.1048
592	Bearden School District	496,194	0.0989
336	Beebe School District	2,877,093	0.5737
215	Benton School District	4,321,665	0.8617
385	Bentonville School District	18,629,266	3.7145
956	Bergman School District	925,532	0.1845
115	Berryville School District	1,728,987	0.3448
144	Bismarck School District	911,450	0.1817
1-295	Black River Technical College	184,658	0.0368
813	Blevins School District	472,938	0.0943
586	Blytheville School District	1,832,747	0.3654
180	Booneville School District	1,155,794	0.2305
9492	Boston Mountain Education Cooperative	96,956	0.0193
623	Bradford School District	450,551	0.0898
630	Brinkley School District	493,282	0.0984
629	Brookland School District	2,254,348	0.4495
216	Bryant School District	8,228,533	1.6407
1333	Buffalo Island Central School District	664,413	0.1325
705	Cabot School District	9,354,059	1.8651

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 1

Employer ID	Employer	Actual Employer Contributions	Employer Allocation Percentage
1165	Caddo Hills School District	\$ 546,638	0.1090 %
727	Calico Rock School District	406,914	0.0811
396	Camden-Fairview School District	2,386,004	0.4758
2029	Capital City Lighthouse Charter School	-	-
622	Carlisle School District	638,472	0.1273
719	Cave City School District	1,183,035	0.2359
1001	Cedar Ridge School District	826,076	0.1647
552	Cedarville School District	827,375	0.1650
1991	Centerpoint School District	970,750	0.1936
480	Charleston School District	819,887	0.1635
463	Clarendon School District	582,243	0.1161
161	Clarksville School District	2,564,076	0.5113
1002	Cleveland County School District	872,303	0.1739
662	Clinton School District	1,262,017	0.2516
1-291	College of the Ouachitas	183,500	0.0366
555	Concord School District	517,396	0.1032
479	Conway School District	9,830,992	1.9602
1359	Conway Vocational Center	224,122	0.0447
393	Corning School District	739,727	0.1475
250	Cossatot River School District	937,926	0.1870
106	Cotter School District	681,233	0.1358
564	County Line School District	464,978	0.0927
2012	Covenant Keepers Charter School	-	-
1074	Cross County School District	591,665	0.1180
416	Crossett School District	1,408,766	0.2809
1354	Crowley's Ridge Education Cooperative	809,945	0.1615
1-274	Crowley's Ridge Technical Institute	-	-
131	Cutter Morning Star School District	469,790	0.0937
245	Danville School District	806,743	0.1609
246	Dardanelle School District	2,057,652	0.4103
1338	Dawson Education Cooperative	1,548,293	0.3087
547	Decatur School District	594,091	0.1185
1003	Deer-Mount Judea School District	388,385	0.0774
224	Dequeen School District	2,319,396	0.4625
1353	Dequeen-Mena Education Cooperative	792,548	0.1580
958	Dermott School District	438,744	0.0875
696	Des Arc School District	564,446	0.1126
731	Dewitt School District	1,094,616	0.2183
566	Dierks School District	511,361	0.1020
159	Dollarway School District	-	-
677	Dover School District	1,158,160	0.2309
531	Drew Central School District	1,085,058	0.2164
657	Dumas School District	1,338,113	0.2668
375	Earle School District	529,097	0.1055
1-331	East Arkansas Community College	140,112	0.0279
676	East End School District	592,180	0.1181
1364	East Poinsett County School District	642,271	0.1281
351	El Dorado School District	3,955,976	0.7888
235	Elkins School District	1,085,039	0.2164
1004	Emerson-Taylor-Bradley School District	1,035,821	0.2065
606	England School District	669,867	0.1336
2016	E-Stem Public Charter School	2,595,446	0.5175
765	Eureka Springs School District	731,809	0.1459
2027	Exalt Academy	399,343	0.0796
234	Farmington School District	2,019,226	0.4026
233	Fayetteville School District	11,875,980	2.3680
6873	First Student	-	-
182	Flippin School District	807,707	0.1611
539	Fordyce School District	774,576	0.1544
645	Foreman School District	463,991	0.0925
213	Forrest City School District	2,184,063	0.4355
350	Fort Smith School District	15,146,769	3.0202
601	Fouke School District	978,987	0.1952
133	Fountain Lake School District	1,331,896	0.2656

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 1

Employer ID	Employer	Actual Employer Contributions	Employer Allocation Percentage
2039	Friendship Aspire Academy - Little Rock	\$ 190,938	0.0381 %
2036	Friendship Aspire Academy - Pine Bluff	322,478	0.0643
2042	Friendship Aspire Academy - Southeast Pine Bluff	49,828	0.0099
2033	Future School of Fort Smith	222,533	0.0444
873	Genoa Central School District	973,407	0.1941
538	Gentry School District	1,464,826	0.2921
512	Glen Rose School District	906,730	0.1808
753	Gosnell School District	1,046,082	0.2086
109	Gravette School District	1,858,882	0.3707
1350	Great Rivers Education Cooperative	465,702	0.0929
675	Green Forest School District	1,302,147	0.2596
129	Greenbrier School District	3,262,417	0.6505
667	Greene County Tech School District	3,403,238	0.6786
238	Greenland School District	822,829	0.1641
221	Greenwood School District	3,583,173	0.7145
117	Gurdon School District	694,926	0.1386
1330	Guy Fenter Education Cooperative	525,509	0.1048
963	Guy-Perkins School District	346,199	0.0690
2032	Haas Hall Academy - Bentonville	-	-
2006	Haas Hall Academy - Fayetteville	855,844	0.1707
335	Hackett School District	691,996	0.1380
384	Hamburg School District	1,533,379	0.3057
521	Hampton School District	574,414	0.1145
484	Harmony Grove School District - Benton	1,033,729	0.2061
458	Harmony Grove School District - Camden	887,612	0.1770
453	Harrisburg School District	1,265,233	0.2523
451	Harrison School District	2,561,128	0.5107
493	Hazen School District	561,345	0.1119
360	Heber Springs School District	1,276,379	0.2545
583	Hector School District	580,593	0.1158
196	Helena-West Helena School District	1,200,686	0.2394
1-025	Henderson State University	85,350	0.0170
111	Hermitage School District	483,482	0.0964
1045	Highland School District	1,753,250	0.3496
1005	Hillcrest School District	486,000	0.0969
2041	Hope Academy of Northwest Arkansas	117,457	0.0234
141	Hope School District	2,150,420	0.4288
602	Horatio School District	732,745	0.1461
134	Hot Springs School District	3,795,027	0.7567
165	Hoxie School District	700,219	0.1396
625	Huntsville School District	2,299,104	0.4584
2003	Imboden Area Charter School	55,269	0.0110
1346	Izard County Consolidated School District	529,392	0.1056
150	Jackson County School District	821,868	0.1639
2020	Jacksonville Lighthouse Charter School	1,436,540	0.2864
1093	Jacksonville-North Pulaski School District	3,786,639	0.7550
607	Jasper School District	984,765	0.1964
135	Jessieville School District	778,316	0.1552
394	Jonesboro School District	6,394,500	1.2750
1362	Jonesboro Vocational Center	161,829	0.0323
228	Junction City School District	663,364	0.1323
2002	Kipp Delta College Preparatory School	1,292,617	0.2577
197	Kirby School District	374,604	0.0747
1000	Lafayette County School District	679,352	0.1355
136	Lake Hamilton School District	3,927,088	0.7830
132	Lakeside School District - Hot Springs	3,178,163	0.6337
116	Lakeside School District - Lake Village	1,059,206	0.2112
163	Lamar School District	1,197,758	0.2388
219	Lavaca School District	770,045	0.1535
1011	Lawrence County School District	792,220	0.1580
957	Lead Hill School District	369,343	0.0736
172	Lee County School District	736,191	0.1468
237	Lincoln Consolidated School District	942,486	0.1879
2007	Lisa Academy - Little Rock	3,089,004	0.6159

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 1

Employer ID	Employer	Actual Employer Contributions	Employer Allocation Percentage	%	*
2019	Little Rock Preparatory Academy	\$ -	-		*
210	Little Rock School District	26,242,078	5.2325		
404	Lonoke School District	1,467,259	0.2926		
181	Magazine School District	489,943	0.0977		
736	Magnet Cove School District	645,528	0.1287		
123	Magnolia School District	2,661,243	0.5306		
503	Malvern School District	1,958,912	0.3906		
331	Mammoth Spring School District	501,905	0.1001		
658	Manila School District	1,011,647	0.2017		
222	Mansfield School District	741,863	0.1479		
714	Marion School District	3,714,345	0.7406		
203	Marked Tree School District	473,701	0.0945		
597	Marmaduke School District	634,711	0.1266		
195	Marvell-Elaine School District	431,793	0.0861		
535	Mayflower School District	920,767	0.1836		
501	Maynard School District	458,430	0.0914		
242	McCrary School District	577,336	0.1151		
715	McGehee School District	1,150,294	0.2294		
779	Melbourne School District	756,150	0.1508		
208	Mena School District	1,434,793	0.2861		
1371	Metropolitan Vocational Center	226,237	0.0451		
1347	Midland School District	567,452	0.1132		
145	Mineral Springs School District	646,961	0.1290		
330	Monticello School District	1,727,593	0.3445		
1363	Monticello Vocational Center	69,806	0.0139		
186	Mount Ida School District	527,754	0.1052		
964	Mount Vernon-Enola School District	464,201	0.0926		
682	Mountain Home School District	3,424,502	0.6828		
965	Mountain Pine School District	716,666	0.1429		
530	Mountain View School District	1,568,195	0.3127		
126	Mountainburg School District	676,530	0.1349		
756	Mulberry-Pleasant View Bi-County School District	485,188	0.0967		
515	Nashville School District	1,665,234	0.3320		
1-330	National Park Community College	215,183	0.0429		
795	Nemo Vista School District	522,670	0.1042		
702	Nettleton School District	3,510,193	0.6999		
1343	Nevada School District	422,674	0.0843		
545	Newport School District	1,168,313	0.2330		
471	Norfolk School District	434,747	0.0867		
1-329	North Arkansas College	455,933	0.0909		
1365	North Central Career Center	26,756	0.0053		
212	North Little Rock School District	9,080,233	1.8105		
1332	Northcentral Arkansas Education Cooperative	515,360	0.1028		
1337	Northeast Arkansas Education Cooperative	487,973	0.0973		
2024	Northwest Arkansas Classical Academy	669,797	0.1336		
1-388	Northwest Arkansas Community College	383,465	0.0765		
1351	Northwest Arkansas Education Cooperative	678,053	0.1352		
1-321	Northwest Technical Institute	320,215	0.0639		
704	Omaha School District	399,505	0.0797		
185	Osceola School District	1,306,569	0.2605		
1006	Ouachita River School District	683,072	0.1362		
750	Ouachita School District	411,100	0.0820		
2030	Ozark Montessori Academy	-	-		*
1008	Ozark Mountain School District	648,824	0.1294		
130	Ozark School District	1,514,452	0.3020		
1-314	Ozarka College	77,379	0.0154		
1336	Ozarks Unlimited Resource Education Cooperative	619,050	0.1234		
486	Palestine-Wheatley School District	577,552	0.1152		
724	Pangburn School District	849,569	0.1694		
1344	Paragould School District	2,938,778	0.5860		
386	Paris School District	1,120,172	0.2234		
820	Parkers Chapel School District	729,575	0.1455		
1092	Pea Ridge School District	2,093,046	0.4173		
192	Perryville School District	763,895	0.1523		

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 1

Employer ID	Employer	Actual Employer Contributions	Employer Allocation Percentage
1-320	Phillips Community College - Dewitt	\$ 12,126	0.0024 %
1-254	Phillips Community College - University of Arkansas	7,535	0.0015
571	Piggott School District	750,842	0.1497
2022	Pine Bluff Lighthouse Charter School	-	-
593	Pine Bluff School District	4,282,216	0.8538
558	Pocahontas School District	1,567,828	0.3126
569	Pottsville School District	1,635,637	0.3261
757	Poyen School District	450,287	0.0898
232	Prairie Grove School District	1,681,308	0.3352
2025	Premier High School of Little Rock	101,690	0.0203
2040	Premier High School of North Little Rock	61,445	0.0123
2044	Premier High School of Springdale	47,418	0.0095
188	Prescott School District	874,467	0.1744
211	Pulaski County School District	14,724,949	2.9361
1-290	Pulaski Technical College	383,010	0.0764
2026	Quest Middle School - Pine Bluff	-	-
2028	Quest Middle School - West Little Rock	-	-
651	Quitman School District	640,812	0.1278
1335	Rector School District	582,948	0.1162
1-315	Rich Mountain Community College	94,961	0.0189
1366	River Valley Career Academy	-	-
1114	Rivercrest School District	1,094,395	0.2182
1348	Riverside School District	693,994	0.1384
1-386	Riverside Vocational Technical School	12,891	0.0026
434	Riverview School District	1,173,845	0.2341
2031	Rockbridge Montessori	-	-
108	Rogers School District	15,361,974	3.0631
847	Rose Bud School District	744,598	0.1485
209	Russellville School District	5,653,432	1.1273
565	Salem School District	742,476	0.1480
2038	Scholarmade Achievement Place	411,384	0.0820
548	Scranton School District	409,590	0.0817
1010	Searcy County School District	935,013	0.1864
443	Searcy School District	3,575,443	0.7129
139	Sheridan School District	3,428,231	0.6836
230	Shirley School District	350,179	0.0698
2023	SIATech Charter School	77,531	0.0155
110	Siloam Springs School District	4,577,587	0.9127
395	Sloan-Hendrix School District	627,969	0.1252
872	Smackover-Norphlet School District	1,107,891	0.2209
1-344	South Arkansas Community College	222,366	0.0443
1-392	South Arkansas Developmental Center	340,072	0.0678
1355	South Central Education Cooperative	379,407	0.0757
1293	South Conway County School District	2,136,671	0.4260
251	South Pike County School District	713,828	0.1423
1-197	Southeast Arkansas College	225,933	0.0451
1308	Southeast Arkansas Education Cooperative	1,109,993	0.2213
2037	Southeast Arkansas Preparatory High School	-	-
1-268	Southern Arkansas University - East Camden	135,739	0.0271
1-051	Southern Arkansas University - Magnolia	366,628	0.0731
771	Southside School District - Batesville	1,740,657	0.3471
536	Southside School District - Bee Branch	618,049	0.1232
1307	Southwest Arkansas Education Cooperative	367,159	0.0732
143	Spring Hill School District	493,951	0.0985
239	Springdale School District	23,523,871	4.6905
687	Star City School District	1,242,978	0.2478
227	Strong-Huttig School District	363,783	0.0725
746	Stuttgart School District	1,448,310	0.2888
1372	Texarkana Career And Technological Center	-	-
184	Texarkana School District	4,208,731	0.8392
2035	The Excel Center Charter at Goodwill	112,817	0.0225
608	Trumann School District	1,307,477	0.2607
1009	Two Rivers School District	791,312	0.1578
1-402	University of Arkansas - Cooperative Extension Service	37,987	0.0076

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 1

Employer ID	Employer	Actual Employer Contributions	Employer Allocation Percentage
1-389	University of Arkansas - Fayetteville	\$ 61,436	0.0123 %
1-256	University of Arkansas - Fort Smith	42,169	0.0084
1-390	University of Arkansas - Little Rock	10,911	0.0022
1-400	University of Arkansas - Medical Sciences	11,720	0.0023
1-005	University of Arkansas - Monticello	76,253	0.0152
1-006	University of Arkansas - Pine Bluff	12,442	0.0025
1-318	University of Arkansas Community College - Batesville	85,930	0.0171
1-327	University of Arkansas Community College - Cossatot	87,622	0.0175
1-249	University of Arkansas Community College - Hope	64,071	0.0128
1-220	University of Arkansas Community College - Morrilton	146,997	0.0293
1-054	University of Central Arkansas	1,228,942	0.2450
747	Valley Springs School District	742,067	0.1480
863	Valley View School District	2,465,586	0.4916
560	Van Buren School District	5,625,430	1.1217
698	Vilonia School District	2,675,727	0.5335
794	Viola School District	450,483	0.0898
513	Waldron School District	1,468,424	0.2928
113	Warren School District	1,346,045	0.2684
1373	Warren Vocational Center	80,856	0.0161
154	Watson Chapel School District	1,992,581	0.3973
240	West Fork School District	856,372	0.1708
376	West Memphis School District	4,580,390	0.9133
502	West Side School District - Greers Ferry	572,518	0.1142
1342	Western Yell County School District	396,651	0.0791
1091	Westside Consolidated School District - Jonesboro	1,524,739	0.3040
1321	Westside School District - Hartman	639,713	0.1276
2043	Westwind School of Performing Arts	53,041	0.0106
987	White County Central School District	710,005	0.1416
153	White Hall School District	2,375,834	0.4737
1345	Wilbur D. Mills Education Cooperative	540,816	0.1078
780	Wonderview School District	441,322	0.0880
121	Woodlawn School District	456,225	0.0910
656	Wynne School District	2,415,118	0.4816
626	Yellville-Summit School District	817,648	0.1630
TOTAL		<u>\$ 501,522,604</u>	<u>100.0000 %</u>

**These employers may not have any current or future contributions, however, they will continue to be included above until all deferred amounts have been fully amortized.*

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources						Deferred Inflows of Resources					Pension Expense		
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Contributions and Proportionate Share of Contributions	Total Employer Pension Expense	
2001	Academics Plus Charter School	\$ 11,260,499	\$ 217,042	\$ 1,648,119	\$ 1,168,388	\$ 937,277	\$ 3,970,826	\$ 24,238	\$ -	\$ -	\$ 24,238	\$ 549,748	\$ 597,751	\$ 1,147,499	
125	Alma School District	32,544,181	627,277	4,763,261	3,376,782	794,363	9,561,683	70,050	-	-	161,183	231,234	1,588,838	1,857,972	
735	Alpena School District	4,782,075	92,173	699,918	496,188	363,479	1,651,758	10,293	-	-	448,725	459,018	233,465	232,505	
1339	Arch Ford Education Cooperative	36,311,985	699,900	5,314,728	3,767,729	5,518,681	15,301,038	78,160	-	-	78,160	1,772,785	2,378,347	4,151,132	
119	Arkadelphia School District	15,519,936	299,141	2,271,543	1,610,347	-	4,181,031	33,406	-	-	2,024,881	757,698	(729,380)	28,318	
4857	Arkansas Activities Association	1,785,067	34,407	261,268	185,218	11,944	492,837	3,842	-	-	48,491	52,333	87,149	81,011	
2000	Arkansas Arts Academy	8,188,915	157,838	1,198,554	849,681	658,551	2,864,624	17,626	-	-	261,766	279,393	399,791	679,120	
6875	Arkansas Association of Educational Administrators	779,113	15,017	114,033	80,841	132,071	341,962	1,677	-	-	59,304	60,981	38,037	63,893	
2034	Arkansas Connections Academy	9,605,261	185,138	1,405,854	996,641	3,210,746	5,798,380	20,675	-	-	-	20,675	468,938	1,750,716	
1-328	Arkansas Correctional School	9,698,643	186,938	1,419,522	1,006,330	1,118,946	3,731,736	20,876	-	-	576,429	597,305	473,497	538,748	
1-115	Arkansas Department of Career Education - Rehabilitation Services	10,328,318	199,075	1,511,683	1,071,665	25,382	2,807,805	22,231	-	-	3,146,934	3,169,166	504,238	(473,488)	
1-294	Arkansas Department of Career Education - Workforce Services	3,110,310	59,950	455,234	322,726	274,268	1,112,177	6,695	-	-	1,037,420	1,044,114	151,848	(172,789)	
1-405	Arkansas Department of Commerce - Cabinet Level	1,090,189	21,013	159,563	113,118	395,999	689,693	2,347	-	-	36,949	39,295	53,224	203,740	
1-017	Arkansas Department of Education	29,724,291	572,925	4,350,534	3,084,190	4,243	8,011,892	63,981	-	-	3,445,869	3,509,850	1,451,168	267,862	
1-406	Arkansas Department of Education - Cabinet Level	5,634,345	108,600	824,659	584,619	2,839,585	4,357,463	12,128	-	-	-	12,128	275,074	1,142,640	
1-409	Arkansas Department of Health - Cabinet Level	188,515	3,634	27,592	19,560	77,526	128,312	406	-	-	406	9,203	26,966	36,170	
1-391	Arkansas Department of Higher Education	1,318,522	25,414	192,983	136,810	251,739	606,945	2,838	-	-	67,838	70,676	64,371	139,635	
1-403	Arkansas Department of Human Services - Division of Youth Services	101,038	1,947	14,788	10,484	33,665	60,884	217	-	-	62,008	62,225	4,933	(33,234)	
1-407	Arkansas Department of Public Safety - Cabinet Level	92,905	1,791	13,598	9,640	29,332	54,360	200	-	-	739	939	4,536	17,072	
1-404	Arkansas Department of Workforce Services - Cabinet Level	1,167,385	22,501	170,862	121,128	455,136	769,627	2,513	-	-	153,662	156,175	56,993	208,231	
6864	Arkansas Easter Seals	1,519	29	222	158	-	409	3	-	-	71,065	71,068	74	(47,229)	
1-401	Arkansas Economic Development Commission	-	-	-	-	237	237	-	-	-	40,103	40,103	-	(15,732)	
1-224	Arkansas Educational Television Network	7,275,906	140,240	1,064,923	754,947	209,783	2,169,893	15,661	-	-	138,585	154,247	355,217	326,483	
1-335	Arkansas Northeastern College	3,285,231	63,322	480,836	340,875	126,185	1,011,218	7,071	-	-	497,967	505,038	160,388	21,316	
1349	Arkansas River Education Cooperative	8,935,444	172,227	1,307,818	927,141	1,063,815	3,471,001	19,233	-	-	408,392	427,625	436,237	795,003	
6870	Arkansas School Boards Association	84,078	1,621	12,306	8,724	1,948	24,599	181	-	-	4,519	4,700	4,105	3,558	
1-399	Arkansas School for Math, Sciences and Arts	830,552	16,009	121,562	86,178	4,557	228,306	1,788	-	-	137,101	138,889	40,548	(16,339)	
1-008	Arkansas School for the Blind	5,890,478	113,537	862,148	611,196	72,760	1,659,640	12,679	-	-	512,507	525,186	287,579	134,809	
1-016	Arkansas School for the Deaf	9,193,564	177,203	1,345,597	953,924	150,474	2,627,197	19,789	-	-	1,003,240	1,023,029	448,838	280,893	
1-028	Arkansas State University - Beebe	1,230,588	23,719	180,112	127,686	-	331,517	2,649	-	-	584,006	586,655	60,078	(239,873)	
1-053	Arkansas State University - Jonesboro	4,979,375	95,976	728,796	516,660	-	1,341,431	10,718	-	-	1,296,318	1,307,036	243,098	(346,429)	
1-364	Arkansas State University - Mid-South Community College	380,349	7,331	55,669	39,465	-	102,465	819	-	-	123,627	124,446	18,569	(50,664)	
1-052	Arkansas State University - Mountain Home	98,002	1,889	14,344	10,169	2,602	29,003	211	-	-	24,933	25,144	4,785	(27,445)	
1-029	Arkansas State University - Newport	762,954	14,706	111,668	79,164	-	205,538	1,642	-	-	392,865	394,507	37,248	(137,054)	
1-202	Arkansas Teacher Retirement System	7,248,351	139,709	1,060,890	752,088	10,009	1,962,696	15,602	-	-	185,053	200,655	353,871	304,476	
1-045	Arkansas Tech University	4,567,706	88,041	668,543	473,945	26,895	1,257,423	9,832	-	-	900,691	910,522	223,000	(126,670)	
2008	Arkansas Virtual Academy	12,249,091	236,097	1,792,813	1,270,965	2,478,775	5,778,649	26,366	-	-	-	598,012	1,053,084	1,651,096	
973	Armored School District	4,587,360	88,420	671,419	475,984	84,488	1,320,311	9,874	-	-	383,913	393,787	223,959	156,198	
178	Ashdown School District	13,594,148	262,022	1,989,679	1,410,528	478,075	4,140,304	29,261	-	-	402,231	431,492	663,679	640,027	
693	Atkins School District	9,802,117	188,932	1,434,667	1,017,067	123,849	2,764,514	21,099	-	-	69,189	90,288	478,549	453,012	
674	Augusta School District	4,877,471	94,011	713,881	506,086	195,242	1,509,220	10,499	-	-	289,012	299,511	238,123	210,793	
337	Bald Knob School District	10,932,225	210,715	1,600,072	1,134,327	336,356	3,281,470	23,531	-	-	722,101	745,632	533,722	289,708	
365	Barton-Lexa School District	6,824,328	131,536	998,829	708,092	-	1,838,457	14,689	-	-	501,463	516,153	333,170	135,197	

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Contributions and Proportionate Share of Employer Contributions	Total Employer Pension Expense
333	Batesville School District	\$ 32,842,354	\$ 633,024	\$ 4,806,903	\$ 3,407,720	\$ 908,821	\$ 9,756,468	\$ 70,692	\$ -	\$ -	\$ 406,472	\$ 477,164	\$ 1,603,395	\$ 88,949	\$ 1,692,344
214	Bauxite School District	13,007,713	250,719	1,903,847	1,349,679	263,438	3,767,683	27,999	-	-	632,267	660,265	635,049	(92,229)	542,820
637	Bay School District	5,531,251	106,613	809,570	573,922	76,072	1,566,177	11,906	-	-	106,337	118,243	270,041	(23,295)	246,746
592	Bearden School District	5,222,350	100,659	764,358	541,871	160,649	1,567,537	11,241	-	-	94,654	105,895	254,960	3,866	258,826
336	Beebe School District	30,280,863	583,653	4,431,996	3,141,940	394,746	8,552,334	65,179	-	-	1,106,145	1,171,323	1,478,340	(252,857)	1,225,483
215	Benton School District	45,484,714	876,701	6,657,276	4,719,490	1,139,696	13,393,163	97,905	-	-	821,290	919,194	2,220,607	122,850	2,343,456
385	Bentonville School District	196,069,515	3,779,168	28,697,307	20,344,157	5,847,756	58,668,388	422,034	-	-	-	422,034	9,572,299	3,495,406	13,067,705
956	Bergman School District	9,741,047	187,755	1,425,728	1,010,730	123,135	2,747,349	20,967	-	-	209,825	230,792	475,567	(12,264)	463,303
115	Berryville School District	18,197,264	350,746	2,663,405	1,888,147	679,371	5,581,668	39,169	-	-	913,191	952,360	888,408	(82,141)	806,267
144	Bismarck School District	9,592,843	184,899	1,404,037	995,353	502,676	3,086,963	20,648	-	-	175,126	195,775	468,332	65,964	534,296
1-295	Black River Technical College	1,943,494	37,460	284,455	201,657	35,204	558,776	4,183	-	-	163,882	168,065	94,883	(47,362)	47,521
813	Blevins School District	4,977,579	95,941	728,533	516,473	86,007	1,426,954	10,714	-	-	84,397	95,111	243,010	(39,609)	203,402
586	Blytheville School District	19,289,315	371,794	2,823,241	2,001,458	-	5,196,493	41,520	-	-	2,185,019	2,226,539	941,723	(976,184)	(34,462)
180	Booneville School District	12,164,515	234,467	1,780,434	1,262,189	233,606	3,510,696	26,184	-	-	136,544	162,728	593,883	8,613	602,496
9492	Boston Mountain Education Cooperative	1,020,438	19,669	149,354	105,881	24,514	299,417	2,196	-	-	538,568	540,765	49,819	(336,561)	(286,742)
623	Bradford School District	4,741,969	91,400	694,048	492,026	107,916	1,385,391	10,207	-	-	74,208	84,415	231,507	(6,460)	225,047
630	Brinkley School District	5,191,705	100,068	759,873	538,691	174,068	1,572,700	11,175	-	-	299,528	310,703	253,464	(82,556)	170,908
629	Brookland School District	23,726,587	457,321	3,472,693	2,461,869	1,163,140	7,555,023	51,071	-	-	-	51,071	1,158,354	548,182	1,706,536
216	Bryant School District	86,603,762	1,669,256	12,675,580	8,985,999	1,566,421	24,897,256	186,412	-	-	3,305,276	3,491,688	4,228,077	523,043	4,751,121
1333	Buffalo Island Central School District	6,992,819	134,784	1,023,489	725,574	109,763	1,993,611	15,052	-	-	251,633	266,684	341,396	(78,896)	262,500
705	Cabot School District	98,449,707	1,897,582	14,409,387	10,215,134	416,196	26,938,299	211,910	-	-	2,593,316	2,805,227	4,806,408	(426,868)	4,379,540
1165	Caddo Hills School District	5,753,258	110,892	842,064	596,958	197,260	1,747,174	12,384	-	-	99,866	112,250	280,880	28,042	308,921
727	Calico Rock School District	4,282,694	82,547	626,828	444,372	135,315	1,289,062	9,218	-	-	38,497	47,715	209,085	31,926	241,012
396	Camden-Fainview School District	25,112,248	484,029	3,675,502	2,605,645	538,457	7,303,633	54,053	-	-	806,396	860,449	1,226,004	(94,314)	1,131,689
2029	Capital City Lighthouse Charter School	-	-	-	-	22,624	22,624	-	-	-	1,104,086	1,104,086	-	(292,292)	(292,292)
622	Carlisle School District	6,719,799	129,522	983,529	697,246	272,747	2,083,043	14,464	-	-	54,667	69,132	328,067	60,403	388,470
719	Cave City School District	12,451,223	239,993	1,822,397	1,291,938	565,737	3,920,065	26,801	-	-	107,152	133,953	607,880	132,564	740,444
1001	Cedar Ridge School District	8,694,291	167,579	1,272,522	902,119	198,971	2,541,191	18,714	-	-	302,938	321,652	424,464	(123,702)	300,761
552	Cedarville School District	8,707,968	167,843	1,274,524	903,538	289,098	2,635,003	18,744	-	-	14,820	33,564	425,131	51,263	476,394
1991	Centerpoint School District	10,216,962	196,928	1,495,384	1,060,111	442,698	3,195,122	21,992	-	-	188,389	210,380	498,802	162,389	661,191
480	Charleston School District	8,629,153	166,324	1,262,988	895,360	70,525	2,395,197	18,574	-	-	162,224	180,798	421,283	(2,734)	418,549
463	Clarendon School District	6,127,999	118,115	896,912	635,841	167,037	1,817,904	13,190	-	-	239,124	252,314	299,175	(32,963)	266,211
161	Clarksville School District	26,986,418	520,153	3,949,811	2,800,109	657,763	7,927,836	58,087	-	-	203,624	261,711	1,317,502	91,524	1,409,026
1002	Cleveland County School District	9,180,830	176,957	1,343,733	952,602	263,409	2,736,702	19,761	-	-	451,943	471,705	448,217	7,744	455,961
662	Clinton School District	13,282,496	256,015	1,944,065	1,378,191	14,329	3,592,600	28,590	-	-	421,793	450,383	648,464	(194,924)	453,540
1-291	College of the Ouachitas	1,931,302	37,225	282,671	200,392	-	520,288	4,157	-	-	326,116	330,273	94,288	(131,223)	(36,935)
555	Concord School District	5,445,491	104,960	797,018	565,024	158,382	1,625,384	11,721	-	-	302,226	313,947	265,854	(41,946)	223,908
479	Conway School District	103,469,337	1,994,334	15,144,074	10,735,970	1,605,223	29,479,602	222,715	-	-	195,470	418,185	5,051,471	357,158	5,408,628
1359	Conway Vocational Center	2,358,845	45,466	345,247	244,754	11,216	646,683	5,077	-	-	194,293	199,370	115,161	(85,300)	29,861
393	Corning School District	7,785,483	150,062	1,139,506	807,821	93,281	2,190,671	16,758	-	-	252,596	269,354	380,095	(91,500)	288,594
250	Cossatot River School District	9,871,492	190,269	1,444,820	1,024,265	481,084	3,140,440	21,248	-	-	882,208	903,456	481,936	(157,356)	324,580
106	Cotter School District	7,169,848	138,196	1,049,400	743,943	438,273	2,369,812	15,433	-	-	5,035	20,468	350,039	112,494	462,533
564	County Line School District	4,893,808	94,326	716,272	507,781	248,491	1,566,870	10,534	-	-	41,998	52,532	238,920	85,840	324,760

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Proportionate Share of Employer Contributions	Total Employer Pension Expense
2012	Covenant Keepers Charter School	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,020	\$ 267,020	\$ -	\$ (154,604)	\$ (154,604)
1074	Cross County School District	6,227,162	120,026	911,426	646,130	37,349	1,714,931	13,404	-	139,874	153,278	304,016	(28,073)	275,943
416	Crossett School District	14,826,998	285,785	2,170,123	1,538,448	4,158	3,998,514	31,915	-	365,692	397,606	723,868	(170,586)	553,282
1354	Crowley's Ridge Education Cooperative	8,524,518	164,307	1,247,673	884,503	645,398	2,941,882	18,349	-	234,646	252,995	416,175	266,819	682,994
1-274	Crowley's Ridge Technical Institute	-	-	-	-	-	-	-	-	76,214	76,214	-	(87,892)	(87,892)
131	Cutter Morning Star School District	4,944,451	95,302	723,684	513,036	150,912	1,482,935	10,643	-	86,002	96,645	241,393	11,429	252,822
245	Danville School District	8,490,821	163,657	1,242,741	881,007	71,296	2,358,701	18,276	-	174,528	192,804	414,530	(64,493)	350,037
246	Dardanelle School District	21,656,403	417,419	3,169,694	2,247,067	591,923	6,426,103	46,615	-	55,747	102,362	1,057,286	138,330	1,195,616
1338	Dawson Education Cooperative	16,295,492	314,090	2,385,056	1,690,819	975,519	5,365,484	35,076	-	1,197	36,273	795,561	464,368	1,259,929
547	Decatur School District	6,252,701	120,519	915,164	648,780	169,064	1,853,525	13,459	-	47,755	61,214	305,263	(8,393)	296,870
1003	Deer-Mount Judea School District	4,087,679	78,789	598,285	424,137	92,121	1,193,331	8,799	-	135,724	144,523	199,564	(55,814)	143,751
224	Dequeen School District	24,411,202	470,517	3,572,895	2,532,904	293,816	6,870,132	52,544	-	162,989	215,533	1,191,778	77,585	1,269,363
1353	Dequeen-Mena Education Cooperative	8,341,417	160,778	1,220,874	865,505	152,258	2,399,415	17,955	-	649,777	667,732	407,236	(120,255)	286,981
958	Dermott School District	4,617,700	89,004	675,860	479,132	198,097	1,442,093	9,939	-	158,246	168,185	225,440	(30,753)	194,687
696	Des Arc School District	5,940,684	114,505	869,496	616,405	461,043	2,061,448	12,787	-	28,011	40,798	290,030	102,681	392,711
731	Dewitt School District	11,520,623	222,056	1,686,192	1,195,379	36,792	3,140,419	24,798	-	471,705	496,503	562,448	(106,160)	456,288
566	Dierks School District	5,381,977	103,736	787,722	558,433	10,214	1,460,105	11,585	-	121,562	133,147	262,753	(24,578)	238,175
159	Dollanway School District	-	-	-	-	68,920	68,920	-	-	7,994,009	7,994,009	-	(2,121,765)	(2,121,765)
677	Dover School District	12,189,419	234,947	1,784,079	1,264,773	12,760	3,296,559	26,237	-	446,980	473,218	595,099	(148,489)	446,609
531	Drew Central School District	11,420,036	220,117	1,671,470	1,184,942	826,512	3,903,041	24,581	-	-	24,581	557,537	262,371	819,908
657	Dumas School District	14,083,384	271,452	2,061,285	1,461,291	-	3,794,028	30,314	-	275,730	306,044	687,564	(93,033)	594,531
375	Earle School District	5,568,648	107,334	815,044	577,802	45,211	1,545,391	11,986	-	516,661	528,647	271,867	(229,116)	42,750
1-331	East Arkansas Community College	1,474,653	28,423	215,835	153,010	48,445	445,712	3,174	-	372,884	376,058	71,994	(105,998)	(34,004)
676	East End School District	6,232,581	120,131	912,219	646,692	99,752	1,778,793	13,415	-	58,520	71,936	304,280	26,117	330,397
1364	East Poinsett County School District	6,759,777	130,292	989,381	701,394	66,773	1,887,839	14,550	-	50,842	65,392	330,019	(7,179)	322,840
351	El Dorado School District	41,635,900	802,517	6,093,952	4,320,138	1,744,953	12,961,560	89,620	-	368,090	457,710	2,032,704	405,760	2,438,464
235	Elkins School District	11,419,829	220,113	1,671,440	1,184,921	414,445	3,490,918	24,581	-	85,467	110,048	557,527	106,245	663,772
1004	Emerson-Taylor-Bradley School District	10,901,817	210,129	1,595,622	1,131,172	41,330	2,978,252	23,466	-	254,450	277,916	532,237	(60,115)	472,122
606	England School District	7,050,221	135,890	1,031,891	731,530	206,530	2,105,842	15,175	-	330,893	346,069	344,198	(27,588)	316,611
2016	E-Stem Public Charter School	27,316,575	526,517	3,998,134	2,834,366	4,196,622	11,555,638	58,798	-	58,798	1,333,621	2,153,065	3,486,686	3,486,686
765	Eureka Springs School District	7,702,149	148,456	1,127,309	799,174	57,002	2,131,941	16,579	-	119,412	135,991	376,026	(5,177)	370,849
2027	Exalt Academy	4,203,010	81,011	615,165	436,104	939,216	2,071,496	9,047	-	-	9,047	205,195	388,363	593,558
234	Farmington School District	21,251,977	409,624	3,110,501	2,205,103	34,695	5,759,924	45,744	-	684,826	730,571	1,037,542	(96,658)	940,883
233	Fayetteville School District	124,992,452	2,409,184	18,294,260	12,969,207	2,872,676	36,545,327	269,043	-	1,570,557	1,839,599	6,102,250	1,812,143	7,914,393
6873	First Student	-	-	-	-	4,400	4,400	-	-	68,071	68,071	-	(16,062)	(16,062)
182	Flippin School District	8,500,965	163,853	1,244,226	882,059	186,823	2,476,962	18,298	-	83,515	101,814	415,025	(8,968)	406,057
539	Fordyce School District	8,152,264	157,132	1,193,189	845,878	444,450	2,640,649	17,548	-	394,354	411,901	398,001	27,922	425,923
645	Foreman School District	4,883,413	94,126	714,751	506,703	245,140	1,560,719	10,511	-	71,807	82,318	238,413	39,566	277,979
213	Forrest City School District	22,986,851	443,063	3,364,423	2,385,114	878,928	7,071,528	49,479	-	2,251,708	2,401,186	1,122,240	(842,017)	280,223
350	Fort Smith School District	159,416,889	3,072,702	23,332,722	16,541,084	184,750	43,131,257	343,140	-	4,472,459	4,815,599	7,782,883	(1,210,662)	6,572,221
601	Fouke School District	10,303,652	198,599	1,508,073	1,069,106	282,347	3,058,125	22,178	-	733,339	755,517	503,034	(12,997)	490,037
133	Fountain Lake School District	14,017,953	270,191	2,051,709	1,454,502	306,998	4,083,399	30,173	-	216,522	246,695	684,370	(22,519)	661,851
2039	Friendship Aspire Academy - Little Rock	2,009,587	38,734	294,129	208,515	783,304	1,324,682	4,326	-	199,788	204,113	98,110	264,105	362,215

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
2036	Friendship Aspire Academy - Pine Bluff	\$ 3,394,019	\$ 65,418	\$ 496,759	\$ 352,163	\$ 1,266,051	\$ 2,180,391	\$ 7,306	\$ -	\$ -	\$ 7,306	\$ 165,699	\$ 471,560	\$ 637,259
2042	Friendship Aspire Academy - Southeast Pine Bluff	524,429	10,108	76,757	54,415	290,645	431,925	1,129	-	-	30,662	31,791	25,603	107,992
2033	Future School of Fort Smith	2,342,117	45,143	342,799	243,018	422,391	1,053,351	5,041	-	-	5,041	114,344	249,480	363,824
873	Genoa Central School District	10,244,922	197,467	1,499,477	1,063,012	72,092	2,832,048	22,052	-	202,018	224,070	500,167	11,896	512,063
538	Gentry School District	15,417,023	297,157	2,256,481	1,599,669	283,831	4,437,138	33,185	-	201,136	234,320	752,674	10,349	763,023
512	Glen Rose School District	9,543,166	183,941	1,396,766	990,198	185,408	2,756,313	20,541	-	48,800	69,342	465,906	70,162	536,068
753	Gosnell School District	11,009,817	212,210	1,611,429	1,142,378	96,197	3,062,214	23,698	-	823,700	847,398	537,510	(194,447)	343,063
109	Gravette School District	19,564,383	377,096	2,863,500	2,029,999	282,416	5,553,011	42,112	-	3,088	45,200	955,152	123,254	1,078,406
1350	Great Rivers Education Cooperative	4,901,422	94,473	717,386	508,571	143,375	1,463,805	10,550	-	162,914	173,465	239,292	44,238	283,530
675	Green Forest School District	13,704,850	264,156	2,005,882	1,422,014	280,637	3,972,689	29,499	-	180,959	210,459	669,084	140,712	809,795
129	Greenbrier School District	34,336,329	661,820	5,025,565	3,562,735	403,807	9,653,927	73,908	-	17,907	91,815	1,676,332	229,116	1,905,448
667	Greene County Tech School District	35,818,435	690,387	5,242,491	3,716,518	468,537	10,117,933	77,098	-	261,090	338,188	1,748,690	(74,989)	1,673,701
238	Greenland School District	8,660,117	166,921	1,267,520	898,573	182,376	2,515,389	18,641	-	229,522	248,163	422,795	(28,694)	394,101
221	Greenwood School District	37,712,221	726,889	5,519,671	3,913,017	898,180	11,057,757	81,174	-	353,009	434,183	1,841,146	216,075	2,057,221
117	Gurdon School District	7,313,963	140,974	1,070,493	758,896	42,851	2,013,214	15,743	-	234,457	250,200	357,075	(134,314)	222,761
1330	Guy Fenter Education Cooperative	5,530,886	106,606	809,517	573,884	493,531	1,983,537	11,905	-	179,099	191,004	270,023	201,925	471,948
963	Guy-Perkins School District	3,643,680	70,231	533,300	378,068	61,719	1,043,317	7,843	-	106,444	114,287	177,888	(69,980)	107,908
2032	Haas Hall Academy - Bentonville	-	-	-	-	78,681	78,681	-	-	1,165,354	1,165,354	-	(309,172)	(309,172)
2006	Haas Hall Academy - Fayetteville	9,007,592	173,618	1,318,377	934,627	1,573,161	3,999,784	19,389	-	39,975	59,364	439,759	881,458	1,321,217
335	Hackett School District	7,283,132	140,380	1,065,980	755,697	191,154	2,153,211	15,677	-	445,452	461,129	355,569	(233,243)	122,327
384	Hamburg School District	16,138,530	311,064	2,362,082	1,674,533	397,172	4,744,852	34,738	-	1,180,837	1,215,574	787,898	(335,295)	452,603
521	Hampton School District	6,045,598	116,527	884,851	627,291	52,029	1,680,698	13,013	-	191,607	204,620	295,152	5,282	300,434
484	Harmony Grove School District - Benton	10,879,807	209,704	1,592,400	1,128,888	81,470	3,012,463	23,418	-	60,361	83,779	531,162	8,878	540,040
458	Harmony Grove School District - Camden	9,341,945	180,063	1,367,314	969,320	231,941	2,748,638	20,108	-	363,785	383,894	456,083	(79,187)	376,896
453	Harrisburg School District	13,316,344	256,668	1,949,019	1,381,703	61,404	3,648,794	28,663	-	265,959	294,622	650,116	(142,500)	507,617
451	Harrison School District	26,955,385	519,555	3,945,269	2,796,889	473,505	7,735,218	58,021	-	163,267	221,288	1,315,987	16,260	1,332,248
493	Hazen School District	5,908,048	113,875	864,719	613,019	299,935	1,891,548	12,717	-	99,127	111,844	288,436	(9,884)	278,553
360	Heber Springs School District	13,433,648	258,929	1,966,188	1,393,874	73,935	3,692,926	28,916	-	1,418,613	1,447,529	655,843	(449,410)	206,434
583	Hector School District	6,110,635	117,780	894,370	634,039	348,870	1,995,059	13,153	-	42,654	55,807	298,327	91,051	389,378
196	Helena-West Helena School District	12,636,990	243,573	1,849,587	1,311,213	-	3,404,373	27,201	-	1,213,363	1,240,563	616,950	(569,756)	47,194
1-025	Henderson State University	898,294	17,314	131,477	93,207	-	241,998	1,934	-	241,565	243,498	43,856	(149,724)	(105,869)
111	Hermitage School District	5,088,562	98,080	744,777	527,989	350,017	1,720,863	10,953	-	163,896	174,849	248,428	54,549	302,978
1045	Highland School District	18,452,628	355,668	2,700,781	1,914,643	1,815,321	6,786,412	39,719	-	880	40,599	900,875	566,682	1,467,557
1005	Hillcrest School District	5,115,058	98,591	748,655	530,738	286,223	1,664,207	11,010	-	24,799	35,809	249,722	116,178	365,900
2041	Hope Academy of Northwest Arkansas	1,236,210	23,828	180,935	128,269	646,583	979,615	2,661	-	-	2,661	60,353	194,277	254,630
141	Hope School District	22,632,763	436,238	3,312,597	2,348,374	562,273	6,659,482	48,716	-	685,296	734,012	1,104,953	(253,751)	851,202
602	Horatio School District	7,712,008	148,646	1,128,752	800,197	2,466	2,080,062	16,800	-	248,774	265,374	376,508	(60,021)	316,487
134	Hot Springs School District	39,941,942	769,866	5,846,019	4,144,373	2,903,421	13,663,679	85,974	-	1,718,641	1,804,615	1,950,003	85,405	2,035,408
165	Hoxie School District	7,369,671	142,048	1,078,647	764,677	988	1,986,358	15,863	-	512,609	528,472	359,794	(195,693)	164,101
625	Huntsville School District	24,197,634	466,401	3,541,636	2,510,745	764,990	7,283,772	52,085	-	394,711	446,796	1,181,351	170,021	1,351,372
2003	Imboden Area Charter School	581,694	11,212	85,138	60,356	27,070	183,777	1,252	-	11,341	12,593	28,399	5,351	33,750
1346	Izard County Consolidated School District	5,571,747	107,393	815,497	578,124	283,306	1,784,321	11,993	-	66,085	78,078	272,018	17,669	289,687
150	Jackson County School District	8,650,006	166,726	1,266,040	897,524	198,640	2,528,930	18,619	-	35,103	53,722	422,301	40,053	462,355

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Contributions and Proportionate Share of Contributions	Total Employer Pension Expense	
2020	Jacksonville Lighthouse Charter School	\$ 15,119,313	\$ 291,419	\$ 2,212,907	\$ 1,568,779	\$ 5,548,061	\$ 9,621,166	\$ 32,544	\$ -	\$ -	\$ 241,873	\$ 274,417	\$ 738,139	\$ 1,303,275	\$ 2,041,414
1093	Jacksonville-North Pulaski School District	39,853,662	768,165	5,833,098	4,135,213	1,327,508	12,063,984	85,784	-	-	778,372	864,156	1,945,693	2,590,543	4,536,237
607	Jasper School District	10,364,467	199,771	1,516,974	1,075,416	99,230	2,891,391	22,309	-	-	99,245	121,554	506,003	(28,447)	477,556
135	Jessieville School District	8,191,624	157,891	1,198,950	849,962	363,772	2,570,575	17,632	-	-	502,222	519,855	399,923	(81,451)	318,471
394	Jonesboro School District	67,300,911	1,297,200	9,850,358	6,983,137	1,459,899	19,590,594	144,863	-	-	7,619	152,482	3,285,694	1,039,188	4,324,882
1362	Jonesboro Vocational Center	1,703,216	32,829	249,288	176,726	23,434	482,276	3,666	-	-	110,298	113,964	83,153	(6,738)	76,414
228	Junction City School District	6,981,782	134,571	1,021,874	724,429	410,984	2,291,858	15,028	-	-	74,194	89,222	340,857	124,947	465,804
2002	Kipp Delta College Preparatory School	13,604,553	262,223	1,991,202	1,411,607	396,105	4,061,137	29,283	-	-	1,704,672	1,733,955	664,187	(422,888)	241,300
197	Kirby School District	3,942,634	75,993	577,055	409,087	263,116	1,325,252	8,486	-	-	8,486	192,483	192,483	86,503	278,986
1000	Lafayette County School District	7,150,049	137,815	1,046,502	741,888	146,064	2,072,269	15,390	-	-	38,235	53,625	349,072	6,755	355,827
136	Lake Hamilton School District	41,331,858	796,656	6,049,451	4,288,590	1,007,861	12,142,559	88,966	-	-	1,092,520	1,181,485	2,017,860	94,843	2,112,703
132	Lakeside School District - Hot Springs	33,449,563	644,728	4,895,776	3,470,724	694,101	9,705,329	71,999	-	-	-	71,999	1,633,039	390,868	2,023,908
116	Lakeside School District - Lake Village	11,147,941	214,872	1,631,645	1,156,710	586,223	3,589,451	23,996	-	-	535,873	559,869	544,253	(72,943)	471,310
163	Lamar School District	12,606,178	242,979	1,845,077	1,308,016	588,409	3,984,481	27,134	-	-	-	27,134	615,446	221,106	836,551
219	Lavaca School District	8,104,580	156,213	1,186,210	840,931	99,732	2,283,085	17,445	-	-	73,937	91,382	395,673	(581)	395,093
1011	Lawrence County School District	8,337,967	160,711	1,220,369	865,147	24,509	2,270,737	17,947	-	-	152,492	170,439	407,067	(31,860)	375,208
957	Lead Hill School District	3,887,263	74,926	568,951	403,342	377,637	1,424,856	8,367	-	-	67,254	75,621	189,780	61,326	251,106
172	Lee County School District	7,748,268	149,345	1,134,059	803,960	722,825	2,810,189	16,678	-	-	937,388	954,066	378,278	(191,848)	186,430
237	Lincoln Consolidated School District	9,919,483	191,194	1,451,844	1,029,245	-	2,672,284	21,351	-	-	274,640	295,991	484,279	(172,588)	311,690
2007	Lisa Academy - Little Rock	32,511,182	626,641	4,758,432	3,373,358	7,883,970	16,642,400	69,979	-	-	-	69,979	1,587,227	2,951,747	4,538,974
2019	Little Rock Preparatory Academy	-	-	-	-	53,388	53,388	-	-	-	1,241,510	1,241,510	-	(385,622)	(385,622)
210	Little Rock School District	276,192,295	5,323,518	40,424,403	28,657,756	-	74,405,677	594,497	-	-	9,930,467	10,524,964	13,483,999	(5,797,141)	7,686,859
404	Lonoke School District	15,442,626	297,651	2,260,228	1,602,326	219,973	4,380,178	33,240	-	-	935,894	969,134	753,924	(203,591)	550,333
181	Magazine School District	5,156,560	99,391	754,729	535,044	43,428	1,432,592	11,099	-	-	303,328	314,427	251,748	(83,858)	167,890
736	Magnet Cove School District	6,794,066	130,953	994,399	704,952	256,045	2,086,349	14,624	-	-	31,727	46,351	331,693	118,877	450,570
123	Magnolia School District	28,009,078	539,865	4,099,491	2,906,220	515,506	8,061,081	60,289	-	-	1,171,820	1,232,109	1,367,430	(154,168)	1,213,262
503	Malvern School District	20,617,175	397,388	3,017,590	2,139,236	736,154	6,290,369	44,378	-	-	412,149	456,527	1,006,550	(2,143)	1,004,407
331	Mammoth Spring School District	5,282,458	101,817	773,156	548,107	311,718	1,734,799	11,370	-	-	39,428	50,799	257,895	91,483	349,378
658	Manila School District	10,647,395	205,225	1,558,384	1,104,773	137,875	3,006,256	22,918	-	-	283,124	306,042	519,816	(63,489)	456,327
222	Mansfield School District	7,807,973	150,496	1,142,798	810,155	44,604	2,148,052	16,806	-	-	369,978	386,785	381,193	(58,684)	322,509
714	Marion School District	39,092,782	753,499	5,721,734	4,056,264	2,751,536	13,283,033	84,146	-	-	1,610,209	1,694,355	1,908,547	81,496	1,990,042
203	Marked Tree School District	4,985,613	96,096	729,709	517,307	280,673	1,623,784	10,731	-	-	204,082	214,814	243,402	(44,360)	199,043
597	Marmaduke School District	6,680,216	128,759	977,736	693,139	108,504	1,908,137	14,379	-	-	361,168	375,547	326,134	(88,720)	237,415
195	Marvell-Elaine School District	4,544,542	87,594	665,153	471,541	401,000	1,625,288	9,782	-	-	631,075	640,857	221,869	(177,526)	44,342
535	Mayflower School District	9,690,900	186,789	1,418,388	1,005,527	201,839	2,812,543	20,859	-	-	879,413	900,273	473,119	(188,523)	284,596
501	Maynard School District	4,824,891	92,998	706,185	500,630	269,134	1,568,947	10,385	-	-	218,205	228,591	235,556	44,628	280,184
242	McCrony School District	6,076,349	117,119	889,352	630,482	7,622	1,644,575	13,079	-	-	206,966	220,045	296,653	(50,440)	246,213
715	McGehee School District	12,106,631	233,351	1,771,962	1,256,183	295,444	3,556,940	26,059	-	-	557,140	583,199	591,057	(105,665)	485,392
779	Melbourne School District	7,958,340	153,394	1,164,806	825,757	64,481	2,208,438	17,130	-	-	266,248	283,378	388,534	(38,885)	349,649
208	Mena School District	15,100,930	291,065	2,210,216	1,566,871	161,952	4,230,105	32,504	-	-	203,147	235,652	737,242	(140,514)	596,728
1371	Metropolitan Vocational Center	2,381,106	45,895	348,506	247,063	69,115	710,579	5,125	-	-	303,396	308,521	116,248	14,415	130,663
1347	Midland School District	5,972,325	115,114	874,127	619,688	200,176	1,809,105	12,855	-	-	15,397	28,252	291,575	70,133	361,708
145	Mineral Springs School District	6,809,146	131,244	996,607	706,516	71,359	1,905,726	14,656	-	-	147,922	162,578	332,429	(465)	331,964

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions	Total Employer Pension Expense	
330	Monticello School District	\$ 18,182,593	\$ 350,463	\$ 2,661,257	\$ 1,886,624	\$ 685,717	\$ 5,584,062	\$ 39,138	\$ -	\$ -	\$ 824,150	\$ 863,288	\$ 887,691	\$ (335,003)	\$ 552,688
1363	Monticello Vocational Center	734,692	14,161	107,532	76,232	2,615	200,539	1,581	-	-	85,554	87,135	35,868	(29,177)	6,691
186	Mount Ida School District	5,554,515	107,061	812,975	576,336	568,064	2,064,436	11,956	-	-	127,755	139,711	271,177	122,461	393,637
964	Mount Vernon-Enola School District	4,885,630	94,169	715,075	506,933	74,234	1,390,410	10,516	-	-	108,050	118,566	238,521	(2,585)	235,936
682	Mountain Home School District	36,042,241	694,701	5,275,248	3,739,740	687,263	10,396,952	77,580	-	-	77,317	154,897	1,759,616	75,681	1,835,297
965	Mountain Pine School District	7,542,779	145,384	1,103,983	782,638	925,797	2,957,803	16,236	-	-	-	16,236	368,246	334,811	703,056
530	Mountain View School District	16,504,959	318,127	2,415,714	1,712,553	402,572	4,848,966	35,526	-	-	1,099,410	1,134,936	805,788	(60,120)	745,668
126	Mountainburg School District	7,120,346	137,242	1,042,155	738,807	315,070	2,233,273	15,326	-	-	70,558	85,884	347,622	29,321	376,943
756	Mulberry-Pleasant View Bi-County School District	5,106,512	98,426	747,404	529,851	218,966	1,594,647	10,992	-	-	-	10,992	249,305	110,566	359,871
515	Nashville School District	17,526,276	337,813	2,565,197	1,818,525	351,464	5,072,998	37,725	-	-	810,843	848,568	855,649	15,012	870,662
1-330	National Park Community College	2,264,759	43,652	331,477	234,991	11,072	621,192	4,875	-	-	444,702	449,576	110,568	(149,470)	(38,902)
795	Nemo Vista School District	5,501,000	106,030	805,142	570,783	90,381	1,572,337	11,841	-	-	119,563	131,404	268,564	(21,254)	247,310
702	Nettleton School District	36,944,125	712,084	5,407,250	3,833,319	874,499	10,827,153	79,521	-	-	769,195	848,716	1,803,647	147,001	1,950,648
1343	Nevada School District	4,448,561	85,744	651,104	461,582	100,564	1,298,995	9,575	-	-	201,840	211,416	217,183	(16,592)	200,591
545	Newport School District	12,296,274	237,006	1,799,719	1,275,860	786,204	4,098,790	26,467	-	-	210,937	237,404	600,316	7,362	607,678
471	Norfolk School District	4,575,631	88,194	669,703	474,767	84,914	1,317,577	9,849	-	-	139,756	149,605	223,387	(52,328)	171,059
1-329	North Arkansas College	4,798,613	92,492	702,339	497,904	-	1,292,734	10,329	-	-	532,348	542,677	234,273	(226,919)	7,354
1365	North Central Career Center	281,602	5,428	41,216	29,219	40,638	116,501	606	-	-	49,199	49,805	13,748	(1,774)	11,974
212	North Little Rock School District	95,567,737	1,842,033	13,987,573	9,916,101	655,167	26,400,874	205,707	-	-	1,876,155	2,081,862	4,665,707	8,631	4,674,338
1332	Northcentral Arkansas Education Cooperative	5,424,062	104,547	793,882	562,800	498,500	1,959,728	11,675	-	-	154,105	165,780	264,808	82,110	346,918
1337	Northeast Arkansas Education Cooperative	5,135,821	98,991	751,694	532,892	60,094	1,443,671	11,055	-	-	203,851	214,906	250,736	(51,611)	199,124
2024	Northwest Arkansas Classical Academy	7,049,489	135,876	1,031,784	731,454	947,993	2,847,108	15,174	-	-	3,655	18,829	344,163	436,729	780,891
1-388	Northwest Arkansas Community College	4,035,898	77,790	590,706	418,764	-	1,087,261	8,687	-	-	538,607	547,294	197,036	(212,914)	(15,878)
1351	Northwest Arkansas Education Cooperative	7,136,375	137,551	1,044,501	740,470	366,946	2,289,467	15,361	-	-	184,812	200,173	348,405	244,001	592,406
1-321	Northwest Technical Institute	3,370,207	64,960	493,273	349,692	363,137	1,271,062	7,254	-	-	-	7,254	164,537	185,510	350,047
704	Omaha School District	4,204,710	81,044	615,414	436,280	21,617	1,154,355	9,051	-	-	225,590	234,640	205,278	(36,010)	169,268
185	Osceola School District	13,751,396	265,053	2,012,695	1,426,844	943,913	4,648,504	29,599	-	-	402,785	432,385	671,356	73,334	744,690
1006	Quachita River School District	7,189,206	138,569	1,052,233	745,951	54,074	1,990,828	15,475	-	-	-	15,475	350,984	53,218	404,202
750	Quachita School District	4,326,749	83,397	633,276	448,943	162,820	1,328,436	9,313	-	-	155,440	164,753	211,236	16,877	228,113
2030	Ozark Montessori Academy	-	-	-	-	28,297	28,297	-	-	-	510,313	510,313	-	(169,984)	(169,984)
1008	Ozark Mountain School District	6,828,752	131,622	999,476	708,551	110,211	1,949,859	14,699	-	-	379,404	394,103	333,386	(154,695)	178,691
130	Ozark School District	15,939,326	307,225	2,332,926	1,653,863	-	4,294,014	34,309	-	-	855,200	889,509	778,173	(263,332)	514,841
1-314	Ozarka College	814,396	15,697	119,197	84,502	48,698	268,095	1,753	-	-	81,323	83,076	39,760	(50,591)	(10,831)
1336	Ozarks Unlimited Resource Education Cooperative	6,515,385	125,582	953,611	676,036	97,039	1,852,267	14,024	-	-	163,499	177,524	318,087	(4,453)	313,635
486	Palestine-Wheatley School District	6,078,627	117,163	889,686	630,718	62,277	1,699,844	13,084	-	-	144,191	157,275	296,764	(8,189)	288,575
724	Pangburn School District	8,941,555	172,345	1,308,712	927,775	659,172	3,068,004	19,246	-	-	126,234	145,481	436,535	90,887	527,423
1344	Paragould School District	30,930,088	596,166	4,527,018	3,209,303	698,409	9,030,897	66,576	-	-	289,775	356,351	1,510,036	146,646	1,656,682
386	Paris School District	11,789,603	227,240	1,725,561	1,223,288	415,740	3,591,829	25,377	-	-	42,832	68,209	575,580	105,799	681,378
820	Parkers Chapel School District	7,678,643	148,003	1,123,869	796,735	404,773	2,473,380	16,528	-	-	57,064	73,592	374,879	100,805	475,684
1092	Pea Ridge School District	22,028,911	424,599	3,224,216	2,285,718	896,404	6,830,937	47,417	-	-	-	47,417	1,075,472	446,026	1,521,499
192	Perryville School District	8,039,853	154,965	1,176,736	834,215	4,786	2,170,702	17,306	-	-	301,339	318,644	392,513	(120,589)	271,925
1-320	Phillips Community College - Dewitt	127,621	2,460	18,679	13,242	4,675	39,056	275	-	-	18,428	18,703	6,231	(6,920)	(690)
1-254	Phillips Community College - University of Arkansas	79,307	1,529	11,608	8,229	-	21,365	171	-	-	53,345	53,516	3,872	(39,514)	(35,642)

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Proportionate Share of Contributions	Total Employer Pension Expense	
571	Piggott School District	\$ 7,902,466	\$ 152,317	\$ 1,156,628	\$ 819,959	\$ 131,780	\$ 2,260,684	\$ 17,010	\$ -	\$ -	\$ 83,350	\$ 100,360	\$ 385,806	\$ 43,812	\$ 429,618
2022	Pine Bluff Lighthouse Charter School	-	-	-	-	89,607	89,607	-	-	-	1,606,688	1,606,688	-	(369,322)	(369,322)
593	Pine Bluff School District	45,069,515	868,698	6,596,506	4,676,409	8,924,817	21,066,431	97,011	-	-	3,341,258	3,438,269	2,200,336	350,357	2,550,693
558	Pocahontas School District	16,501,096	318,053	2,415,149	1,712,152	279,047	4,724,401	35,518	-	-	1,058,881	1,094,400	805,599	(113,532)	692,067
569	Pottsville School District	17,214,775	331,808	2,519,605	1,786,204	652,160	5,289,776	37,054	-	-	75,761	112,816	840,442	213,089	1,053,531
757	Poyen School District	4,739,188	91,346	693,641	491,738	6,340	1,283,065	10,201	-	-	211,086	221,287	231,372	(59,273)	172,099
232	Prairie Grove School District	17,695,454	341,073	2,589,958	1,836,079	266,916	5,034,026	38,089	-	-	-	38,089	863,909	126,059	989,968
2025	Premier High School of Little Rock	1,070,269	20,629	156,648	111,051	192,158	480,486	2,304	-	-	34,081	36,385	52,252	24,698	76,950
2040	Premier High School of North Little Rock	646,695	12,465	94,652	67,101	291,164	465,382	1,392	-	-	-	-	31,572	94,556	126,128
2044	Premier High School of Springdale	499,068	9,619	73,045	51,783	310,223	444,670	1,074	-	-	-	1,074	24,365	78,525	102,890
188	Prescott School District	9,203,598	177,396	1,347,065	954,965	252,986	2,732,412	19,810	-	-	190,917	210,728	449,328	30,600	479,928
211	Pulaski County School District	154,977,316	2,987,131	22,682,933	16,080,434	2,357,176	44,107,674	333,584	-	-	1,025,690	1,359,275	7,566,139	(2,615,598)	4,950,541
1-290	Pulaski Technical College	4,031,110	77,698	590,005	418,268	-	1,085,971	8,677	-	-	1,555,804	1,564,481	196,803	(838,303)	(641,501)
2026	Quest Middle School - Pine Bluff	-	-	-	-	-	-	-	-	-	163,587	163,587	-	(109,745)	(109,745)
2028	Quest Middle School - West Little Rock	-	-	-	-	-	-	-	-	-	391,352	391,352	-	(181,994)	(181,994)
651	Quitman School District	6,744,427	129,996	987,134	699,801	480,028	2,296,959	14,517	-	-	123,525	138,042	329,269	110,764	440,034
1335	Rector School District	6,135,415	118,258	897,997	636,610	339,752	1,992,618	13,206	-	-	150,824	164,030	299,537	55,589	355,126
1-315	Rich Mountain Community College	999,445	19,264	146,282	103,702	-	269,248	2,151	-	-	134,291	136,443	48,794	(115,981)	(67,187)
1366	River Valley Career Academy	-	-	-	-	1,838	1,838	-	-	-	274,051	274,051	-	(87,475)	(87,475)
1114	Rivercrest School District	11,518,302	222,011	1,685,852	1,195,138	415,777	3,518,778	24,793	-	-	480,372	505,165	562,334	(4,656)	557,678
1348	Riverside School District	7,304,154	140,785	1,069,057	757,878	100,595	2,068,316	15,722	-	-	268,855	284,577	356,596	(83,193)	273,403
1-386	Riverside Vocational Technical School	135,677	2,615	19,858	14,078	246,791	283,342	292	-	-	933,357	933,649	6,624	(155,569)	(148,945)
434	Riverview School District	12,354,500	238,128	1,808,241	1,281,902	199,484	3,527,755	26,593	-	-	1,014,047	1,040,640	603,158	(329,341)	273,818
2031	Rockbridge Montessori	-	-	-	-	-	-	-	-	-	169,628	169,628	-	(118,960)	(118,960)
108	Rogers School District	161,681,888	3,116,359	23,664,233	16,776,100	2,389,263	45,945,955	348,016	-	-	1,388,736	1,736,751	7,893,462	619,159	8,512,622
847	Rose Bud School District	7,836,757	151,051	1,147,011	813,141	302,342	2,413,545	16,868	-	-	577,534	594,403	382,598	(69,533)	313,065
209	Russellville School District	59,501,308	1,146,866	8,708,785	6,173,851	1,148,423	17,177,925	128,075	-	-	3,169	131,244	2,904,910	441,970	3,346,880
565	Salem School District	7,814,418	150,620	1,143,741	810,823	335,485	2,440,669	16,820	-	-	45,329	62,150	381,507	90,279	471,786
2038	Scholarmade Achievement Place	4,329,735	83,454	633,713	449,253	1,419,889	2,586,308	9,320	-	-	-	9,320	211,382	584,815	796,197
548	Scranton School District	4,310,856	83,090	630,949	447,294	231,716	1,393,050	9,279	-	-	45,367	54,646	210,460	37,989	248,449
1010	Searcy County School District	9,840,832	189,678	1,440,333	1,021,084	422,833	3,073,928	21,182	-	-	42,721	63,903	480,439	69,301	549,740
443	Searcy School District	37,630,863	725,321	5,507,763	3,904,575	254,704	10,392,363	80,999	-	-	774,924	855,923	1,837,174	(100,078)	1,737,097
139	Sheridan School District	36,081,489	695,457	5,280,992	3,743,812	387,738	10,108,000	77,664	-	-	720,899	798,564	1,761,532	(65,385)	1,696,147
230	Shirley School District	3,685,569	71,038	539,431	382,414	176,060	1,168,943	7,933	-	-	310,149	318,082	179,933	(130,871)	49,062
2023	SIATech Charter School	815,995	15,728	119,431	84,668	130,375	350,202	1,756	-	-	126,986	128,742	39,838	(2,983)	36,855
110	Siloam Springs School District	48,178,245	928,618	7,051,509	4,998,971	3,463,566	16,442,664	103,702	-	-	271,607	375,310	2,352,107	1,027,279	3,379,387
395	Sloan-Hendrix School District	6,609,253	127,391	967,350	685,776	237,364	2,017,880	14,226	-	-	44,879	59,106	322,670	45,368	368,038
872	Smackover-Norphlet School District	11,660,343	224,749	1,706,642	1,209,876	229,582	3,370,849	25,099	-	-	200,680	225,779	569,269	(43,822)	525,447
1-344	South Arkansas Community College	2,340,364	45,110	342,542	242,836	4,025	643,513	5,038	-	-	214,657	219,695	114,259	(81,234)	33,025
1-392	South Arkansas Developmental Center	3,579,193	68,988	523,861	371,377	1,203	965,429	7,704	-	-	800,361	808,065	174,740	(328,756)	(154,016)
1355	South Central Education Cooperative	3,993,184	76,967	584,454	414,332	60,328	1,136,082	8,595	-	-	169,279	177,874	194,951	(27,890)	167,061
1293	South Conway County School District	22,488,063	433,449	3,291,419	2,333,360	644,584	6,702,812	48,405	-	-	-	48,405	1,097,888	250,109	1,347,998
251	South Pike County School District	7,512,906	144,809	1,099,611	779,539	85,751	2,109,709	16,171	-	-	126,869	143,040	366,787	15,750	382,537

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Proportionate Share of Contributions	Total Employer Pension Expense
1-197	Southeast Arkansas College	\$ 2,377,904	\$ 45,833	\$ 348,037	\$ 246,731	\$ -	\$ 640,601	\$ 5,118	\$ -	\$ 592,766	\$ 597,885	\$ 116,092	\$ (251,694)	\$ (135,603)
1308	Southeast Arkansas Education Cooperative	11,682,466	225,175	1,709,880	1,212,172	579,206	3,726,433	25,146	-	1,205,934	1,231,080	570,349	(138,427)	431,922
2037	Southeast Arkansas Preparatory High School	-	-	-	-	150,683	150,683	-	-	415,645	415,645	-	(28,151)	(28,151)
1-268	Southern Arkansas University - East Camden	1,428,625	27,536	209,098	148,234	-	384,868	3,075	-	514,732	517,807	69,747	(236,244)	(166,497)
1-051	Southern Arkansas University - Magnolia	3,858,691	74,375	564,769	400,378	63,319	1,102,841	8,306	-	465,862	474,168	188,385	(162,828)	25,557
771	Southside School District - Batesville	18,320,086	353,113	2,681,381	1,900,891	645,613	5,580,998	39,433	-	-	39,433	894,404	297,569	1,191,973
536	Southside School District - Bee Branch	6,504,844	125,378	952,068	674,942	60,901	1,813,290	14,001	-	153,687	167,689	317,573	(24,123)	293,450
1307	Southwest Arkansas Education Cooperative	3,864,278	74,483	565,587	400,957	171,894	1,212,921	8,318	-	423,455	431,773	188,658	(21,503)	167,154
143	Spring Hill School District	5,198,745	100,204	760,904	539,421	247,605	1,648,134	11,190	-	223,513	234,703	253,808	80,185	333,993
239	Springdale School District	247,584,307	4,772,097	36,237,162	25,689,328	1,429,313	68,127,900	532,918	-	2,635,840	3,168,758	12,087,300	514,788	12,602,088
687	Star City School District	13,082,112	252,153	1,914,736	1,357,399	2,633	3,526,921	28,159	-	548,970	577,129	638,681	(296,180)	342,501
227	Strong-Huttig School District	3,828,751	73,798	560,387	397,271	42,791	1,074,247	8,241	-	79,968	88,209	186,923	(31,535)	155,388
746	Stuttgart School District	15,243,187	293,807	2,231,037	1,581,632	170,965	4,277,441	32,811	-	495,681	528,492	744,187	(151,495)	592,692
1372	Texarkana Career And Technological Center	-	-	-	-	-	-	-	-	214,762	214,762	-	(123,055)	(123,055)
184	Texarkana School District	44,296,099	853,791	6,483,306	4,596,160	1,458,530	13,391,787	95,346	-	1,077,647	1,172,993	2,162,577	(101,274)	2,061,303
2035	The Excel Center Charter at Goodwill	1,187,382	22,886	173,789	123,203	160,098	479,975	2,556	-	10,804	13,360	57,969	146,423	204,392
608	Trumann School District	13,760,946	265,237	2,014,092	1,427,835	571,482	4,278,646	29,620	-	407,900	437,520	671,822	(77,326)	594,496
1009	Two Rivers School District	8,328,413	160,527	1,218,971	864,155	73,870	2,317,523	17,927	-	79,606	97,533	406,601	(11,226)	395,375
1-402	University of Arkansas - Cooperative Extension Service	399,801	7,706	58,516	41,483	-	107,705	861	-	6,001	6,862	19,519	(3,826)	15,693
1-389	University of Arkansas - Fayetteville	646,606	12,463	94,639	67,092	-	174,194	1,392	-	310,905	312,297	31,568	(149,093)	(117,526)
1-256	University of Arkansas - Fort Smith	443,822	8,554	64,959	46,051	-	119,564	955	-	157,596	158,552	21,668	(98,039)	(76,371)
1-390	University of Arkansas - Little Rock	114,834	2,213	16,807	11,915	-	30,936	247	-	127,692	127,940	5,606	(74,350)	(68,744)
1-400	University of Arkansas - Medical Sciences	123,351	2,378	18,054	12,799	-	33,230	266	-	57,119	57,384	6,022	(45,996)	(39,973)
1-005	University of Arkansas - Monticello	802,552	15,469	117,464	83,273	-	216,205	1,727	-	284,248	285,976	39,181	(161,008)	(121,826)
1-006	University of Arkansas - Pine Bluff	130,951	2,524	19,166	13,588	824	36,102	282	-	7,128	7,410	6,393	(7,013)	(620)
1-318	University of Arkansas Community College - Batesville	904,394	17,432	132,370	93,840	-	243,642	1,947	-	341,136	343,082	44,153	(166,829)	(122,675)
1-327	University of Arkansas Community College - Cossatot	922,210	17,775	134,977	95,688	-	248,441	1,985	-	276,788	278,773	45,023	(146,349)	(101,326)
1-249	University of Arkansas Community College - Hope	674,330	12,997	98,697	69,968	-	181,663	1,451	-	207,964	209,415	32,921	(106,459)	(73,538)
1-220	University of Arkansas Community College - Morrilton	1,547,111	29,820	226,440	160,528	-	416,788	3,330	-	424,333	427,663	75,531	(218,783)	(143,252)
1-054	University of Central Arkansas	12,934,382	249,305	1,893,114	1,342,070	-	3,484,490	27,841	-	762,848	790,689	631,469	(477,102)	154,366
747	Valley Springs School District	7,810,117	150,537	1,143,111	810,377	54,667	2,158,693	16,811	-	207,012	223,823	381,297	(65,847)	315,451
863	Valley View School District	25,949,828	500,173	3,798,093	2,692,552	909,292	7,900,110	55,856	-	413,047	468,904	1,266,895	96,223	1,363,118
560	Van Buren School District	59,206,596	1,141,185	8,665,650	6,143,272	1,434,029	17,384,136	127,440	-	395,457	522,897	2,890,522	249,805	3,140,327
698	Vilonia School District	28,161,524	542,803	4,121,803	2,922,038	-	7,586,644	60,617	-	2,142,463	2,203,079	1,374,872	(686,810)	688,062
794	Viola School District	4,741,245	91,386	693,942	491,951	217,292	1,494,571	10,205	-	15,676	25,882	231,472	43,116	274,588
513	Waldron School District	15,454,882	297,887	2,262,022	1,603,597	85,445	4,248,951	33,266	-	277,592	310,858	754,522	(140,499)	614,023
113	Warren School District	14,166,874	273,061	2,073,505	1,469,954	335,204	4,151,724	30,494	-	640,368	670,862	691,640	(123,128)	568,512
1373	Warren Vocational Center	850,996	16,403	124,554	88,299	16,574	245,830	1,832	-	102,171	104,003	41,546	(44,932)	(3,386)
154	Watson Chapel School District	20,971,542	404,219	3,069,456	2,176,005	97,737	5,747,418	45,141	-	1,699,913	1,745,054	1,023,850	(651,672)	372,179
240	West Fork School District	9,013,158	173,725	1,319,192	935,205	-	2,428,122	19,401	-	200,006	219,407	440,031	(154,097)	285,934
376	West Memphis School District	48,207,739	929,187	7,055,826	5,002,031	258,208	13,245,251	103,766	-	3,065,359	3,169,125	2,353,547	(1,252,548)	1,100,999
502	West Side School District - Greers Ferry	6,025,642	116,142	881,931	625,220	244,456	1,867,748	12,970	-	134,837	147,807	294,178	101,942	396,120
1342	Western Yell County School District	4,174,673	80,465	611,017	433,164	353,649	1,478,295	8,986	-	272,604	281,590	203,811	(41,222)	162,589

ARKANSAS TEACHER RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 FOR THE YEAR ENDED JUNE 30, 2022

Employer ID	Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
		Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Contributions and Proportionate Share of Contributions	Total Employer Pension Expense	
1091	Westside Consolidated School District - Jonesboro	\$ 16,047,590	\$ 309,311	\$ 2,348,772	\$ 1,665,097	\$ 29,152	\$ 4,352,332	\$ 34,542	\$ -	\$ -	\$ 119,351	\$ 153,893	\$ 783,458	\$ 9,018	\$ 792,476
1321	Westside School District - Hartman	6,732,856	129,773	985,441	698,601	339,548	2,153,363	14,492	-	-	21,347	35,840	328,704	61,244	389,948
2043	Westwind School for the Performing Arts	558,243	10,760	81,706	57,923	347,006	497,395	1,202	-	-	-	1,202	27,254	87,836	115,090
987	White County Central School District	7,472,667	144,033	1,093,721	775,363	443,176	2,456,294	16,085	-	-	170,563	186,648	364,823	58,158	422,980
153	White Hall School District	25,005,204	481,966	3,659,835	2,594,538	231,419	6,967,758	53,823	-	-	879,080	932,903	1,220,778	(358,803)	861,975
1345	Wilbur D Mills Education Cooperative	5,691,983	109,711	833,095	590,600	171,132	1,704,538	12,252	-	-	133,058	145,310	277,888	47,788	325,676
780	Wonderview School District	4,644,833	89,527	679,831	481,947	99,752	1,351,058	9,998	-	-	162,166	172,164	226,765	(44,631)	182,134
121	Woodlawn School District	4,801,685	92,551	702,789	498,222	4,952	1,298,514	10,335	-	-	72,405	82,741	234,423	(9,203)	225,220
656	Wynne School District	25,418,659	489,935	3,720,349	2,637,438	264,543	7,112,266	54,713	-	-	1,154,312	1,209,025	1,240,963	(310,054)	930,909
626	Yellville-Summit School District	8,605,591	165,870	1,259,539	892,915	769,079	3,087,403	18,523	-	-	-	18,523	420,133	257,602	677,735
TOTAL FOR ALL ENTITIES		\$ 5,278,430,954	\$ 101,739,824	\$ 772,566,574	\$ 547,689,578	\$ 162,795,287	\$ 1,584,791,263	\$ 11,361,669	\$ 0	\$ 0	\$ 162,795,286	\$ 174,156,955	\$ 257,697,982	\$ 0	\$ 257,697,982

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies

A. Plan Description

ATRS is a cost-sharing, multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, including Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations licensed and regulated by Division of Developmental Disabilities Services of the Department of Human Services.

On June 30, 2022, the number of participating employers was as follows:

Public schools	258
State colleges and universities	39
State agencies	17
Other/privatized	<u>26</u>
Total	<u><u>340</u></u>

On June 30, 2022, ATRS' membership consisted of the following:

Retirees or beneficiaries currently receiving benefits	52,748
T-DROP participants	3,251
Inactive plan members (not receiving benefits)	13,986
Active members	
Fully vested	45,504
Non-vested	<u>22,623</u>
Total	<u><u>138,112</u></u>

Members are eligible for full retirement benefits at age 60 with five or more years of actual and reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual and reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (FAS) (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual average) and (2) the number of years of service. For active members as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS.

B. Basis of Presentation

The purpose of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (Schedules) is to provide member employers with the information to report financial statement amounts in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. These schedules present amounts that are considered elements of the financial statements of ATRS or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of ATRS or the participating employers.

ARKANSAS TEACHER RETIREMENT SYSTEM
 NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
 JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Information about the fiduciary net position and change in fiduciary net position of the plan, as reported in the basic financial statements of ATRS, is recognized using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, contributions and other revenues are recognized when earned, and benefits, refunds, and other expenses are recorded when incurred. Investments are reported at fair value. All of these items are used in measuring the total net pension liability, total deferred outflows of resources and total deferred inflows of resources related to pensions, and total pension expense.

D. Basis of Allocation – Employer Contributions

The proportionate share of the total net pension liability, total deferred outflows of resources and total deferred inflows of resources related to pensions, and total pension expense was determined using actual employer contributions. Each employer’s proportionate share was calculated based on the ratio of their contributions to total contributions of all employers.

The general financial objective of all Arkansas public employee retirement plans is to have rates of contribution that remain relatively level for Arkansas citizens from generation to generation. ATRS’ funding policy provides for periodic employer contributions at statutorily-established rates based on annual actuarial valuations. The employer contribution rate was 14.75% for the fiscal year ending June 30, 2022. Contributory members are required to contribute 6.75% of gross wages to ATRS. Employee contributions are refundable if ATRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

E. Use of Estimates

The preparation of the Schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported during the period. Actual results could differ from those estimates, and differences could be material.

NOTE 2: Collective Net Pension Liability and Actuarial Information

The components of the net pension liability of the participating employers at June 30, 2022, were as follows:

Total pension liability	\$ 24,957,898,206
Plan net position	<u>(19,679,467,252)</u>
Net pension liability	<u>\$ 5,278,430,954</u>
Plan net position as a percentage of the total pension liability	78.85%

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2022

NOTE 2: Collective Net Pension Liability and Actuarial Information (Continued)

Actuarial Assumptions – The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2022. The significant assumptions used in the valuation and adopted by the ATRS Board of Trustees were as follows:

Actuarial cost method	Entry age normal
Wage inflation rate	2.75%
Salary increases	2.75 - 7.75%
Investment rate of return	7.25%
Mortality table	Pub-2010 Healthy Retired, General Disabled Retiree, and General Employee Mortality weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

Table	Scaling Factor	
	Males	Females
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

Investment Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan’s trustees after considering input from the plan’s investment consultant and actuary.

For each major asset class that is included in the pension plan’s target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Total equity	53.0%	5.3%
Fixed income	15.0%	1.3%
Alternatives	5.0%	4.8%
Real assets	15.0%	4.0%
Private equity	12.0%	7.6%
Cash equivalents	0.0%	0.5%
	100.0%	

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2022

NOTE 2: Collective Net Pension Liability and Actuarial Information (Continued)

Single Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability based on the expected rate of return on pension plan investments. The current member and employer contribution rates are 6.75% and 14.75% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in Fiscal Year 2023. The ultimate member and employer rates will be 7% and 15%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the plan’s net pension liability, calculated using a single discount rate of 7.25%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

	<u>Sensitivity of the Net Pension Liability to the Single Discount</u>		
	1% Decrease	Current Rate	1% Increase
	6.25%	7.25%	8.25%
Net pension liability	\$ 8,391,000,499	\$ 5,278,430,954	\$ 2,696,128,616

NOTE 3: Deferred Outflows and Inflows of Resources Related to Pensions

For the five fiscal years ended June 30, 2018 - 2022, the components of collective deferred outflows of resources and deferred inflows of resources related to pensions, by type, are as follows:

	FY2022	FY2021	FY2020	FY2019	FY2018
Deferred Outflows of Resources:					
Differences between expected and actual experience	\$ 101,739,824	\$ 140,874,960	\$ 75,044,585	\$ 111,988,989	\$ 36,506,231
Change of assumptions	547,689,578	834,259,498	368,342,995	619,994,971	871,646,947
Net difference between projected and actual investment earnings on pension plan investments	772,566,574		930,550,214		
Changes in proportion and differences between employer contributions and proportionate share of contributions	162,795,287	146,902,374	140,875,430	139,228,156	137,797,335
Total Deferred Outflows of Resources	\$ 1,584,791,263	\$ 1,122,036,832	\$ 1,514,813,224	\$ 871,212,116	\$ 1,045,950,513
Deferred Inflows of Resources:					
Differences between expected and actual experience	\$ (11,361,669)	\$ (23,935,152)	\$ (45,656,773)	\$ (43,647,453)	\$ (74,112,238)
Change of assumptions					
Net difference between projected and actual investment earnings on pension plan investments		(2,293,377,903)		(293,855,313)	(622,928,673)
Changes in proportion and differences between employer contributions and proportionate share of contributions	(162,795,286)	(146,902,373)	(140,875,430)	(139,228,156)	(137,797,335)
Total Deferred Inflows of Resources	\$ (174,156,955)	\$ (2,464,215,428)	\$ (186,532,203)	\$ (476,730,922)	\$ (834,838,246)

In accordance with GASB Statement No. 68, the recognition period for outflows (inflows) of resources from the net difference between projected and actual earnings on pension plan investments was five years. All other deferred outflows (inflows) of resources related to pensions were amortized over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The average of the expected remaining service lives for all employees for five fiscal years ended June 30, 2022, 2021, 2020, 2019, and 2018 were 4.9506, 5.2240, 5.2920, 5.3817, and 5.4359 years, respectively.

ARKANSAS TEACHER RETIREMENT SYSTEM
NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2022

NOTE 4: Pension Expense

The components of pension expense for the year ending June 30, 2022, are as follows:

Service cost	\$ 379,267,685
Interest on the total pension liability	1,720,782,101
Current-period benefit changes	
Employee contributions (made negative for addition here)	(183,315,252)
Projected earnings on plan investments (made negative for addition here)	(1,549,271,763)
Pension plan administrative expense	6,650,604
Other changes in plan fiduciary net position	(507,446,092)
Recognition of outflow (inflow) of resources due to liabilities	318,012,156
Recognition of outflow (inflow) of resources due to assets	<u>73,018,543</u>
 Total pension expense	 <u><u>\$ 257,697,982</u></u>

NOTE 5: Additional Financial and Actuarial Information

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is available in ATRS' annual financial report for the year ended June 30, 2021. This report can be found on Arkansas Legislative Audit's website at www.arklegaudit.gov. The GASB Statement No. 68 actuarial valuation report is available from the ATRS' website at www.artrs.gov in the PUBLICATIONS section. The report may also be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, AR 72201 or by calling 1-501-682-1517.

Waiver of Employer Report Penalties 2023

April 3, 2023 Board Meeting

A.C.A. Sec. 24-7-411

These are typical reports of employer penalties and interest waived by ATRS during a reporting period.

Employer Penalties Waived	
Arkansas State University - Beebe Beebe, AR	\$300.00
Rivercrest School District Wilson, AR	\$450.00
Salem School District Salem, AR	\$450.00
University of Arkansas - Ft. Smith Ft. Smith, AR	\$900.00
TOTAL \$2,100.00	
Employer Interest Waived	
Arkansas State University - Beebe Beebe, AR	\$13.89
Batesville School District Batesville, AR	\$608.00
Midland School District Pleasant Plains, AR	\$82.41
Newport School District Newport, AR	\$86.27
TOTAL INTEREST WAIVED	\$790.57
TOTAL PENALTIES AND INTEREST WAIVED	\$2,890.57

**INTERNAL AUDIT FOLLOW-UP REPORT
APPLICATION OF IRS 415 LIMIT
FOR THE PERIOD APRIL 1, 2021 – MARCH 31, 2022**

April 3, 2023

Introduction

Benefits paid from the Arkansas Teacher Retirement System (ATRS) are subject to the Internal Revenue Code (IRC) §415 (b) limits on the maximum dollar benefit that can be paid from a retirement plan that is qualified under IRC §401 (a). IRC §415 (m) allows governmental plans defined in IRC §414 (d) to pay benefits in excess of the limit through a qualified excess benefit arrangement.

ATRS Board of Trustees Board Rule 15 established the Benefit Restoration Plan and Trust through which benefits in excess of the limit are to be paid. These benefits are paid through a third-party vendor, Complete Payroll.

Every month, ATRS test retirees who retired over the last year for exceeding the IRC §415 (b) limit. Anyone who fails ATRS test is sent to Gabriel, Roeder, Smith and Company (GRS) for testing. If a member's benefit does exceed the IRC §415 (b) limit, GRS determines the amount to be paid through the excess benefit arrangement.

Objectives

The objective of the follow-up audit is to assess if corrective measures implemented by the Agency have adequately addressed the issues noted in the findings of the original report. The original Application of 415 Limit audit was presented to the Board of Trustees Audit Committee on June 7, 2021.

Scope and Methodology

This follow-up audit was conducted for the period April 1, 2021 – March 31, 2022. To accomplish our objective, we interviewed employees and analyzed sampled data.

To review member's benefit was distributed within the limits established in IRC §415 as addressed in findings 1, 2 and 3, IA reviewed member's letters from Gabriel, Roeder, Smith and Company (GRS) for benefits to be paid from ATRS and from Complete Payroll. IA verified that the correct benefit amounts were distributed by ATRS and by Complete Payroll.

To determine ATRS is testing members accurately for possibly exceeding the IRC §415 limit as addressed in finding 3, IA reviewed ATRS testing for February 2022.

To review the lack of internal controls over safeguarding cash funds and financial accounts as addressed in finding 4 and 5 by comparing data from both the clearing and paying bank statements, ATRS general ledger (JADE) and ATRS bank reconciliations. To determine the timeliness of warrants deposited to fund the excess benefit arrangement, IA compared the warrant date to the date of deposit on the clearing account bank statements. To account for all check numbers, IA reviewed paying account bank statements. To determine the timeliness of bank reconciliations, IA compared the signature date on the bank reconciliation with the last

day of the month. To determine the timeliness of journal entries associated with funding the excess benefit arrangement, IA compared the date of the transaction on the bank statements to the date the journal entry was made in JADE. Segregation of duties was determined by interviewing staff.

To determine the funding of the excess benefit arrangement as addressed in finding 5, IA reviewed the Active and Retiree Monthly Remittance forms associated with the warrants used to fund the excess benefit arrangement.

To review the risk assessment included risk associated with determining and paying benefits in excess of IRC §415 limit, IA reviewed ATRS 2022 Risk Assessment.

To review written procedures have been developed for determining and paying benefit in excess of IRC §415 limit, IA reviewed agency procedures provided for testing IRC §415 limit and for paying benefits in excess of the limit from the Benefit Restoration Plan and Trust.

Findings and Follow Up Review

The objective of a system of internal controls is to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with policies and guidelines and are recorded properly. Our findings and recommendations are provided to assist management in implementing internal controls that ensure proper procedures are implemented and followed, and should not be used for any other purpose.

Finding 1 from Original Audit: ATRS failed to pay benefits through excess benefit arrangement for a member whose benefit exceed the §415 (b) limit.

IA recommended ATRS pay the member's benefit in excess of the member's annual dollar limit established in IRC §415 through an excess benefit arrangement.

Internal Audit Review: Member's benefit in excess of the member's annual dollar limit established by IRC §415 for calendar year 2021 was paid through an excess benefit arrangement. This finding has been adequately addressed. IA has no further recommendations.

Finding 2 from Original Audit: ATRS did not send a member who failed the ATRS conservative §415 limits test to GRS for further testing for calendar year 2021.

IA recommended ATRS send the member's information to GRS for further testing.

Internal Audit Review: Member was sent to GRS for testing on May 3, 2021. Member did exceed the limit set in IRC §415 for calendar year 2021. Member's benefit in excess of the member's annual dollar limit established by IRC §415 for calendar year 2021 was paid through an excess benefit arrangement. This finding has been adequately addressed. IA has no further recommendations.

Finding 3 from Original Audit: ATRS testing of member benefit for exceeding the IRC §415 limit failed to accurately test members who have an alternate payee receiving part of their retirement under a Qualified Domestic Relations Order (QDRO) and members retiring out of the Teacher Deferred Retirement Option Plan (T-Drop). IA review of members who have an alternate payee receiving part of their benefit revealed one member who needed to be further tested by GRS.

IA recommended the one member be sent to GRS for further testing and programming be changed to accurately test members who have an alternate payee receiving part of their benefit and members retiring out of the T-Drop program.

Internal Audit Review: Member was sent to GRS for further testing on May 4, 2021. Member did not exceed the IRC §415 limit. IA review of ATRS testing of member benefits exceeding the IRC §415 limit for February 2022 showed ATRS is accurately testing member benefits. This finding has been adequately addressed. IA has no further recommendations.

Finding 4 from Original Audit: Lack of internal controls over safeguarding cash funds associated with paying benefits from an excess benefit arrangement. ATRS lacks controls over the timeliness of bank deposits, bank reconciliations, check numbers and segregation of duties. Bank deposits and bank reconciliations were not done in a timely manner. ATRS lack segregation of duties over bank accounts. ATRS could not account for two checks issued by Complete Payroll.

IA recommended timely deposits and bank reconciliations. IA recommended ATRS follow the guidelines established in DF&A's Financial Management Guide (FMG) Subsection 8 Management of Cash. IA recommended segregation of duties with one person making deposits and transfer of funds and another staff performing bank reconciliations.

Internal Audit Review: Bank deposits were made timely for fiscal year 2022. IA accounted for all checks issued by Complete Payroll. One check had been issued for the \$0.00. There was no documentation on why. Bank reconciliations are not being done timely. Nine of the twenty-four bank statements took more than 90 days to reconcile. Bank deposits, transfers of funds between accounts and bank reconciliations were being performed by the Associate Director of Fiscal Affairs for the audit period reviewed. July 1, 2022, bank reconciliation for accounts associated with paying benefits from the excess benefit arrangement are being performed by Senior Investment Manager.

Management Response: Bank reconciliations for the accounts related to the ATRS Benefit Restoration Program have been assigned to the Investment Department in order to achieve proper segregation of duties. The Associate Director of Fiscal Affairs no longer performs these reconciliations.

Finding 5 from Original Audit: ATRS lacks control over financial assets associated with paying benefits from an excess benefit arrangement. Journal entries were not made timely. Employee contributions were misclassified.

IA recommended ATRS follow the guidelines established in DF&A's Financial Management Guide Subsection 8 Management of Cash.

Internal Audit Review: Journal entries were not made timely for fiscal year 2022. There were fifty-five (55) transactions relating to the processing of benefits paid through the ATRS Restoration Plan and Trust. Only eight of the fifty-five (55) were recorded within twenty-one (21) days.

Employee and employer contributions were used to fund the excess benefit arrangement are still being classified as employer contributions.

IA recommends journal entries be made within 30 days. IA recommends contributions used to fund the excess benefit arrangement be classified correctly in the general ledger.

Management Response: Management recognizes the delay in journal entry posting. Journal entries for benefit restoration transactions are typically made within the normal cycle of all other payroll related transactions. However, management now typically requests these transactions be made in a more timely manner and will continue to monitor the timeliness of those entries.

Finding 6 from Original Audit: Excess Benefit Arrangements are not funded according to ATRS outside legal counsel and Board Rule 15. Excess Benefit Arrangements are to be funded with employer contributions. ATRS outside legal counsel said the employer contributions must be subject to employer's creditors prior to the distribution to the plan's participants. ATRS is using both employee and employer contributions to fund the excess benefit arrangements.

IA recommended ATRS contact ATRS outside legal counsel to ensure the excess benefit arrangement was being funded according to IRC.

Internal Audit Review: Associate Director of Fiscal Affairs stated there has been no contact with the outside legal counsel regarding using employee contributions to fund the excess benefit arrangements.

In addition to the original finding, Board Rule 15 V (B) states, "Under no circumstances will the Employer's contributions to fund the Benefit Restorations be credited to the Retirement Fund. Any contributions not used to pay the Benefit Restoration for the current Plan Year that remain after paying administrative expenses of the Plan for the Plan Year will be used to fund administrative expenses or benefits of Participants in future Plan Years." Board Rule 15 VI (C) states, "Any rights created under the Plan are unsecured contractual rights of Participants against the Employers. Any assets held by the Trust Fund are subject to the

claims of the Employers' against general creditors under federal and state law in the event of insolvency." ATRS is transferring unused funds from the Benefit Restoration Plan and Trust account to ATRS general checking account. Unused funds were transferred every year from 2014 through 2021.

IA recommends ATRS find another way to fund the excess benefit arrangement that consist solely of employer contributions and that unused funds remain in the Benefit Restoration Plan and Trust to fund future Plan Years.

Management Response: Management has in fact contacted outside legal counsel and had initial conversations concerning the funding of the ATRS Benefit Restoration Program. However, since that time the ATRS General Counsel has retired and a new General Counsel has been named. The agency CFO and General Counsel intend to re-engage in conversations with outside legal counsel.

In regards to the use of member and employer contributions being used, when the program was initiated management at the time determined the best mechanism for funding the program was to divert ATRS's own contributions due to the system to a separate bank account before the funds could be deposited into the system's trust fund. These checks contain both member and employer contributions. The decision was made to initially deposit these funds into a "holding" account and transfer to a separate "paying" account as needed. Any excess in the "holding" account, after all excess benefits were paid, would then be returned to the system. In theory, this would essentially return the portion of the contributions that were considered to be member contributions. However, this practice could be interpreted as not being in line with the language contained in Rule 15. Management recognizes the issue and will again consult with outside legal counsel on a reasonable approach that will be compliant with ATRS rules as well as IRS regulations.

Finding 7 from Original Audit: ATRS Risk Assessment does not address all aspects of the application of §415(b) limit testing. IA recommended ATRS address all risk and determine ways to deal with those risk associated with applying the §415 limit to member's benefits and paying those benefits in excess of the §415 limit from an excess benefit arrangement.

Internal Audit Review: ATRS 2022 risk assessment did include risk associated with the identification of members who exceed the IRC §415 limit and benefits that exceed the limit being paid through an excess benefit arrangement. ATRS risk assessment still does not address any risk associated with funding the excess benefit arrangement. IA recommends ATRS add risk associated with the funding of the excess benefit arrangement to the 2024 risk assessment.

Management Response: Management will re-evaluate the risk management guide to see what appropriate risks and controls need to be added for compliance.

Finding 8 from Original Audit: There are no written procedures for applying the \$415 limit to member's benefits or for paying benefits in excess of the \$415 limit through an excess benefit arrangement. IA recommend ATRS develop written procedures to cover all aspects of testing and applying \$415 limit test to member benefits. Develop written procedures for funding, accounting for, and paying benefits that exceed from an excess benefit arrangement. Develop written procedures for maintaining cash funds, giving timeliness of deposits, bank reconciliations, and journal entries.

Internal Audit Review: ATRS has developed procedures for identifying members who need further testing by GRS for possibly exceeding IRC §415 limit and for processing payments through an excess benefit arrangement for those who do exceed the IRC §415 limit. IA has requested but has not received any procedures on ATRS management of cash.

Management Response: Management provided Internal Audit procedures pertaining to the ATRS Benefit Restoration Program but upon further conversation with auditors they were deemed to not be as detail as preferred. Management will update procedures.

Conclusion

ATRS lacks internal controls over financial accounts associated with paying benefits from the excess benefit arrangement. Journal entries are not made timely, employee contributions are misclassified, and unused funds are being transferred from the excess benefit arrangement bank account into ATRS general checking account. ATRS still lacks procedures on ATRS management of cash. ATRS risk assessment has not been updated to include risk associated with the funding of the excess benefit arrangement.

Internal Audit recommends journal entries be made timely, funding for payment of benefits through the excess benefit arrangement be classified correctly in the general ledger, ATRS develop procedures for management of cash and address the risk associated with the funding of the excess benefit arrangement in ATRS risk assessment 2024.

Internal Audit also recommends ATRS seek counsel from ATRS external tax attorney on how ATRS can fund the excess benefit arrangement and any steps that need to be taken over ATRS transferring excess funds from the excess benefit arrangement accounts into ATRS general checking account.

AON

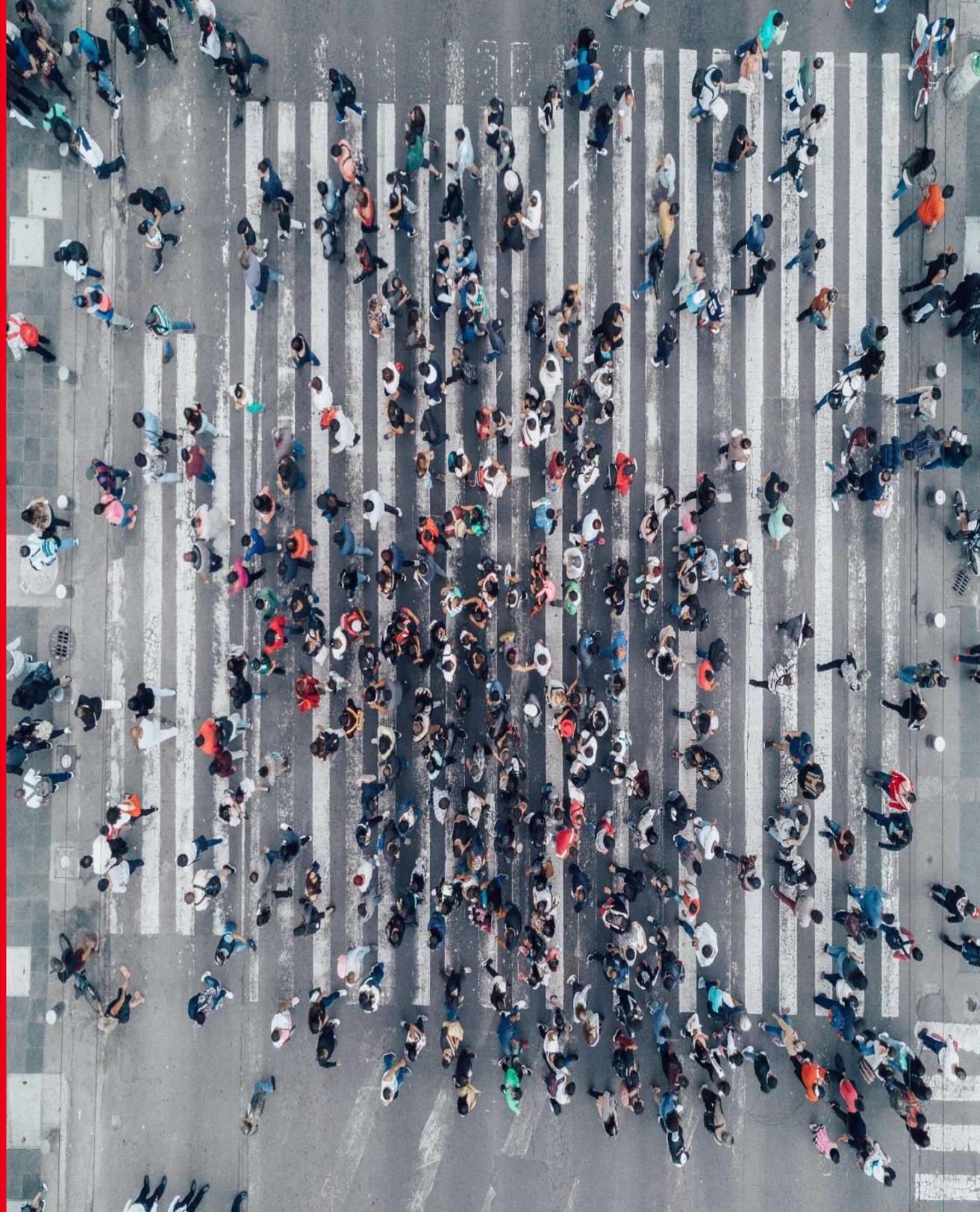
Preliminary Monthly Investment Review

Arkansas Teacher Retirement System |
February 28, 2023

All information presented in this report should be considered preliminary.
Finalized data will be available on the next Quarterly Investment Report after the close of the quarter.

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

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



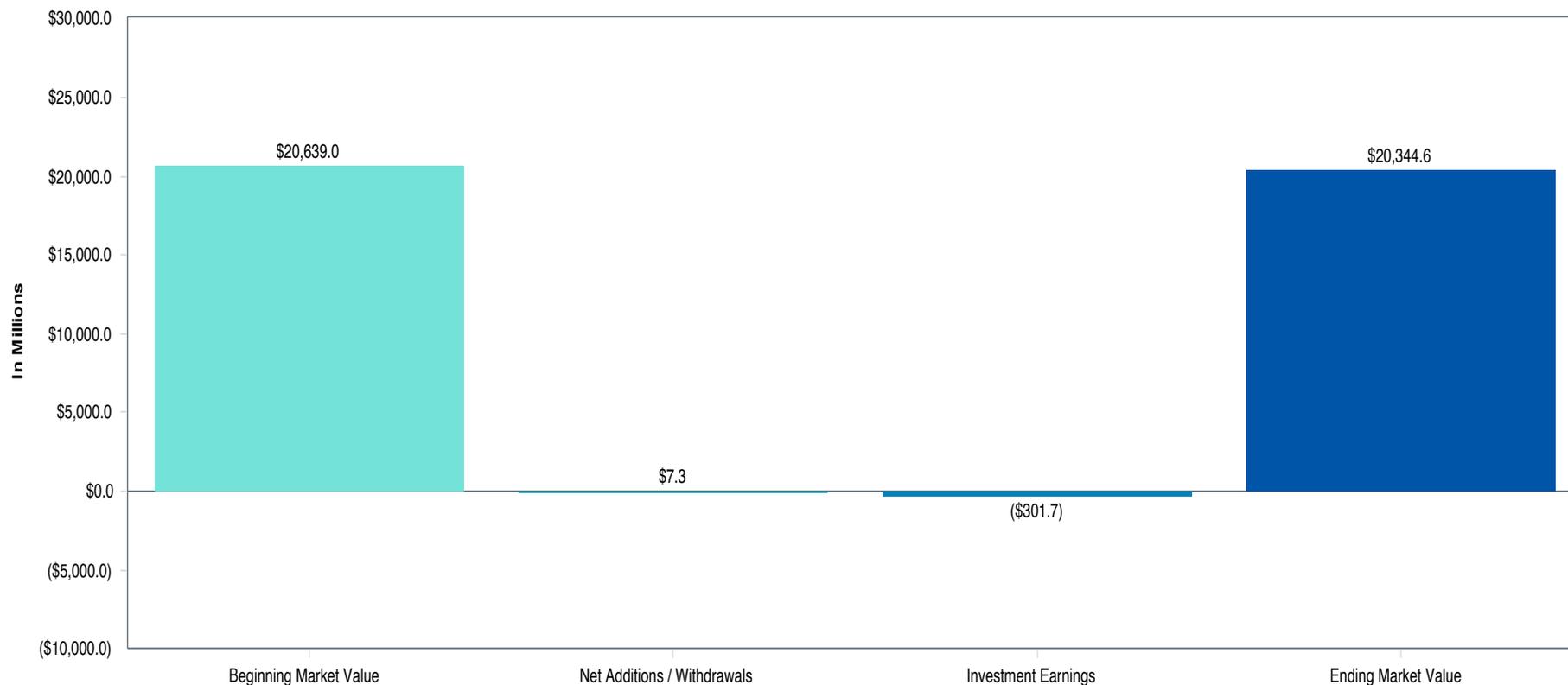
Asset Allocation & Performance

Market Environment

	Performance %						
	1 Month	Year to Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
Dow Jones U.S. Total Stock Market Index	-2.3	4.5	6.9	-8.2	11.7	9.3	11.8
S&P 500 Index	-2.4	3.7	6.1	-7.7	12.1	9.8	12.3
Russell 1000 Index	-2.4	4.2	6.6	-8.2	11.9	9.7	12.1
Russell 1000 Value Index	-3.5	1.5	7.7	-2.8	11.0	7.2	9.6
Russell 1000 Growth Index	-1.2	7.0	5.5	-13.3	12.1	11.5	14.3
Russell 2000 Index	-1.7	7.9	12.1	-6.0	10.1	6.0	9.1
Russell 2000 Value Index	-2.3	7.0	10.7	-4.4	12.9	6.4	8.5
Russell 2000 Growth Index	-1.1	8.8	13.5	-7.9	6.5	5.1	9.3
MSCI AC World IMI (Net)	-2.8	4.4	7.0	-8.1	8.9	5.7	7.9
MSCI AC World ex USA IMI (Net)	-3.4	4.3	7.6	-7.5	5.5	1.6	4.1
MSCI EAFE Index (Net)	-2.1	5.8	12.6	-3.1	6.8	2.6	4.8
MSCI Emerging Markets Index (Net)	-6.5	0.9	-2.1	-15.3	1.0	-1.9	1.5
Blmbg. U.S. Universal Index	-2.5	0.6	-1.8	-9.3	-3.4	0.7	1.4
Blmbg. U.S. Aggregate	-2.6	0.4	-2.6	-9.7	-3.8	0.5	1.1
Blmbg. U.S. Government	-2.3	0.1	-3.5	-10.0	-4.1	0.4	0.6
Blmbg. Barc. Credit Bond Index	-3.0	0.7	-1.0	-10.1	-3.8	1.1	1.9
Blmbg. U.S. Mortgage Backed Securities	-2.6	0.6	-2.8	-9.1	-3.6	-0.1	0.8
Blmbg. U.S. Corp: High Yield	-1.3	2.5	6.1	-5.5	1.3	2.9	4.1
Citigroup 90-Day T-Bill	0.3	0.7	2.1	2.2	0.9	1.3	0.8

Total Plan Asset Summary

As of February 28, 2023



Summary of Cash Flows

	1 Month	Year to Date	Fiscal YTD	1 Year
Total Fund				
Beginning Market Value	20,638,992,317	19,775,319,384	19,740,562,415	21,569,539,724
+ Additions / Withdrawals	7,263,642	-50,009,607	-472,831,262	-637,499,863
+ Investment Earnings	-301,698,254	619,247,929	1,076,826,552	-587,482,156
= Ending Market Value	20,344,557,705	20,344,557,705	20,344,557,705	20,344,557,705

Asset Allocation & Performance

As of February 28, 2023

	Allocation			Performance %								
	Market Value \$ (\$)	%	Policy %	1 Month	Year to Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Fund*	20,344,557,705	100.0	100.0	-1.5	3.1	5.4	-2.8	9.2	7.3	8.8	8.4	04/01/1986
<i>Performance Benchmark</i>				-1.2	4.3	3.6	-5.6	8.0	6.7	8.4	8.4	
Total Equity	11,054,804,536	54.3	55.4	-2.4	5.4	9.1	-6.6	10.1	6.5	9.3	7.9	07/01/2015
<i>Total Equity Performance Benchmark</i>				-2.6	4.4	7.0	-8.1	9.8	6.8	9.3	8.2	
Fixed Income	2,833,328,183	13.9	15.0	-1.5	0.9	0.3	-5.0	-0.8	1.7	2.3	4.8	07/01/1992
<i>Performance Benchmark</i>				-2.5	0.6	-1.8	-9.3	-3.4	0.7	1.4	4.8	
Opportunistic/Alternatives	927,653,555	4.6	4.7	0.7	1.9	4.7	7.2	3.6	1.9	3.4	3.3	05/01/2011
<i>Custom Alternatives Benchmark</i>				0.2	1.6	2.9	2.6	4.0	2.8	2.5	2.2	
Real Assets	2,539,227,549	12.5	12.9									
Real Estate	1,583,389,524	7.8										
Timber	341,727,932	1.7										
Agriculture	208,739,741	1.0										
Infrastructure	405,370,352	2.0										
Private Equity	2,903,466,399	14.3	12.0									
Cash	86,077,484	0.4	0.0									

*Preliminary Results

*Policy % is the interim target used for benchmarking purposes. See page 17 for long-term targets. Beginning July 1, 2013, an updated Investment Policy was adopted which includes the new Real Assets category, which includes Real Estate, Timber, Agriculture and Infrastructure.

*Real Assets and Private Equity are valued on a quarterly basis and reported on a quarter lag. Market values have been adjusted for the current month's cash flows. Updated results for these portfolios are not yet available and will be included in the quarterly performance report.

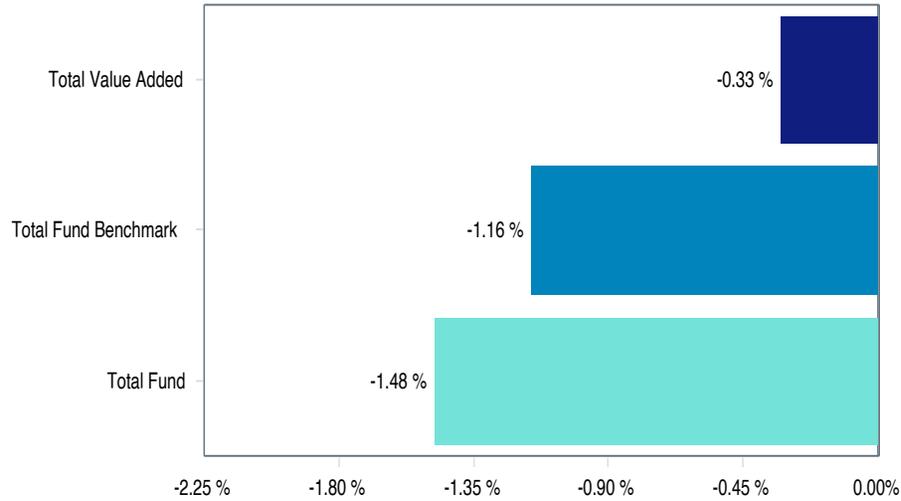
*The inception of the Total Equity asset class was July 1, 2015. Performance prior to July 2015 represents the weighted average of the U.S. Equity and Global Equity asset class monthly returns. For historical performance of the U.S. Equity and Global Equity asset classes please see page 21 of this report.

*Includes investment gains from Allianz litigation income received on 2/28/2022.

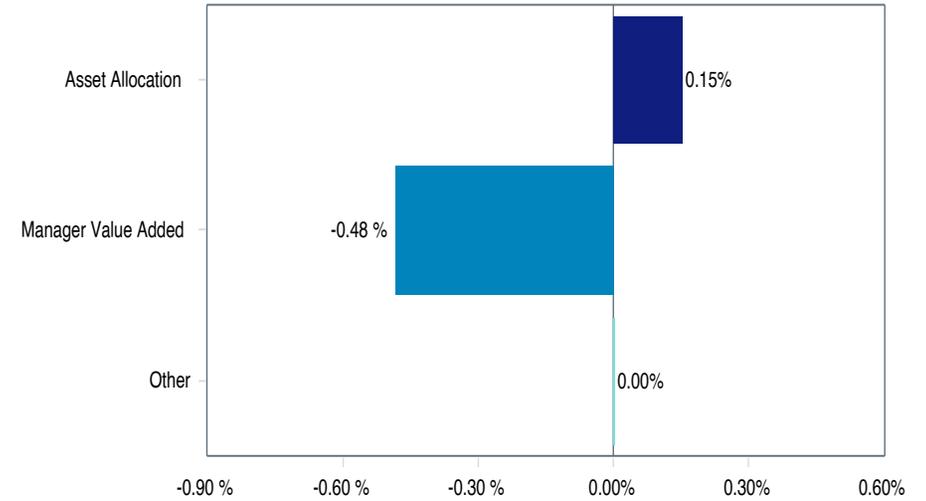
Total Fund Attribution

1 Month Ending February 28, 2023

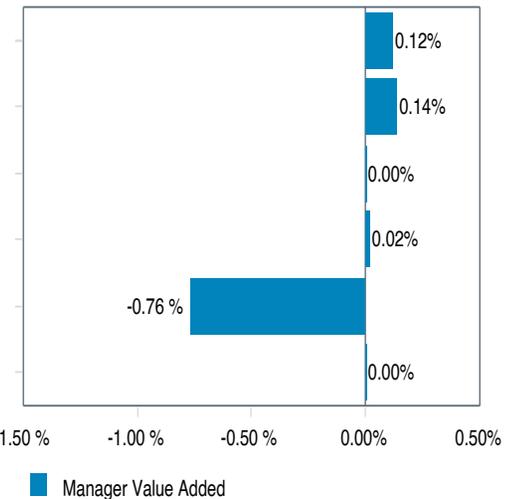
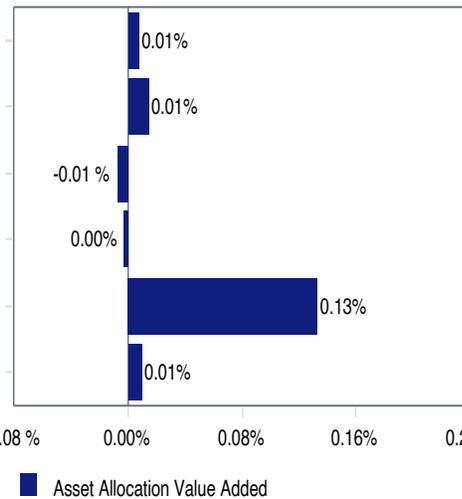
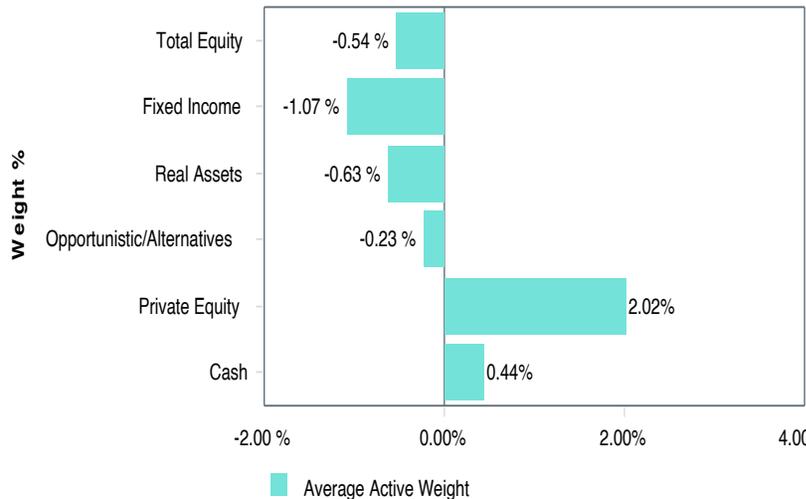
Total Fund Performance



Total Value Added: -0.33 %



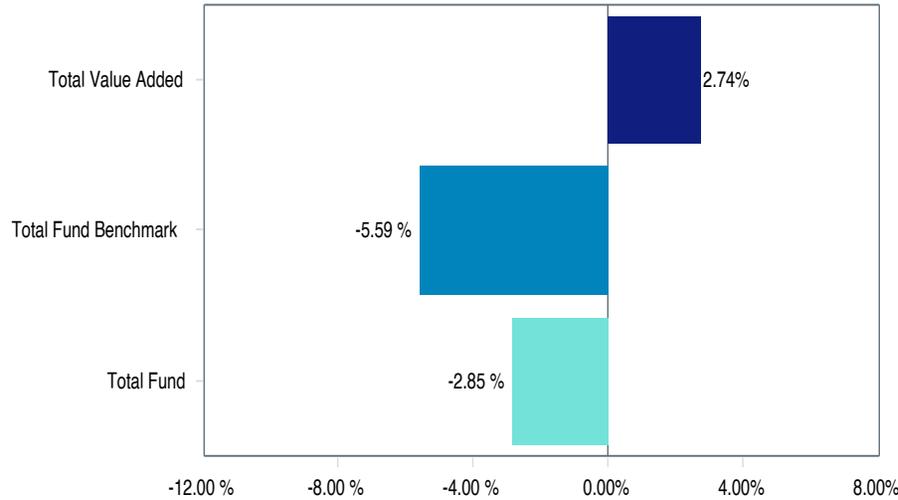
Total Asset Allocation: 0.15% Total Manager Value Added: -0.48 %



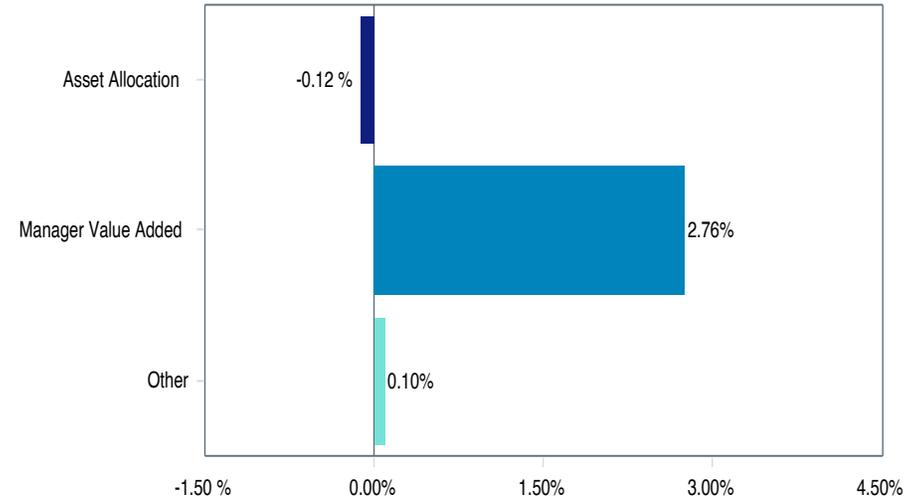
Total Fund Attribution

1 Year Ending February 28, 2023

Total Fund Performance

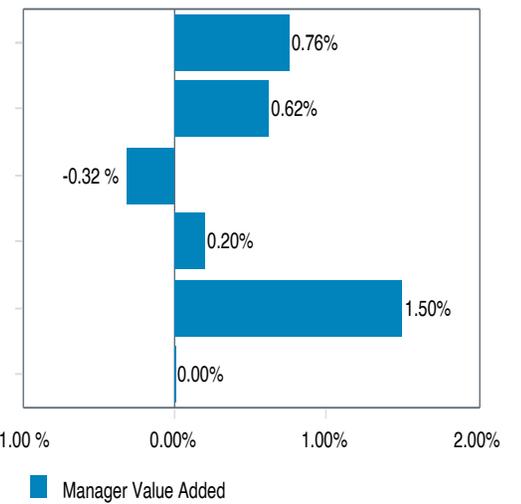
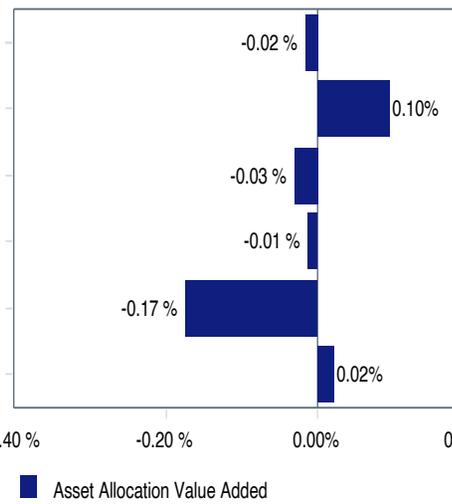
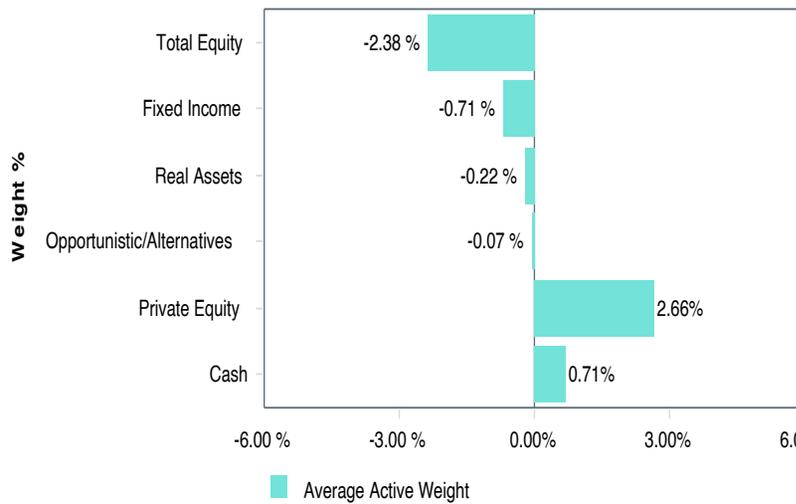


Total Value Added: 2.74%



Total Asset Allocation: -0.12%

Total Manager Value Added: 2.76%



Average Active Weight

Asset Allocation Value Added

Manager Value Added

*Preliminary Results

Asset Allocation & Performance

As of February 28, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Month	Fiscal YTD	Year to Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
Total Equity	11,054,804,536	100.0	-2.4	9.1	5.4	-6.6	10.1	6.5	7.9	07/01/2015
<i>Total Equity Performance Benchmark</i>			-2.6	7.0	4.4	-8.1	9.8	6.8	8.2	
Jacobs Levy 130/30	1,173,394,889	10.6	-0.9	12.2	6.5	7.0	24.7	15.7	12.2	01/01/2008
<i>Russell 3000 Index</i>			-2.3	6.9	4.4	-8.1	11.8	9.4	8.9	
Kennedy Capital Management	606,614,270	5.5	-1.9	9.8	6.9	-7.6	14.1	6.3	11.8	01/01/1994
<i>Russell 2000 Value Index</i>			-2.3	10.7	7.0	-4.4	12.9	6.4	9.3	
Stephens	536,218,063	4.9	-2.0	8.4	6.6	-11.2	9.6	8.3	9.2	08/01/2006
<i>Russell 2000 Growth Index</i>			-1.1	13.5	8.8	-7.9	6.5	5.1	8.3	
Voya Absolute Return	706,067,021	6.4	-3.3	4.8	4.7	-6.9	9.1	5.4	9.5	10/01/2008
<i>Performance Benchmark Voya Absolute Return</i>			-2.9	6.5	4.1	-8.3	8.8	5.8	9.5	
Voya U.S. Convertibles	901,120,124	8.2	-1.9	5.5	2.5	-8.5	11.5	12.2	10.2	12/01/1998
<i>Performance Benchmark</i>			-1.3	6.4	4.4	-9.2	9.7	9.8	8.0	
Pershing Square Holdings	255,513,307	2.3	0.5	21.2	3.4	-1.0	28.7	23.5	8.2	01/01/2013
<i>Dow Jones U.S. Total Stock Market Index</i>			-2.3	6.9	4.5	-8.2	11.7	9.3	12.3	
SSgA Global Index	1,304,972,900	11.8	-2.7	7.3	4.5	-7.7	9.3	6.0	6.3	04/01/2008
<i>MSCI AC World IMI (Net)</i>			-2.8	7.0	4.4	-8.1	8.9	5.7	6.0	
BlackRock MSCI ACWI IMI Fund	868,232,140	7.9	-2.8	7.3	4.4	-7.6	9.2	6.0	7.7	07/01/2011
<i>MSCI AC World IMI (Net)</i>			-2.8	7.0	4.4	-8.1	8.9	5.7	7.4	

*Preliminary Results

*The inception of the Total Equity asset class was July 1, 2015. Performance prior to July 2015 represents the weighted average of the U.S. Equity and Global Equity asset class monthly returns. For historical performance of the U.S. Equity and Global Equity asset classes please see page 21 of this report.

*Includes investment gains from Allianz litigation income received on 2/28/2022.

Asset Allocation & Performance

As of February 28, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Month	Fiscal YTD	Year to Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
Wellington Global Perspectives	635,003,084	5.7	-2.0	15.0	7.9	-4.5	12.8	5.6	12.3	07/01/2009
<i>Performance Benchmark</i>			-2.1	11.4	6.5	-6.6	9.8	4.6	10.0	
T. Rowe Price Global Equity	1,102,310,176	10.0	-2.9	7.5	5.3	-15.3	10.6	9.5	12.2	08/01/2009
<i>MSCI AC World Index (Net)</i>			-2.9	6.5	4.1	-8.3	8.8	5.8	8.6	
<i>MSCI AC World Index Growth (Net)</i>			-2.5	5.8	6.8	-13.5	8.2	7.2	10.0	
Lazard	679,376,373	6.1	-4.5	6.6	4.3	-9.8	7.2	3.0	7.8	08/01/2009
<i>MSCI AC World Index (Net)</i>			-2.9	6.5	4.1	-8.3	8.8	5.8	8.6	
D.E. Shaw	182,471,539	1.7	-2.4	9.7	4.8	-3.5	10.3	6.4	10.1	09/01/2009
<i>MSCI World Index (Net)</i>			-2.4	7.6	4.5	-7.3	9.9	6.9	9.1	
Harris Global Equity	608,306,443	5.5	-3.1	11.8	9.1	-4.6	12.2	4.4	6.3	06/01/2014
<i>MSCI World Index (Net)</i>			-2.4	7.6	4.5	-7.3	9.9	6.9	7.3	
<i>MSCI World Value (Net)</i>			-2.9	8.1	1.6	-2.2	9.3	4.7	5.0	
Triam Partners	83,354,472	0.8	-0.7	18.0	6.6	-1.6	6.9	7.7	7.2	11/01/2015
<i>S&P 500 Index</i>			-2.4	6.1	3.7	-7.7	12.1	9.8	11.3	
Triam Co-Investments	85,281,282	0.8	-1.8	22.6	9.3	7.4	11.1	11.4	7.1	01/01/2017
<i>S&P 500 Index</i>			-2.4	6.1	3.7	-7.7	12.1	9.8	11.7	
Global Equity Transition Account	1,326,511,410	12.0								

*Preliminary Results

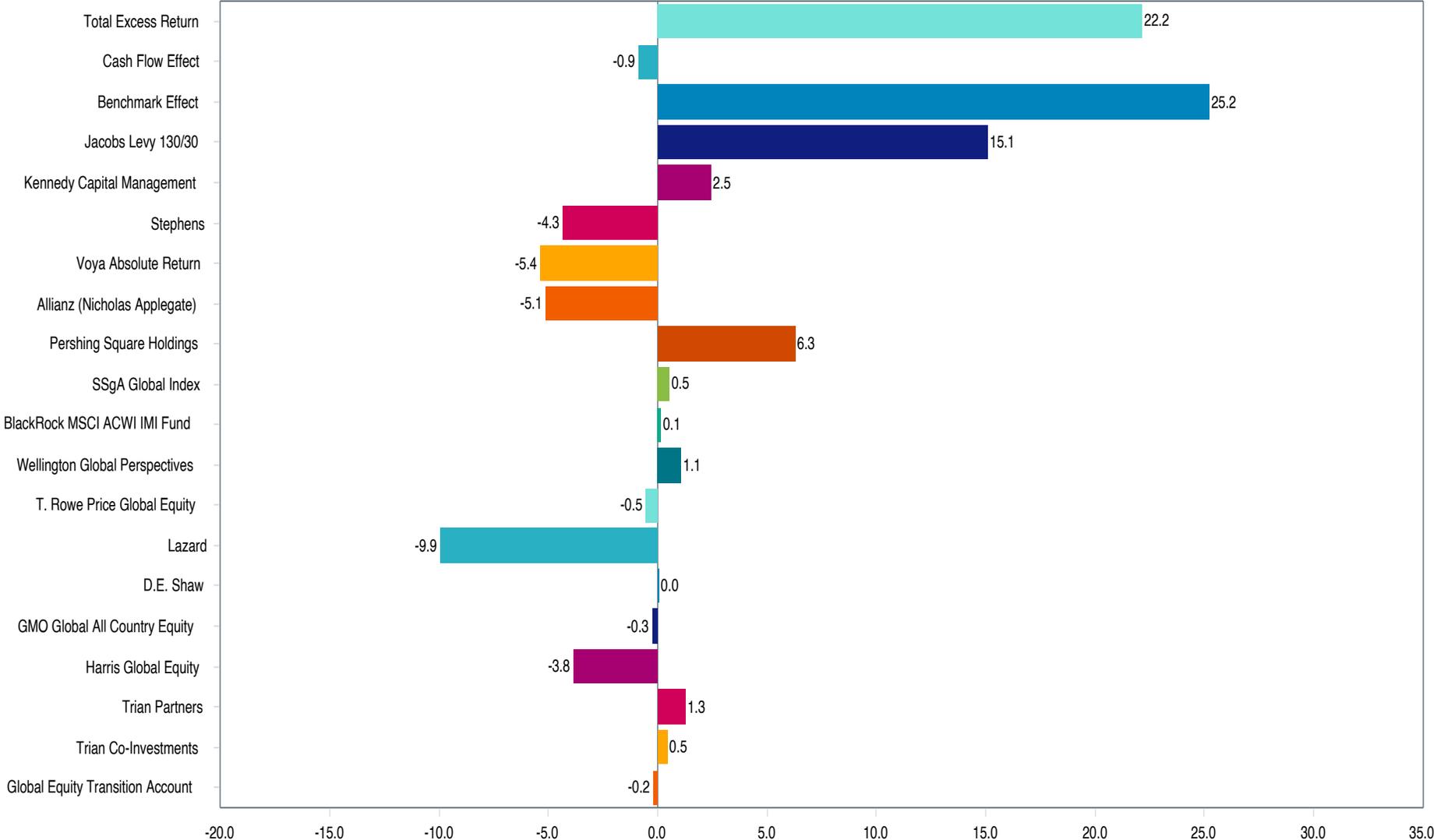
*The inception of the Total Equity asset class was July 1, 2015. Performance prior to July 2015 represents the weighted average of the U.S. Equity and Global Equity asset class monthly returns. For historical performance of the U.S. Equity and Global Equity asset classes please see page 21 of this report.

*Includes investment gains from Allianz litigation income received on 2/28/2022.

Asset Class Attribution

1 Month Ending February 28, 2023

1 Month

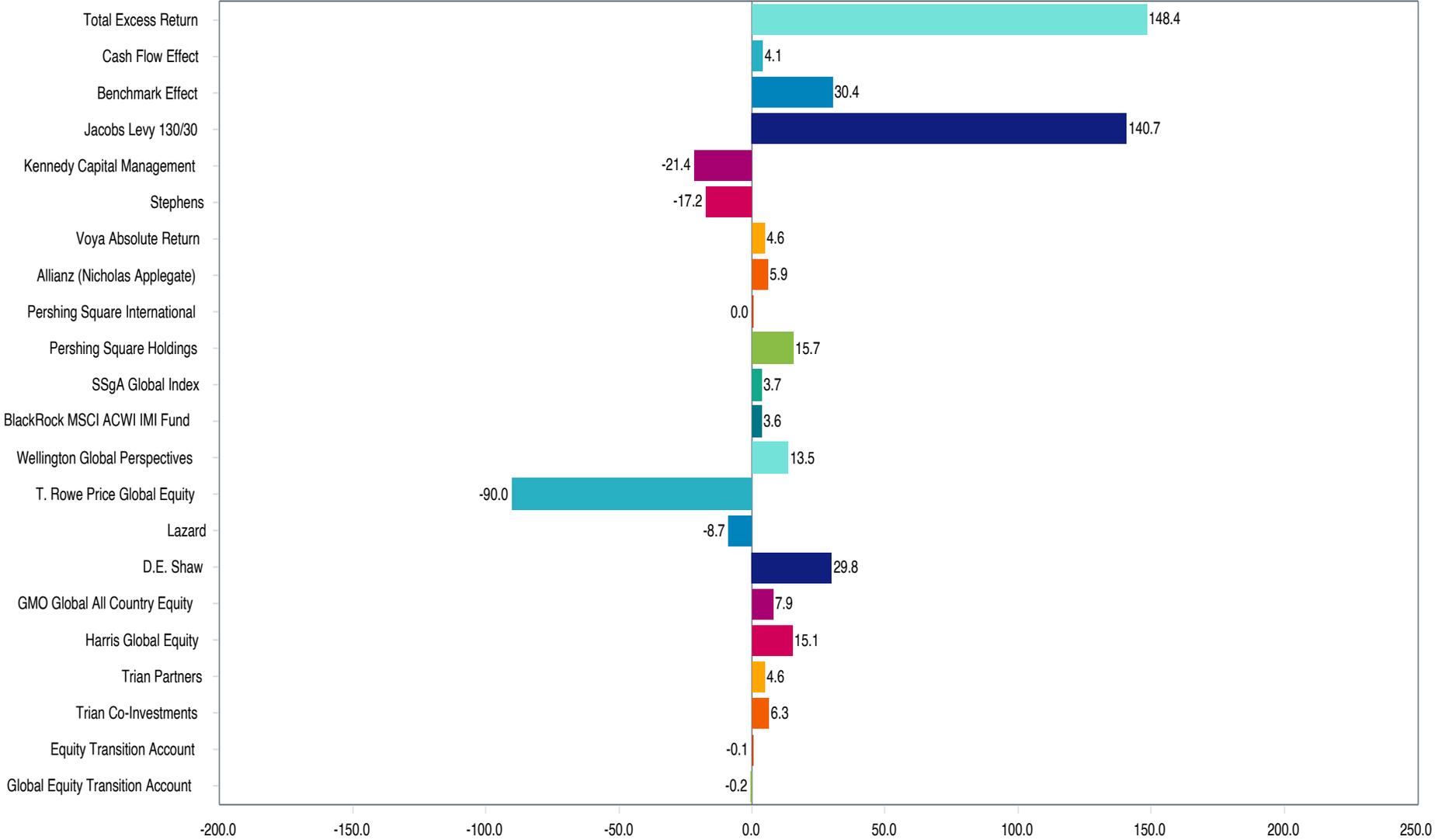


*Preliminary Results

Asset Class Attribution

1 Year Ending February 28, 2023

1 Year



*Preliminary Results

Asset Allocation & Performance

As of February 28, 2023

	Allocation		Performance %							
	Market Value \$	%	1 Month	Fiscal YTD	Year to Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
Fixed Income	2,833,328,183	100.0	-1.5	0.3	0.9	-5.0	-0.8	1.7	4.8	07/01/1992
<i>Performance Benchmark</i>			-2.5	-1.8	0.6	-9.3	-3.4	0.7	4.8	
BlackRock	246,002,413	8.7	-2.6	-2.1	0.8	-9.8	-3.3	0.8	3.5	10/01/2003
<i>Performance Benchmark</i>			-2.5	-1.8	0.6	-9.3	-3.4	0.7	3.3	
Loomis Sayles	448,105,472	15.8	-2.4	1.7	1.3	-7.5	-0.1	2.3	6.5	09/01/2008
<i>Performance Benchmark</i>			-2.1	0.4	1.1	-8.4	-2.0	1.5	4.2	
Putnam	376,550,000	13.3	-0.3	2.4	1.1	-0.2	-0.6	1.2	2.4	08/01/2008
<i>LIBOR</i>			0.3	1.9	0.7	1.9	0.9	1.5	1.0	
SSgA Aggregate Bond Index	683,296,548	24.1	-2.6	-2.6	0.6	-9.8	-3.8	0.5	2.0	06/01/2010
<i>Bimbg. U.S. Aggregate</i>			-2.6	-2.6	0.4	-9.7	-3.8	0.5	2.0	
Wellington Global Total Return	386,852,774	13.7	1.2	4.7	1.1	7.7	3.3	3.9	2.7	06/01/2014
<i>ICE BofAML 3 Month U.S. T-Bill</i>			0.3	2.0	0.6	2.1	0.8	1.3	0.9	
Reams Core Plus Bond Fund	357,369,602	12.6	-2.6	0.4	1.4	-7.9	0.1	2.9	2.4	06/01/2014
<i>Bimbg. U.S. Aggregate</i>			-2.6	-2.6	0.4	-9.7	-3.8	0.5	1.1	
BRS Recycling Tax Credit	176,000,000	6.2								
BRS Recycling Tax Credit Phase 2	77,031,608	2.7								
BRS Recycling Tax Credit Phase 2	77,031,608	2.7								

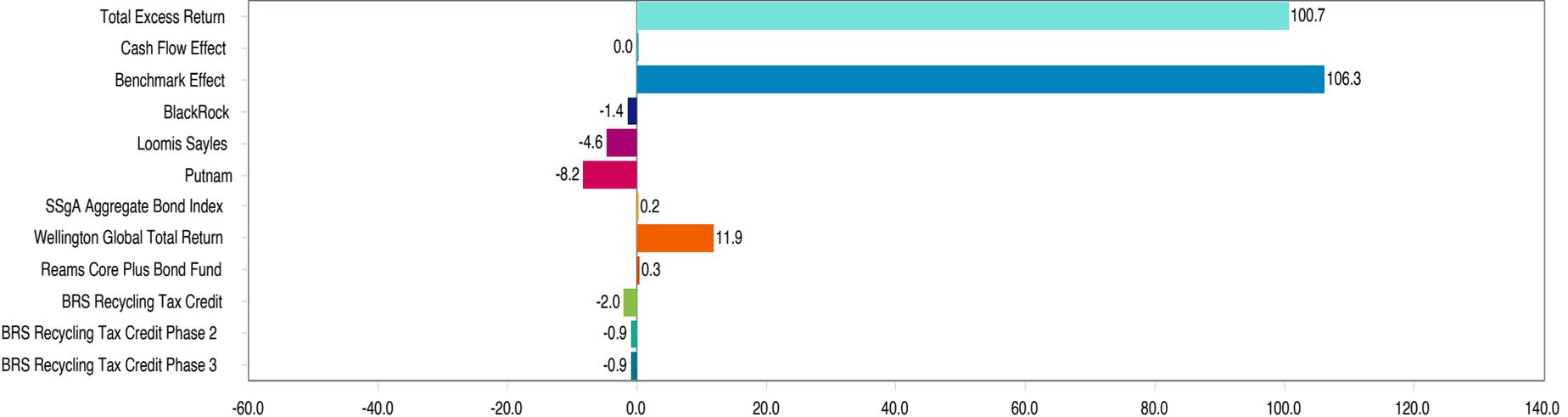
*Preliminary Results

*The BRS Recycling Tax Credit represents an annual income stream of \$16 million dollars over the next 14 years, which ATRS purchased for approximately \$162 million. The value shown above represents the year-end market value in accordance with GASB Statement 72, representing the 14 years of annual income, and has been incorporated into Total Fixed Income and Total Fund performance.

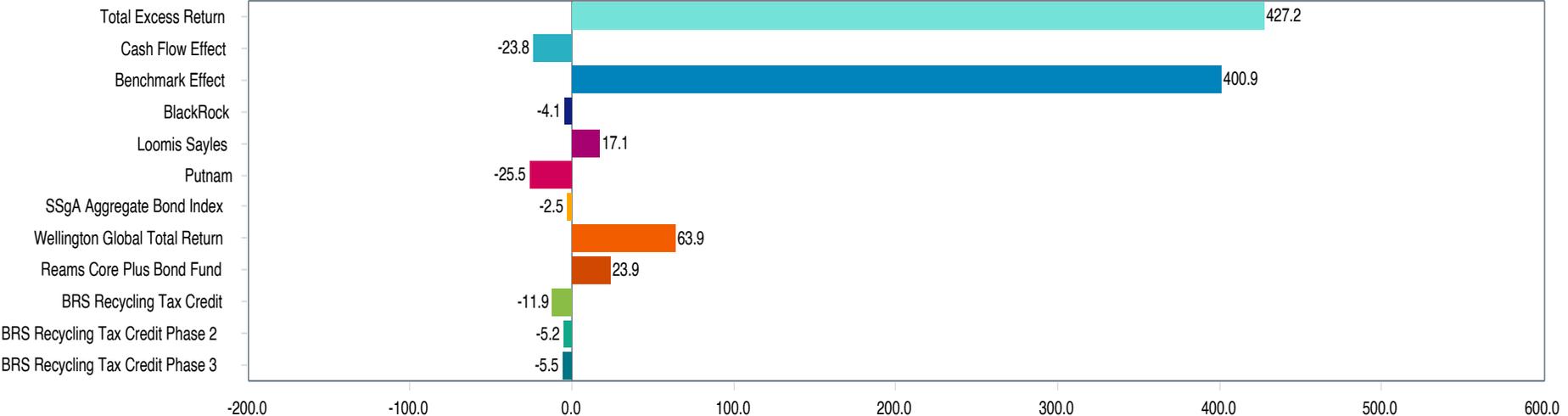
Asset Class Attribution

As of February 28, 2023

1 Month



1 Year



*Preliminary Results



Asset Allocation & Performance

As of February 28, 2023

	Allocation		Performance %								
	Market Value \$ (\$)	%	1 Month	Fiscal YTD	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Opportunistic/Alternatives	927,653,555	100.0	0.7	4.7	1.9	7.2	3.6	1.9	3.4	3.3	05/01/2011
<i>Custom Alternatives Benchmark</i>			0.2	2.9	1.6	2.6	4.0	2.8	2.5	2.2	
Anchorage	38,035,582	4.1	-0.3	4.7	0.2	6.7	7.5	4.7	5.9	5.6	05/01/2011
<i>Credit Suisse Event Driven</i>			-0.4	2.8	1.8	-2.7	5.6	3.5	3.4	2.8	
<i>HFRI ED: Distressed/Restructuring Index</i>			0.3	1.9	2.6	-1.7	8.5	5.0	4.6	4.4	
York	11,321,903	1.2	9.9	25.3	21.0	58.0	-5.1	-9.0	-2.0	-0.9	05/01/2011
<i>Credit Suisse Event Driven</i>			-0.4	2.8	1.8	-2.7	5.6	3.5	3.4	2.8	
<i>HFRI ED: Distressed/Restructuring Index</i>			0.3	1.9	2.6	-1.7	8.5	5.0	4.6	4.4	
Capula	93,192,020	10.0	1.0	8.8	1.9	12.1	7.2	7.0	7.0	6.5	05/01/2011
<i>HFRI Macro (Total) Index</i>			0.1	0.9	0.4	7.2	7.9	5.1	3.0	2.1	
Graham	96,613,390	10.4	2.4	7.5	3.1	24.1	17.0	9.8	7.8	5.6	05/01/2011
<i>HFRI Macro (Total) Index</i>			0.1	0.9	0.4	7.2	7.9	5.1	3.0	2.1	
Circumference Group Core Value	37,632,544	4.1	0.9	10.1	5.8	0.4	9.9	8.2		8.6	08/01/2015
<i>Russell 2000 Index</i>			-1.7	12.1	7.9	-6.0	10.1	6.0		7.2	
Aeolus Keystone Fund	33,417,412	3.6	0.7	4.7	1.7	9.0	-1.7	-1.3		-1.5	12/01/2015
<i>FTSE 3 Month T-Bill</i>			0.3	2.1	0.7	2.2	0.9	1.3		1.1	
<i>Eurekahedge ILS Advisers Index</i>			0.8	-0.6	2.0	-0.6	1.1	0.1		0.1	
Nephila Rubik Holdings	8,606,695	0.9	2.3	1.7	2.4	-0.3	-7.6	-5.6		-5.0	06/01/2016
<i>FTSE 3 Month T-Bill</i>			0.3	2.1	0.7	2.2	0.9	1.3		1.2	
<i>Eurekahedge ILS Advisers Index</i>			0.8	-0.6	2.0	-0.6	1.1	0.1		-0.2	
Parametric Global Defensive Equity Fund	193,584,284	20.9	-1.0	5.3	2.8	-1.6	5.9	4.1		4.5	06/01/2017
<i>Performance Benchmark</i>			-1.3	4.7	2.5	-2.6	5.3	4.0		4.6	
<i>MSCI AC World Index</i>			-2.8	6.8	4.2	-7.8	9.3	6.3		7.8	
Man Alternative Risk Premia	112,783,917	12.2	1.3	7.5	0.9	12.8	6.1			2.7	06/01/2018
<i>SG Multi Alternative Risk Premia Index</i>			1.7	4.7	2.2	7.1	0.5			-0.2	
CFM Systematic Global Macro Fund	99,694,128	10.7	0.6	-3.1	-4.0	10.2				6.7	11/01/2021
<i>HFRI Macro: Systematic Diversified Index</i>			0.8	-2.7	0.1	8.7				6.3	

*Preliminary Results

Asset Allocation & Performance

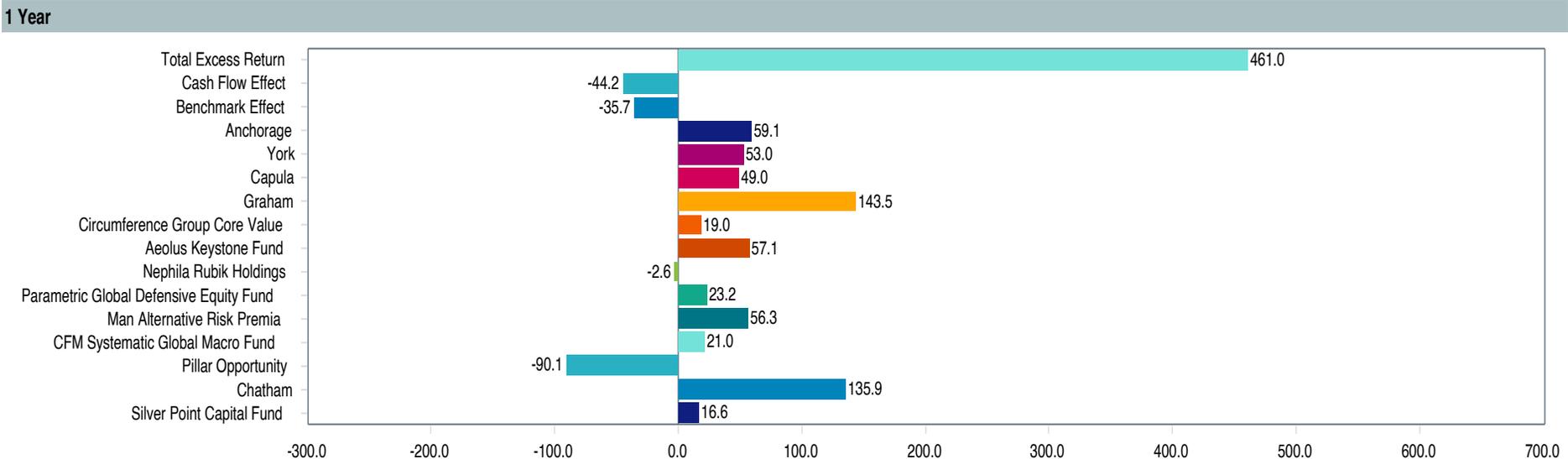
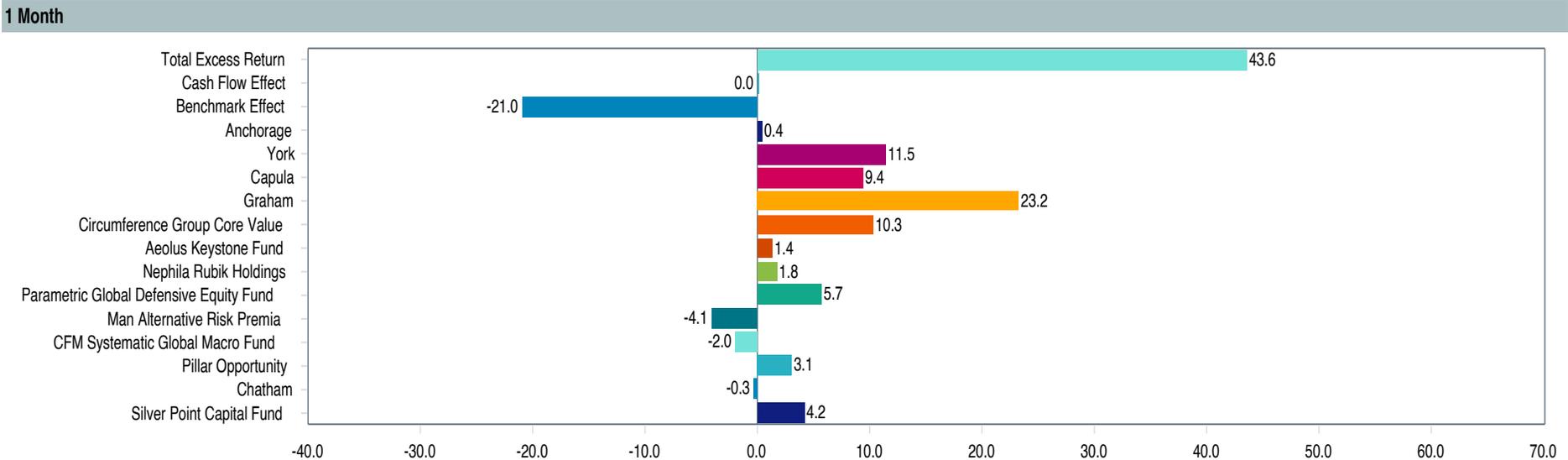
As of February 28, 2023

	Allocation		Performance %								
	Market Value \$ (\$)	%	1 Month	Fiscal YTD	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Pillar Opportunity	89,859,433	9.7	0.7	-7.7	2.2	-6.1				-4.4	12/01/2021
<i>FTSE 3 Month T-Bill</i>			0.3	2.1	0.7	2.2				1.8	
<i>Eurekahedge ILS Advisers Index</i>			0.8	-0.6	2.0	-0.6				0.0	
Chatham	62,715,275	6.8	0.1	16.8	4.1	25.9				18.7	11/01/2021
<i>HFRI Event-Driven (Total) Index</i>			0.2	6.1	3.3	0.4				-1.5	
Silver Point Capital Fund	50,196,973	5.4	1.1	5.5	1.8	1.3				1.3	03/01/2022
<i>HFRI ED: Distressed/Restructuring Index</i>			0.3	1.9	2.6	-1.7				-1.7	

*Preliminary Results

Asset Class Attribution

As of February 28, 2023



Total Fund Asset Allocation

Asset Allocation as of 2/28/2023								Values in \$1,000	
	Total Equity	U.S. Bond	Real Estate	Private Equity	Cash	Total	Percent of Total	Interim Policy	Long-Term Target
Jacobs Levy 130/30	\$1,173,394.9	--	--	--	--	\$1,173,394.9	5.77%		
Kennedy Capital Management	\$606,614.3	--	--	--	--	\$606,614.3	2.98%		
Stephens	\$536,218.1	--	--	--	--	\$536,218.1	2.64%		
Voya Absolute Return	\$706,067.0	--	--	--	--	\$706,067.0	3.47%		
Voya U.S. Convertibles	\$901,120.1	--	--	--	--	\$901,120.1	4.43%		
Pershing Square Holdings	\$255,513.3	--	--	--	--	\$255,513.3	1.26%		
SSgA Global Index	\$1,304,972.9	--	--	--	--	\$1,304,972.9	6.41%		
BlackRock MSCI ACWI IMI Fund	\$868,232.1	--	--	--	--	\$868,232.1	4.27%		
Wellington Global Perspectives	\$635,003.1	--	--	--	--	\$635,003.1	3.12%		
T. Rowe Price Global Equity	\$1,102,310.2	--	--	--	--	\$1,102,310.2	5.42%		
Lazard	\$679,376.4	--	--	--	--	\$679,376.4	3.34%		
D.E. Shaw	\$182,471.5	--	--	--	--	\$182,471.5	0.90%		
Harris Global Equity	\$608,306.4	--	--	--	--	\$608,306.4	2.99%		
Triam Partners	\$83,354.5	--	--	--	--	\$83,354.5	0.41%		
Triam Partners Co-Investments	\$85,281.3	--	--	--	--	\$85,281.3	0.42%		
Capital Guardian & Knight Vinke	\$57.0	--	--	--	--	\$57.0	0.00%		
Global Equity Transition Account	\$1,326,511.4	--	--	--	--	\$1,326,511.4	6.52%		
Total Equity						\$11,054,804.5	54.34%	58.08%	53.00%
BlackRock	--	\$246,002.4	--	--	--	\$246,002.4	1.21%		
Loomis Sayles	--	\$448,105.5	--	--	--	\$448,105.5	2.20%		
Putnam	--	\$376,550.0	--	--	--	\$376,550.0	1.85%		
SSgA Aggregate Bond Index	--	\$683,296.5	--	--	--	\$683,296.5	3.36%		
Wellington Global Total Return	--	\$386,852.8	--	--	--	\$386,852.8	1.90%		
Reams Core Plus Bond Fund	--	\$357,369.6	--	--	--	\$357,369.6	1.76%		
BRS Recycling Tax Credit	--	\$176,000.0	--	--	--	\$176,000.0	0.87%		
BRS Recycling Tax Credit Phase 2	--	\$77,031.6	--	--	--	\$77,031.6	0.38%		
BRS Recycling Tax Credit Phase 3	--	\$82,119.8	--	--	--	\$82,119.8	0.40%		
Total Fixed Income						\$2,833,328.2	13.93%	15.00%	15.00%
Anchorage	--	--	--	\$38,035.6	--	\$38,035.6	0.19%		
Capula	--	--	--	\$93,192.0	--	\$93,192.0	0.46%		
Graham	--	--	--	\$96,613.4	--	\$96,613.4	0.47%		
York	--	--	--	\$11,321.9	--	\$11,321.9	0.06%		
Circumference Group Core Value	--	--	--	\$37,632.5	--	\$37,632.5	0.18%		
Aeolus Keystone Fund	--	--	--	\$33,417.4	--	\$33,417.4	0.16%		
Nephila Rubik Holdings	--	--	--	\$8,606.7	--	\$8,606.7	0.04%		
Parametric Global Defensive Equity	--	--	--	\$193,584.3	--	\$193,584.3	0.95%		
Man Alternative Risk Premia	--	--	--	\$112,783.9	--	\$112,783.9	0.55%		
CFM Systematic Global Macro	--	--	--	\$99,694.1	--	\$99,694.1	0.49%		
Juniperus	--	--	--	\$89,859.4	--	\$89,859.4	0.44%		
Chatham	--	--	--	\$62,715.3	--	\$62,715.3	0.31%		
Silver Point Capital	--	--	--	\$50,197.0	--	\$50,197.0	0.25%		
Total Opportunistic/Alternatives						\$927,653.6	4.56%	4.46%	5.00%
Real Estate			\$1,583,389.5			\$1,583,389.5	7.78%		
Timber			\$341,727.9			\$341,727.9	1.68%		
Agriculture			\$208,739.7			\$208,739.7	1.03%		
Infrastructure			\$405,370.4			\$405,370.4	1.99%		
Total Real Assets						\$2,539,227.5	12.48%	10.46%	15.00%
Total Private Equity				\$2,903,466.4		\$2,903,466.4	14.27%	12.00%	12.00%
Total Cash					\$86,077.5	\$86,077.5	0.42%	0.00%	0.00%
Total Fund	\$11,054,804.5	\$2,833,328.2	\$2,539,227.5	\$3,831,120.0	\$86,077.5	\$20,344,557.7	100.00%	100.00%	100.00%

*Note: The market values for the Real Assets and Private Equity investments shown above are lagged one quarter and adjusted for the current quarter's cash flows. Market values and allocation percentages may not add to the total due to rounding.

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Real Estate Asset Allocation

Asset Allocation as of 2/28/2023				Values in \$1,000			
	Real Estate	Percent of Real Estate	Percent of Total Fund		Real Estate	Percent of Real Estate	Percent of Total Fund
Almanac Realty Securities Fund V	\$79.7	0.01%	0.00%	LaSalle Income & Growth Fund VI	\$3,951.9	0.25%	0.02%
Almanac Realty Securities Fund VI	\$3,857.4	0.24%	0.02%	LaSalle Income & Growth Fund VII	\$14,969.7	0.95%	0.07%
Almanac Realty Securities Fund VII	\$17,393.0	1.10%	0.09%	LaSalle Income & Growth Fund VIII	\$23,154.7	1.46%	0.11%
Almanac Realty Securities Fund VIII	\$17,288.7	1.09%	0.08%	LBA Logistics Value Fund	\$14,208.3	0.90%	0.07%
Almanac Realty Securities Fund IX	\$4,666.7	0.29%	0.02%	Lone Star Real Estate Fund IV	\$6,773.1	0.43%	0.03%
American Center	\$28,100.1	1.77%	0.14%	Long Wharf Real Estate Partners V	\$18,569.4	1.17%	0.09%
AR Insurance	\$2,237.5	0.14%	0.01%	Long Wharf Real Estate Partners VI	\$29,522.7	1.86%	0.15%
AR Teachers Retirement Building	\$5,688.8	0.36%	0.03%	Mesa West Income Fund V	\$11,896.0	0.75%	0.06%
Blackstone Real Estate Partners VII	\$11,006.7	0.70%	0.05%	Metropolitan RE Co-Investments	\$9,846.3	0.62%	0.05%
Blackstone RE Europe VI	\$22,297.2	1.41%	0.11%	Met Life Commercial Mtg Inc Fund	\$46,760.8	2.95%	0.23%
Carlyle Realty Partners VII	\$7,336.0	0.46%	0.04%	Morgan Stanley Prime Property Fund	\$68,938.2	4.35%	0.34%
Carlyle Realty VIII	\$15,837.7	1.00%	0.08%	New Boston Fund VII	\$10,616.1	0.67%	0.05%
Carlyle Realty IX	\$2,810.1	0.18%	0.01%	O'Connor NAPP II	\$4,571.9	0.29%	0.02%
CBREI SP U.S. Opportunity V	\$387.1	0.02%	0.00%	PRISA	\$347,321.0	21.94%	1.71%
CBREI SP VIII	\$23,681.5	1.50%	0.12%	Recoveries Land	\$70.0	0.00%	0.00%
CBREI SP IX	\$30,198.3	1.91%	0.15%	Rockwood Capital RE Partners IX	\$5,278.5	0.33%	0.03%
Cerberus Institutional RE Partners III	\$7,707.2	0.49%	0.04%	Rockwood Capital RE XI	\$31,557.0	1.99%	0.16%
Calmwater	\$13,601.6	0.86%	0.07%	Rose Law Firm	\$4,373.2	0.28%	0.02%
Fletcher Properties	\$1,135.6	0.07%	0.01%	RREEF Core Plus Industrial Fund	\$48,660.3	3.07%	0.24%
FPA Core Plus IV	\$35,230.3	2.22%	0.17%	Texarkana DHS	\$0.0	0.00%	0.00%
GCP GLP IV	\$34,164.7	2.16%	0.17%	Torchlight Debt Opportunity Fund IV	\$2,811.8	0.18%	0.01%
Harbert European Real Estate	\$8,292.1	0.52%	0.04%	Torchlight Debt Opportunity Fund V	\$2,559.0	0.16%	0.01%
Heitman European Property IV	\$382.5	0.02%	0.00%	Torchlight Debt Opportunity Fund VI	\$18,058.2	1.14%	0.09%
JP Morgan Strategic Property Fund	\$198,376.7	12.53%	0.98%	Torchlight Debt Opportunity Fund VII	\$26,459.0	1.67%	0.13%
Kayne Anderson V	\$20,357.2	1.29%	0.10%	UBS Trumbull Property Fund	\$159,910.9	10.10%	0.79%
Kayne Anderson VI	\$12,755.2	0.81%	0.06%	UBS Trumbull Property Income Fund	\$59,440.0	3.75%	0.29%
Landmark Fund VI	\$130.1	0.01%	0.00%	Victory	\$33,344.9	2.11%	0.16%
Landmark Real Estate VIII	\$13,152.7	0.83%	0.06%	Walton Street Real Estate Debt II	\$11,519.1	0.73%	0.06%
LaSalle Asia Opportunity Fund IV	\$1,725.6	0.11%	0.01%	West Mphs. DHS	\$0.0	0.00%	0.00%
LaSalle Asia Opportunity Fund V	\$11,491.5	0.73%	0.06%	Westbrook IX	\$8,324.2	0.53%	0.04%
LaSalle Asia Opportunity Fund IV	-\$831.2	-0.05%	0.00%	Westbrook Real Estate Fund X	\$9,385.1	0.59%	0.05%
				Total Real Estate	\$1,583,389.5	100.00%	7.78%

*Note: The market values for the Real Assets and Private Equity investments shown above are lagged one quarter and adjusted for the current quarter's cash flows. Market values and allocation percentages may not add to the total due to rounding.

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Private Equity Asset Allocation

Asset Allocation as of 2/28/2023					Values in \$1,000			
	Private Equity	Percent of Private Equity	Percent of Total Fund		Private Equity	Percent of Private Equity	Percent of Total Fund	
Alpine VIII	\$13,186.3	0.45%	0.06%	JF Lehman V	\$26,113.9	0.90%	0.13%	
Arlington Capital IV	\$29,981.6	1.03%	0.15%	KPS III	\$76.4	0.00%	0.00%	
Arlington Capital V	\$30,903.6	1.06%	0.15%	KPS IV	\$21,635.4	0.75%	0.11%	
Advent GPE VI	\$3,419.0	0.12%	0.02%	KPS X	\$21,865.8	0.75%	0.11%	
Altus Capital II	\$2,840.1	0.10%	0.01%	KPS Mid-Cap	\$15,093.7	0.52%	0.07%	
American Industrial Partners VI	\$28,097.8	0.97%	0.14%	Levine Leichtman V	\$9,446.3	0.33%	0.05%	
American Industrial Partners VII	\$28,578.9	0.98%	0.14%	Lime Rock III	\$24,574.5	0.85%	0.12%	
Altaris Constellation Partners	\$19,085.4	0.66%	0.09%	LLR III	\$1,600.3	0.06%	0.01%	
Altaris Health Partners IV	\$18,154.8	0.63%	0.09%	LLR VI	\$19,500.6	0.67%	0.10%	
Atlas Capital II	\$14,895.7	0.51%	0.07%	Mason Wells III	\$29.4	0.00%	0.00%	
Audax Mezzanine III	\$1,415.8	0.05%	0.01%	NGP IX	\$172.7	0.01%	0.00%	
Big River - Equity	\$1,677.9	0.06%	0.01%	NGP X	\$4,868.1	0.17%	0.02%	
Big River - Holdings Note 2023	\$0.0	0.00%	0.00%	NGP XI	\$22,964.7	0.79%	0.11%	
Big River - Holdings Note 3/16/23	\$0.0	0.00%	0.00%	NGP XII	\$22,711.8	0.78%	0.11%	
Bison V	\$26,841.5	0.92%	0.13%	One Rock Capital Partners II	\$48,677.2	1.68%	0.24%	
Bison VI	\$142.1	0.00%	0.00%	PineBridge	\$8,958.6	0.31%	0.04%	
Boston Ventures VII	\$1,488.1	0.05%	0.01%	Revelstoke	\$13,351.1	0.46%	0.07%	
Boston Ventures IX	\$32,551.2	1.12%	0.16%	Riverside Value Fund I	\$28,664.9	0.99%	0.14%	
Boston Ventures X	\$19,526.2	0.67%	0.10%	Riverside IV	-\$8.7	0.00%	0.00%	
BV VIII	\$22,122.0	0.76%	0.11%	Riverside V	\$25,488.1	0.88%	0.13%	
Castlelake II	\$10,422.8	0.36%	0.05%	Riverside VI	\$26,455.4	0.91%	0.13%	
Castlelake III	\$12,345.1	0.43%	0.06%	Siris III	\$20,291.0	0.70%	0.10%	
Clearlake V	\$37,812.2	1.30%	0.19%	Siris IV	\$34,447.7	1.19%	0.17%	
Clearlake VI	\$42,188.0	1.45%	0.21%	SK Capital V	\$29,383.8	1.01%	0.14%	
Clearlake VII	\$15,238.4	0.52%	0.07%	Sk Capital VI	\$6,116.5	0.21%	0.03%	
Court Square III	\$29,681.5	1.02%	0.15%	Sycamore Partners II	\$12,598.5	0.43%	0.06%	
CSFB-ATRS 2005-1 Series	\$24,011.8	0.83%	0.12%	Sycamore Partners III	\$19,671.7	0.68%	0.10%	
CSFB-ATRS 2006-1 Series	\$31,810.2	1.10%	0.16%	TA XI	\$12,344.7	0.43%	0.06%	
Diamond State Ventures II	\$431.9	0.01%	0.00%	Tennerbaum VI	\$827.5	0.03%	0.00%	
DW Healthcare III	\$5,334.5	0.18%	0.03%	Thoma Bravo Discover	\$5,622.2	0.19%	0.03%	
DW Healthcare IV	\$29,379.5	1.01%	0.14%	Thoma Bravo Discover II	\$21,947.0	0.76%	0.11%	
DW Healthcare V	\$24,837.0	0.86%	0.12%	Thoma Bravo Discover III	\$19,452.5	0.67%	0.10%	
EnCap IX	\$9,755.1	0.34%	0.05%	Thomas Bravo Discover IV	\$2,100.4	0.07%	0.01%	
EnCap VIII	\$19,090.5	0.66%	0.09%	Thoma Bravo Explore I	\$18,746.0	0.65%	0.09%	
EnCap X	\$28,021.7	0.97%	0.14%	Thoma Bravo XI	\$20,236.6	0.70%	0.10%	
EnCap XI	\$36,646.9	1.26%	0.18%	Thoma Bravo XII	\$29,723.3	1.02%	0.15%	
Franklin Park Series	\$1,121,796.6	38.64%	5.51%	Thoma Bravo XIII	\$41,980.2	1.45%	0.21%	
Greenbriar V	\$24,643.0	0.85%	0.12%	Thoma Bravo XIV	\$17,415.5	0.60%	0.09%	
GCG IV	\$12,839.4	0.44%	0.06%	Thoma Bravo XV	\$7,988.4	0.28%	0.04%	
GCG V	\$27,625.3	0.95%	0.14%	Vista Equity III	\$3,698.9	0.13%	0.02%	
GTLA Holdings	\$70,000.0	2.41%	0.34%	Vista Foundation II	\$7,239.3	0.25%	0.04%	
Highland	\$210,491.1	7.25%	1.03%	Vista Foundation III	\$33,395.3	1.15%	0.16%	
Insight Equity II	\$8,953.5	0.31%	0.04%	Wellspring V	\$11,589.1	0.40%	0.06%	
Insight Mezzanine I	\$1,829.3	0.06%	0.01%	Wicks IV	\$8,011.3	0.28%	0.04%	
JF Lehman III	\$20,806.1	0.72%	0.10%	WNG II	\$16,734.6	0.58%	0.08%	
JF Lehman IV	\$8,764.8	0.30%	0.04%					
Total Private Equity					\$2,903,466.4	100.00%	14.27%	

*Note: The market values for the Real Assets and Private Equity investments shown above are lagged one quarter and adjusted for the current quarter's cash flows. Market values and allocation percentages may not add to the total due to rounding.

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Arkansas Teacher Retirement System

Description of Benchmarks

Total Fund - The Performance Benchmark for the Total Fund reflects a weighted average of the underlying asset class benchmarks, weighted as follows: Opportunistic/Alternatives and Real Assets at the weight of the previous month's ending market values, Fixed Income and Private Equity at their long-term Policy Targets of 15% and 12%, respectively, and Total Equity at its long-term Policy Target of 50% plus the balance of the unfunded or uncommitted assets of the Opportunistic/Alternatives and Real Assets categories. These targets can be found on page 14 of the this report. From October 2007 to July 2013, the Performance Benchmark was the performance of the asset class benchmarks as a weighted average of the previous month's ending market values. The historical components of the benchmark are shown in the table below. Returns prior to September 30, 1996, consist of the actual allocations to the seven different asset classes included in the Arkansas Teacher Retirement System over time. The historical benchmarks used for each asset class are noted below.

Date	DJ Total Stock Market Index	Russell 3000 Index	MSCI ACW ex-U.S. Index	MSCI All Country World Index	BC Universal Bond Index	BC Aggregate Bond Index	Alternative Policy*
03/2004-9/2007	40.0%	--	17.5%	--	25.0%	--	17.5%
06/2003-02/2004	40.0	--	17.5	--	--	25.0%	17.5
10/2001-07/2003	--	40.0%	17.5	--	--	25.0	17.5
08/1998-09/2001	--	40.0	17.0	--	--	28.0	15.0
10/1996-07/1998	--	40.0	20.0	--	--	28.0	12.0

*Historically, the Alternative Policy was comprised of the weighted averages of the Private Equity, Real Estate, and Alternatives policy benchmarks. Prior to July 31, 2003 the alternative benchmark consisted of 57.0% of the Russell 3000 + a 2% Premium per year, 8.5% of the NCREIF Southeast Timberland Index, 28.5% of the Real Estate Index, 6% of the EnnisKnupp STIF Index.

Arkansas Teacher Retirement System

Total Equity - A weighted average of the Dow Jones U.S. Total Stock Market Index and the MSCI All Country World IMI Index based on weights of the underlying investment manager allocations. As of February 1, 2023, the Total Equity Performance Benchmark was comprised of 34.3% DJ U.S. Total Stock Market Index and 65.7% MSCI ACWI IMI.

Fixed Income - The Barclays Capital Universal Bond Index as of March 1, 2004.

Opportunistic/Alternatives - A custom benchmark consisting of 25% DJ/CS Event-Driven Index, 25% HFR Macro Index, and 50% South Timberland NCREIF Index until June 30, 2013; 60% HFR Macro Index and 40% DJ/CS Event-Driven Index until July 31, 2015; 56% HFR Macro Index, 38% DJ/CS Event-Driven Index, and 6% Russell 2000 Index until March 31, 2016; 45% HFR Macro Index, 30% DJ/CS Event-Driven Index, 5% Russell 2000 Index, and 20% FTSE 3 Month T-bill until May 31, 2016; 37% HFR Macro Index, 25% DJ/CS Event-Driven Index, 5% Russell 2000 Index, and 33% FTSE 3 Month T-bill until May 31, 2017; 28% HFR Macro Index, 20% DJ/CS Event-Driven Index, 4% Russell 2000 Index, 25% FTSE 3 Month T-bill, and 23% Parametric Performance Benchmark until May 31, 2018. 22% HFR Macro Index, 18% DJ/CS Event-Driven Index, 3% Russell 2000 Index, 27% FTSE 3 Month T-bill, 18.50% Parametric Performance Benchmark, and 11.5% SG Multi-Alternative Risk Premia until June 30, 2018. 20% HFR Macro Index, 15% DJ/CS Event-Driven Index, 3.5% Russell 2000 Index, 25% FTSE 3 Month T-bill, 16.5% Parametric Performance Benchmark, and 20% SG Multi-Alternative Risk Premia until August 31, 2018. 17% HFR Macro Index, 15% DJ/CS Event-Driven Index, 3.5% Russell 2000 Index, 28% FTSE 3 Month T-bill, 16.5% Parametric Performance Benchmark, and 20% SG Multi-Alternative Risk Premia until November 30, 2018. 15% HFR Macro Index, 15% DJ/CS Event-Driven Index, 3.5% Russell 2000 Index, 30% FTSE 3 Month T-bill, 16.5% Parametric Performance Benchmark, and 20% SG Multi-Alternative Risk Premia thereafter.

Real Assets - A custom benchmark consisting of a weighted average of the net asset values at previous month's end of the sub-categories' benchmarks, defined as Real Estate Benchmark, Timber Benchmark, Agriculture Benchmark and Infrastructure Benchmark.

Real Estate-The NCREIF Index.

Timberland Property Benchmark - NCREIF Timberland Property Index (NTPI) weighted according to ATRS' regional exposure based on net asset value.

Agriculture Benchmark - NCREIF Farmland Index (NFI) weighted according to ATRS' regional and crop type exposure based on net asset value.

Infrastructure Benchmark - Consumer Price Index (CPI) plus 500 basis points annually.

Private Equity - The Dow Jones U.S. Total Stock Market Index + a 2% premium per year.

Cash Equivalents - The Citigroup 90 day T-bill.

Arkansas Teacher Retirement System

Description of Benchmarks

FTSE 90 day T-bill Index - Treasury bill rates of return, as reported by Citigroup (Salomon Smith Barney), for bills with a maximum time remaining to maturity of 90 days.

Bloomberg Barclays Aggregate Bond Index - A market-value weighted index consisting of the Barclays Capital Corporate, Government and Mortgage-Backed Securities Indices. The Index also includes credit card-, auto- and home equity loan-backed securities, and is the broadest available measure of the aggregate U.S. fixed income market.

Bloomberg Barclays Universal Bond Index - A market-value weighted index consisting of the components of the Barclays Capital Bond Index, plus EuroDollar bonds, emerging markets bonds, 144A fixed income securities, and U.S. credit high yield securities.

Bloomberg Barclays Mortgage Index - A market value-weighted index consisting of the mortgage pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 22 developed and 23 emerging countries, but excluding the U.S. Covers approximately 85% of global equity opportunity set outside of the U.S.

MSCI All Country World Index - A capitalization-weighted index of stocks representing 46 stock markets in Europe, Australia, the Far East, the Middle East, Latin America and North America.

MSCI All Country World IMI Index - A capitalization-weighted index representing large and small cap stock from 46 stock markets in Europe, Australia, the Far East, the Middle East, Latin America and North America.

FTSE Europe - A tradable index, designed to represent the performance of the 100 most highly capitalized blue chip companies in Europe.

MSCI Europe, Australasia, Far East (EAFE) Non-U.S. Stock Index - A capitalization-weighted index of stocks representing 21 developed and emerging country markets in Europe, Australia, Asia and the Far East.

NCREIF Index - The National Council of Real Estate Investment Fiduciaries (NCREIF) Net Property Index is an unlevered, market-value weighted Index consisting of \$128 billion in domestic institutional real estate assets. The Index is representative of the national real estate market, across all property types and regions.

Voya U.S. Convertibles Performance Benchmark - On January 1, 2005, the benchmark for the portfolio was changed to the Merrill Lynch Convertible Bond (All Quality) Index. Prior to January 1, 2005, the performance benchmark for the Voya U.S. Convertibles portfolio was the CSFB Convertible Securities Index. Prior to May 1, 2004, the performance benchmark consisted of 90% CSFB Convertible Securities Index and 10% Salomon High Yield Index.

Wellington Global Performance Benchmark - As of July 1, 2012 the benchmark was changed to MSCI All Country World Small Cap Index. Prior to July 1, 2012, the benchmark was MSCI All Country World Small/Mid Cap Index.

Arkansas Teacher Retirement System

BlackRock Performance Benchmark - The Barclays Capital Universal Bond Index as of March 1, 2004.

Voya Absolute Return Performance Benchmark - As of December 1, 2015 the benchmark was changed to MSCI All Country World Index. Prior to December 1, 2015, the benchmark was the S&P 500 Stock Index.

LIBOR Index - London Interbank Offered Rate. A filtered average of the world's most creditworthy banks' interbank deposit rates with maturities between overnight and one full year.

Russell 3000 Index - An index that measures the performance of the 3000 stocks that make up the Russell 1000 and Russell 2000 Indices.

Russell 1000 Index - An index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

Russell 1000 Value Index - An index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

Russell 2000 Index - An index that measures the performance of the smallest 2000 companies contained in the Russell 3000 Index.

Russell 2000 Growth Index - An index that measures the performance of those Russell 2000 companies with greater price-to-book ratios and greater I/B/E/S growth forecasts.

Russell 2000 Value Index - An index that measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower I/B/E/S growth forecasts.

Russell Mid Cap Value Index - An index that measure the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

S&P 500 Stock Index - A capitalization-weighted stock index consisting of the 500 largest publicly traded U.S. stocks.

HFR Macro Index - Macro: Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Primary investment thesis is predicated on predicted or future movements in the underlying instruments.

HFR Distressed/Restructuring Index - Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.

Parametric Performance Benchmark - 50% MSCI All Country World Index and 50% Citigroup 90 day T-Bill Index as of June 1, 2017.

SG Multi Alternative Risk Premia Index - An equally weighted index composed of risk premia managers who employ investment programs diversified across multiple asset classes while utilizing multiple risk premia factors.

Historical U.S. Equity and Global Equity composite returns

As of June 30, 2015	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
U.S. Equity	6.7	18.1	16.4	9.4	10.5	04/01/1986
Dow Jones U.S. Total Stock Market Index	7.2	17.6	17.5	8.3	-	
Global Equity	1.8	14.6	12.1	-	2.5	11/01/2007
MSCI AC World Index (Net)	0.7	13.0	11.9	6.4	2.1	

In June 2015, the ATRS Board approved the combination of the U.S. and Global equity asset classes to a single Total Equity asset class. Total Equity performance reporting began in July 2015. In the table above, we show the historical returns for the U.S. Equity and Global Equity asset classes since inception through June 2015. Performance for the Total Equity asset class prior to July 2015 represents a weighted average of the U.S. Equity and Global Equity historical performance.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.
- All information presented in this report should be considered preliminary. Finalized data will be available on next Quarterly Investment Report after the close of the quarter.

Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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Refer to Hedge Fund Research, Inc. www.hedgefundresearch.com for information on HFR indices.

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Aon Investments USA Inc.
200 East Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

Aon InTotal: Chatham Asset Management

Chatham Asset Private Debt and Strategic Capital Fund IV, LP

Review Date	Overall Rating	Previous Overall Rating
March 2023	Buy	New Rating

Overall Rating

Chatham Asset Private Debt and Strategic Capital Fund IV (“PDSC IV”) is the firm’s fourth vintage of the closed-end product. PDSC IV is designed to provide investors with exposure to the illiquid opportunistic component of the firm’s flagship open-ended strategy and other illiquid positions that are unsuitable for the mandate of the flagship offering. The fund is not an overflow product, but closer to a best-ideas portfolio that can upsize positions that would otherwise be too illiquid in an evergreen fund. Chatham will rely on fundamental research conducted by a team of sector specialists to source and work through ideas to populate the portfolio. Aon believes Chatham’s edge is its deep credit research skills which helps them find unique stressed opportunities with large mispricings that are expected to perform well over the fund’s life. Like the main fund, PDSC IV will focus on lower middle market companies.

Component Ratings

	Rating	Previous Rating	Aon InForm Assessment**
Business	3	New Rating	-
Staff	3	New Rating	-
Process	3	New Rating	-
Risk	2	New Rating	-
ODD	A2	New Rating	-
Performance	3	New Rating	-
T&C	3	New Rating	-

Prior Vintage Performance

Private Debt Fund I	+15.5%
Private Debt Fund II	+20.7%
Private Debt Fund III	+27.8%

** We are not currently able to provide an Aon InForm Assessment for this strategy as the manager has not provided us with enough data to perform a meaningful analysis. We are working with the manager to collect the necessary data for future quarters.

Performance Since Inception Date of individual fund through December 2022.
Performance (USD) is an annualized return and net of fees. CY = calendar year.
Source: Manager

Firm and Strategy Summary

Head Office Location	Chatham, NJ	Parent Name	Chatham Asset Management
Firm AUM	\$5.3 billion	Private Credit AUM	\$1.7 billion
Team Location	Chatham, NJ/Chicago, IL	Team Head	Anthony Melchiorre
Firm/Strategy Inception	2002/2017	Strategy Size	\$300 - \$500 MM
Management Fee	1.0%*	Performance Fee	20%
Hurdle Rate	5% preferred return	Fund Term	Five years

Note: Past performance is no guarantee of future results. *Early investors are eligible for a management fee discount.

Investment Manager Evaluation

Rating Sheet

Factor	Rating	Previous Rating	Comments
Business	3	<i>New Rating</i>	Chatham is employee-owned by six partners, with Anthony Melchiorre the majority owner of the management company. The remaining partnership interests are held by Evan Ratner, James Ruggerio, Feisal Alibhai, Barry Schwartz, and Dave Sobolewski. Chatham has been disciplined at managing capacity, at times pausing capital raising activity when the market opportunity warrants a slowing of new inflows. The client base is focused on institutional investors.
Investment Staff	3	<i>New Rating</i>	Anthony Melchiorre oversees all investing activity at Chatham with an emphasis on reviewing ideas coming from the research team, understanding credit market dynamics and liquidity, and directing portfolio hedging. In Evan Ratner's capacity as Director of Research and Portfolio Manager for the Private Debt Fund, he reviews the ideas and output of the research team and works with portfolio companies to push forward positive change. The research team comprises a deep, senior group of sector specialists who cover all companies in their universe and are expected to know them well and bring forth ideas; in our view, some of them are strong enough to lead their own credit hedge fund. Additionally, the combination of research, trading, and portfolio construction talent encompassed by Melchiorre and Ratner are strong compared to their peers.
Investment Process	3	<i>New Rating</i>	Chatham's investment process starts with deep fundamental research in middle market companies. The manager emphasizes the importance of conviction based on fundamental research, which results in a more concentrated portfolio. The investment team also believes the middle market is inefficient with a meaningful opportunity to find mispriced credits, which leads to the portfolio having differentiated positions as Chatham aims to avoid crowded trades made by larger private credit competitors.
Risk Management	2	<i>New Rating</i>	Chatham's risk management is embedded into the research process and serves as the main control of portfolio risk. Chatham wants to work through potential risk areas in the research process and understand the downside risks to each investment. The initial valuation of the company at entry is a key risk control. Unlike many private debt funds, Chatham will hedge the portfolio's market risk through the use of equity index options that will mirror the portfolio hedging of Chatham's flagship hedge fund.

Rating Sheet

Factor	Rating	Previous Rating	Comments
Operational Due Diligence (ODD)	A2	<i>New Rating</i>	The firm employs experienced non-investment staff and utilizes well known third-party service providers within the hedge fund industry. Valuation processes related to Level 2 and 3 securities in its main hedge fund follow best practices. A majority independent Board of Directors oversees the Fund.
Performance Analysis	3	<i>New Rating</i>	All three of Chatham's private debt fund vintages have performed well on both an absolute basis and compared to other long duration credit funds managed by peers. PDSC IV is opening during a period of volatility in the credit markets, and we would expect that middle market debt should be an area for continued success for Chatham.
Terms & Conditions (T&C)	3	<i>New Rating</i>	The Fund's fees and liquidity provisions are in-line with longer lock credit strategies, with reasonable fees and investor liquidity that is appropriate for the portfolio. The management fee offered for early investors in the Fund is compelling.
Overall Rating	Buy	<i>New Rating</i>	Chatham Asset Private Debt and Strategic Capital Fund IV ("PDSC IV") is the firm's fourth vintage of the closed-end product. PDSC IV is designed to provide investors with exposure to the illiquid opportunistic component of the firm's flagship open-ended strategy and other illiquid positions that are unsuitable for the mandate of the flagship offering. The fund is not an overflow product, but closer to a best-ideas portfolio that can upsize positions that would otherwise be too illiquid in an evergreen fund. Chatham will rely on fundamental research conducted by a team of sector specialists to source and work through ideas to populate the portfolio. Aon believes Chatham's edge is its deep credit research skills which helps them find unique stressed opportunities with large mispricings that are expected to perform well over the fund's life. Like the main fund, PDSC IV will focus on lower middle market companies.

Manager Profile

Overview

Chatham Asset Private Debt and Strategic Capital Fund IV (“PDSC IV”) is the firm’s fourth vintage of the closed-end product. PDSC IV is designed to provide investors with exposure to the illiquid, opportunistic component of the firm’s flagship open-ended strategy and other illiquid positions that are unsuitable for the mandate of the flagship offering. The fund is not an overflow product, but closer to a best-ideas portfolio that can upsize positions that would otherwise be too illiquid in an evergreen fund. Chatham will rely on fundamental research conducted by a team of sector specialists to source and work through ideas to populate the portfolio. Aon believes Chatham’s edge is its deep credit research skills which helps them find unique, stressed opportunities with large mispricings that are expected to perform well over the fund’s life. Like the main fund, PDSC IV will focus on lower middle market companies.

Business

- Chatham Asset Management is wholly owned by internal partners with Anthony Melchiorre holding the majority of the ownership interest. Five other senior team members are partners in the management company.
- Chatham manages the flagship hedge fund and four longer-lock private debt funds. Chatham manages a few funds-of-one for investors who have made significant capital allocations to the manager.
- Chatham employs a team of 22, with 14 investment professionals. The majority of the team is based in Chatham, New Jersey, with a small team based in Chicago, IL.

Client Base

- Firm wide assets on December 31, 2022 were \$5.3 billion, with the private credit funds having \$1.7 billion in assets.
- Chatham has a highly institutional client base with 79% of AUM provided by public pension plans, sovereign wealth funds, corporations, and endowments and foundations.
- Chatham’s partners’ and employees’ capital invested in the private credit funds represents approximately 13% of the initial three Funds’ AUM.

Investment Staff

Key Staff	Position	Date Joined	Years of Experience
Anthony Melchiorre	Founder/Portfolio Manager	2003	34
Evan Ratner	Director of Research/PDSC Portfolio Manager	2009	29
Barry Schwartz	Senior Analyst	2006	36
Feisal Alibhai	Senior Analyst	2004	30

- Anthony Melchiorre leads the investment team and spends the majority of his time focused on investment idea reviews, portfolio construction, hedging, and trading.
- Evan Ratner leads the research team and focuses his time working with the analyst team as they research new ideas and track positions currently in the portfolio. For PDSC IV, Ratner also serves as the Fund’s portfolio manager and spends a lot of time with portfolio companies where Chatham is active on credit committees or works closely with company management.
- The research team is broken down by sector specialists who are expected to know their universe well and bring forth new investment ideas.

Investment Process

Philosophy

Chatham is an opportunistic credit manager that believes it distinguishes itself from peers through an emphasis on credit research and a focus on lower middle market companies. The manager emphasizes the importance of fundamental conviction based their work, which results in a concentrated portfolio of high conviction ideas. Chatham believes it can remain nimble by sourcing lower middle market positions that are outside the reach of larger private credit competitors. Chatham will express its investment thesis across a company's entire capital structure. Additionally, engagement with underlying management is variable based on the situation, but in PDSC IV Chatham is expected to be more active on the credit committees of portfolio companies and advising management.

Process

Sourcing investment ideas is done through several different avenues including proprietary research, interactions with covered companies' customers, suppliers, and competitors, recent and sizeable price moves, and sector and/or market disruptions. Idea sourcing is important to Chatham as it usually invests in smaller or medium sized companies where the story is not always front-page news. Therefore, it needs to dig a little more to find ideas. Chatham's senior team members have been in the business for a long time and have created a large catalog of contacts on the Street and in the sectors they frequently invest. To mine their contacts for new ideas, Evan Ratner and other team members are in New York at least weekly talking to the Street and industry contacts. Idea generation for PDSC IV will rely on the team's existing network of bankers, bankruptcy lawyers, management companies of current investments, and prior investment relationships. While Chatham may collaborate with other credit managers, it will not source opportunities from larger syndicate groups that are simply looking to offload some exposure.

Chatham's analysts are sector focused. Therefore, when analysts begin to work on a new idea, they will complete enough diligence to be able to propose the idea to Anthony Melchiorre and Evan Ratner. The senior leaders will walk through the idea with the analyst and review it to see if it is viable from risk/return, liquidity, and edge perspectives. If the idea is approved for more work, the analyst begins deep fundamental analysis on the company and its capital structure, which includes detailed models to project a company's ability to repay debt, catalysts, and timeline to unlock value, and expected returns in downside, base, and upside scenarios. Chatham is a big believer in meeting with management at company headquarters and doing field trips to key operational locations, which help it to understand the business better and identify potential issues.

The Chatham research team member will also conduct a full legal document review of the company's bond indentures and covenants. The focus of the review will be for areas that may trigger a default or another event that may cause Chatham to either potentially enter or exit a position. The legal analysis may also point the team to areas that could potentially be leveraged in negotiations with management teams.

While analysts are in constant contact with Evan Ratner on their work agenda and progress, he performs a more formal review when the analyst has completed their work. Ratner will review the idea and supporting diligence, ask questions, and request further support or clarification where needed. In this role, Ratner acts as a firewall between the analysts and Anthony Melchiorre to free up his time to focus on the portfolio and weed out unfitting ideas. If the idea is approved, Chatham will look for an entry and build exposure to the idea. The team keeps a 30-35 name watch list and begins buying a security once it reaches a particular price.

The PDSC IV portfolio should focus about half of the book on event driven opportunities in public markets where credit could rapidly sell off should equity markets decline in the face of inflation. Within this book, Chatham will continue to look for mispricing similar to past cycles where investors indiscriminately sell without evaluating individual credits within a sector. The remaining portfolio will include a combination of distress for influence and capital solutions

Risk Management

Chatham's risk management philosophy is to embed risk management into its investment research process and use that as the main control of portfolio risk. Chatham wants to work through potential risk areas in the investment research process as it seeks to know a company and pressure points on the downside. With a high degree of idiosyncratic risk in the portfolio, Chatham is not a big believer in managing risks through controlling correlations and betas.

A secondary risk control is Chatham's trading ability to lower exposures in a down market and increase exposures in an upward moving market. Tertiary risk controls include minimal use of leverage and strong sell discipline.

Chatham does not maintain either a risk management or investment committee to control risk. Instead, Chatham believes the constant interaction between the two senior investment leaders and the research team helps them to know the portfolio and the market well and to react quickly to a changing environment.

Chatham uses a hedge overlay that focuses on left tail risk to help control the portfolio's market sensitivity. Chatham spends approximately 15 - 20 basis points per month purchasing S&P 500 index puts expiring 1-2 months out with a strike price 5% to 10% below the current trading level. In a market where the hedges are working, Chatham is quick to crystalize profits and reset hedges based on market moves. Chatham will also do some interest rate and credit market hedging at both the portfolio and individual investment levels when deemed appropriate.

Operational Due Diligence

- All trades are entered into the firm's Northpoint Order Management System and are reconciled daily by the Chatham operations group.
- The manager uses external service provider Duff and Phelps to value illiquid portfolio positions.

Terms & Conditions

- Targeted fund size is \$300 - \$500 million.
 - The management fee is 1% and the performance fee is 20% over a 5% preferred return with a 100% General Partner catch-up. Early investors are eligible for a management fee discount.
 - The investment period on the Fund is four years from the final close which is scheduled for April 2024. There is a one-year harvest period for a five-year total life. There can be two one-year extensions of the Fund at the discretion of the General Partner.
 - To date, Chatham has called all committed capital in the Private Debt funds.
-

Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Our manager research process assesses each component using both our qualitative and Aon InForm criteria. With the exception of Operational Due Diligence ("ODD"), each component is assessed as follows:

Qualitative Outcome	Aon InForm Outcome
1 = Weak	✓ Pass: This component in isolation meets or exceed our desired criteria
2 = Average	⚠ Alert: This component in isolation does not meet our desired criteria, or the lack of data on this component means that we are not able to judge whether it meets our desired criteria
3 = Above Average	
4 = Strong	- Not assessed: There is a lack of data, which means that we are not able to assess this component, however we do not consider this in isolation to justify an Alert

The ODD factor is assigned a rating and can be interpreted as follows:

Overall ODD Rating*	What does this mean?
A1 Pass	No material operational concerns – the firm’s operations largely align with a well-controlled operating environment.
A2 Pass	The firm’s operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass (“CP”)	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm’s rating.
F	Material operational concerns that introduce the potential for economic or reputational exposure exist – we recommend investors do not invest and/or divest current holdings.

*Operational due diligence inputs provided to the research team by Aon’s Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Solutions UK Limited, Aon Investments USA Inc., and Aon Hewitt Inc./ Aon Investments Canada Inc. Investment advice is provided by these Aon entities.

Aon previously assigned ODD ratings of pass, conditional pass, or fail for the ODD factor. We are in the process of refreshing all ODD ratings to the new terminology. During the transition period, the prior ratings, as follows, may persist in some deliverables until the ODD factor rating is converted to the above noted letter ratings.

- **Pass** – Our research indicates that the manager has acceptable operational controls and procedures in place.
- **Conditional Pass** – We have specific concerns that the manager needs to address within a reasonable established timeframe.
- **Fail** – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived taking into account both the above outcomes for the product. The overall rating can be interpreted as follows:

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

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As of December 31, 2020, Aon's quantitative model is run on approximately 13,000 strategies from an external database. Aon assigned a quantitative rating of "Qualified" to 42% of these strategies and a "Not Recommended" to 23% of these strategies. The remainder were not rated. A "Buy" rating cannot be assigned via quantitative analysis. Across asset classes (excludes private real estate and real assets), Aon had approximately 21,000 strategies in its internal database. Aon assigned a qualitative rating of "Buy" to 7% of strategies in the database; "Qualified" to 1% of strategies in the database; "Sell" to <1% of strategies in the database; and "In Review" to <1% of strategies in the database. The remaining strategies in the database are not rated. Some strategies may be included in both the internal and external database. Where a qualitative rating exists, it prevails over the quantitative rating. These statistics exclude real estate / Townsend databases and ratings.

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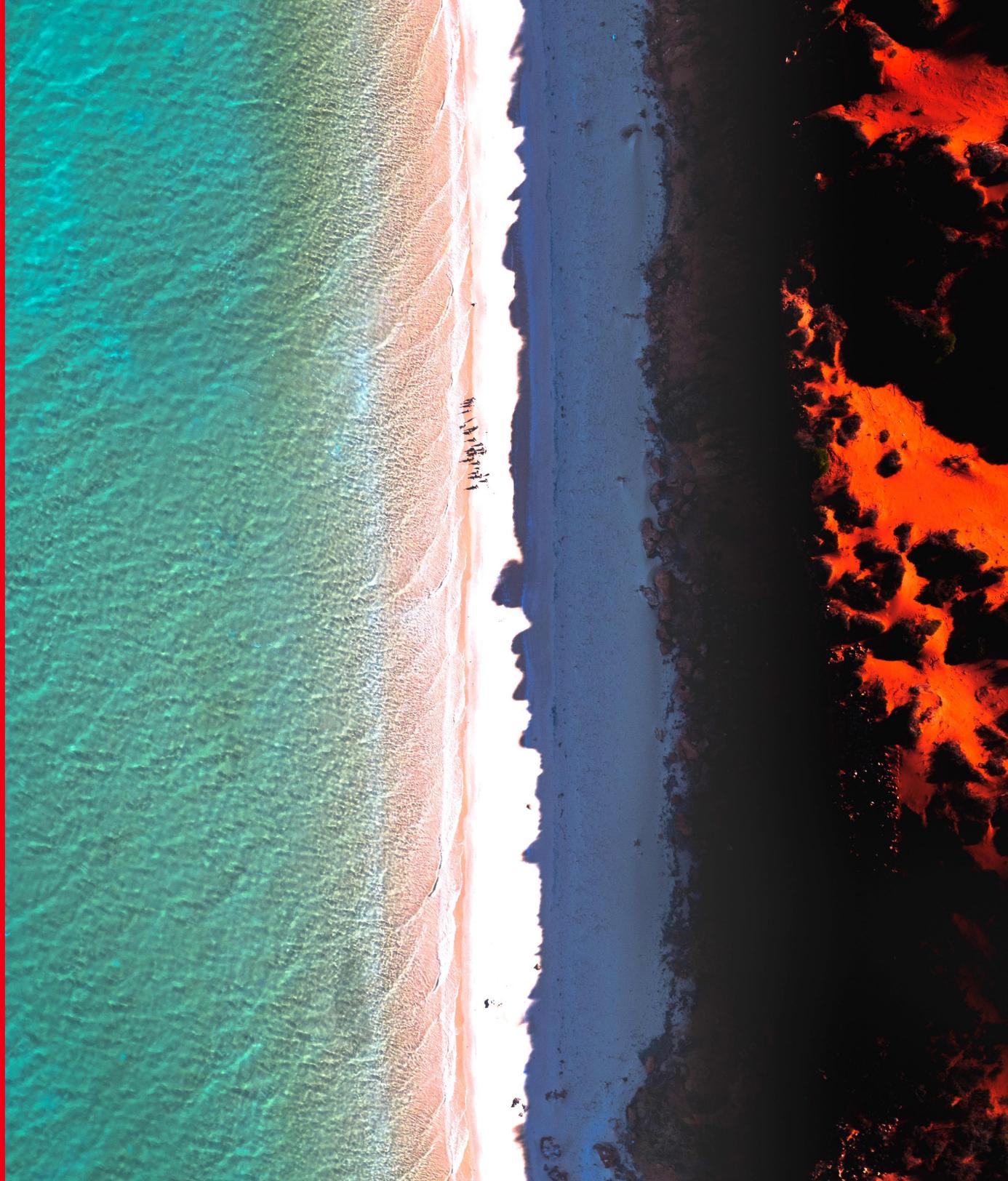
Arkansas Teacher Retirement System

Opportunistic/Alternatives
Strategy Recommendations

April 3, 2023

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

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Executive Summary

- Aon continuously vets the investment landscape for attractive investment opportunities that may be appropriate for the ATRS Opportunistic / Alternatives portfolio
- Overall, the Opportunistic/Alternatives portfolio is well-diversified across strategy type and manager, providing broad coverage of the available opportunities and offering potential to improve the Total Fund's risk-adjusted returns
 - The portfolio has protected on the downside and outperformed its custom benchmark since inception, though performance has been somewhat disappointing from an absolute return perspective
 - Recently, ATRS made a number of manager enhancements, including the addition of two opportunistic credit managers, replacement of ILS managers, and a transition of the CFM strategy to their Systematic Global Macro strategy
- As legacy managers wind down, Aon has identified two attractive opportunities to add to the portfolio with the goal of offering attractive risk-adjusted returns and diversification with the rest of the portfolio

Recommendations

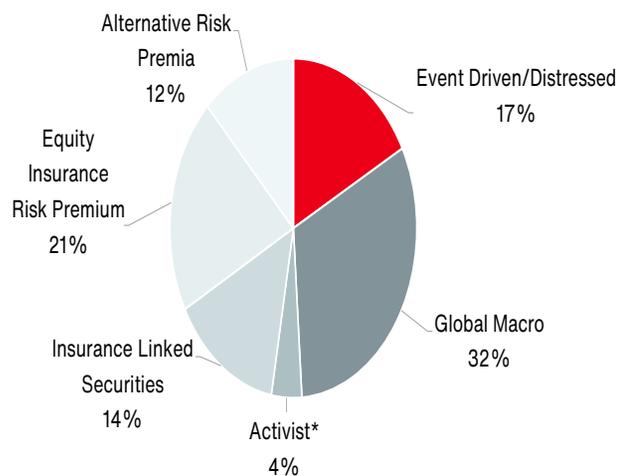
1. **Commit \$50 M to Chatham Private Debt Fund IV** – Opportunistic debt strategy with an existing ATRS manager targeting low double digit returns and fulfilling desirable exposure to event-driven strategies
2. **Commit \$40 M to Prophet Mortgage Servicing Opportunities Fund** – Compelling strategy based on current dynamics across mortgage market and interest rate environment, Prophet seeks uncorrelated, low double digit returns



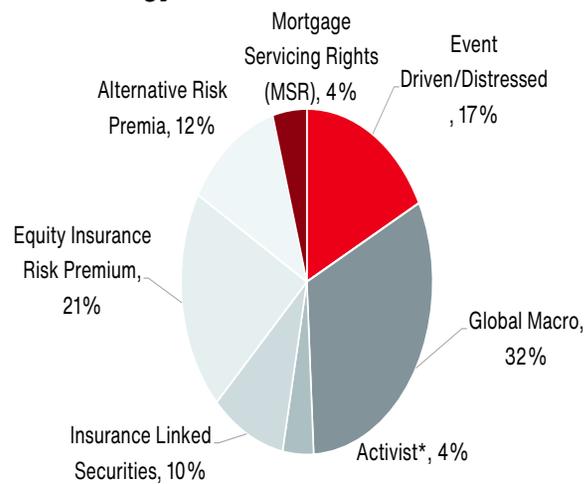
Opportunistic / Alternatives Portfolio Snapshot

- Below charts highlight the current (as of 12/31/22) and recommended Opportunistic/Alternatives portfolio
- As York, Anchorage wind down, an allocation to Chatham Fund IV maintains desired event driven/distressed exposure, while the mortgage servicing rights (MSR) strategy offers a compelling uncorrelated return opportunity

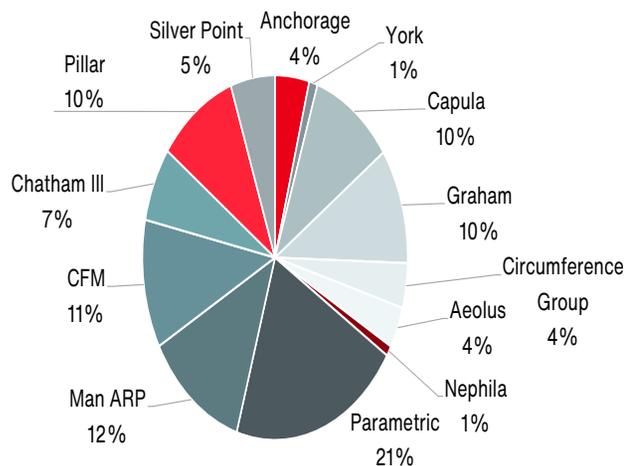
Strategy Allocation - Current



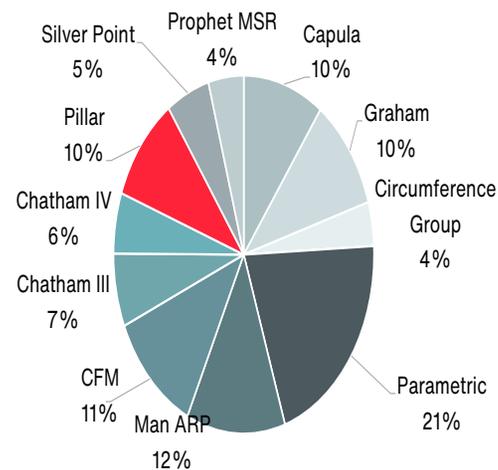
Strategy Allocation - Recommended



Manager Allocation - Current



Manager Allocation - Recommended



Chatham Asset Private Debt and Strategic Capital Fund IV



Credit Portfolio Recommendation:

Commit \$50M to Chatham Asset Private Debt and Strategic Capital Fund IV (“PDSC IV”)

- Allocation to Chatham’s Fund IV will maintain the overall credit exposure at approx. 15% of the Opportunistic/ Alternatives portfolio and 1% of the Total Fund
 - Anchorage and York continue to slowly return capital back to ATRS
- Current Chatham Fund III has earned ATRS 17.6% on a time-weighted return basis since inception into the portfolio in November 2021
- ATRS also has potential for an attractive fee rate for getting in during first close
- Recommend committing \$50M to Chatham PDSC IV to maintain the credit exposure and gain access to an attractive investment opportunity

Current Credit Exposure	Current		Recommendation	
	\$(M)	% of Opp/Alts	\$(M)	% of Opp/Alts
York	\$9	1%		
Anchorage	\$28	4%		
Silver Point	\$49	5%	\$49	5%
Chatham PDSC Fund III	\$60	7%	\$60	7%
Chatham PDSC Fund IV			\$50	6%



Data above is approximate based on 12/31/2022 information

Chatham Asset Private Debt and Strategic Capital Fund IV

- Chatham is employee owned by six partners with client base focused on pensions and E&Fs
- The combination of research, trading, and portfolio construction talent encompassed by the team is rated highly to those found amongst their peers
- Research team is senior and broken out as sector specialists, covering all companies in their universe
- PDSC IV is an opportunistic distressed strategy of best ideas that are more illiquid and with a more distant catalyst
- Focused on middle market companies where there is less competition for alpha
- Anticipate many ideas to be distressed for influence or capital solutions
- Key Differentiators:
 - The team executes on a deep level of credit research in areas of the market that are under-followed
 - Unlike other private credit funds, the manager will do some hedging to reduce market risk and volatility

Fund	Chatham PDSC IV
Fund Inception	2023
Management Fee	1.0%*
Performance Fee	20% over 5% preferred return
Redemption Terms	Five year fund life with two one year extensions possible
Lock-up/Gate	Four year investment period / One year harvest period
Target return	10-15%
Previous Vintage Performance	<ul style="list-style-type: none"> •PDSC I - Net IRR ITD of 15.5% •PDSC II - Net IRR ITD of 20.7% •PDSC III – Net IRR ITD of 27.8%

**Early investors benefit from a lower management fee*

Prophet Mortgage Servicing Opportunities Fund

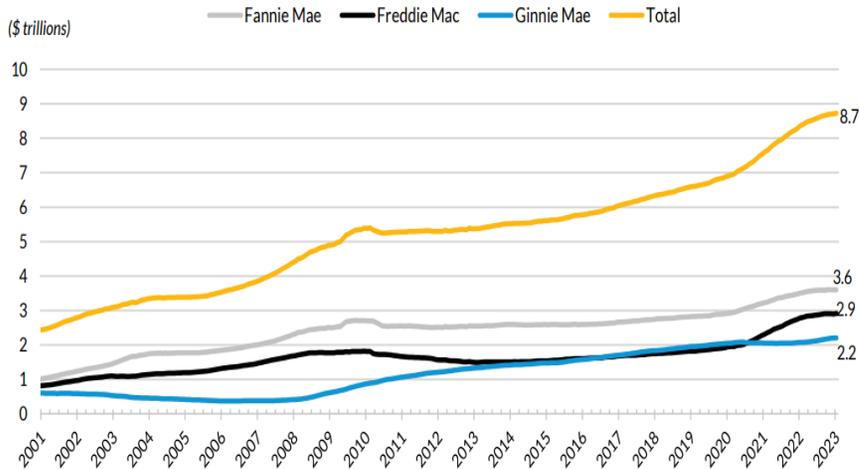


Mortgage Servicing Rights (MSRs)

- **U.S. Mortgage Market and Mortgage Servicing Rights (MSRs)**
 - Agency Mortgage-Backed Securities (MBS)
 - Servicing Fees
- **Investment Opportunity Today**
 - Historically Low Refinancing / Prepayment Environment
 - Supply / Demand Imbalance
- **Prophet Capital Asset Management**
 - Organizational Profile
 - MSR Investing Edges

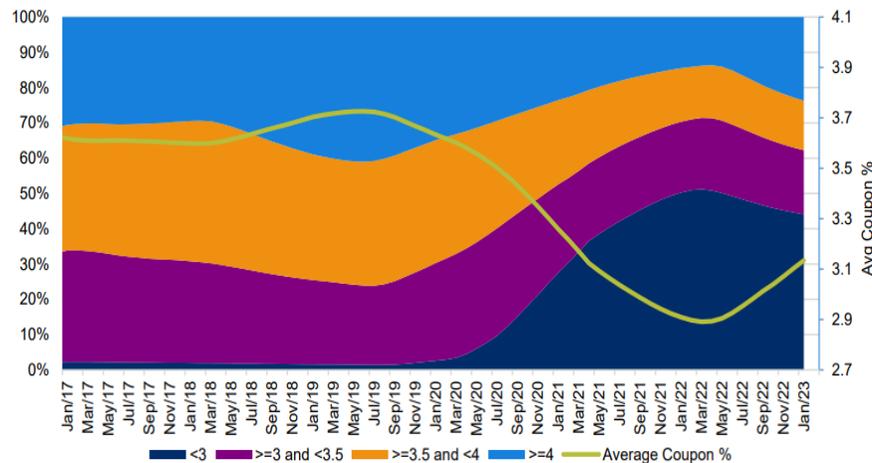
The U.S. Mortgage-Backed Securities Market

Agency Mortgage-Backed Securities



- The U.S. agency mortgage market totals \$8.7T
 - The housing market is an estimated \$44 trillion
 - \$31 trillion of equity
 - \$13 trillion of debt (\$4T non-agency)

Figure 32. Outstanding Ginnie Mae MBS Balance, by Coupon



- The vast majority of outstanding MBS were issued with coupon payments below 4.0%
 - Mortgage rates fell to all-time lows in the Covid-19 era
 - Huge amount of new origination and refinancing activity followed

Mortgage Market Dynamics

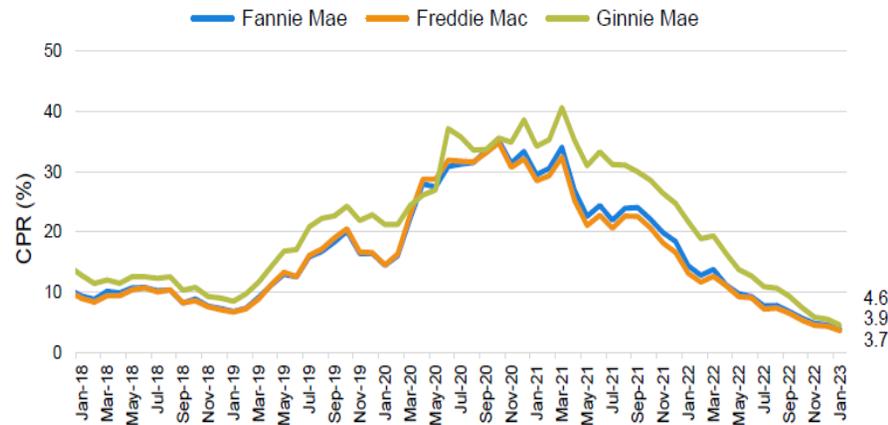
Sharp rise in interest rates since 2021 => Historically Low Refinance Activity

Figure 78. Average Fixed Rate Mortgage Rates



Sources: FRED data as of January 2023

Fixed Rate Aggregate 1-Month CPR



Source: Recursion. Note: Data as of January 2023.

- Interest rates on outstanding MBS pools are FAR below the current mortgage interest run rate
 - Mortgage rates jumped at the fastest pace in history from 2H 2021 to 2H 2022

- This has led to historically low levels of CPR (conditional prepayment rate)
 - A lack of prepayments means a longer life of cash flow streams from monthly mortgage payments
 - As a result, the value of an MSR increases

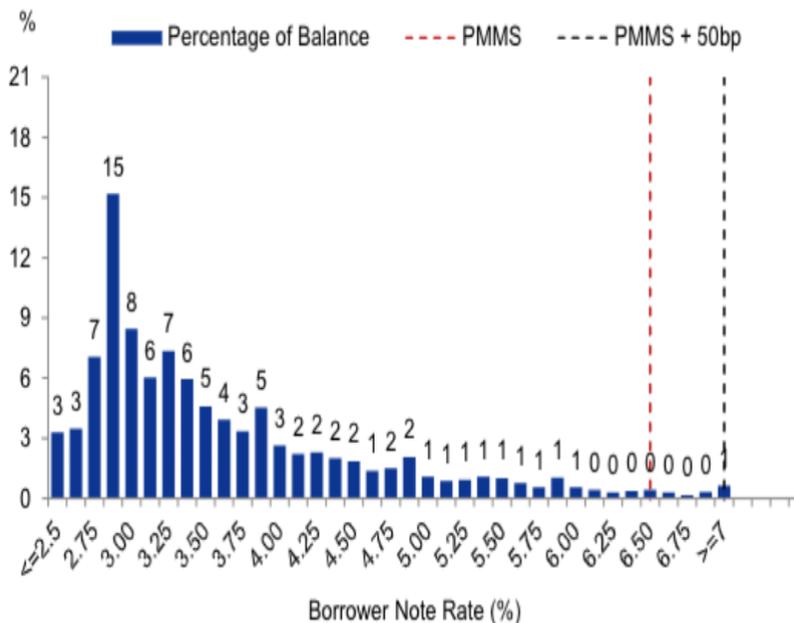


Mortgage Market Dynamics

There is very little incentive to refinance

99% of outstanding mortgages have interest rates below PMMS

Distribution of outstanding 30-year conventional mortgage borrower interest rates



Source: eMBS, Goldman Sachs Global Investment Research

- The share of outstanding mortgages with low interest rates
- +
- The relatively high levels of current market rates
- =
- Refinancing is uneconomical for an estimated 99% of mortgage loans
 - Most refis are at least 3% out-of-the-money
 - As a result, borrowers are incentivized to:
 - Remain in their current homes
 - Keep their low interest mortgage loans
 - And stay current on payments
 - This increases the expected longevity of MSR cash flows

Mortgage Servicing Fees

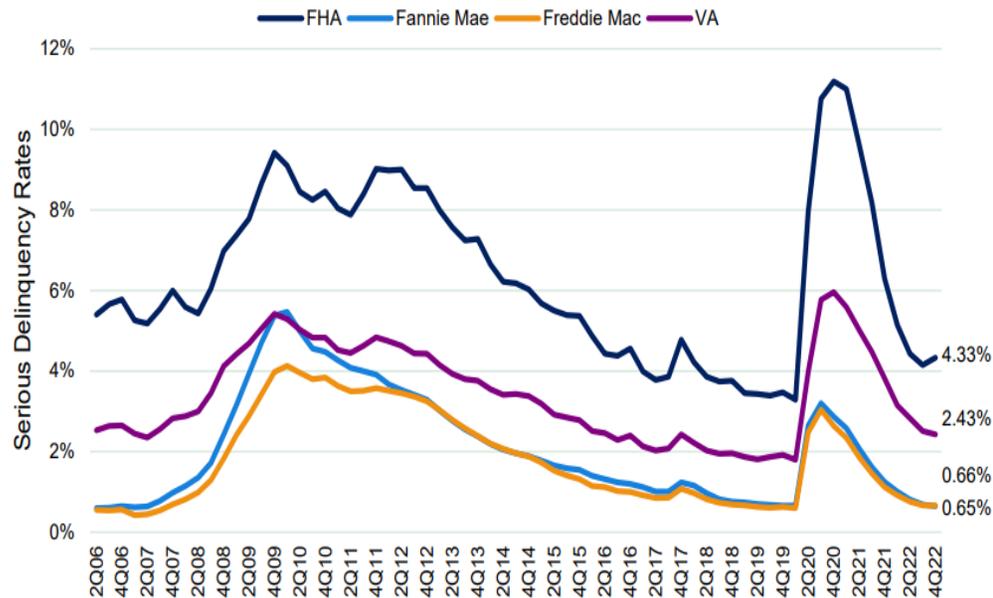
Base Fee + Excess Servicing Fee

- Mortgage interest rate: 5.00%
 - GNMA guarantee fee: 0.06%
 - Servicing Fee: 0.44%
 - *Base servicing fee:* 0.08%
 - *Excess servicing fee:* 0.36%
 - MBS Coupon: 4.50%
- Once a mortgage loan is originated, the lender can:
 - Retain the loan and the servicing
 - Sell either the loan or servicing, or sell both
 - An MSR is created when the right to service the loan is monetized and sold as a separate asset from the loan itself
 - This occurs during the MBS securitization process
 - By transferring MSRs to companies that specialize in this business, banks and other mortgage originators free up their books and resource capacity to originate more loans.
 - The government agencies require servicing fees
 - For FNMA + FHLMC, a range of 25 – 50 bps
 - For GNMA, is a range of 25 – 75 bps
 - The guarantee fee to the agencies
 - Servicing fee that overcompensates for the cost of servicing in order to make servicing a worthwhile and attractive business
 - This comes out of the interest portion of the monthly payment before it goes to the MBS investor

Mortgage Market Dynamics

Delinquencies are near historic lows

Figure 44. Serious Delinquency Rates: Single-Family Loans



Sources:

1. Fannie Mae and Freddie Mac Monthly Summary Reports
2. MBA Delinquency Survey

Note: Serious delinquency is defined as 90 days or more past due or in the foreclosure process. Data as of Q3 2022.

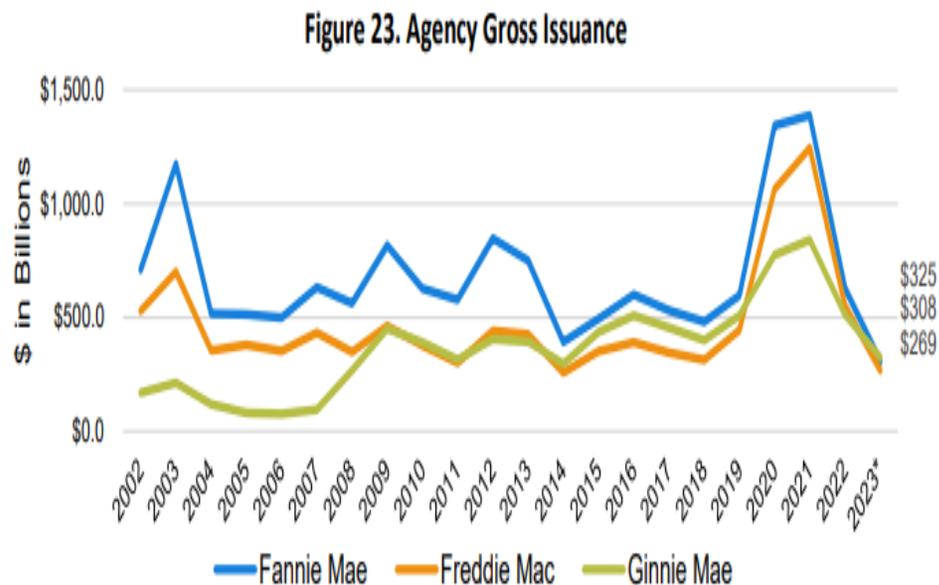
- Despite the challenges presented in 2022, delinquency rates remained very low
 - The rate is almost always higher for GNMA loans (represented in the chart by FHA and VA) vs. Fannie Mae and Freddie Mac loans
- While mortgage delinquency rates should be expected to rise under deteriorating economic conditions, there are several mitigating factors
 - Unlike pre-GFC
 - Consumers are in relatively good shape financially vs. high debt burdens in 2000s
 - There is much less adjustable-rate exposure
 - Home equity levels are high

Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov

MSR Supply / Demand Imbalance

Weak Mortgage Origination Revenue and Bank Regulations Pressure Supply

Mortgage Origination is Down Significantly



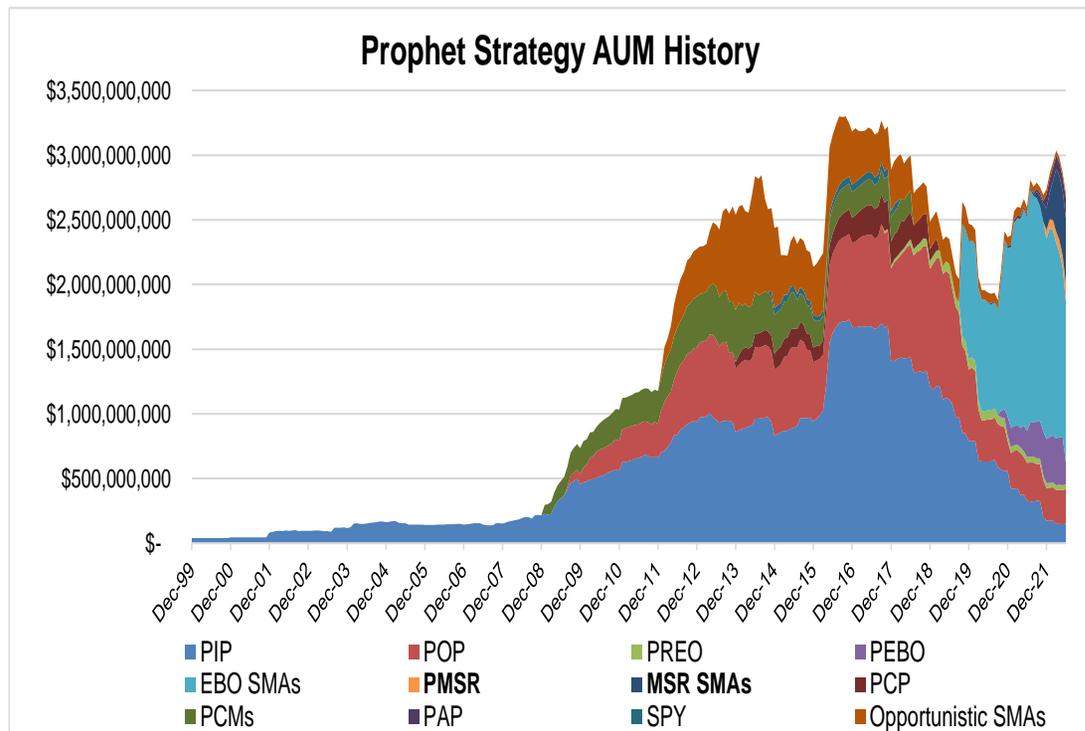
- With mortgage rates exceeding 6.0 – 7.0%, mortgage origination has been falling dramatically
 - To fill the revenue void, mortgage originators have been under pressure to sell MSRs
- The supply overhang has not only continued into 2023, but strengthened
 - Wells Fargo has announced a plan to sell a massive share of its MSR portfolio
 - Other MSR holders have front-run this telegraphed supply
 - MSR packages have traded at discounts
- On the demand side
 - Regulatory issues and capital requirements have limited demand from banks
 - Barriers to establish MSR investment capabilities
 - License requirements from agencies
 - Fixed operational costs
 - Need for servicing partners

Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov

Prophet Capital Asset Management

Culture of Opportunistic Investing in Alternative Fixed Income Markets

Firm AUM by Strategy Over Time



- Prophet has a long history of capitalizing on uniquely compelling alternative fixed income market opportunities
- Demonstrated patience to enter and discipline to exit over multiple decades and market cycles
- Experienced team led by CIO David Rosenblum
 - He has spent his entire career on all sides of the mortgage investment industry and is an expert in the field
 - Sell side at Goldman Sachs
 - Government implementation of the Fed's \$1.25 trillion post-GFC agency MBS program
 - Buy side at GSAM and Prophet
- Strategic Partnership with Carrington
- Strong network in an OTC relationship market

Source: Manager



Mortgage Servicing Partner: Carrington Mortgage Services

An Important GNMA Mortgage Servicer

Table 23. Top 30 Holders of Ginnie Mae Mortgage Servicing Rights (MSRs), by UPB

MSR Holder	Rank			UPB (\$ millions)	Share	Cumulative Share	CPR	CDR
	Current	Year prior	Change					
LAKEVIEW LOAN SERVIC	1	3	↑	\$272,273,475,120	12.7%	12.66%	4.39%	0.41%
DBA FREEDOM HOME MOR	2	1	↓	\$261,756,100,219	12.2%	24.83%	5.33%	1.04%
PENNYMAC LOAN SERVIC	3	2	↓	\$248,558,123,865	11.6%	36.39%	4.19%	0.65%
NATIONSTAR MORTGAGE,	4	6	↑	\$127,821,916,064	5.9%	42.33%	4.74%	0.67%
NEWREZ LLC	5	7	↑	\$119,144,048,732	5.5%	47.87%	4.14%	0.57%
WELLS FARGO BANK, NA	6	4	↓	\$111,837,413,124	5.2%	53.07%	5.10%	0.50%
ROCKET MORTGAGE, LLC	7	5	↓	\$104,302,473,215	4.8%	57.92%	5.75%	0.48%
CARRINGTON MORTGAGE	8	10	↑	\$89,263,741,507	4.2%	62.07%	4.78%	0.76%
U. S. BANK, NA	9	9	↔	\$51,662,773,973	2.4%	64.47%	4.25%	0.87%
UNITED WHOLESALE MOR	10	11	↑	\$45,951,106,614	2.1%	66.61%	2.33%	0.50%
PLANET HOME LENDING,	11	15	↑	\$43,936,379,389	2.0%	68.65%	2.97%	0.21%
LOANDEPOT.COM,LLC	12	12	↔	\$36,852,218,454	1.7%	70.36%	4.83%	0.41%
MORTGAGE RESEARCH CE	13	14	↑	\$33,963,436,769	1.6%	71.94%	3.02%	0.23%
AMERIHOME MORTGAGE C	14	22	↑	\$31,712,229,854	1.5%	73.42%	2.43%	0.25%
NAVY FEDERAL CREDIT	15	16	↑	\$29,217,152,269	1.4%	74.77%	4.37%	0.31%
GUILD MORTGAGE COMPA	16	19	↑	\$22,404,410,154	1.0%	75.82%	3.80%	0.50%
THE MONEY SOURCE INC	17	18	↑	\$20,906,874,348	1.0%	76.79%	5.05%	0.80%
TRUIST BANK	18	17	↓	\$20,304,845,519	0.9%	77.73%	4.31%	0.39%
CROSSCOUNTRY MORTGAG	19	20	↓	\$18,259,278,838	0.8%	78.58%	3.62%	0.51%
NEW AMERICAN FUNDING	20	21	↑	\$17,852,279,406	0.8%	79.41%	4.07%	0.53%
VILLAGE CAPITAL & IN	21	23	↑	\$16,682,006,041	0.8%	80.19%	6.33%	0.58%
MOVEMENT MORTGAGE,LL	22	N/A	↑	\$16,528,613,618	0.8%	80.95%	2.75%	0.50%
CMG MORTGAGE, INC.	23	27	↑	\$15,671,593,426	0.7%	81.68%	3.71%	0.62%
IDAHO HOUSING AND FI	24	26	↑	\$14,618,867,326	0.7%	82.36%	3.58%	1.06%
CITIZENS BANK N.A.	25	25	↔	\$13,895,196,614	0.6%	83.01%	3.46%	0.40%
PHH MORTGAGE CORPORA	26	29	↑	\$12,949,689,031	0.6%	83.61%	4.91%	0.82%
FLAGSTAR BANK, FSB	27	N/A	↑	\$11,737,519,785	0.5%	84.16%	3.54%	0.23%
MIDFIRST BANK	28	N/A	↑	\$11,443,548,148	0.5%	84.69%	6.24%	1.99%
JP MORGAN CHASE BANK	29	30	↑	\$10,276,190,079	0.5%	85.17%	5.71%	1.71%
SUN WEST MORTGAGE CO	30	N/A	↑	\$10,123,926,030	0.5%	85.64%	4.52%	0.30%

Source: Deloitte. Data as of January 2023

- Carrington is a GNMA specialist servicer
- It is one of two Ginnie Mae servicers (the other is quite small) with the MSS designation from Ginnie Mae as a master subservicer of last resort
 - This allows Ginnie Mae to transfer servicing from other servicers that run into trouble
 - Carrington has been vetted by the gov't (upfront RFP process, onsite due diligence, regular auditing, renegotiations subsequently)
 - As an MSS, Carrington needs to be prepared to take on up to hundreds of thousands of new mortgage loan accounts at any time
 - Personnel and systems resources are in place to comfortably take on over \$100 billion more in UPB



Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov

Prophet Mortgage Servicing Opportunities Fund (PMSO)

Recommendation: Commit \$40M to Prophet Mortgage Servicing Opportunities Fund – Class A

- Prophet has a rich history of patiently waiting for compelling entries into alternative fixed income markets over the course of decades (several market cycles)
- The team has significant experience and a strong network in the mortgage investment industry, which is very much an OTC relationship business
- Alignment of interest is strong with 100% internal ownership and co-investments from key employees
- Relationship-driven investor base that has been loyal across successive strategies
- Prophet has crafted a strategy that is expected to deliver double-digit returns for a multi-year period given current market conditions
- Key Differentiators:
 - Pure-play focus on GNMA MSR excess servicing fees
 - Partnership and overall close relationship with Carrington Mortgage Services, a significant GNMA loan servicer, which provides Prophet with an open-ended supply of servicing for the MSR that Prophet seeks to purchase as well as recapture loans that it refinances

Fund	Prophet PMSO Fund – Class A
Fund Inception	2023 (Closed-end strategy: 2021)
Management Fee	1.5%*
Performance Fee	20% over 8% preferred return
Redemption Terms	Semi-annual liquidity on 90 days notice <ul style="list-style-type: none"> • 2.00% coupon per quarter (optional) • 3.75% per quarter total distribution • Remaining balance available Year 5
Lock-up/Gate	1-year lockup option available*
Target return	High single % / double-digit IRR%

**Lower management fee in exchange for a 1-year lockup*

Appendix

Legal Disclosures and Disclaimers

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

**RESOLUTION
No. 2023-13**

**Approving Investment in Chatham Asset Private Debt and
Strategic Capital Fund IV, LP
with Imminent Need**

WHEREAS, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

WHEREAS, the ATRS Board has reviewed the recommendation of its private equity consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Chatham Asset Private Debt and Strategic Capital Fund IV, LP**, a closed-ended fund that invests in high yield bonds, leverage loans and equity, both on a long and short basis; and

WHEREAS, the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **Chatham Asset Private Debt and Strategic Capital Fund IV, LP**, and the Board, after its review of the timing in which the closing of the investment in **Chatham Asset Private Debt and Strategic Capital Fund IV, LP** may need to occur, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants.

NOW, THEREFORE, BE IT RESOLVED, that the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **Chatham Asset Private Debt and Strategic Capital Fund IV, LP** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Chatham Asset Private Debt and Strategic Capital Fund, LP**. The total investment amount is to be determined by the general investment consultant and

ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the Board; and

FURTHER, BE IT RESOLVED, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment using the Imminent Need process, if acceptable terms are reached.

Adopted this 3rd day of April 2023

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

Aon InTotal: Prophet

Prophet Mortgage Servicing Opportunities Fund (PMSO)

Review Date	Overall Rating	Previous Overall Rating
March 2023	Buy	New Rating

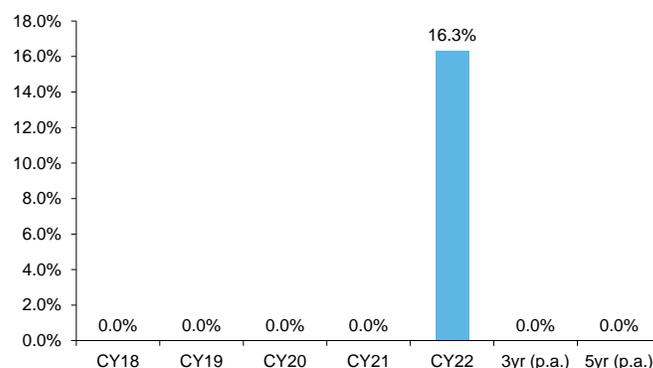
Overall Rating

Prophet is an experienced manager of opportunistic strategies in alternative fixed income and mortgage markets. The investment team has the mortgage finance expertise, robust investment process, and industry relationships necessary to execute its MSR strategy, most notably the partnership with Carrington Mortgage Services, a major GNMA servicer. We believe the interest rate environment makes the PMSO Fund a compelling offering for investors seeking diversification with double-digit return potential and low correlations to traditional markets.

Component Ratings

	Rating	Previous Rating
Business	2	New Rating
Staff	3	New Rating
Process	3	New Rating
Risk	2	New Rating
ODD	A2 Pass	New Rating
Performance	3	New Rating
T&C	3	New Rating
ESG	Integrated	New Rating

Absolute Performance to 31 December 2022



* We are not currently able to provide an Aon InForm Assessment for this strategy.

Performance (USD) is net of fees for the commingled fund. CY = calendar year. Returns shown above are from the predecessor fund, Prophet MSR Opportunities LP
Source: Manager

Firm and Strategy Summary

Head Office Location	Austin, TX	Parent Name	Not Applicable
Firm AUM	\$2.3 billion	Hedge Fund AUM	\$2.3 billion
Team Location	Austin, TX Greenwich, CT	Team Head	David Rosenblum
Firm/Strategy Inception	1995 / September 2021	Strategy Size	\$0.7 billion
Performance Objective	Target IRR 12% net	Risk Objective	Not Applicable
Management Fee	1.50%*	Performance Fee	20%
Hurdle Rate	8%*	Lock-up	Not Applicable*
Redemption Terms	Semiannual (90-day notice)	Currency Available	\$

Note: **Past performance is no guarantee of future results.** *Standard management fee for Class A shares. Other terms are available.



See the last page of this report for disclosures.

Investment Manager Evaluation

Rating Sheet

Factor	Rating	Previous Rating	Comments
Business	2	<i>New Rating</i>	Prophet has a rich history of patiently waiting for compelling entries into alternative fixed income markets over several cycles, and the rolling product lineup has allowed AUM to sustain at healthy levels as opportunities arise and play out. The PMSO Fund predecessor and accompanying managed accounts launched during 2H 2021 represent under half of the firm's AUM, however we believe the MSR strategy is of main importance going forward. While less in institutional composition, the investor base has been relationship-driven and loyal across successive strategies. Alignment of interest is strong with 100% internal ownership and sizable co-investments from key employees.
Investment Staff	3	<i>New Rating</i>	The investment team is well-rounded with complementary skillsets and a long history of working together. In our view, the leadership of avid mortgage investor CIO David Rosenblum and the team's experience in multiple facets of the mortgage market are key strengths. While there is limited depth on the investment team, we believe Prophet is sufficiently resourced to manage the MSR strategy, where the team devotes most of its time, as well as others which are not overly demanding on a day-to-day basis.
Investment Process	3	<i>New Rating</i>	Prophet's MSR strategy combines macro intuition, a close industry network, and fundamental mortgage pool modeling into a pure-play, buy-and-hold approach. We believe the process is rigorous and repeatable, but also benefits from the manager's judgement and impressive knowledge of mortgage market functioning. Prophet has developed multiple sourcing channels, established a recapture program, and demonstrated robust due diligence and modeling capabilities. A strong servicing relationship is a prerequisite for Prophet's role as capital provider in exchange for excess servicing fees; we believe the partnership with Carrington is particularly strong given its position as a prominent GNMA servicer, which gives Prophet an edge in this specialty focus area, and their mutually beneficial business relationship over the past decade.

Rating Sheet

Factor	Rating	Previous Rating	Comments
Risk Management	2	<i>New Rating</i>	<p>Much of the risk management effort is integrated into the investment process. On the front end, Prophet continually analyzes the macro landscape and pursues attractive entry points through a detailed modeling effort, investment team QC, and cross-check with Carrington’s own independent work. On the back end, Prophet uses customized surveillance reports to refresh loan pool scenario analysis on models from multiple providers. While the OTC nature of MSR investing is less conducive to traditional risk modeling, and the more episodic hedging philosophy is intentional with the strategy’s favorable market backdrop, we note that there is no independent risk management function at Prophet and interest rate hedging is more discretionary and not as intensive vs. peers, which drives our average rating.</p>
Operational Due Diligence (ODD)	A2 Pass	<i>New Rating</i>	<p>As is common for small, privately held manager, Prophet does not have a formal governing body at the management company level and a documented succession plan. In addition, the manager’s COO/CCO has a history of being subject to FINRA’s Consent Order back in 2010. However, Prophet has a strong IT/Cybersecurity program, and Board of Directors with independent representation at the Fund level. The rating is based on these exceptions and best practice.</p>
Performance Analysis	3	<i>New Rating</i>	<p>While there is limited historical performance for MSRs as an asset class, based on analysis of similar strategies, our confidence in the team to execute, and the fund’s success during the short period since inception, we believe Prophet is capable of achieving the fund’s return objective. The return target is relatively high among peers but achievable in our view with enhanced returns from more lucrative GNMA servicing fees, modest leverage during periods of calmer prepayment forecasts, selective MSR pool bids, and a captive recapture agreement with Carrington. Risks to performance include an unusually high and consistent level of delinquent loans and prepayment activity.</p>

Rating Sheet

Factor	Rating	Previous Rating	Comments
Terms & Conditions (T&C)	3	<i>New Rating</i>	The liquidity features are appropriate for the strategy, while fee terms are more attractive on average relative to peers. We note illiquidity risk with extended time period until a full redemption can be realized, however this is mitigated by option to receive a quarterly dividend distribution of cash flows. Access to key people, service, and transparency have been excellent in our experience.
ESG	Integrated	<i>New Rating</i>	Prophet's strategy is disadvantaged from an ESG perspective due to a lack of ESG-based alpha opportunities, pertinent risk factors, and limited scope to effectuate change in excess MSRs relative to other investments. However, Prophet has documented policies and procedures, prides itself on management company initiatives, and highlights the social benefit of providing capital to government home loan programs that target lower income and veteran borrowers. Prophet has driven governance outcomes in other strategies and will explore ways to be impactful in the MSR strategy.
Overall Rating	Buy	<i>New Rating</i>	Prophet is an experienced manager of opportunistic strategies in alternative fixed income and mortgage markets. The investment team has the mortgage finance expertise, robust investment process, and industry relationships necessary to execute its MSR strategy, most notably the partnership with Carrington Mortgage Services, a major GNMA servicer. We believe the interest rate environment makes the PMSO Fund a compelling offering for investors seeking diversification with double-digit return potential and low correlations to traditional markets.

Manager Profile

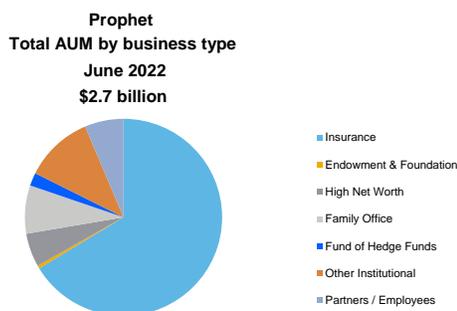
Overview

Prophet Capital Management was founded in 1995 by Bobby Epstein, who previously traded mortgage derivatives and founded MBS services firm Arbour Financial Corporation. Prophet was initially formed as a friends-and-family venture to invest in certain alternative fixed income and mortgage markets when deemed attractive and return capital when played out. In 2008, Prophet was reorganized as Prophet Capital Asset Management LP, preserving the same goals but with a focus on institutional investors. Since CIO David Rosenblum joined Prophet in 2009 after spending 17 years in various roles at Goldman Sachs, where he was ultimately named head of structured credit portfolio management, the strategy lineup has progressed from distressed post-GFC investments to timely structured credit and mortgage opportunities in response to the changing market environment.

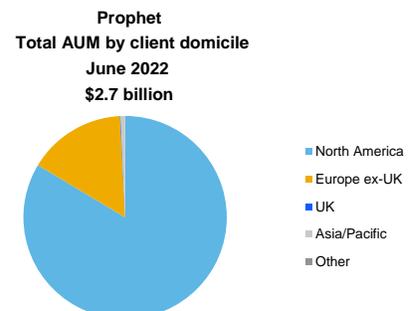
Business

- Over the course of its existence, Prophet has patiently monitored alternative fixed income and mortgage markets before investing opportunistically. The MSR strategy is the latest manifestation of this approach that has spanned decades and previously focused on RMBS, CMBS, CLOs, EBOs, and multi-strategy structured credit, overlapping one another based on the respective stages of their opportunity lifecycles.
- Prophet is a Delaware LP that is registered with the SEC and CFTC and operates out of two offices in Austin, TX (headquarters) and Greenwich, CT.
- Prophet has cultivated a business relationship with Carrington Mortgage Services, a large mortgage servicer that focuses on GNMA loans, through various ventures over the past decade. For the MSR strategy, Carrington has partnered with Prophet to service an open-ended supply of the mortgage loans from which Prophet buys the excess servicing fees, and also deliver recaptured loans which it has refinanced.
- Ownership is concentrated with David Rosenblum and Bobby Epstein, and a minority stake is held by other current and former senior partners. Epstein has granted an increasing portion of equity over time, most notably when Rosenblum was named CIO prior to the launch of the dedicated MSR strategy.

Client Base



Source: Manager



Source: Manager

- AUM totaled \$2.7 billion as of June 30, 2022, approximately two-thirds of which was held in managed accounts. Dedicated MSR strategy AUM was approximately \$640 million, \$145 million of which was managed in a commingled fund.
- The client base is diverse with a significant level of co-investment from Prophet partners and employees across the strategy lineup, however with a limited number of large institutional investors.
- Historically, client relationships have been close as many have been retained to invest in successive launches.

Investment Staff

Key Staff	Position	Date Joined	Years of Experience
David Rosenblum	CIO	2009	29
Bobby Epstein	Founding Partner	1995	35
Kevin Merrick	Portfolio Manager	2012	18
Tony Comunale	Portfolio Manager	2015	9
James McMurray	Portfolio Analyst / Controller	2017	15
Evan Thompson	Portfolio Analyst	2022	1

- There are 15 total employees at Prophet, including the six investment professionals listed above.
- All back office employees are based in Austin, while the investment team is split between offices but connected constantly through electronic and video communication.
- CIO David Rosenblum has spent his entire career on all sides of the mortgage investment space (sell side, government, buy side) and has demonstrated himself to be an expert in the field.
- Bobby Epstein's role has gradually shifted to providing strategic direction, overseeing business affairs, vetting existing and prospective strategies, and serving as a sounding board.
- The investment team comprises an experienced, tenured, and cohesive group of individuals who are dedicated to the business and work closely together on the product offerings. Each member works on all strategies but to different degrees based on their significance to the firm, the product lifecycle, and areas of expertise.
- David Rosenblum, Tony Comunale, and Kevin Merrick are all portfolio managers on the MSR strategy and work collaboratively. Rosenblum ultimately has decision-making authority as CIO, while Comunale and Merrick manage various aspects of the day-to-day investment process.
- Turnover has been very low historically.

Investment Process

Philosophy

The strategy emanates from Prophet's overarching investment philosophy to monitor markets within its expertise and invest when believed to be ripe for entry. Prophet has considered mortgage servicing rights (MSRs) for an extensive period due to their potential to have diversifying return properties relative to traditional markets, as a rising interest rate environment is generally beneficial: Prepayment rates decline as borrowers have less incentive to refinance, which increases the life of mortgage loans along with the servicing fees that are earned from monthly mortgage payments. As interest rates reached historic lows and the supply of mortgages reached historic highs in the aftermath of the Covid pandemic, Prophet determined that there was limited downside risk to interest rates if mortgage lending was to remain an economically viable business. Because Prophet believes there is a low likelihood of mortgage rates falling enough to induce further refinancing, while on-the-run opportunities can be hedged, this is believed to be a long-term investment opportunity consistent with the 5+ year life of the fund.

Prophet has experience trading interest-only strips (IOs), which are very similar to MSRs from an economic perspective. Both require upfront purchases in exchange for future cash flows from monthly payments over the lives of mortgage pools. Thus, they benefit from mortgage pool longevity and lose value as the number of loans in the

pool recedes, mostly due to refinancing prepayments. But while IOs receive coupon payments, MSR holders receive servicing fee compensation, which is part of a monthly mortgage payment and can be broken into base fee and excess servicing fee components: The base fee is intended to compensate the servicer for its ongoing operations, while the excess servicing fee is designed to incentivize mortgage servicing and attract capital to the housing market. The example below decomposes the interest portion of a 5.00% GNMA mortgage-backed security.

- Mortgage interest rate: 5.00%
- GNMA guarantee fee: 0.06%
- Servicing Fee: 0.44%
 - Base servicing fee: 0.08%
 - Excess servicing fee: 0.36%
- MBS Coupon: 4.50%

While this environment is conducive for both, the manager believes there is a structural advantage for MSR holders vs. IOs. This is due to (1) favorable spreads as a result of reduced competition, as banks have gravitated away from the mortgage servicing business; and (2) the ability to recapture loans that are refinanced, which provides a recouped source of servicing fees as opposed to dropping out of the pool and ending their cash flow stream.

Most strategies target conventional MSRs, which are pools packaged by Fannie Mae or Freddie Mac and represent the majority of MSRs available for purchase. In contrast, Prophet has a specialty focus on Ginnie Mae MSRs, which represent a smaller share of the market and trade at a premium due to having less market participants, less liquidity, and additional credit risk which is effectively a form of prepayment risk.

Process

Prophet and Carrington Mortgage Services are engaged in a full third-party relationship that is mutually beneficial. As the mortgage servicer and titleholder to the MSRs, Carrington aims to profit from earning base servicing fees that are greater than the costs of servicing the loans. Prophet, as capital provider, purchases the excess servicing strip from Carrington without the operational or regulatory burdens associated with servicing mortgage loan pools, which helps Carrington maintain an asset-light business. The arrangement includes recaptured loans, wherein Carrington generates origination revenue from the captive loan pool while Prophet retains access to excess servicing fees which otherwise would have dropped out of the pool. It also includes Prophet providing ready advance payments to Carrington for delinquent loans at an interest rate of 12%, which is well above market.

There are two ways to source MSR pools:

- Directly through co-issue “flow” of new MBS pools
 - These are pre-arranged PIIT (pools for immediate transfer) relationships with originators, where the loan pool compensation and price are negotiated directly
 - Expected to represent roughly 25% of Prophet’s supply
- Bulk trades
 - These are larger pools of seasoned mortgage loans that are sold in auctions through broker/dealers
 - Prophet maintains close relationships with industry participants, including servicers, originators, and broker/dealers, so that it can see all of the bulk pools that come to market
 - Expected to represent roughly 75% of Prophet’s supply

The MSR market is very much a non-automated, OTC relationship business. While there are typically dozens of bids on conventional MSR pools, only a handful may participate in GNMA auctions. This promotes direct lines of communication in the process between counterparties.

The workflow is geared around modeling MSR pools through a combination of third party and proprietary tools. Once Prophet receives the “loan tape” of loan pool data usually 1-2 weeks before an auction, the first step in the

process, referred to as “tape-cracking,” is a labor-intensive effort to harmonize the data into a uniform set of fields and columns (loan balance, region, property type, age, FHA, VA, or USDA, etc.) that fit Prophet’s systems for modeling. From there, data is evaluated and scenarios are tested through several sets of assumptions to develop return expectations and price targets. The investment team checks the data, adjusts the variables (for example, accelerating prepayment speeds) based on experience and knowledge of market dynamics, and ultimately bids for MSRs at prices that are believed to be attractive. Carrington runs parallel underwriting analysis and will convey its value and charges to Prophet, which influences if and how Prophet bids and negotiates for deals.

When a bid is accepted, Carrington issues a letter of intent (LOI) to close which is co-signed by Prophet and states the conditions that need to be met before the deal can be closed. A collateral review process is managed by Carrington through a combination of internal due diligence and external providers. Prophet also reviews the collateral, seeking to ensure that certain information and documentation is in place, perform data sampling, and generally know as much as it can about the pool before closing. When the seller provides the final loan pool data, Prophet will make sure that that its file matches Carrington’s and that balances are consistent with the removal of certain loans. Funds are settled 30-45 days after the LOI is executed, which is the start date for P&L accruing to the buyer, and standard practice is for the servicing transfer to take place 30 days after settlement.

While Prophet receives daily reporting on positions and can make adjustments based on market information, new information on loan characteristics is available only on a monthly basis. Prophet collaborated with Carrington to develop customized surveillance reports as both a portfolio monitoring tool as well as one that informs the investment strategy and bidding process. Once all of the remittances come in (usually 2 weeks after month-end), Carrington prepares these surveillance reports which Prophet reviews to assess whether or not the previous month’s prepay and recapture figures came in as expected given movements in interest rates. Prophet also maintains a regular dialogue with Carrington to discuss details on specific pools and trends in prepays, recapture, delinquencies, and overall borrower behavior.

Risk Management

Risk management is embedded in the investment strategy from front to back.

- On the front end, Prophet is closely engaged with industry participants and subscribes to publications to enhance its feel of the mortgage market pulse. This helps Prophet to formulate views of the macro and micro environment, account for risk factors, and monitor regulatory developments that impact MSR values.
- Within the investment process, the manager regularly sifts through loan tape, rigorously models MSR pools, and tests assumptions in an effort to make attractive bids at a discount to expected long term value. A pre-close due diligence effort in collaboration with Carrington aims to ensure the quality of the loan pools.
- On the back end, Prophet incorporates the influence of changing market risk factors on the portfolio and reviews incoming remittance data. A range of stress tests challenge existing assumptions in an ongoing feedback loop, which guides investment decisions for newly acquired MSR packages that are expected to be incrementally beneficial to the portfolio.

David Rosenblum and Bobby Epstein are responsible for risk management at Prophet, with no dedicated risk team or independent portfolio oversight. (We note the limited utility of a dedicated risk function given the illiquid, OTC nature of an MSR strategy where transactions are processed over the course of weeks. However, such a role could provide additional compliance/guideline monitoring, another layer of testing scenarios and modeling assumptions, and more interactions with data providers and counterparties.)

Strategy Risk

The following risks are inherent in a buy-and-hold MSR strategy that is concentrated in GNMA loans. These are calculated risks that Prophet has considered and addressed in the structure of the fund, and we have found that Prophet has good command of the recourse that flows through the Ginnie Mae oversight system.

- Prepayment risk
 - Prepayment speeds may be faster than expected, which can be categorized as follows:
 - Voluntary (home sale + refinancing + curtailment + cash-out)
 - Following the interest rates surge through mid-2022, industry estimates show that the vast majority of borrowers need rates to fall >1.0% before having a refinance incentive
 - Involuntary (delinquent loans)
 - GNMA loans carry additional delinquency risk due to lower credit quality (FICO minimums), which is effectively a form of prepayment from the fund's perspective
- Servicer risk
 - For GNMA MBS, credit risk from delinquent mortgage borrowers lies with servicers, which are responsible for making P+I payments, as GNMA steps in only if the servicer risks insolvency
 - GNMA would replace the servicer, however Prophet would retain excess MSR from performing loans
 - Carrington is one of two firms designated by Ginnie Mae as a master subservicer (MSS) to absorb large loan quantities transferred by Ginnie Mae should other servicers run into solvency issues
 - Fitch and Carrington have represented Carrington's balance sheet to be in solid financial position
 - There is risk of Carrington defaulting on advance payments from Prophet, however the advance payment loans are senior and collateralized by underlying mortgage payments
 - There is risk that Carrington executes early buyouts (EBOs) of underlying mortgages at par rather than utilize the advance payment line of credit from Prophet, which would effectively serve as a prepayment, however with mortgage loans now trading below par there is not an economic incentive for EBOs in this environment
- Regulatory risk
 - Ginnie Mae or other entities can change the rules that govern mortgage lending, securitization, servicing, loan guarantees, and forbearance
- Market risk
 - The supply/demand mechanisms which drive sentiment and MSR pricing
 - The solvency of the mortgage market system and government/central bank actions; generally a systematic financial market risk that would not be unique to an MSR investment strategy
- Liquidity risk
 - There is risk that the MSR market could freeze similar to the unprecedented experience during the Covid-19, however this is largely addressed by the long-term life of the fund
 - In normal conditions, it takes roughly 2-4 weeks to sell an MSR pool and a few months to settle; Prophet estimates that MSRs valued up to \$500 million could be sold in that timeframe if needed

Hedging

The purpose of MSR hedging is to reduce the risk of prepayments reducing future cash flows, which are highly related to refinancing activity in response to falling interest rates. Because MSRs are not liquid, the most suitable way to hedge the portfolio's sensitivity to prepayments is through liquid instruments that benefit from a fall in rates.

Prophet follows a discretionary hedging philosophy that is based on market conditions and a preference for avoiding additional gross exposure and cost drag if possible. Due to the MSR portfolio trading significantly out-of-the-money

in mid-2022 in terms of refinance incentive, Prophet had yet to hedge interest rates. However, once the supply of lower rate mortgages is exhausted, hedges will be in place for MSR pools that are closer to being at-the-money.

- 10-year U.S. Treasury securities, futures, or call options
- MBS, MBS futures, or call options on futures
- Interest rate swaps (receiving fixed)

Leverage

Prophet intends to use leverage only if the following conditions are in place:

- If returns are expected to be stable, which is typically when interest rate sensitivity is lower; this corresponds with the portfolio being out-of-the-money for refinancing incentive
- If hedges are in place

The fund will utilize up to 1x leverage, with financing rates expected to be in the SOFR + 4.0% - 4.5% range.

Operational Due Diligence

As is common for small, privately held manager, Prophet does not have a formal governing body at the management company level and a documented succession plan. In addition, the manager’s COO/CCO has a history of being subject to FINRA’s Consent Order back in 2010. However, Prophet has a strong IT/Cybersecurity program, and Board of Directors with independent representation at the Fund level.

Fund/Strategy Name	Prophet Mortgage Servicing Opportunities LP Fund
Fund Structure / Domicile	Delaware Limited Partnership
Fund’s General Partner (if applicable)	Prophet Asset Management LLC
Directors/Trustee(s)	Brent Martin (independent), Doug Barnard (independent), Robert Epstein
Open-ended/Close-ended	Open-Ended
Other strategy vehicles	SMA 1, SMA 2
Trade Operations Systems	Back Office/Accounting System: Advent Software - Geneva
FASB Asset Levels	Level 3 Assets: 100%
Prime Brokers (if applicable)	Bank of New York (“BNY”)
Administrator (if applicable)	Stone Coast Fund Services
Auditor	KPMG
Valuation Agent (if applicable)	Riskspan
Custodian Bank (if applicable)	BNY

Terms & Conditions

Terms below are representative of the PMSO Fund. Separately managed accounts are available at a minimum investment of roughly \$25 million.

Fees

- Management Fee:
 - 1.50% per annum (Class A)

- 2.00% per annum (Class B)
 - There is potential for a fee reduction in both share classes with a 1-year lockup
- Performance Fee:
 - 20% of distributions above 8% preferred return (100% GP catchup) paid every 5 years (Class A)
 - 20% of distributions above 4% preferred return (100% GP catchup) paid every year (Class B)

Liquidity

- Semiannual liquidity (90-day notice):
 - 3.75% per quarter distribution cap for 20 quarters, lump sum redemption at end of year 5 (Class A)
 - 5.00% per quarter distribution cap for 16 quarters, lump sum redemption at end of year 4 (Class B)
 - For investors who elect a 1-year lockup, all distributions are delayed out for an additional year.
- Accelerated redemptions:
 - Not applicable (Class A)
 - Lump sum redemption available after 2.5 years with 5% penalty (Class B)
- Redemption LPs subscribe to one of two share options:
 - Dividend distributing interests, targeting 2% per quarter
 - Non-Distributing Interests, which fully reinvests proceeds
- There is a key man provision in place should David Rosenblum become unable to perform his duties for a 90-day period.

ESG

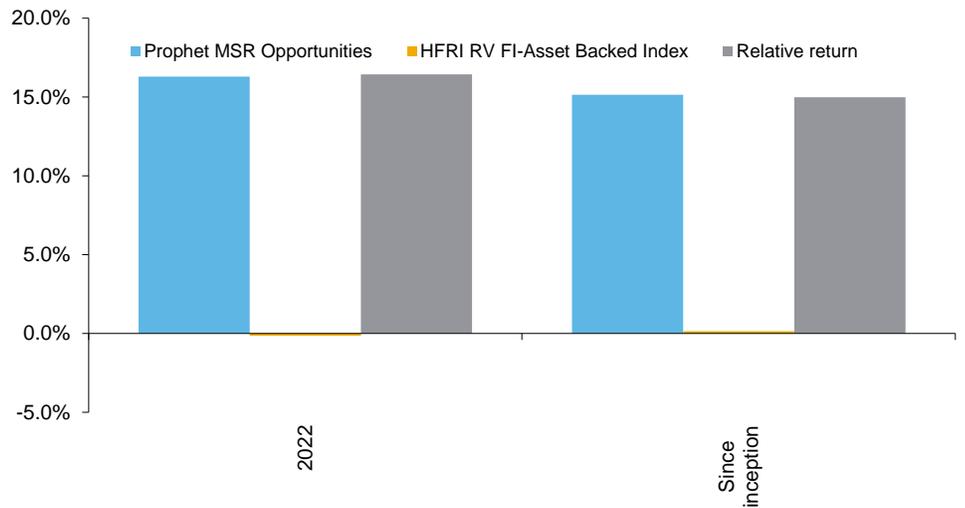
- Most policies are implemented at the management company level. Prophet promotes a diverse and inclusive workforce, embraces environmental responsibility, and champions charitable support for underserved communities. Prophet is not a PRI signatory and does not intend to be.
- ESG policies fall under the purview of Prophet's Executive Committee as a regular meeting agenda item. The investment team is responsible for portfolio implementation, while the compliance team handles adherence.
- Few ESG outlets exist given the nature of the assets. Prophet highlights the inherent social improvement aspects of investing in MSR's, which advance the missions of the agencies and GSEs to increase affordable home loan access by providing capital and liquidity to mortgage markets. (Ginnie Mae in particular serves lower income, veteran, and native borrowers.) Mortgage servicers are also aligned with borrowers to keep them current, and they adhere to strict government requirements designed to help keep people in their homes when payments are delinquent. The investment team must consider and review ESG risks for each investment, develop an action plan to address any risks, and escalate concerns to the IC. Prophet acknowledges that not all ESG risks can be mitigated and that some may be desirable as risks for which the fund is well-compensated.
- With limited direct engagement and no proxy votes as the owner of excess servicing fees, there are no direct avenues for active ownership. Prophet notes its advocacy for ESG-based governance changes in other strategies, such as successfully lobbying for a director position for a highly qualified individual.

Performance and Risk Metrics

While also opportunistic and specialist strategies within the alternative fixed income and mortgage market universe, previous funds offerings have been unrelated to the unique elements and timing of the current opportunity in MSRs. Therefore, below we illustrate performance of MSR Opportunities, the closed-end predecessor managed under an identical investment strategy, during the short period since inception. (Performance of previous funds can be provided upon request.)

Benchmark: The HFRI RV: Fixed Income-Asset Backed Index. **Past performance is no guarantee of future results.**

Historic Performance (Inception: September 2021)



**Risk – Return
Since Inception
Ending 31 December 2022**

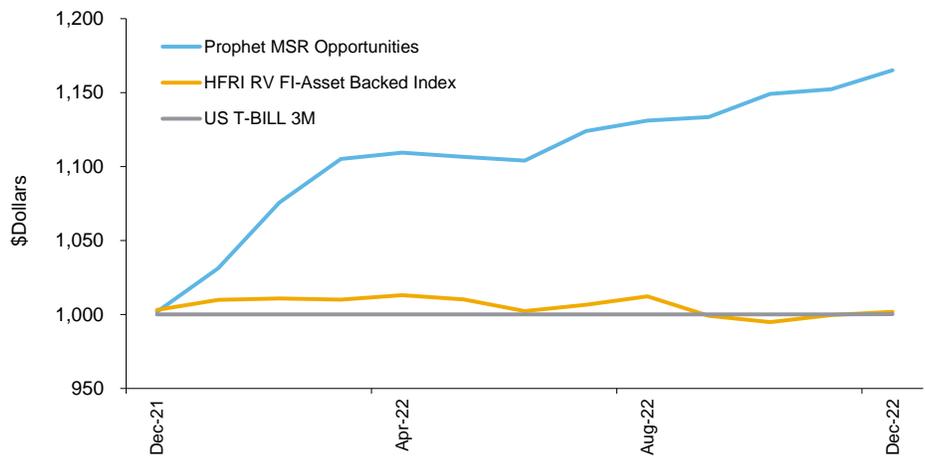
[Insufficient performance history for this analysis]

**Monthly Return and 12-Month Rolling Volatility
5 Years Ending
31 December 2022**

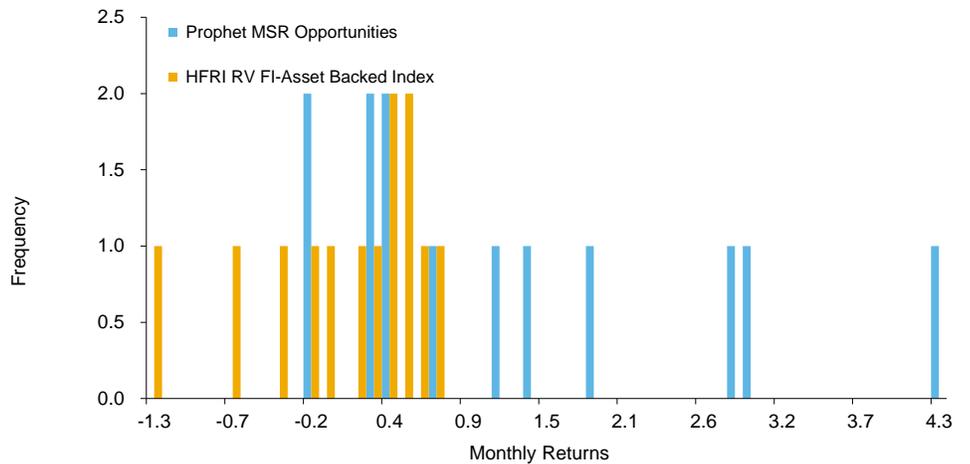
[Insufficient performance history for this analysis]

Performance and Risk Metrics

**Growth of 100
(Inception: December 2021)**



**Monthly Distribution of Returns
(Inception: December 2021)**



Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Our manager research process assesses each component using both our qualitative and Aon InForm criteria. With the exception of Operational Due Diligence ("ODD"), each component is assessed as follows:

Qualitative Outcome	Aon InForm Outcome
1 = Weak	✓ Pass: This component in isolation meets or exceed our desired criteria
2 = Average	⚠ Alert: This component in isolation does not meet our desired criteria, or the lack of data on this component means that we are not able to judge whether it meets our desired criteria
3 = Above Average	- Not assessed: There is a lack of data, which means that we are not able to assess this component, however we do not consider this in isolation to justify an Alert
4 = Strong	

The ODD factor is assigned a rating and can be interpreted as follows:

Overall ODD Rating*	What does this mean?
A1 Pass	No material operational concerns – the firm’s operations largely align with a well-controlled operating environment.
A2 Pass	The firm’s operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass (“CP”)	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm’s rating.
F	Material operational concerns that introduce the potential for economic or reputational exposure exist – we recommend investors do not invest and/or divest current holdings.

*Operational due diligence inputs provided to the research team by Aon’s Operational Risk Solutions and Analytics Group (ORSA). ORSA is an independent entity from Aon Solutions UK Limited, Aon Investments USA Inc., and Aon Hewitt Inc./ Aon Investments Canada Inc. Investment advice is provided by these Aon entities.

Aon previously assigned ODD ratings of pass, conditional pass, or fail for the ODD factor. We are in the process of refreshing all ODD ratings to the new terminology. During the transition period, the prior ratings, as follows, may persist in some deliverables until the ODD factor rating is converted to the above noted letter ratings.

- **Pass** – Our research indicates that the manager has acceptable operational controls and procedures in place.
- **Conditional Pass** – We have specific concerns that the manager needs to address within a reasonable established timeframe.
- **Fail** – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived taking into account both the above outcomes for the product. The overall rating can be interpreted as follows:

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Not Recommended	A quantitative assessment of this strategy indicates it does not meet our desired criteria for investment. This strategy is not recommended
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

The ESG factor is assigned a rating and can be interpreted as follows:

Overall ESG Rating	What does this mean?
Advanced	The fund management team demonstrates an advanced awareness of potential ESG risks in the investment strategy. The fund management team can demonstrate advanced processes to identify, evaluate and potentially mitigate these risks across the entire portfolio.
Integrated	The fund management team has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.
Limited	The fund management team has taken limited steps to address ESG considerations in the portfolio.
N/A (Not Applicable)	ESG risks and considerations are not applicable to this strategy, for example, on the grounds of materiality or asset class relevance.
NR (Not Rated)	An evaluation of ESG risks is not yet available for this strategy.

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As of December 31, 2021, Aon's quantitative model is run on approximately 12,500 strategies from an external database. Aon assigned a quantitative rating of "Qualified" to 44% of these strategies and "Not Recommended" to 21% of these strategies. The remainder were not rated. A "Buy" rating cannot be assigned via quantitative analysis. Across asset classes (excludes private real estate and real assets), Aon had approximately 23,000 strategies in its internal database. Aon assigned a qualitative rating of "Buy" to approximately 6% of strategies in the database; "Qualified" to approximately 4% of strategies in the database; "Sell" to approximately 1% of strategies in the database; and "In Review" to <1% of strategies in the database. The remaining strategies in the database are not rated. Some strategies may be included in both the internal and external database. Where a qualitative rating exists, it prevails over the quantitative rating. These statistics exclude real estate / Townsend databases and ratings.

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AON

Arkansas Teacher Retirement System

Opportunistic/Alternatives
Strategy Recommendations

April 3, 2023

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Executive Summary

- Aon continuously vets the investment landscape for attractive investment opportunities that may be appropriate for the ATRS Opportunistic / Alternatives portfolio
- Overall, the Opportunistic/Alternatives portfolio is well-diversified across strategy type and manager, providing broad coverage of the available opportunities and offering potential to improve the Total Fund's risk-adjusted returns
 - The portfolio has protected on the downside and outperformed its custom benchmark since inception, though performance has been somewhat disappointing from an absolute return perspective
 - Recently, ATRS made a number of manager enhancements, including the addition of two opportunistic credit managers, replacement of ILS managers, and a transition of the CFM strategy to their Systematic Global Macro strategy
- As legacy managers wind down, Aon has identified two attractive opportunities to add to the portfolio with the goal of offering attractive risk-adjusted returns and diversification with the rest of the portfolio

Recommendations

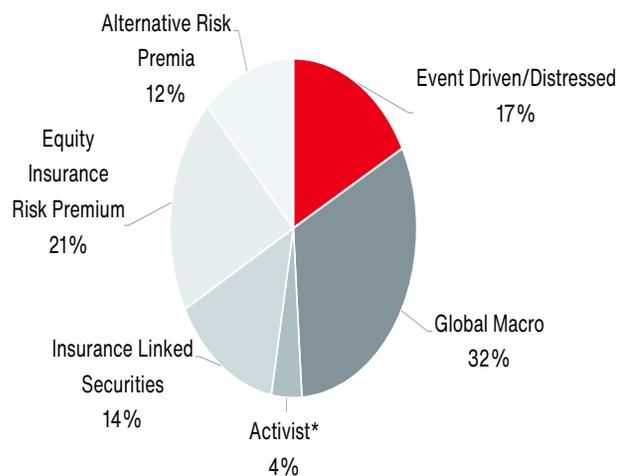
1. **Commit \$50 M to Chatham Private Debt Fund IV** – Opportunistic debt strategy with an existing ATRS manager targeting low double digit returns and fulfilling desirable exposure to event-driven strategies
2. **Commit \$40 M to Prophet Mortgage Servicing Opportunities Fund** – Compelling strategy based on current dynamics across mortgage market and interest rate environment, Prophet seeks uncorrelated, low double digit returns



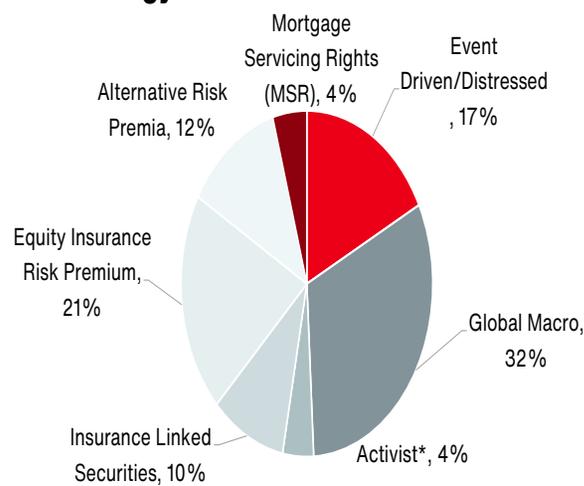
Opportunistic / Alternatives Portfolio Snapshot

- Below charts highlight the current (as of 12/31/22) and recommended Opportunistic/Alternatives portfolio
- As York, Anchorage wind down, an allocation to Chatham Fund IV maintains desired event driven/distressed exposure, while the mortgage servicing rights (MSR) strategy offers a compelling uncorrelated return opportunity

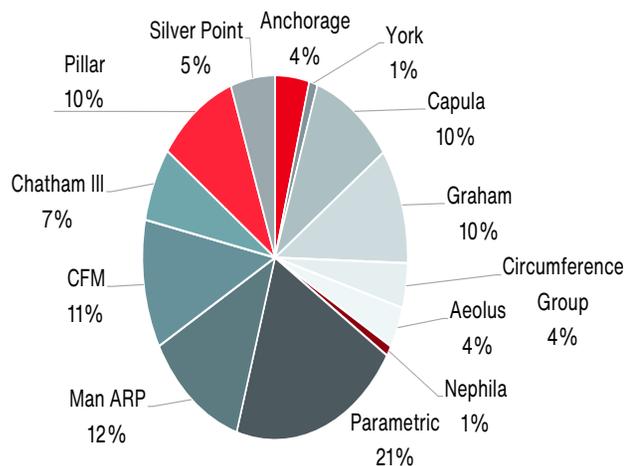
Strategy Allocation - Current



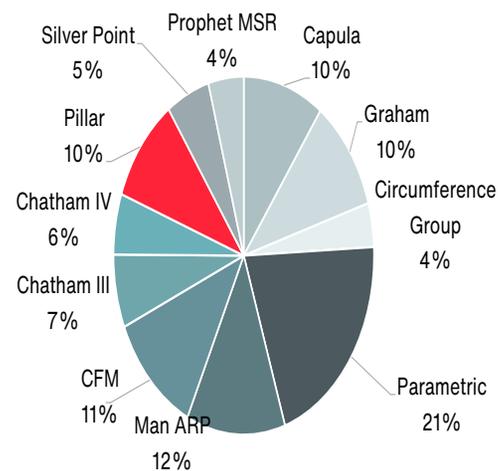
Strategy Allocation - Recommended



Manager Allocation - Current



Manager Allocation - Recommended



Chatham Asset Private Debt and Strategic Capital Fund IV



Credit Portfolio Recommendation:

Commit \$50M to Chatham Asset Private Debt and Strategic Capital Fund IV (“PDSC IV”)

- Allocation to Chatham’s Fund IV will maintain the overall credit exposure at approx. 15% of the Opportunistic/ Alternatives portfolio and 1% of the Total Fund
 - Anchorage and York continue to slowly return capital back to ATRS
- Current Chatham Fund III has earned ATRS 17.6% on a time-weighted return basis since inception into the portfolio in November 2021
- ATRS also has potential for an attractive fee rate for getting in during first close
- Recommend committing \$50M to Chatham PDSC IV to maintain the credit exposure and gain access to an attractive investment opportunity

Current Credit Exposure	Current		Recommendation	
	\$(M)	% of Opp/Alts	\$(M)	% of Opp/Alts
York	\$9	1%		
Anchorage	\$28	4%		
Silver Point	\$49	5%	\$49	5%
Chatham PDSC Fund III	\$60	7%	\$60	7%
Chatham PDSC Fund IV			\$50	6%



Data above is approximate based on 12/31/2022 information

Chatham Asset Private Debt and Strategic Capital Fund IV

- Chatham is employee owned by six partners with client base focused on pensions and E&Fs
- The combination of research, trading, and portfolio construction talent encompassed by the team is rated highly to those found amongst their peers
- Research team is senior and broken out as sector specialists, covering all companies in their universe
- PDSC IV is an opportunistic distressed strategy of best ideas that are more illiquid and with a more distant catalyst
- Focused on middle market companies where there is less competition for alpha
- Anticipate many ideas to be distressed for influence or capital solutions
- Key Differentiators:
 - The team executes on a deep level of credit research in areas of the market that are under-followed
 - Unlike other private credit funds, the manager will do some hedging to reduce market risk and volatility

Fund	Chatham PDSC IV
Fund Inception	2023
Management Fee	1.0%*
Performance Fee	20% over 5% preferred return
Redemption Terms	Five year fund life with two one year extensions possible
Lock-up/Gate	Four year investment period / One year harvest period
Target return	10-15%
Previous Vintage Performance	<ul style="list-style-type: none"> •PDSC I - Net IRR ITD of 15.5% •PDSC II - Net IRR ITD of 20.7% •PDSC III – Net IRR ITD of 27.8%

**Early investors benefit from a lower management fee*

Prophet Mortgage Servicing Opportunities Fund

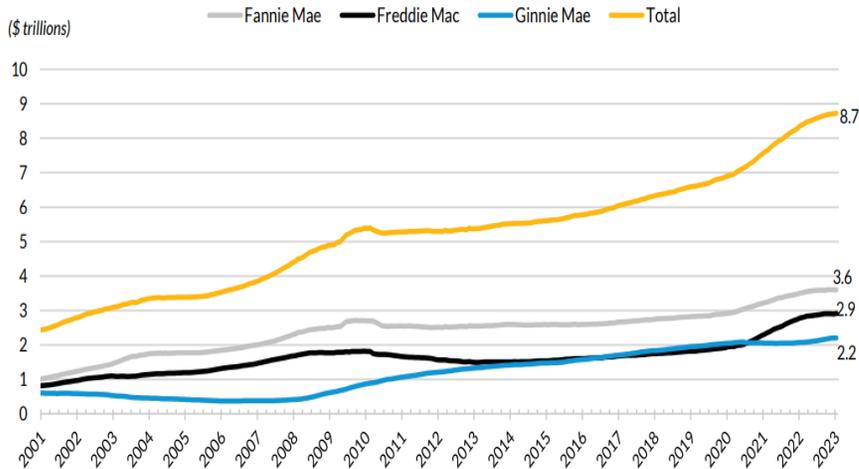


Mortgage Servicing Rights (MSRs)

- **U.S. Mortgage Market and Mortgage Servicing Rights (MSRs)**
 - Agency Mortgage-Backed Securities (MBS)
 - Servicing Fees
- **Investment Opportunity Today**
 - Historically Low Refinancing / Prepayment Environment
 - Supply / Demand Imbalance
- **Prophet Capital Asset Management**
 - Organizational Profile
 - MSR Investing Edges

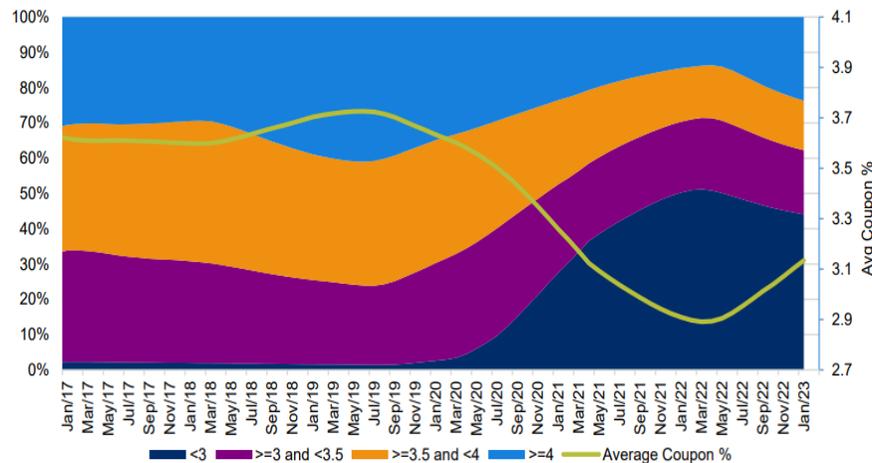
The U.S. Mortgage-Backed Securities Market

Agency Mortgage-Backed Securities



- The U.S. agency mortgage market totals \$8.7T
 - The housing market is an estimated \$44 trillion
 - \$31 trillion of equity
 - \$13 trillion of debt (\$4T non-agency)

Figure 32. Outstanding Ginnie Mae MBS Balance, by Coupon



- The vast majority of outstanding MBS were issued with coupon payments below 4.0%
 - Mortgage rates fell to all-time lows in the Covid-19 era
 - Huge amount of new origination and refinancing activity followed



Source: "Housing Finance at a Glance – a Monthly Chartbook." February 2023. www.urban.org (top chart)
 Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov (bottom chart)

Mortgage Market Dynamics

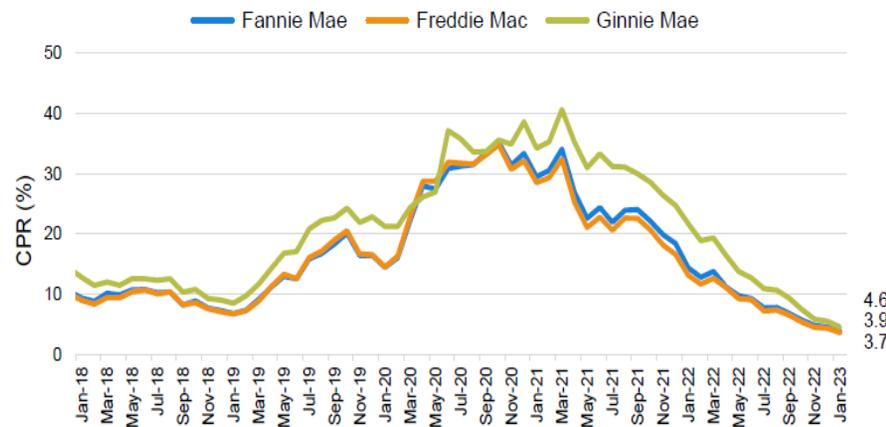
Sharp rise in interest rates since 2021 => Historically Low Refinance Activity

Figure 78. Average Fixed Rate Mortgage Rates



Sources: FRED data as of January 2023

Fixed Rate Aggregate 1-Month CPR



Source: Recursion. Note: Data as of January 2023.

- Interest rates on outstanding MBS pools are FAR below the current mortgage interest run rate
 - Mortgage rates jumped at the fastest pace in history from 2H 2021 to 2H 2022

- This has led to historically low levels of CPR (conditional prepayment rate)
 - A lack of prepayments means a longer life of cash flow streams from monthly mortgage payments
 - As a result, the value of an MSR increases

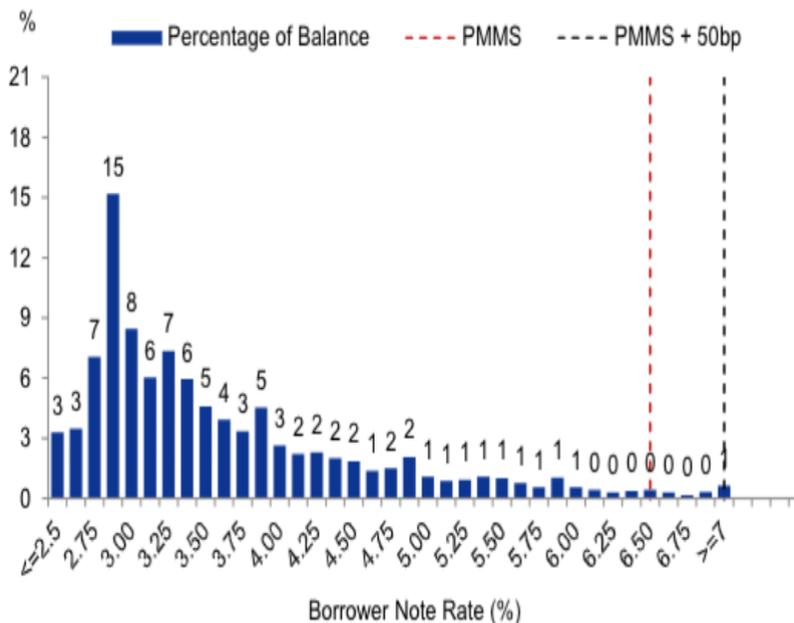


Mortgage Market Dynamics

There is very little incentive to refinance

99% of outstanding mortgages have interest rates below PMMS

Distribution of outstanding 30-year conventional mortgage borrower interest rates



Source: eMBS, Goldman Sachs Global Investment Research

- The share of outstanding mortgages with low interest rates
- +
- The relatively high levels of current market rates
- =
- Refinancing is uneconomical for an estimated 99% of mortgage loans
 - Most refis are at least 3% out-of-the-money
 - As a result, borrowers are incentivized to:
 - Remain in their current homes
 - Keep their low interest mortgage loans
 - And stay current on payments
 - This increases the expected longevity of MSR cash flows

Mortgage Servicing Fees

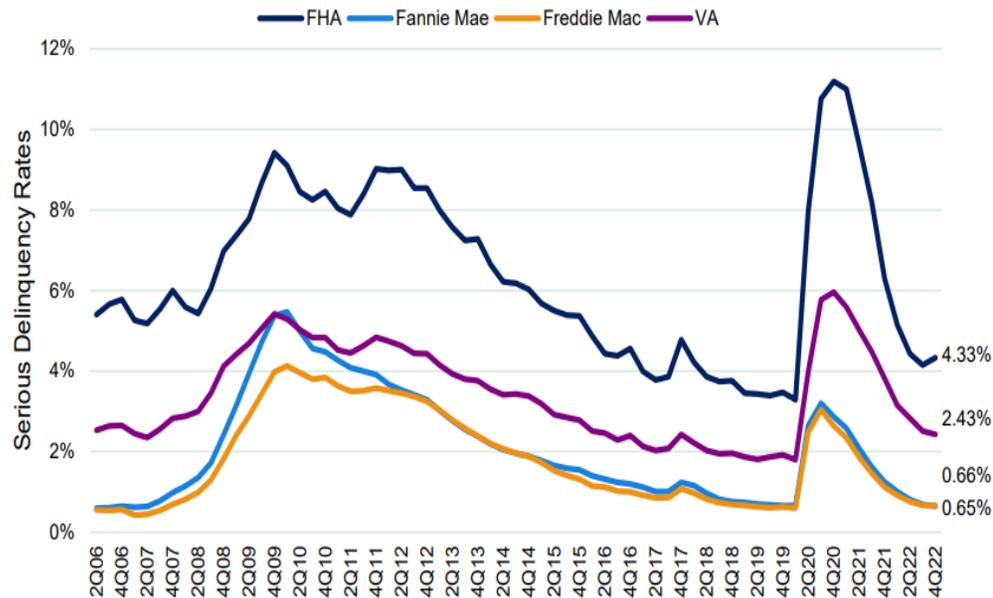
Base Fee + Excess Servicing Fee

- Mortgage interest rate: 5.00%
 - GNMA guarantee fee: 0.06%
 - Servicing Fee: 0.44%
 - *Base servicing fee:* 0.08%
 - *Excess servicing fee:* 0.36%
 - MBS Coupon: 4.50%
- Once a mortgage loan is originated, the lender can:
 - Retain the loan and the servicing
 - Sell either the loan or servicing, or sell both
 - An MSR is created when the right to service the loan is monetized and sold as a separate asset from the loan itself
 - This occurs during the MBS securitization process
 - By transferring MSRs to companies that specialize in this business, banks and other mortgage originators free up their books and resource capacity to originate more loans.
 - The government agencies require servicing fees
 - For FNMA + FHLMC, a range of 25 – 50 bps
 - For GNMA, is a range of 25 – 75 bps
 - The guarantee fee to the agencies
 - Servicing fee that overcompensates for the cost of servicing in order to make servicing a worthwhile and attractive business
 - This comes out of the interest portion of the monthly payment before it goes to the MBS investor

Mortgage Market Dynamics

Delinquencies are near historic lows

Figure 44. Serious Delinquency Rates: Single-Family Loans



Sources:

1. Fannie Mae and Freddie Mac Monthly Summary Reports
2. MBA Delinquency Survey

Note: Serious delinquency is defined as 90 days or more past due or in the foreclosure process. Data as of Q3 2022.

- Despite the challenges presented in 2022, delinquency rates remained very low
 - The rate is almost always higher for GNMA loans (represented in the chart by FHA and VA) vs. Fannie Mae and Freddie Mac loans
- While mortgage delinquency rates should be expected to rise under deteriorating economic conditions, there are several mitigating factors
 - Unlike pre-GFC
 - Consumers are in relatively good shape financially vs. high debt burdens in 2000s
 - There is much less adjustable-rate exposure
 - Home equity levels are high

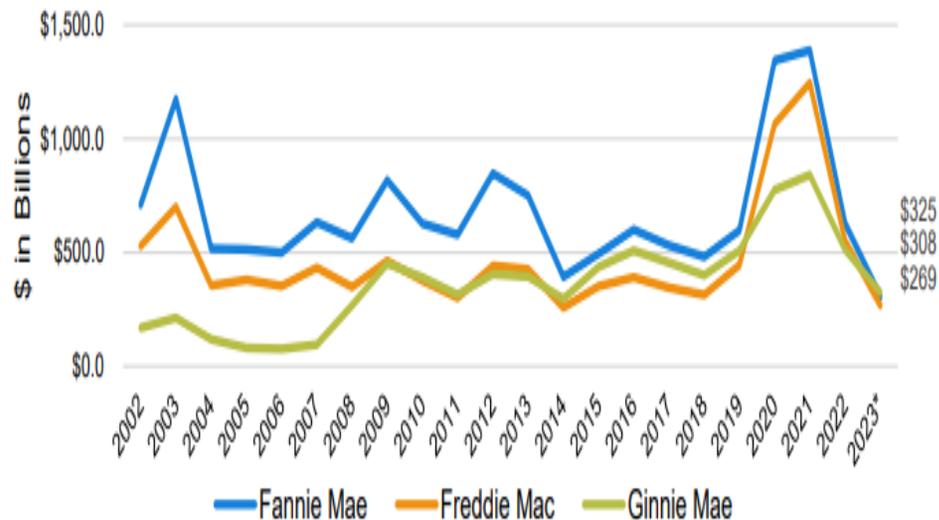
Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov

MSR Supply / Demand Imbalance

Weak Mortgage Origination Revenue and Bank Regulations Pressure Supply

Mortgage Origination is Down Significantly

Figure 23. Agency Gross Issuance



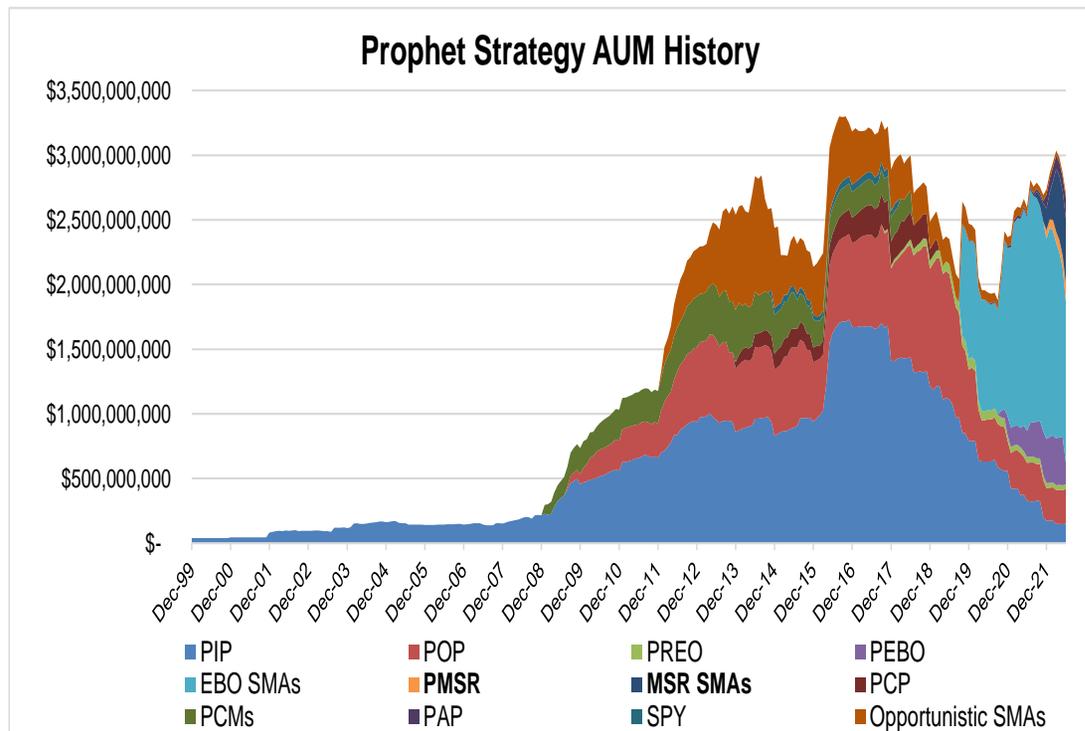
- With mortgage rates exceeding 6.0 – 7.0%, mortgage origination has been falling dramatically
 - To fill the revenue void, mortgage originators have been under pressure to sell MSRs
- The supply overhang has not only continued into 2023, but strengthened
 - Wells Fargo has announced a plan to sell a massive share of its MSR portfolio
 - Other MSR holders have front-run this telegraphed supply
 - MSR packages have traded at discounts
- On the demand side
 - Regulatory issues and capital requirements have limited demand from banks
 - Barriers to establish MSR investment capabilities
 - License requirements from agencies
 - Fixed operational costs
 - Need for servicing partners

Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov

Prophet Capital Asset Management

Culture of Opportunistic Investing in Alternative Fixed Income Markets

Firm AUM by Strategy Over Time



- Prophet has a long history of capitalizing on uniquely compelling alternative fixed income market opportunities
- Demonstrated patience to enter and discipline to exit over multiple decades and market cycles
- Experienced team led by CIO David Rosenblum
 - He has spent his entire career on all sides of the mortgage investment industry and is an expert in the field
 - Sell side at Goldman Sachs
 - Government implementation of the Fed's \$1.25 trillion post-GFC agency MBS program
 - Buy side at GSAM and Prophet
- Strategic Partnership with Carrington
- Strong network in an OTC relationship market

Source: Manager



Mortgage Servicing Partner: Carrington Mortgage Services

An Important GNMA Mortgage Servicer

Table 23. Top 30 Holders of Ginnie Mae Mortgage Servicing Rights (MSRs), by UPB

MSR Holder	Rank			UPB (\$ millions)	Share	Cumulative Share	CPR	CDR
	Current	Year prior	Change					
LAKEVIEW LOAN SERVIC	1	3	↑	\$272,273,475,120	12.7%	12.66%	4.39%	0.41%
DBA FREEDOM HOME MOR	2	1	↓	\$261,756,100,219	12.2%	24.83%	5.33%	1.04%
PENNYMAC LOAN SERVIC	3	2	↓	\$248,558,123,865	11.6%	36.39%	4.19%	0.65%
NATIONSTAR MORTGAGE	4	6	↑	\$127,821,916,064	5.9%	42.33%	4.74%	0.67%
NEWREZ LLC	5	7	↑	\$119,144,048,732	5.5%	47.87%	4.14%	0.57%
WELLS FARGO BANK, NA	6	4	↓	\$111,837,413,124	5.2%	53.07%	5.10%	0.50%
ROCKET MORTGAGE, LLC	7	5	↓	\$104,302,473,215	4.8%	57.92%	5.75%	0.48%
CARRINGTON MORTGAGE	8	10	↑	\$89,263,741,507	4.2%	62.07%	4.78%	0.76%
U. S. BANK, NA	9	9	↔	\$51,662,773,973	2.4%	64.47%	4.25%	0.87%
UNITED WHOLESALE MOR	10	11	↑	\$45,951,106,614	2.1%	66.61%	2.33%	0.50%
PLANET HOME LENDING	11	15	↑	\$43,936,379,389	2.0%	68.65%	2.97%	0.21%
LOANDEPOT.COM,LLC	12	12	↔	\$36,852,218,454	1.7%	70.36%	4.83%	0.41%
MORTGAGE RESEARCH CE	13	14	↑	\$33,963,436,769	1.6%	71.94%	3.02%	0.23%
AMERIHOME MORTGAGE C	14	22	↑	\$31,712,229,854	1.5%	73.42%	2.43%	0.25%
NAVY FEDERAL CREDIT	15	16	↑	\$29,217,152,269	1.4%	74.77%	4.37%	0.31%
GUILD MORTGAGE COMPA	16	19	↑	\$22,404,410,154	1.0%	75.82%	3.80%	0.50%
THE MONEY SOURCE INC	17	18	↑	\$20,906,874,348	1.0%	76.79%	5.05%	0.80%
TRUIST BANK	18	17	↓	\$20,304,845,519	0.9%	77.73%	4.31%	0.39%
CROSSCOUNTRY MORTGAG	19	20	↓	\$18,259,278,838	0.8%	78.58%	3.62%	0.51%
NEW AMERICAN FUNDING	20	21	↑	\$17,852,279,406	0.8%	79.41%	4.07%	0.53%
VILLAGE CAPITAL & IN	21	23	↑	\$16,682,006,041	0.8%	80.19%	6.33%	0.58%
MOVEMENT MORTGAGE,LL	22	N/A	↑	\$16,528,613,618	0.8%	80.95%	2.75%	0.50%
CMG MORTGAGE, INC.	23	27	↑	\$15,671,593,426	0.7%	81.68%	3.71%	0.62%
IDAHO HOUSING AND FI	24	26	↑	\$14,618,867,326	0.7%	82.36%	3.58%	1.06%
CITIZENS BANK N.A.	25	25	↔	\$13,895,196,614	0.6%	83.01%	3.46%	0.40%
PHH MORTGAGE CORPORA	26	29	↑	\$12,949,689,031	0.6%	83.61%	4.91%	0.82%
FLAGSTAR BANK, FSB	27	N/A	↑	\$11,737,519,785	0.5%	84.16%	3.54%	0.23%
MIDFIRST BANK	28	N/A	↑	\$11,443,548,148	0.5%	84.69%	6.24%	1.99%
JP MORGAN CHASE BANK	29	30	↑	\$10,276,190,079	0.5%	85.17%	5.71%	1.71%
SUN WEST MORTGAGE CO	30	N/A	↑	\$10,123,926,030	0.5%	85.64%	4.52%	0.30%

Source: Deloitte. Data as of January 2023

- Carrington is a GNMA specialist servicer
- It is one of two Ginnie Mae servicers (the other is quite small) with the MSS designation from Ginnie Mae as a master subservicer of last resort
 - This allows Ginnie Mae to transfer servicing from other servicers that run into trouble
 - Carrington has been vetted by the gov't (upfront RFP process, onsite due diligence, regular auditing, renegotiations subsequently)
 - As an MSS, Carrington needs to be prepared to take on up to hundreds of thousands of new mortgage loan accounts at any time
 - Personnel and systems resources are in place to comfortably take on over \$100 billion more in UPB



Source: "The Ginnie Mae Global Markets Analysis Report." February 2023. www.ginniemae.gov

Prophet Mortgage Servicing Opportunities Fund (PMSO)

Recommendation: Commit \$40M to Prophet Mortgage Servicing Opportunities Fund – Class A

- Prophet has a rich history of patiently waiting for compelling entries into alternative fixed income markets over the course of decades (several market cycles)
- The team has significant experience and a strong network in the mortgage investment industry, which is very much an OTC relationship business
- Alignment of interest is strong with 100% internal ownership and co-investments from key employees
- Relationship-driven investor base that has been loyal across successive strategies
- Prophet has crafted a strategy that is expected to deliver double-digit returns for a multi-year period given current market conditions
- Key Differentiators:
 - Pure-play focus on GNMA MSR excess servicing fees
 - Partnership and overall close relationship with Carrington Mortgage Services, a significant GNMA loan servicer, which provides Prophet with an open-ended supply of servicing for the MSR that Prophet seeks to purchase as well as recapture loans that it refinances

Fund	Prophet PMSO Fund – Class A
Fund Inception	2023 (Closed-end strategy: 2021)
Management Fee	1.5%*
Performance Fee	20% over 8% preferred return
Redemption Terms	Semi-annual liquidity on 90 days notice <ul style="list-style-type: none"> • 2.00% coupon per quarter (optional) • 3.75% per quarter total distribution • Remaining balance available Year 5
Lock-up/Gate	1-year lockup option available*
Target return	High single % / double-digit IRR%

**Lower management fee in exchange for a 1-year lockup*

Appendix

Legal Disclosures and Disclaimers

Disclosures

Certain information contained herein concerning economic trends and/or data is (may be) based on or derived from information provided by independent third-party sources. AIUSA believes that the sources from which such information has been obtained are reliable; however, it cannot guarantee the accuracy of such information and has not independently verified the accuracy or completeness of such information or the assumptions on which such information is based.

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Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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

RESOLUTION
No. 2023-14

**Approving Investment in Prophet Mortgage Servicing
Opportunities Fund – Class A
with Imminent Need**

WHEREAS, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

WHEREAS, the ATRS Board has reviewed the recommendation of its private equity consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Prophet Mortgage Servicing Opportunities Fund – Class A**, a closed-ended fund that invests in mortgage servicing rights; and

WHEREAS, the ATRS Board approves an investment of up to **\$40 million dollars (\$40,000,000.00)** in **Prophet Mortgage Servicing Opportunities Fund – Class A**, and the Board, after its review of the timing in which the closing of the investment in **Prophet Mortgage Servicing Opportunities Fund – Class A** may need to occur, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants.

NOW, THEREFORE, BE IT RESOLVED, that the ATRS Board approves an investment of up to **\$40 million dollars (\$40,000,000.00)** in **Prophet Mortgage Servicing Opportunities Fund – Class A** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Prophet Mortgage Servicing Opportunities Fund – Class A**. The total investment amount is to be determined by the general investment consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the Board; and

FURTHER, BE IT RESOLVED, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment using the Imminent Need process, if acceptable terms are reached.

Adopted this 3rd day of April 2023

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

Memorandum

To: Arkansas Teacher Retirement System (“ATRS”)
From: Chae Hong, Jack Dowd
CC: PJ Kelly; Matthew Hooker
Date: April 3, 2023
Re: Lone Star Real Estate Fund VII – \$50 million Commitment Recommendation

Background and Recommendation

Lone Star Funds (“Lone Star” or “the Sponsor”) is establishing Lone Star Real Estate Fund VII (“LSREF VII” or “the Fund”), to continue its global, opportunistic strategy of acquiring distressed commercial real estate debt and equity positions through discounted bulk purchases and resolving the investments. The Fund’s return objective is 16% net IRR over its eight year term. The primary strategy is deep value, opportunistic acquisition and workout of large scale (i) commercial real estate NPL portfolios from financial institutions, (ii) bank-held commercial REO, (iii) distressed real estate heavy companies, and (iv) direct real estate equity opportunities from developers with troubled projects, asset managers, and REITs forced to sell assets for liquidity reasons including re-financing shortfalls.

Aon Investments, USA is satisfied with the strategy of the Fund and its appropriateness for ATRS. Additionally, we believe that the merits of this offering outweigh its risks. A Fund VII Investment Summary is attached as **Exhibit A**. We recommend that ATRS invest \$50 million in the Fund to fulfill ATRS’ 2023 real estate allocation, in accordance with the previously approved 2023 ATRS Real Asset Pacing Schedule. Additionally, Fund VII may provide investors with various investment vehicles. Townsend recommends ATRS consult with its tax and legal counsel to determine the most appropriate vehicle for the Plan.

Exhibit A



Real Estate Investment Summary

Lone Star real Estate Fund VII

A Global Distress Opportunity Fund

October 2022

EXECUTIVE SUMMARY

OVERVIEW

Date	Rating	Prior Fund Rating
October 2022	Buy	Buy

Lone Star Funds (“Lone Star” or “the Sponsor”) is establishing Lone Star Real Estate Fund VII (“LSREF VII” or “the Fund”), to continue its global, opportunistic strategy of acquiring distressed commercial real estate debt and equity positions through discounted bulk purchases and resolving the investments. The Fund’s return objective is 16% net IRR over its eight year term.

The Townsend Group, an Aon Company (“Townsend”) has reviewed and performed an in-depth analysis of the above categories which includes, but is not limited to:

- Retention of Limited Partners
- Institutional Investor Representation
- Management Company Ownership
- Consistency/ Volatility of Returns
- Write-offs
- Transaction Experience in Strategy
- Organization Expenses
- Management Fee
- Incentive Fees/ Waterfall Distribution
- Fund Size
- Sponsor Commitment
- Ability to Create Value in Deals
- Valuation Discipline
- Reporting Transparency
- Back-Office Resources
- Investment Period
- Fund Term
- Key Person Provision
- Turnover/Tenure
- GP Attribution Concentration
- Fault Provisions
- Advisory Board
- Priority of Distributions
- Alignment of Partner Interest
- Firm Leadership

In addition, Aon Investments, USA’s Operational Due Diligence team has reviewed the Firm from an operating perspective and has given Lone Star a Pass rating.

RECOMMENDATION

Aon Investments, USA is satisfied with the strategy of the Fund and its appropriateness for ATRS. Additionally, we believe that the merits of this offering outweigh its risks. We recommend that ATRS invest \$50 million in the Fund to fulfill ATRS’ 2023 non-core real estate allocation, in accordance with the previously approved 2023 ATRS Real Asset Pacing Schedule.

Sponsor:

HQ Location	Dallas, TX	Founded	1995
Ownership	Privately owned by founder	Employees	90 (Employees at Lone Star)
AUM	\$49.1 Billion	SEC Registered	Yes
Organization	Lone Star Funds is the legal name for the private equity investment firm doing business as Lone Star. Lone Star wholly-owns a global asset management company called Hudson Advisers. Hudson is dedicated to the support of the funds that Lone Star sponsors; together referred to as the “Manager.”		

Portfolio Characteristics:

Structure	Closed-end Commingled Fund	Risk Segment	High Return/ Opportunistic
Targeted Size	\$6 Billion	Sponsor Commitment	\$60M from GP, plus \$300M from owner, plus \$120M from employees.
Target Return	16% Net IRR	Leverage	3x Total Commitments during the Commitment Period
Term	8 Years from the Final Close	Investment Period	4 years from the Final Close
Avg Transaction	Ranging from \$750M to \$1 Billion GAV	Typical Business Plan	2-5 year holds

Fees:

Management Fee	1.45% on Committed, then 0.60% on Invested; <i>Discounted for size, timing, and loyalty</i>	Incentive Fee	8% preferred return (or higher for size); 50%/50% catch-up; 80% LP/ 20% GP thereafter.
-----------------------	---	----------------------	--

Status/Timing: First close period starts in mid to late December and extends through January 2023.

Primary Strategy: Deep value, opportunistic acquisition and workout of large scale (i) commercial real estate NPL portfolios from financial institutions, (ii) bank-held commercial REO, (iii) distressed real estate heavy companies, and (iv) direct real estate equity opportunities from developers with troubled projects, asset managers, and REITs forced to sell assets for liquidity reasons including re-financing shortfalls.

STRATEGY

OVERVIEW

The Fund strategy is to opportunistically acquire commercial real estate at a discount to liquidation value, execute short term plans for increasing that value, and dispose of assets within a relatively short timeframe.

Such acquisitions typically involve a motivated seller in a credit distress situation, such as NPL and REO dispositions of neglected assets by financial institutions, corporate restructurings of stressed real estate-heavy companies, and direct real estate equity opportunities from developers with troubled projects, asset managers, and REITs forced to sell assets for liquidity reasons including re-financing shortfalls. The Manager has also capitalized on end-of-fund-life wholesale dispositions and carve-outs from public-to-private transactions. To limit competition in acquisitions, the Manager targets very large transactions/portfolio investments.

The post-acquisition plans are typically to achieve an initial fundamental value-driver where a basic fix exists, and not necessarily to hold and operate the asset for multi-year NOI growth. Typical plans involve capital structure optimization, transformative bolt-on acquisitions, or portfolio reconfigurations, putting joint ventures with operating partners in place, certain initial cost efficiency measures and revenue-enhancing investments, and wholesale-to-retail dispositions. Business plans most often assume the majority of profit is realized within a 2-3 year hold, and few deals are underwritten to a hold over 5 years.

Cumulatively over 330+ investments since 1995 totaling \$109 billion in purchase price, the fund series exposures have been as follows:

For this vintage, the Manager expects over-weights to more distressed property types, Retail and Hotels, and to operationally intensive sectors, Hotels and Senior Housing, where the Manager sees long term structural demand interrupted by short term factors. Regional weights are preliminarily expected to be major market UK/Europe (~35%-55%), North America (30%-50%), and Japan (25%-40%).

INVESTMENT GUIDELINES

Based on Total Commitments.

- No more than 70% in Europe (of which no more than 20% outside of the UK/EEA), 70% in Japan, 70% in North America, 15% in Other Markets.
- No more than 35% of commitments in one portfolio transaction.
- No more than 25% of commitments in one asset

LEVERAGE

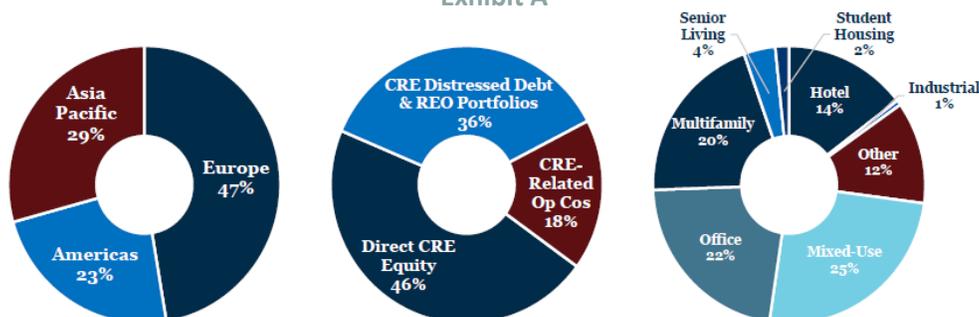
The Sponsor utilizes a variety of sources and structures to lever its investments depending on the investment type; expected to roll up to an overall usage near the 75% cap after the commitment period. As described more fully in the governing documents, there is a higher leverage limitation during the fundraise period from the First Close to the Final Close, reducing to three times the Cumulative Capital Contributions of the partners at a point thereafter.

- Excluding use of a Subscription Facility; inclusive of the expected use of a general Working Capital facility, which may be used up to 10% of the Total Commitment size, and is typically a recourse facility, not secured by unfunded commitments.
- Any recourse in addition to a Working Capital facility is limited to 6% of Total Commitments (excluding customary carve-outs, and any recourse required to maintain rate and FX hedges).
- The Manager does not expect to utilize cross collateralization *at the line-item level*, or make completion guarantees.

Hudson oversees negotiation and implementation of all credit facilities as part of its liquidity and cash management mandate for any fund, which includes debt covenant monitoring and provisioning for cash/liquidity adequacy.

- Credit facilities are typically hyper-amortizing with proceeds from underlying asset sales required to pay down outstanding balances, continuously/incrementally de-risking an LP's initial position over time. This syncs up well with typical NPL portfolio workouts where easy/quick resolutions occur upfront and serve to pay down the leverage exposure by the time only problematic and uncertain workouts remain.
- Because of Lone Star's long and strong relationship with many major financial institutions, it is able to negotiate more borrower-friendly structures on its debt relative to many competitors.

Exhibit A



About Townsend Group – An Aon Company

Founded in 1983, The Townsend Group provides custom real asset solutions that help clients worldwide achieve their unique investment goals. As an Aon company, The Townsend Group is now part of one of the top three outsourced chief investment officer (OCIO) providers in the world measured by global assets under management. Aon's Investment organization, including Townsend, manages more than \$130 billion of worldwide assets under management and has advised on more than \$240 billion of real estate assets.

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Townsend is a registered investment adviser with the Securities and Exchange Commission and is a wholly owned, indirect subsidiary of Aon plc

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

**RESOLUTION
No. 2023-15**

**Approving Investment in Lone Star Real Estate
Fund VII, L.P.
with Imminent Need**

WHEREAS, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

WHEREAS, the ATRS Board has reviewed the recommendation of its private equity consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Lone Star Real Estate Fund VII, L.P.**, a closed-end opportunistic fund which pursues a strategy of investing in distressed real estate debt and equity; and

WHEREAS, the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **Lone Star Real Estate Fund VII, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Lone Star Real Estate Fund VII, L.P.** may need to occur, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants.

NOW, THEREFORE, BE IT RESOLVED, that the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **Lone Star Real Estate Fund VII, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Lone Star Real Estate Fund VII, L.P.** The total investment amount is to be determined by the real assets consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the Board; and

FURTHER, BE IT RESOLVED, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment using the Imminent Need process, if acceptable terms are reached.

Adopted this 3rd day of April 2023

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

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

HOUSE BILL 1184

5 By: Representative Maddox
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING THE MEMBERSHIP
10 STATUS OF CERTAIN MEMBERS OF THE ARKANSAS TEACHER
11 RETIREMENT SYSTEM; TO CLARIFY THE CONTRIBUTORY OR
12 NONCONTRIBUTORY STATUS OF CERTAIN MEMBERS OF THE
13 ARKANSAS TEACHER RETIREMENT SYSTEM WHO ENTER INTO AN
14 EMPLOYMENT CONTRACT WITH A COVERED EMPLOYER AFTER THE
15 START OF THE FISCAL YEAR; TO DECLARE AN EMERGENCY;
16 AND FOR OTHER PURPOSES.
17
18

Subtitle

19 TO AMEND THE LAW CONCERNING THE
20 MEMBERSHIP STATUS OF CERTAIN MEMBERS OF
21 THE ARKANSAS TEACHER RETIREMENT SYSTEM;
22 AND TO DECLARE AN EMERGENCY.
23
24
25

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
27

28 SECTION 1. Arkansas Code § 24-7-406(e)(3)(E), concerning when a member
29 under contract with a covered employer becomes a contributory member of the
30 Arkansas Teacher Retirement System, is amended to add an additional
31 subdivision to read as follows:

32 (iii) If a member enters into a contract with a covered
33 employer after the start of the fiscal year, the system may prorate the
34 number of contracted days in order to determine whether the member should be
35 classified as a contributory member or a noncontributory member who may make
36 an election under subdivision (e)(3)(E)(ii) of this section.



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SECTION 2. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the operations of a state public retirement system are complex; that the Arkansas Teacher Retirement System must be able to meet the needs of its members as anticipated by the General Assembly; that certain provisions of the Arkansas Teacher Retirement System Act need revision and updating to bring them into conformance with sound public pension policy and actuarial requirements; that additional clarity is necessary concerning the contributory or noncontributory membership status of certain members who enter into an employment contract with a covered employer after the start of the fiscal year; that the revisions and updates are of great importance to members of the Arkansas Teacher Retirement System and to other citizens of the State of Arkansas; that as the Arkansas Teacher Retirement System operates on a fiscal year of July 1 to June 30, a July 1, 2023, effective date is necessary in order to allow the provisions within this act to begin on the first day of the fiscal year and to allow for a structured and proper administration of the procedures referenced in this act; that the updates and revisions to the Arkansas Teacher Retirement System Act are of great importance for actuarial purposes and for the improvement and protection of member benefits under the Arkansas Teacher Retirement System; and that this act is necessary in order to maintain an orderly system of benefits for the members of the Arkansas Teacher Retirement System. Therefore, an emergency is declared to exist, and this act being necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2023.

APPROVED: 2/13/23

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

HOUSE BILL 1199

5 By: Representative Perry
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO PERMIT A REFUND OF UNUSED PURCHASED SERVICE
10 CREDIT UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM;
11 TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.
12
13

Subtitle

15 TO PERMIT A REFUND OF UNUSED PURCHASED
16 SERVICE CREDIT UNDER THE ARKANSAS TEACHER
17 RETIREMENT SYSTEM; AND TO DECLARE AN
18 EMERGENCY.
19
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
22

23 SECTION 1. Arkansas Code § 24-1-107(b)(1)(B), concerning credit for
24 federal service for a member of the Arkansas Teacher Retirement System, is
25 amended to read as follows:

26 (B)(i) An active member of the Arkansas Teacher Retirement
27 System shall receive credit for the member's federal service upon the payment
28 of the cost of service under § 24-7-502(b) and as prescribed by the Board of
29 Trustees of the Arkansas Teacher Retirement System.

30 (ii) At the member's request, a member's payment for
31 federal service credit under this section shall be refunded if the:

32 (a) Member ceases to be an active member
33 before the federal service credit is established as credited service in the
34 system; or

35 (b) Federal service credit is not otherwise
36 used to establish the member's eligibility for retirement under the system.



1
 2 SECTION 2. Arkansas Code § 24-7-602(b), concerning military service
 3 credit for a member of the Arkansas Teacher Retirement System, is amended to
 4 read as follows:

5 (b)(1) All United States Armed Forces service not otherwise creditable
 6 under this section shall be creditable, provided the member pays to the
 7 system the actuarial equivalent for the service credit.

8 (2) At the member's request, a member's payment for United
 9 States Armed Forces service credit under this subsection shall be refunded if
 10 the:

11 (A) Member ceases to be an active member before the United
 12 States Armed Forces service credit is established as credited service in the
 13 system; or

14 (B) United States Armed Forces service credit is not
 15 otherwise used to establish the member's eligibility for retirement under the
 16 system.

17
 18 SECTION 3. Arkansas Code § 24-7-603, concerning service credit under
 19 the Arkansas Teacher Retirement System for service rendered in another state
 20 under similar circumstances, is amended to add an additional subsection to
 21 read as follows:

22 (f) At the member's request, a member's payment under this section
 23 shall be refunded if the:

24 (1) Member ceases to be an active member before the out-of-state
 25 service is established as credited service in the system; or

26 (2) Out-of-state service is not otherwise used to establish the
 27 member's eligibility for retirement under the system.

28
 29 SECTION 4. Arkansas Code § 24-7-604, concerning service credit under
 30 the Arkansas Teacher Retirement System for service rendered at an overseas
 31 school, is amended to add an additional subsection to read as follows:

32 (c) At the member's request, a member's payment under this section
 33 shall be refundable if the:

34 (1) Member ceases to be an active member before the overseas
 35 service is established as credited service in the system; or

36 (2) Overseas service is not otherwise used to establish the

1 member's eligibility for retirement under the system.

2
 3 SECTION 5. Arkansas Code § 24-7-605, concerning service credit under
 4 the Arkansas Teacher Retirement System for service rendered as a member of
 5 the General Assembly, is amended to add an additional subsection to read as
 6 follows:

7 (c) At the member's request, member's payment under this section shall
 8 be refunded if the:

9 (1) Member ceases to be an active member before the General
 10 Assembly service is established as credited service in the system; or

11 (2) General Assembly service is not otherwise used to establish
 12 the member's eligibility for retirement under the system.

13
 14 SECTION 6. Arkansas Code § 24-7-606(a)(1), concerning a public school
 15 teacher or administrator's ability to receive credited service under the
 16 Arkansas Teacher Retirement System for leave of absence to obtain an advanced
 17 degree at an institution of higher learning or to fulfill the requirements of
 18 a scholarship or grant, is amended to read as follows:

19 (a)(1) ~~From and after June 28, 1985, any~~ A public school teacher or
 20 administrator who is a member of the Arkansas Teacher Retirement System and
 21 takes a leave of absence from a school in order to obtain an advanced degree
 22 at an institution of higher learning or to fulfill the requirements of a
 23 scholarship or grant shall be eligible, upon application, to receive credited
 24 service in the system for the time of actual enrollment in the institution.

25
 26 SECTION 7. Arkansas Code § 24-7-606, concerning the purchase of
 27 service credit under the Arkansas Teacher Retirement System for time spent on
 28 a leave of absence from a school under certain conditions, is amended to add
 29 an additional subsection to read as follows:

30 (d) At the member's request, a member's payment under this section
 31 shall be refunded if the:

32 (1) Member ceases to be an active member before the service for
 33 leave of absence to obtain an advanced degree at an institution of higher
 34 learning or to fulfill the requirements of a scholarship or grant is
 35 established as credited service in the system; or

36 (2) Service for leave of absence to obtain an advanced degree at

1 an institution of higher learning or to fulfill the requirements of a
 2 scholarship or grant is not otherwise used to establish the member's
 3 eligibility for retirement under the system.

4

5 SECTION 8. Arkansas Code § 24-7-607(b)(3)(B)(ii), concerning when
 6 private school service becomes credited service under the Arkansas Teacher
 7 Retirement System, is amended to read as follows:

8 (ii) ~~If a member ceases to be an active member~~
 9 ~~before the private school service has been established as system-credited~~
 10 ~~service, the member payments contributed under this section shall be refunded~~
 11 ~~to the member upon request~~ At the member's request, a member's payment for
 12 certified private school service credit shall be refunded if the:

13 (a) Member ceases to be an active member
 14 before the certified private school service is established as credited
 15 service in the system; or

16 (b) Certified private school service is not
 17 otherwise used to establish the member's eligibility for retirement under the
 18 system;

19

20 SECTION 9. Arkansas Code § 24-7-607(c)(2)(B)(ii), concerning when
 21 noncertified private school service or private education-related entity
 22 private school service becomes credited service under the Arkansas Teacher
 23 Retirement System, is amended to read as follows:

24 (ii) ~~If a member ceases to be an active member~~
 25 ~~before the noncertified service has been established as system-credited~~
 26 ~~service, the member payments contributed under this section shall be refunded~~
 27 ~~to the member upon request~~ At the member's request, a member's payment for
 28 noncertified private school service credit or noncertified private education-
 29 related entity private school service shall be refundable if the:

30 (a) Member ceases to be an active member
 31 before the noncertified private school service or private education-related
 32 entity private school service is established as credited service in the
 33 system; or

34 (b) Noncertified private school service or
 35 private education-related entity private school service is not otherwise used
 36 to establish the member's eligibility for retirement under the system.

1
2 SECTION 10. Arkansas Code § 24-7-610(f), concerning the refund of
3 member payments contributed to the Arkansas Teacher Retirement System when a
4 member ceases to be an active member before service in the National Guard or
5 the armed forces reserve has been established as system-credited service, is
6 amended to read as follows:

7 ~~(f) If a member ceases to be an active member before the service in~~
8 ~~the National Guard or the armed forces reserve has been established as~~
9 ~~system credited service, the member payments contributed as specified in~~
10 ~~subdivision (b)(1)(C) of this section shall be refundable~~ At the member's
11 request, a member's payment under this section shall be refunded if the:

12 (1) Member ceases to be an active member before the service in
13 the National Guard or the armed forces reserve is established as credited
14 service in the system; or

15 (2) Service in the National Guard or the armed forces reserve is
16 not otherwise used to establish the member's eligibility for retirement under
17 the system.

18
19 SECTION 11. Arkansas Code § 24-7-611, concerning the purchase of
20 service credit under the Arkansas Teacher Retirement System for domestic
21 federal service rendered as a teacher or administrator at a facility
22 administered by the United States Department of Defense, is amended to add an
23 additional subsection to read as follows:

24 (e) At the member's request, a member's payment under this section
25 shall be refunded if the:

26 (1) Member ceases to be an active member before the domestic
27 federal service is established as credited service in the system; or

28 (2) Domestic federal service is not otherwise used to establish
29 the member's eligibility for retirement under the system.

30
31 SECTION 12. EMERGENCY CLAUSE. It is found and determined by the
32 General Assembly of the State of Arkansas that the operations of a state
33 public retirement system are complex; that the Arkansas Teacher Retirement
34 System must be able to meet the needs of its members as anticipated by the
35 General Assembly; that certain provisions of the Arkansas Teacher Retirement
36 System Act need revision and updating to bring them into conformance with

1 sound public pension policy and actuarial requirements; that under the
2 current provisions of the Arkansas Teacher Retirement System Act, a member is
3 unable to receive a refund of certain types of purchased service credit when
4 the member becomes inactive or the purchased service is not otherwise used to
5 establish the member's retirement eligibility; that this act would allow
6 members to receive a refund of purchased service credit when the member
7 becomes inactive or the purchased service is not otherwise used to establish
8 the member's retirement eligibility; that the revisions and updates are of
9 great importance to members of the Arkansas Teacher Retirement System and to
10 other citizens of the State of Arkansas; that as the Arkansas Teacher
11 Retirement System operates on a fiscal year of July 1 to June 30, a July 1,
12 2023, effective date is necessary in order to allow the provisions within
13 this act to begin on the first day of the fiscal year and to allow for a
14 structured and proper administration of the procedures referenced in this
15 act; that the updates and revisions to the Arkansas Teacher Retirement System
16 Act are of great importance for actuarial purposes and for the improvement
17 and protection of member benefits under the Arkansas Teacher Retirement
18 System; and that this act is necessary in order to maintain an orderly system
19 of benefits for the members of the Arkansas Teacher Retirement System.
20 Therefore, an emergency is declared to exist, and this act being necessary
21 for the preservation of the public peace, health, and safety shall become
22 effective on July 1, 2023.

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25 **APPROVED: 2/13/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

HOUSE BILL 1202

5 By: Representative Warren
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING THE MULTIPLIER
10 USED TO CALCULATE A LIFE ANNUITY UNDER THE ARKANSAS
11 TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY;
12 AND FOR OTHER PURPOSES.
13
14

Subtitle

15 TO AMEND THE LAW CONCERNING THE
16 MULTIPLIER USED TO CALCULATE A LIFE
17 ANNUITY UNDER THE ARKANSAS TEACHER
18 RETIREMENT SYSTEM; AND TO DECLARE AN
19 EMERGENCY.
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
24

25 SECTION 1. Arkansas Code § 24-7-705(b)(2)(G), concerning the special
26 contributory multiplier rate set by the Board of Trustees of the Arkansas
27 Teacher Retirement System for the first ten (10) years of service credit, are
28 amended to read as follows:

29 (G) The board may set a special contributory multiplier
30 rate for the first ten (10) years of service credit as follows:

31 ~~(i) The multiplier rate for contributory service~~
32 ~~shall not be less than one and seventy five hundredths percent (1.75%) or~~
33 ~~higher than two and fifteen hundredths percent (2.15%);~~

34 ~~(ii)~~(i) The multiplier rate for contributory service
35 used for the first ten (10) years of service shall not be ~~higher than the~~
36 ~~multiplier rate for subsequent years of service~~ less than one and seventy-



1 five hundredths percent (1.75%) or more than two and fifteen hundredths
 2 percent (2.15%); and

3 ~~(iii)~~(ii) After a member earns ten (10) years of
 4 credited service, the board may increase the multiplier rate earned in the
 5 first ten (10) years to the standard multiplier rate for contributory service
 6 for all or part of the first ten (10) years of service.

7
 8 SECTION 2. Arkansas Code § 24-7-705(b)(3)(G)(i), concerning the
 9 special noncontributory multiplier rate set by the Board of Trustees of the
 10 Arkansas Teacher Retirement System for the first ten (10) years of service
 11 credit, is amended to read as follows:

12 (i) The multiplier rate for noncontributory service
 13 used for the first ten (10) years of service shall not be ~~higher than the~~
 14 ~~multiplier rate for subsequent years of service~~ less than five-tenths of one
 15 percent (0.5%) or more than one and twenty-five hundredths percent (1.25%);
 16 and

17
 18 SECTION 3. EMERGENCY CLAUSE. It is found and determined by the
 19 General Assembly of the State of Arkansas that the operations of a state
 20 public retirement system are complex; that the Arkansas Teacher Retirement
 21 System must be able to meet the needs of its members as anticipated by the
 22 General Assembly; that certain provisions of the Arkansas Teacher Retirement
 23 System Act need revision and updating to bring them into conformance with
 24 sound public pension policy and actuarial requirements; that the revisions
 25 and updates are of great importance to members of the Arkansas Teacher
 26 Retirement System and to other citizens of the State of Arkansas; that as the
 27 Arkansas Teacher Retirement System operates on a fiscal year of July 1 to
 28 June 30, a July 1, 2023, effective date is necessary in order to allow the
 29 provisions within this act to begin on the first day of the fiscal year and
 30 to allow for a structured and proper administration of the procedures
 31 referenced in this act; that the updates and revisions to the Arkansas
 32 Teacher Retirement System Act are of great importance for actuarial purposes
 33 and for the improvement and protection of member benefits under the Arkansas
 34 Teacher Retirement System; and that this act is necessary in order to
 35 maintain an orderly system of benefits for the members of the Arkansas
 36 Teacher Retirement System. Therefore, an emergency is declared to exist, and

1 this act being necessary for the preservation of the public peace, health,
2 and safety shall become effective on July 1, 2023.

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5 **APPROVED: 2/13/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

HOUSE BILL 1183

5 By: Representative Maddox
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND AND UPDATE PROVISIONS FOR OUTSOURCING
10 UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO
11 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.
12
13

Subtitle

14 TO AMEND AND UPDATE PROVISIONS FOR
15 OUTSOURCING UNDER THE ARKANSAS TEACHER
16 RETIREMENT SYSTEM; AND TO DECLARE AN
17 EMERGENCY.
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
22

23 SECTION 1. Arkansas Code § 24-7-506 is amended to read as follows:
24 24-7-506. Outsourcing – Election to participate – Definitions.

25 (a) As used in this section:

26 (1)(A) “Covered employer” means any public school, public
27 educational agency, or other eligible employer participating in the Arkansas
28 Teacher Retirement System.

29 (B) “Covered employer” does not include a:

30 (i) Nonmandatory employer or a PSHE employer as
31 defined under § 24-7-1602; or

32 (ii) Covered employer that reports through the
33 Arkansas Administrative Statewide Information System;

34 (2)(A) “Embedded employee” means a person who:

35 (i) Provides an outsourced service on the premises
36 of a covered employer; and



1 (ii) Is employed and paid by an outsource
2 contractor.

3 (B) "Embedded employee" does not include a person who is
4 employed by:

5 (i) A covered employer listed under § 24-7-202; or

6 (ii) An employer that offers the Arkansas Teacher
7 Retirement System as an optional retirement plan as of the date of
8 outsourcing;

9 (3) "Outsource" or "outsourcing" means the use of a contractor
10 by a covered employer for the performance of a service common to the normal
11 daily operation on the premises of the covered employer;

12 (4) "Outsource contractor" means a person who is contractually
13 obligated under an outsourcing agreement to provide a covered employer with a
14 service common to the normal daily operation of the covered employer;

15 (5) "Participating employer" means a covered employer that
16 outsources and opts for the embedded employees of all of ~~its~~ the covered
17 employer's outsource contractors to become members of the Arkansas Teacher
18 Retirement System;

19 (6)(A) "School nursing" means a nursing service that is required
20 to be offered in a public school under § 6-18-706 or the Standards for
21 Accreditation of Arkansas Public Schools and School Districts.

22 (B) "School nursing" does not include nursing services
23 provided by a:

24 (i) School-based health clinic under § 6-18-703;

25 (ii) Medical clinic operated on a public school
26 campus by a hospital or physician's office that is under contract with the
27 public school;

28 (iii) Healthcare provider other than a nurse; or

29 (iv) Healthcare service reimbursed or paid for by
30 Medicaid, Medicare, health insurance, or any other third-party payer;

31 (7) "Service common to the normal daily operation" means and is
32 limited to a service that:

33 (A) Is provided by an outsource contractor or embedded
34 employee to a covered employer;

35 (B) Is physically provided or based on the premises of a
36 covered employer;

1 (C) Is paid for with public funds and not with private
 2 grant funds; and

3 (D) Consists of one (1) or more of the following:

4 (i) The maintenance and operation of:

5 (a) One (1) or more vehicles used for the
 6 regular and daily transport of passengers; and

7 (b) A facility that provides support for the
 8 maintenance and operation of one (1) or more vehicles described under
 9 subdivision (a)(7)(D)(i)(a) of this section;

10 (ii) The maintenance and operation of a cafeteria or
 11 other food service operation;

12 (iii) Custodial or maintenance services for the
 13 regular and continuous maintenance, repair, and upkeep of grounds or
 14 facilities;

15 (iv) Security services that are not covered by
 16 another retirement system;

17 (v) School nursing;

18 (vi) Substitute teaching; or

19 (vii) Service as a teacher's aide; and

20 (8) "Surcharge employer" means a covered employer that
 21 outsources and pays a surcharge to the Arkansas Teacher Retirement System ~~in~~
 22 ~~lieu of opting for the embedded employees of outsource contractors to accrue~~
 23 ~~service credit in the Arkansas Teacher Retirement System.~~

24 (b) A covered employer that enters into an agreement to outsource a
 25 service common to the normal daily operation shall ~~make an irrevocable~~
 26 ~~election to be either a participating employer or~~ become a surcharge employer
 27 within sixty (60) days of the outsourcing agreement ~~on a form provided by or~~
 28 ~~in a manner established by the Arkansas Teacher Retirement System.~~

29 (c)(1) ~~If a covered employer elects to become a surcharge employer~~
 30 ~~under this section, then the covered employer~~ A surcharge employer shall
 31 account for and remit to the Arkansas Teacher Retirement System a ~~monthly~~
 32 ~~surcharge~~ of no more than four percent (4%) on the total salaries paid to all
 33 the embedded employees on an aggregate basis ~~as follows:~~

34 ~~(A) Five tenths of one percent (0.5%) during the 2018~~
 35 ~~fiscal year;~~

36 ~~(B) One percent (1%) during the 2019 fiscal year;~~

1 ~~(C) Two percent (2%) during the 2020 fiscal year;~~
 2 ~~(D) Three percent (3%) during the 2021 fiscal year; and~~
 3 ~~(E) An amount not to exceed four percent (4%) during the~~
 4 ~~2022 fiscal year and succeeding fiscal years as established by a resolution~~
 5 ~~of the Board of Trustees of the Arkansas Teacher Retirement System at a~~
 6 ~~meeting of the board.~~

7 (2) ~~If the covered employer is outsourcing on August 1, 2017,~~
 8 ~~the surcharge shall be payable beginning in the 2018 fiscal year. The Board~~
 9 ~~of Trustees of the Arkansas Teacher Retirement System may establish by~~
 10 ~~resolution the surcharge rate for any fiscal year following the 2022 fiscal~~
 11 ~~year.~~

12 (3) A surcharge adopted by the board applies to an entire fiscal
 13 year and shall be adopted ~~prior to~~ before the beginning of the fiscal year.

14 ~~(d) If a covered employer elects to become a participating employer as~~
 15 ~~provided under this section, then the covered employer shall account for and~~
 16 ~~remit each of the covered employer's contributions in the same amount and in~~
 17 ~~the same manner as required for covered employer contributions under § 24-7-~~
 18 ~~401 and member contributions under § 24-7-406.~~

19 ~~(e)(1)(A) A covered employer that begins outsourcing after August 1,~~
 20 ~~2017, and elects to become a participating employer may phase in the election~~
 21 ~~by selecting an effective date that is no later than the beginning of the~~
 22 ~~third fiscal year after the effective date of the outsourcing agreement.~~

23 ~~(B) During the phase in of becoming a participating~~
 24 ~~employer, the covered employer shall account for and remit a phase in~~
 25 ~~surcharge in the same amount and manner required of a surcharge employer~~
 26 ~~under subsection (c) of this section.~~

27 ~~(2)(A) If a covered employer is outsourcing on August 1, 2017,~~
 28 ~~and the covered employer elects to become a participating employer, then the~~
 29 ~~covered employer may phase in the election by selecting an effective date~~
 30 ~~that is no later than the beginning of the fourth fiscal year after August 1,~~
 31 ~~2017.~~

32 ~~(B) During the phase in of becoming a participating~~
 33 ~~employer, the covered employer shall account for and remit a phase in~~
 34 ~~surcharge in the same amount and manner as required of a surcharge employer~~
 35 ~~under subsection (c) of this section.~~

36 ~~(f)(1)(d)(1)~~ The Arkansas Teacher Retirement System may require a

1 ~~covered employer that makes an election under this section~~ surchage employer
 2 to provide any documentation necessary to collect and account for the
 3 surcharge ~~or contributions~~ as is consistent with the covered employer's
 4 election.

5 (2) The Arkansas Teacher Retirement System ~~may~~ shall collect an
 6 unremitted surcharge amount due, including interest, from a surcharge
 7 employer under § 24-7-401 or contribution due from a participating employer
 8 under § 24-7-406 in any manner allowed by law.

9 (3) If a ~~covered employer~~ surchage employer reasonably accepts
 10 a written statement from an outsource contractor reporting the salaries paid
 11 by the outsource contractor to embedded employees for services common to the
 12 normal daily operation of the ~~covered employer~~ surchage employer, it shall
 13 be conclusively presumed that the written statement accurately reflects the
 14 salaries subject to surcharge under this section.

15 ~~(g)(1) A covered employer or an outsource contractor may request a~~
 16 ~~determination from the Arkansas Teacher Retirement System as to whether an~~
 17 ~~embedded employee performs or will perform a service common to the normal~~
 18 ~~daily operation of a covered employer.~~

19 ~~(2) A request made under subdivision (g)(1) of this section~~
 20 ~~shall include:~~

21 ~~(A) Information about the employment relationship and~~
 22 ~~contract provisions that are necessary for the Arkansas Teacher Retirement~~
 23 ~~System to evaluate the service provided to the covered employer; and~~

24 ~~(B) Any additional information requested by the Arkansas~~
 25 ~~Teacher Retirement System to make the determination.~~

26 ~~(3) The board may promulgate rules necessary to administer this~~
 27 ~~section.~~

28 ~~(h)(1)(e)(1)~~ (e)(1) The Division of Youth Services Education System shall be
 29 a participating employer and may designate any or all of its embedded
 30 employees as eligible for membership in the Arkansas Teacher Retirement
 31 System.

32 (2) An embedded employee of a contractor for the Division of
 33 Youth Services Education System who becomes a member of the Arkansas Teacher
 34 Retirement System shall remain a member of the Arkansas Teacher Retirement
 35 System as long as the member remains an embedded employee of a contractor for
 36 the Division of Youth Services Education System.

1

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

HOUSE BILL 1200

5 By: Representative Perry
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT CONCERNING AN INACTIVE MEMBER'S ELIGIBILITY
10 FOR FREE MILITARY SERVICE CREDIT AND ABILITY TO
11 PURCHASE MILITARY, CONTRIBUTORY, AND FEDERAL SERVICE
12 CREDIT IN THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO
13 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.
14

Subtitle

15
16 CONCERNING AN INACTIVE MEMBER'S
17 ELIGIBILITY FOR FREE MILITARY SERVICE
18 CREDIT AND ABILITY TO PURCHASE MILITARY,
19 CONTRIBUTORY, AND FEDERAL SERVICE CREDIT
20 IN THE ARKANSAS TEACHER RETIREMENT
21 SYSTEM; AND TO DECLARE AN EMERGENCY.
22
23
24

25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
26

27 SECTION 1. Arkansas Code § 24-1-107(b)(1)(B), concerning recognition
28 of federal retirement programs, is amended to read as follows:

29 (B) ~~An active~~ A member of the Arkansas Teacher Retirement
30 System shall receive credit for the member's federal service upon the payment
31 of the cost of service under § 24-7-502(b) and as prescribed by the Board of
32 Trustees of the Arkansas Teacher Retirement System.
33

34 SECTION 2. Arkansas Code § 24-7-406(e)(1)(B)(iv), concerning
35 retirement fund assets, accounts, members' deposit accounts, and
36 contributions under the Arkansas Teacher Retirement System, is amended to



1 read as follows:

2 (iv) ~~An active~~ A member who has previous
 3 noncontributory credited service may change credited service on which a
 4 member contribution has not been paid to contributory credited service by
 5 paying the system the actuarial equivalent of the member benefits.

6
 7 SECTION 3. Arkansas Code § 24-7-602(a)(1) and (2), concerning military
 8 service credit under the Arkansas Teacher Retirement System, are amended to
 9 read as follows:

10 (a)(1) If ~~an active~~ a member of the Arkansas Teacher Retirement System
 11 enters the United States Armed Forces during a period that a federal military
 12 draft was in effect and obtains a refund of member contributions from the
 13 system, the compulsory military service required of the member may be
 14 established as free credited service under this subchapter, if after an
 15 honorable discharge from the United States Armed Forces and before retirement
 16 the member repays to the system the actuarial equivalent of the member's
 17 refunded service.

18 (2)(A) ~~In addition, an active member who entered the United~~
 19 ~~States Armed Forces during any period that a federal military draft was in~~
 20 ~~effect and who becomes an active member after an honorable discharge from the~~
 21 ~~United States Armed Forces is eligible to receive free military service~~
 22 ~~credit under this section, whether or not the member has five (5) or more~~
 23 ~~years of credited service at the time of the reemployment. In addition, a~~
 24 member is eligible to receive free military service credit under this section
 25 if the member:

26 (i) Entered the United States Armed Forces during
 27 any period that a federal military draft was in effect; and

28 (ii) Becomes an active member after an honorable
 29 discharge from the United States Armed Forces.

30 (B) Subdivision (a)(2)(A) of this section applies to a
 31 member whether or not the member has five (5) or more years of credited
 32 service at the time of the member's reemployment.

33
 34 SECTION 4. EMERGENCY CLAUSE. It is found and determined by the
 35 General Assembly of the State of Arkansas that the operations of a state
 36 public retirement system are complex; that the Arkansas Teacher Retirement

1 System must be able to meet the needs of its members as anticipated by the
2 General Assembly; that certain provisions of the Arkansas Teacher Retirement
3 System Act need revision and updating to bring these provisions into
4 conformance with sound public pension policy and actuarial requirements; that
5 under the current provisions of the Arkansas Teacher Retirement System Act,
6 inactive members are ineligible for free military service credit and cannot
7 purchase military, contributory, and federal service credit; that the
8 revisions and updates are of great importance to members of the Arkansas
9 Teacher Retirement System and to other citizens of the State of Arkansas;
10 that the Arkansas Teacher Retirement System operates on a fiscal year of July
11 1 to June 30; that as the Arkansas Teacher Retirement System operates on a
12 fiscal year of July 1 to June 30, a July 1, 2023, effective date is necessary
13 in order to allow the provisions within this act to begin on the first day of
14 the fiscal year and to allow for a structured and proper administration of
15 the procedures referenced in this act; that the updates and revisions to the
16 Arkansas Teacher Retirement System Act are of great importance and necessary
17 for improving and protecting member benefits; and that this act is necessary
18 in order to maintain an orderly system of benefits for the members of the
19 Arkansas Teacher Retirement System. Therefore, an emergency is declared to
20 exist, and this act being necessary for the preservation of the public peace,
21 health, and safety shall become effective on July 1, 2023.

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24 **APPROVED: 2/13/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

SENATE BILL 115

5 By: Senator K. Hammer
6 By: Representative Warren
7

For An Act To Be Entitled

9 AN ACT TO AMEND AND UPDATE THE LAW CONCERNING
10 SURVIVOR ANNUITY BENEFITS UNDER THE ARKANSAS TEACHER
11 RETIREMENT SYSTEM; TO CLARIFY SURVIVOR APPLICATION
12 DEADLINES UNDER THE ARKANSAS TEACHER RETIREMENT
13 SYSTEM; TO CLARIFY A DEPENDENT CHILD'S ABILITY TO
14 RECEIVE A DEPENDENT CHILD ANNUITY UNDER THE ARKANSAS
15 TEACHER RETIREMENT SYSTEM WHEN THE CHILD IS CALLED TO
16 ACTIVE MILITARY DUTY OR TRAINING; TO CLARIFY A
17 DEPENDENT CHILD'S ELIGIBILITY FOR A DEPENDENT CHILD
18 ANNUITY UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM
19 WHEN THE CHILD'S PARENT HAS RETIRED BUT RETURNS TO
20 WORK UNDER A COVERED EMPLOYER; TO DECLARE AN
21 EMERGENCY; AND FOR OTHER PURPOSES.
22
23

Subtitle

25 TO AMEND AND UPDATE THE LAW CONCERNING
26 SURVIVOR ANNUITY BENEFITS UNDER THE
27 ARKANSAS TEACHER RETIREMENT SYSTEM; AND
28 TO DECLARE AN EMERGENCY.
29
30

31 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
32

33 SECTION 1. Arkansas Code § 24-7-710 is amended to read as follows:
34 24-7-710. Survivor annuity benefits.

35 (a)(1) If an active member with five (5) or more years of actual and
36 reciprocal service, including credited service for the year immediately



1 preceding his or her death, dies before the receipt of retirement benefits
 2 from the Arkansas Teacher Retirement System, then the benefits provided in
 3 this section shall be paid to eligible survivors.

4 (2)(A) An immediately eligible survivor is entitled to receive
 5 monthly benefits beginning the month after the death of the active member if
 6 the survivor application is filed with the system ~~within three (3) months of~~
 7 ~~the death of the member~~ by the end of the sixth full calendar month following
 8 the date of the active member's death, otherwise the monthly benefits shall
 9 begin the month that the survivor application is filed with the system.

10 (B) If an immediately eligible survivor or the minor
 11 survivor's guardian or legal representative fails to complete the application
 12 process ~~within six (6) calendar months after~~ by the end of the sixth full
 13 calendar month following the date on which the application required under
 14 subdivision (a)(2)(A) of this section and any additional documentation
 15 required by the system is filed, ~~including the submission of any additional~~
 16 ~~documentation required by the system~~, the application shall be void unless an
 17 extension is granted by the ~~system~~ Executive Director of the Arkansas Teacher
 18 Retirement System.

19 (b)(1)(A)(i) Unless the active member otherwise directs an alternative
 20 beneficiary to receive a residue with a payable balance by using a
 21 beneficiary form approved by the system, ~~a~~ the active member's surviving
 22 spouse, who was married to the active member for at least the two (2) years
 23 immediately preceding the active member's death, shall receive an annuity
 24 computed in the same manner in all respects as if the active member had
 25 retired on the date of the active member's death and elected Option A under §
 26 24-7-706 to provide one hundred percent (100%) survivor annuity benefits,
 27 including benefits applicable under § 24-7-713, for his or her surviving
 28 spouse.

29 (ii)(a) Unless otherwise provided by this section, a
 30 surviving spouse who is ineligible for an annuity under this section solely
 31 as a result of the active member designating an alternative beneficiary shall
 32 be eligible for an annuity under this section if the alternative beneficiary
 33 waives his or her right to the residue.

34 (b) If the active member does not have a
 35 residue with a payable balance, a waiver of an alternative beneficiary's
 36 right to a residue shall not be required.

1 ~~(ii)~~(iii) The system shall continue to pay any
 2 benefits applicable under § 24-7-713 for an eligible surviving spouse,
 3 including a spouse who began receiving benefits on or after July 1, 2009.

4 (B)(i) If a surviving spouse is immediately eligible to
 5 receive a monthly benefit immediately after the death of ~~a~~ an active member,
 6 the immediately eligible surviving spouse is entitled to receive monthly
 7 benefits beginning the month after the death of the active member if the
 8 survivor application and all other required additional information is filed
 9 with the system ~~within three (3) months of the death of the member~~ by the end
 10 of the sixth full calendar month following the date of the active member's
 11 death, otherwise the monthly benefits shall begin the month that the survivor
 12 application is filed with the system if at the time of the active member's
 13 death the active member had:

14 (a) Accumulated twenty-five (25) years or more
 15 of credited service and qualified as eligible to receive a retirement annuity
 16 under §§ 24-7-701 and 24-7-702; or

17 (b) Reached sixty (60) years of age and
 18 qualified as eligible to receive a retirement annuity under § 24-7-707.

19 (ii) If an immediately eligible spouse fails to
 20 complete the application process ~~within six (6) calendar months after~~ by the
 21 end of the sixth full calendar month following the date on which the survivor
 22 application and additional documentation required under subdivision
 23 (b)(1)(B)(i) of this section is filed, ~~including the submission of all~~
 24 ~~additional documentation required by the system~~, the survivor application
 25 shall be void unless an extension is granted by the ~~system~~ executive
 26 director.

27 (C)(i) If the surviving spouse is not immediately eligible
 28 to receive monthly benefits under subdivision (b)(1)(B) of this section, the
 29 surviving spouse's benefits shall begin the later of either the month
 30 following the date the active member would have been eligible to receive
 31 benefits had the active member survived or the date that ~~an application for a~~
 32 ~~surviving spouse's benefits~~ a survivor application is filed with the system.

33 (ii) If a surviving spouse becomes eligible for
 34 surviving spouse benefits and fails to complete the application process
 35 ~~within six (6) calendar months after~~ by the end of the sixth full calendar
 36 month following the date on which the survivor application and additional

1 documentation required under subdivision (b)(1)(B)(i) of this section is
 2 filed, ~~including the submission of any additional documentation required by~~
 3 ~~the system~~, the survivor application shall be void unless an extension is
 4 granted by the ~~system~~ executive director.

5 (D) If the surviving spouse is eligible to receive the
 6 survivor annuity and the active member had not reached sixty (60) years of
 7 age at the time of the active member's death, the surviving spouse may elect
 8 to defer receipt of the annuity until the active member would have reached
 9 sixty (60) years of age, and the surviving spouse's benefits shall not be
 10 reduced under the early retirement provisions of § 24-7-702.

11 (E) The surviving spouse's benefits under this section are
 12 payable for the surviving spouse's lifetime.

13 (F) If the active member directs an alternative
 14 beneficiary by using a beneficiary form approved by the system, the active
 15 member may designate one or more residual beneficiaries to receive a lump-sum
 16 payment of the active member's residue amount under § 24-7-709 in lieu of the
 17 active member's surviving spouse.

18 (2) If at the time of the active member's death there are no
 19 dependent children and the surviving spouse who is eligible to receive the
 20 annuity under this subsection files with the system a written waiver of his
 21 or her right to the spousal annuity, a lump-sum distribution of the deceased
 22 active member's accumulated contributions plus regular interest may be made
 23 to the surviving spouse.

24 ~~(3) The Board of Trustees of the Arkansas Teacher Retirement~~
 25 ~~System may adopt rules to carry out the provisions of this section.~~

26 (c)(1)(A)(i) ~~A surviving dependent child of the member~~ An active
 27 member's surviving dependent child shall receive an annuity in an amount
 28 equal to one percent (1%) of the active member's highest salary year for each
 29 quarter of a year credited as actual service in the system but not to exceed
 30 twenty (20) quarters of a year that are credited as actual service in the
 31 system for up to a maximum of twenty thousand dollars (\$20,000).

32 (ii) If the active member's highest salary year
 33 occurs in the year that the active member died, the system shall calculate
 34 the surviving dependent child's annuity on the basis of a full year of salary
 35 by the active member.

36 (B) If a an active member has more than three (3)

1 surviving dependent children, the aggregate amount of the surviving dependent
2 children's annuity shall not exceed the lesser of sixty percent (60%) of the
3 active member's highest salary year or sixty thousand dollars (\$60,000) per
4 year and shall be divided equally among the surviving dependent children.

5 (2)(A) A deceased active member's child shall be considered a
6 dependent child and eligible for the dependent child annuity until he or she
7 reaches eighteen (18) years of age.

8 (B)(i) ~~The child of a deceased member is considered a~~
9 ~~dependent child and is eligible for the dependent child annuity at eighteen~~
10 ~~(18) years of age or older, but not older than twenty three (23) years of~~
11 ~~age, if the dependent child stays continuously enrolled as a full-time~~
12 ~~student at an accredited secondary school, college, or university. A~~
13 deceased active member's child shall be considered a dependent child who is
14 eligible for a dependent child annuity if the child:

15 (a) Is at least eighteen (18) years of age and
16 not older than twenty-two (22) years of age; and

17 (b) Stays continuously enrolled as a full-time
18 student in an accredited secondary school, college, university, or
19 vocational-technical school.

20 (ii) Notwithstanding subdivision (c)(2)(B)(i)(b) of
21 this section, a dependent child who enrolls in an accredited college,
22 university, or vocational-technical school and defers his or her enrollment
23 in accordance with rules promulgated by the Board of Trustees of the Arkansas
24 Teacher Retirement System shall remain eligible to receive a dependent child
25 annuity during his or her period of deferred enrollment.

26 (C) ~~(ii)~~ Regardless of age, a deceased active
27 member's child who has been deemed physically or mentally incapacitated by a
28 court of competent jurisdiction is eligible to receive a dependent child
29 annuity for as long as the incapacity exists.

30 (D)(i) A dependent child may have his or her dependent
31 child annuity temporarily suspended if the dependent child:

32 (a) Is called to active military duty or
33 active military training; and

34 (b) Submits a copy of his or her military
35 orders to the system.

36 (ii) The dependent child's dependent child annuity

1 shall be temporarily suspended for the duration of the dependent child's
 2 participation in active military duty or active military duty training.

3 (iii) The dependent child's dependent child annuity
 4 shall be reinstated if the dependent child:

5 (a) Is at least eighteen (18) years of age and
 6 not older than twenty-two (22) years of age;

7 (b) Immediately enrolls as a full-time student
 8 at an accredited secondary school, college, university, or vocational-
 9 technical school after returning from active military duty or active military
 10 training; and

11 (c) Submits documentation of his or her
 12 enrollment at an accredited secondary school, college, university, or
 13 vocational-technical school to the system.

14 (3) When a dependent child ceases to ~~be a dependent~~ qualify as a
 15 dependent child or dies, the dependent child shall not be eligible to qualify
 16 as a dependent child of the deceased active member again, and his or her
 17 share of the dependent child annuity shall terminate.

18 (d) For the purposes of §§ 24-7-709 and 24-7-711 related to the
 19 disposition of a member's residue amount, a survivor annuity received from
 20 ~~the~~ an active member's deposit account under this section shall be considered
 21 annuity payments received by the active member or his or her designated
 22 beneficiary and shall offset any disposition of residue payable under §§ 24-
 23 7-709 and 24-7-711 to the estate of the member or to an alternate payee.

24 (e) If ~~the~~ an active member ~~had~~ previously received benefits from the
 25 system and has not repaid in full all amounts payable by him or her to the
 26 system, the annuity amounts otherwise provided by this section shall be
 27 withheld until the total amount owed to the system is repaid.

28 (f)(1) For eligibility under this section, a member is considered
 29 active for an additional fiscal year following the last fiscal year that the
 30 member renders actual service to a covered employer and obtains at least one-
 31 fourth ($\frac{1}{4}$) of a year of service credit.

32 (2) In addition, a member is considered active for eligibility
 33 under this section if in the fiscal year of a member's death, the member
 34 earned at least ten (10) days of service credit in each quarter before and
 35 including the quarter of the member's death.

36 (3) Service credit used in calculating any benefits paid under

1 this section ~~means~~ includes days of service, ~~including~~ and any paid sick
2 leave covered by the covered employer.

3 (g)(1) A dependent child annuity shall be payable to each surviving
4 child of a retiree who dies after returning to work if the child qualifies as
5 a dependent child and is eligible for a dependent child annuity under this
6 section and the rules and resolutions of the system.

7 (2) The provisions of this section that are applicable to the
8 child of an active member shall be used to determine:

9 (A) Whether the child of a retiree who dies after
10 returning to work qualifies as a dependent child who is eligible for a
11 dependent child annuity;

12 (B) When the dependent child annuity is payable to the
13 child of a retiree who dies after returning to work; and

14 (C) The amount of the dependent child annuity payable to
15 the child of a retiree who dies after returning to work.

16 (h) A member's effective retirement date and the date when survivor
17 benefits under this section are payable shall be determined by the law in
18 effect at the time of a member's death.

19 (i) The board may adopt rules to carry out this section.

20
21 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
22 General Assembly of the State of Arkansas that the operations of a state
23 public retirement system are complex; that the Arkansas Teacher Retirement
24 System must be able to meet the needs of its members as anticipated by the
25 General Assembly; that certain provisions of the Arkansas Teacher Retirement
26 System Act need revision and updating to bring these provisions into
27 conformance with sound public pension policy and actuarial requirements; that
28 the current provisions of the Arkansas Teacher Retirement System Act are
29 unclear with regard to application deadlines, a dependent child's ability to
30 continue receiving a dependent child annuity when the dependent child is
31 called to active military duty or training, and the eligibility of a child of
32 a retiree who returns to work to receive a dependent child annuity; that the
33 revisions and updates are of great importance to members of the Arkansas
34 Teacher Retirement System and to other citizens of the State of Arkansas;
35 that as the Arkansas Teacher Retirement System operates on a fiscal year of
36 July 1 to June 30, a July 1, 2023, effective date is necessary in order to

1 allow the provisions within this act to begin on the first day of the fiscal
2 year and to allow for a structured and proper administration of the
3 procedures referenced in this act; that the updates and revisions to the
4 Arkansas Teacher Retirement System Act are of great importance and necessary
5 for improving and protecting member benefits; and that this act is necessary
6 in order to maintain an orderly system of benefits for the members of the
7 Arkansas Teacher Retirement System. Therefore, an emergency is declared to
8 exist, and this act being necessary for the preservation of the public peace,
9 health, and safety shall become effective on July 1, 2023.

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12 **APPROVED: 2/13/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

HOUSE BILL 1188

5 By: Representative A. Collins
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND AND UPDATE THE LAW CONCERNING THE
10 FINAL AVERAGE SALARY UNDER THE ARKANSAS TEACHER
11 RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR
12 OTHER PURPOSES.
13
14

Subtitle

15 TO AMEND AND UPDATE THE LAW CONCERNING
16 THE FINAL AVERAGE SALARY UNDER THE
17 ARKANSAS TEACHER RETIREMENT SYSTEM; AND
18 TO DECLARE AN EMERGENCY.
19
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21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. Arkansas Code § 24-7-736(c)(2)(A), concerning the method
25 through which full and partial service years are used to calculate a member's
26 final average salary under the Arkansas Teacher Retirement System, is amended
27 to read as follows:

28 (2)(A) Full and partial service years that are recorded as
29 service credit shall be used in the calculation of the final average salary
30 in accordance with rules promulgated by the board.
31

32 SECTION 2. Arkansas Code § 24-7-736(c)(4)(D), concerning the
33 calculation of a member's final average salary under the Arkansas Teacher
34 Retirement System, is amended to read as follows:

35 (D)(i) The next-highest service year salary in the
36 calculation of final average salary that is less than eight (8) years from



1 the base salary year shall not exceed the base salary value plus the ~~salary~~
 2 ~~differential~~ anti-spiking amount unless the next-highest year's value is less
 3 than or equal to the ~~percentage increase~~ anti-spiking percentage of the base
 4 salary.

5 (ii) Subdivision (c)(4)(D)(i) of this section shall
 6 not apply to a partial service year or a fiscal year immediately following a
 7 partial service year.

8
 9 SECTION 3. Arkansas Code § 24-7-736(e), concerning the ability of the
 10 Board of Trustees of the Arkansas Teacher Retirement System to adjust a
 11 member's calculated final average salary by board resolution when certain
 12 criteria are met, is amended to read as follows:

13 (e) The board may adjust the final average salary calculated in
 14 accordance with subsection (c) of this section by board resolution provided
 15 that:

16 (1) The ~~percentage increase~~ anti-spiking percentage under
 17 subdivision (c)(4)(D) of this section is set no lower than one hundred five
 18 percent (105%) per year and no higher than one hundred twenty percent (120%)
 19 per year; and

20 (2) The ~~salary differential~~ anti-spiking amount permitted under
 21 subdivision (c)(4)(D) of this section is set no lower than one thousand two
 22 hundred fifty dollars (\$1,250) per year and no higher than five thousand
 23 dollars (\$5,000) per year.

24
 25 SECTION 4. EMERGENCY CLAUSE. It is found and determined by the
 26 General Assembly of the State of Arkansas that the operations of a state
 27 public retirement system are complex; that the Arkansas Teacher Retirement
 28 System must be able to meet the needs of its members as anticipated by the
 29 General Assembly; that certain provisions of the Arkansas Teacher Retirement
 30 System Act need revision and updating to bring them into conformance with
 31 sound public pension policy and actuarial requirements; that the revisions
 32 and updates are of great importance to members of the Arkansas Teacher
 33 Retirement System and to other citizens of the State of Arkansas; that as the
 34 Arkansas Teacher Retirement System operates on a fiscal year of July 1 to
 35 June 30, a July 1, 2023, effective date is necessary in order to allow the
 36 provisions within this act to begin on the first day of the fiscal year and

1 to allow for a structured and proper administration of the procedures
2 referenced in this act; that the updates and revisions to the Arkansas
3 Teacher Retirement System Act are of great importance for actuarial purposes
4 and for the improvement and protection of member benefits under the Arkansas
5 Teacher Retirement System; and that this act is necessary in order to
6 maintain an orderly system of benefits for the members of the Arkansas
7 Teacher Retirement System. Therefore, an emergency is declared to exist, and
8 this act being necessary for the preservation of the public peace, health,
9 and safety shall become effective on July 1, 2023.

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12 **APPROVED: 2/21/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

As Engrossed: H2/7/23

A Bill

HOUSE BILL 1201

5 By: Representative Warren
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO ENACT THE ARKANSAS TEACHER RETIREMENT
10 SYSTEM'S GENERAL OMNIBUS ACT; TO CORRECT CERTAIN
11 REFERENCES TO "ALTERNATE RETIREMENT PLAN", "COVERED
12 EMPLOYER", "CREDITED SERVICE", "RETIRANT", "SERVICE
13 CREDIT", AND "THE SYSTEM"; TO AMEND AND ADD CERTAIN
14 DEFINITIONS APPLICABLE TO THE ARKANSAS TEACHER
15 RETIREMENT SYSTEM; TO CLARIFY THE LAW CONCERNING
16 BENEFIT INCREASES AND COMPUTATION, DEADLINES, SYSTEM
17 ASSETS, TERMINATION SEPARATION PERIOD, SERVICE
18 CREDIT, SECOND REVIEWS OF DISABILITY RETIREMENT
19 APPLICATIONS, A MEMBER'S RESIDUE, CONTRACT BUYOUT
20 SETTLEMENT AGREEMENTS, THE DE MINIMIS AMOUNT, AND
21 OTHER VARIOUS PROVISIONS APPLICABLE TO THE ARKANSAS
22 TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY;
23 AND FOR OTHER PURPOSES.

Subtitle

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25
26 TO ENACT THE ARKANSAS TEACHER RETIREMENT
27 SYSTEM'S GENERAL OMNIBUS ACT; AND TO
28 DECLARE AN EMERGENCY.
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32 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
33

34 SECTION 1. Arkansas Code § 21-5-411(a)(1)(A)(v), concerning the
35 eligibility of certain retired employees to participate in the State and
36 Public School Life and Health Insurance Program, is amended to read as



1 follows:

2 (v) An alternate retirement plan ~~of a qualifying~~
3 ~~institution under~~ as defined in § 24-7-801 24-7-202; and

4
5 SECTION 2. Arkansas Code § 24-2-302(3)(D), concerning the
6 classification under the Arkansas Teacher Retirement System of a person
7 employed in a position requiring professional training or certification with
8 an area vocational-technical school or employed by the Arkansas Educational
9 Television Commission, is amended to read as follows:

10 (D) Any person employed in a position requiring
11 professional training or certification with an area vocational-technical
12 school or employed by the Arkansas Educational Television Commission, except
13 that employees of area vocational-technical schools and the Division of
14 Career and Technical Education, the Adult Education Section, and the Office
15 of Skills Development, who have elected to participate in an alternate
16 retirement plan established by ~~§§ 24-7-901 and 24-7-903—24-7-908~~ § 24-7-901
17 et seq. shall be active members of the alternate retirement plan; and

18
19 SECTION 3. Arkansas Code § 24-2-401(3)(F), concerning the definition
20 of "reciprocal system" that is applicable to public employee retirement
21 plans, is amended to read as follows:

22 (F) An alternate retirement plan ~~for:~~
23 ~~(i) A college, university, or the Division of Higher~~
24 ~~Education provided for under § 24-7-801 et seq.; or~~
25 ~~(ii) A vocational-technical school or the Division~~
26 ~~of Career and Technical Education, the Adult Education Section of the~~
27 ~~Division of Workforce Services, the Division of Higher Education, and the~~
28 ~~Office of Skills Development, with respect to plans provided for under § 24-~~
29 ~~7-901 et seq. as defined in § 24-7-202; or~~

30
31 SECTION 4. Arkansas Code § 24-2-401(4)(D), concerning the definition
32 of "state employer" that is applicable to public employee retirement plans,
33 is amended to read as follows:

34 (D) A public employer ~~who is:~~
35 ~~(i) A college, university, or the Division of Higher~~
36 ~~Education whose employees are covered by an alternate retirement plan~~

1 ~~provided for under § 24-7-801 et seq., or~~
2 ~~(ii) A vocational technical school or the Division~~
3 ~~of Career and Technical Education, the Adult Education Section, and the~~
4 ~~Office of Skills Development, whose employees are covered by an alternate~~
5 ~~retirement plan provided for under § 24-7-901 et seq. that has an alternate~~
6 ~~retirement plan as defined in § 24-7-202;~~
7

8 SECTION 5. Arkansas Code § 24-2-402(g)(6), concerning death-in-service
9 benefits as to an alternate retirement plan, is amended to read as follows:

10 (6) If the reciprocal system is an alternate retirement plan
11 ~~under § 24-7-801 et seq. or § 24-7-901 et seq. as defined in § 24-7-202,~~
12 death-in-service benefits shall be contingent on death-in-service benefits
13 having been provided by the alternate retirement plan and having been
14 selected by the member as a benefit.

15
16 SECTION 6. Arkansas Code § 24-2-402(k), concerning the payment of
17 payable benefits in accordance with terms specified in a written alternate
18 retirement plan document, is amended to read as follows:

19 (k) If the reciprocal system is an alternate retirement plan ~~for a~~
20 ~~college, a university, or the Division of Higher Education provided for under~~
21 ~~§ 24-7-801 et seq., or for a vocational technical school or the Department of~~
22 ~~Career Education provided for under § 24-7-901 et seq. as defined in § 24-7-~~
23 ~~202,~~ the benefits payable shall be in accordance with terms specified in the
24 written alternate retirement plan document for purchasing the insurance
25 policies or annuity contracts, both fixed and variable in nature, for the
26 participants.

27
28 SECTION 7. Arkansas Code § 24-4-901(a)(1)(F), concerning credited
29 service and reciprocity under the Arkansas Public Employees' Retirement
30 System and the amount of annuity awarded to a member employed by an alternate
31 retirement plan, is amended to read as follows:

32 (F) An alternate retirement plan ~~under § 24-8-101 et seq.~~
33 ~~or § 24-9-201 et seq. as defined in § 24-7-202;~~ or
34

35 SECTION 8. Arkansas Code § 24-4-901(a)(3)(B), concerning credited
36 service and reciprocity under the Arkansas Public Employees' Retirement

1 System and the computation of final average compensation for credited service
2 in the Arkansas Judicial Retirement System or an alternate retirement plan,
3 is amended to read as follows:

4 (B) Compensation for credited service in the Arkansas
5 Judicial Retirement System or an alternate retirement plan ~~under § 24-8-101~~
6 ~~et seq. or § 24-9-201 et seq.~~ as defined in § 24-7-202 shall not be used to
7 determine final average compensation.

8

9 SECTION 9. Arkansas Code § 24-4-901(b)(1)(F), concerning credited
10 service and reciprocity under the Arkansas Public Employees' Retirement
11 System and what criteria an annuity is determined from when a member of an
12 alternate retirement plan retires due to disability or dies in service, is
13 amended to read as follows:

14 (F) An alternate retirement plan ~~under § 24-8-101 et seq.~~
15 ~~or § 24-9-201 et seq.~~ as defined in § 24-7-202; or

16

17 SECTION 10. Arkansas Code § 24-4-901(b)(4), concerning credited
18 service and reciprocity under the Arkansas Public Employees' Retirement
19 System and the contingency of disability and death-in-service benefits being
20 awarded if provision of the benefits were provided to the alternate
21 retirement plan and were selected by the member as a benefit, is amended to
22 read as follows:

23 (4) If a member has service credit in an alternate retirement
24 plan ~~under § 24-8-101 et seq. or § 24-9-201 et seq.~~ as defined in § 24-7-202,
25 disability and death-in-service benefits shall be contingent on provision of
26 those benefits having been provided by the alternate retirement plan and
27 having been selected by the member as a benefit.

28

29 SECTION 11. Arkansas Code § 24-4-901(d)(6), concerning credited
30 service and reciprocity under the Arkansas Public Employees' Retirement
31 System and the provision of reciprocal service credits between contributory
32 and noncontributory members of an alternate retirement plan, is amended to
33 read as follows:

34 (6) An alternate retirement plan ~~for a college, university, or~~
35 ~~the Division of Higher Education provided for under § 24-8-101 et seq. or for~~
36 ~~a vocational-technical school or the Division of Career and Technical~~

1 ~~Education, the Adult Education Section, and the Office of Skills Development,~~
 2 ~~provided for under § 24-9-201 et seq., as defined in § 24-7-202;~~ and

3
 4 SECTION 12. Arkansas Code § 24-7-202(6), concerning the definition of
 5 "alternate retirement plan" applicable to the Arkansas Teacher Retirement
 6 System, is amended to read as follows:

7 (6) "Alternate retirement plan" means a retirement plan based on
 8 the purchase of contracts providing retirement and death benefits for
 9 employees under ~~§ 24-7-801 et seq. or § 24-7-901 et seq.~~ § 24-7-801 et seq.,
 10 § 24-7-901 et seq., or § 24-7-1001 et seq.;

11 SECTION 13. Arkansas Code § 24-7-202(7), concerning the definition of
 12 "annuity" applicable to the Arkansas Teacher Retirement System, is amended to
 13 read as follows:

14 (7) "Annuity" means an amount payable to a ~~retirant~~ retiree each
 15 fiscal year by the Arkansas Teacher Retirement System in equal monthly
 16 installments;

17
 18 SECTION 14. Arkansas Code § 24-7-202(14), concerning the definition of
 19 "credited service" applicable to the Arkansas Teacher Retirement System, is
 20 amended to read as follows:

21 (14) "Credited service" means service which is ~~creditable~~
 22 credited as service by the Arkansas Teacher Retirement System;

23
 24 SECTION 15. Arkansas Code § 24-7-202(19)(D)(iii), concerning the
 25 definition of "employment with a school" applicable to the Arkansas Teacher
 26 Retirement System, is amended to read as follows:

27 (iii) Each education-related agency or organization
 28 shall ~~be~~:

29 (a) ~~Approved~~ Be approved according to rules
 30 established by the ~~board~~ Board of Trustees of the Arkansas Teacher Retirement
 31 System;

32 (b) ~~Considered an employer under subdivision~~
 33 ~~(18) of this section~~ Become a covered employer at the time that an employee
 34 elects to become or remain a member of the Arkansas Teacher Retirement
 35 System; and

36 (c) Be considered a covered employer only for

1 each employee who elects to become or remain a member of the Arkansas Teacher
 2 Retirement System; and

3 (d) Responsible ~~Be responsible~~ for all
 4 required employer contributions;

5
 6 SECTION 16. Arkansas Code § 24-7-202(21)(B), concerning the definition
 7 of "inactive member" applicable to the Arkansas Teacher Retirement System, is
 8 amended to read as follows:

9 (B) Not a ~~retirant~~ retiree;

10
 11 SECTION 17. Arkansas Code § 24-7-202(28), concerning the definition of
 12 "normal retirement age" applicable to the Arkansas Teacher Retirement System,
 13 is amended to read as follows:

14 (28) "Normal retirement age" means:

15 (A) Sixty-five (65) years of age if the member has at
 16 least five (5) years of actual service or reciprocal service; or

17 (B) ~~At least sixty (60) years of age if the member has a~~
 18 ~~combined total of thirty-eight (38) years or more of credited service in the~~
 19 ~~Arkansas Teacher Retirement System, Teacher Deferred Retirement Option Plan,~~
 20 ~~or reciprocal service in another eligible state retirement system~~ Sixty (60)
 21 years of age or older if the member's age and the member's combined years of
 22 credited service in the Arkansas Teacher Retirement System, Teacher Deferred
 23 Retirement Option Plan, or reciprocal service in another eligible state
 24 retirement system total ninety-eight (98);

25
 26 SECTION 18. Arkansas Code § 24-7-202(32), concerning the definition of
 27 "retiree" or "retirant" under the Arkansas Teacher Retirement System, is
 28 amended to read as follows:

29 (32) "Retiree" ~~or "retirant"~~ means a member receiving an
 30 Arkansas Teacher Retirement System annuity;

31
 32 SECTION 19. Arkansas Code § 24-7-202, concerning definitions
 33 applicable to the Arkansas Teacher Retirement System, is amended to add
 34 additional subdivisions to read as follows:

35 (45)(A) "Benefit enhancement" means any change to the current
 36 benefit policy for a retired, active, or inactive member of the Arkansas

1 Teacher Retirement System or T-DROP participant that increases the
2 amortization period by one (1) year or more.

3 (B) Benefit enhancement does not include any change that is
4 required to comply with federal law, prevent a manifest injustice, correct an
5 error, avoid an unintended consequence of an existing statutory provision, or
6 prevent undue hardship on any benefit participant or class of benefit
7 participants.

8 (46) "Employment with a covered employer" means the employment
9 of an employee that would require a covered employer to pay employer
10 contributions to the system; and

11 (47) "Residue" for the purposes of § 24-7-701 et seq. means the
12 difference between the accumulated contributions and regular interest
13 credited to the retirement reserve account as of the member's effective date
14 of retirement and the total amount of retirement annuities paid.

15
16 SECTION 20. Arkansas Code § 24-7-207 is amended to read as follows:

17 24-7-207. Increase in benefit amount.

18 (a)(1) The Board of Trustees of the Arkansas Teacher Retirement System
19 is authorized ~~by this act~~ to raise the level of benefits provided to the
20 current ~~retirants~~ retirees and other beneficiaries of the Arkansas Teacher
21 Retirement System ~~to a comparable level increase to match the increase in~~
22 ~~benefits that would accrue to active members as a result of any reduction of~~
23 ~~the calculation of "final average salary" to not less than a three year~~
24 ~~period nor more than the five year period in accordance with any rules the~~
25 ~~board might promulgate.~~

26 (2) The board may raise the level of benefits to a comparable
27 level increase that matches the increase in benefits that would accrue to
28 active members as a result of any reduction caused by setting the applicable
29 number of years used in computing final average salary for retirement
30 benefits at not less than three (3) years and not more than five (5) years in
31 accordance with any rules that the board may promulgate.

32 (b) The amount of any increase for ~~retirants~~ retirees and other
33 beneficiaries shall also be determined in accordance with the rules of the
34 board as is actuarially appropriate for the system.

35
36 SECTION 21. Arkansas Code § 24-7-301(4) and (5), concerning the

1 membership of the Board of Trustees of the Arkansas Teacher Retirement System
2 and the election thereof, are amended to read as follows:

3 (4)(A) Three (3) ~~retirants~~ retirees shall be elected ~~retirant~~
4 retiree trustees by the retirees of the system.

5 (B) Each ~~retirant~~ retiree trustee shall be a ~~retirant~~
6 retiree with an annuity being paid by the system at the beginning of his or
7 her term of office;

8 (5) The member and ~~retirant~~ retiree trustees shall be elected in
9 accordance with rules as have been adopted by the board to govern the
10 elections; and

11

12 SECTION 22. Arkansas Code § 24-7-302(a)(2)(B), concerning the
13 ineligibility of a retirant trustee to serve on the Board of Trustees of the
14 Arkansas Teacher Retirement System after becoming active, is amended to read
15 as follows:

16 (B) A ~~retirant~~ retiree trustee is ineligible to serve
17 after becoming active.

18

19 SECTION 23. Arkansas Code § 24-7-305(b)(5), concerning the ability of
20 the Board of Trustees of the Arkansas Teacher Retirement System to set a de
21 minimis amount to charge for distributing or collecting various moneys, is
22 amended to read as follows:

23 (5) The board may set or amend by a motion or resolution at any
24 board meeting a de minimis amount ~~of twenty five dollars (\$25.00) or less~~
25 concerning the system's obligation to distribute or collect payments,
26 penalties, interest, funds, or moneys.

27

28 SECTION 24. Arkansas Code § 24-7-403(b), concerning the restriction of
29 trustees, officers, and employees of the Board of Trustees of the Arkansas
30 Teacher Retirement System from holding an interest in the gains or profits of
31 any of the board's investments, is amended to read as follows:

32 (b)(1) Except as to the rights of a member, ~~retirant~~ retiree, or
33 beneficiary, ~~no trustee and no officer or employee~~ a trustee, officer, or
34 employee of the board shall not have any direct or indirect interest, ~~direct~~
35 ~~or indirect~~, in the gains or profits of any investment made by the board.

36 (2) ~~Nor shall any of them, directly or indirectly, for himself~~

1 ~~or herself or as an agent, in any manner use the assets of the system except~~
 2 ~~to make such current and necessary payments as are authorized by the board;~~
 3 ~~nor shall any of them become an endorser or surety or become in any manner an~~
 4 ~~obligor for moneys loaned by or borrowed from the board~~ A trustee, officer,
 5 or employee of the board shall not directly or indirectly use the assets of
 6 the system in any manner for himself or herself or as an agent.

7 (3) A trustee, officer, or employee of the board shall not in
 8 any manner become an endorser, surety, or obligor for moneys loaned by or
 9 borrowed from the board.

10 (4) A trustee, officer, or employee of the board may make such
 11 current and necessary payments as are authorized by the board.

12
 13 SECTION 25. Arkansas Code § 24-7-408 is amended to read as follows:

14 24-7-408. Retirement fund assets accounts – Retirement reserve
 15 account.

16 (a) The retirement reserve account shall be the account from which
 17 shall be paid all annuities and benefits in lieu of annuities payable as
 18 provided in this act to ~~retirants~~ retirees who retired on account of
 19 superannuation or disability and to beneficiaries of such ~~retirants~~ retirees.

20 (b) If a disability ~~retirant~~ retiree returns to teaching service:

21 (1) The amount of his or her accumulated contributions at the
 22 time of his or her disability retirement shall be transferred from the
 23 retirement reserve account to the members' deposit account; and

24 (2) The remainder of his or her annuity reserve at the time of
 25 return shall be transferred from the retirement reserve account to the
 26 employer accumulation account.

27
 28 SECTION 26. Arkansas Code § 24-7-501(a)(2)(B)(iii), concerning the
 29 employer contribution rate under the Arkansas Teacher Retirement System being
 30 established at a rate necessary to fund liabilities, is amended to read as
 31 follows:

32 (iii) The employer contribution rate for this closed
 33 system shall be established at a rate necessary to fund all present and
 34 future liabilities until such time as there are no longer members, ~~retirants~~
 35 retirees, or deferred annuitants.

1 SECTION 27. Arkansas Code § 24-7-502(a)(6), concerning restrictions on
2 a member during his or her termination separation period under the Arkansas
3 Teacher Retirement System, is amended to read as follows:

4 (6) During the termination separation period, the member shall
5 remain terminated and shall not:

6 (A) Form an employment relationship with ~~any system-~~
7 ~~covered employer~~ a covered employer;

8 (B) Render any compensable services to or on behalf of ~~any~~
9 ~~system covered employer~~ a covered employer, except that a member may ~~provide~~
10 ~~perform~~ volunteer activities ~~at a system covered employer~~ for a covered
11 employer that ~~does~~ do not have the effect of holding a position open for the
12 member during a termination separation period; ~~and~~

13 (C) Exercise any authority to act as a representative of
14 ~~any system covered employer~~ a covered employer or exercise any authority over
15 employees of ~~any system covered employer~~ a covered employer; or

16 (D) Be indirectly employed by or through an independent
17 contractor, limited liability company, partnership, corporation, or legal
18 entity that is employed by a covered employer if the member has substantial
19 control of the employer-employee relationship, including without limitation
20 the ability to negotiate rates of pay with the covered employer or assign
21 work and work hours to the member.

22

23 SECTION 28. Arkansas Code § 24-7-601(e)(5), concerning the provision
24 of a benefit amount that is not dependent on length of credited service under
25 the Arkansas Teacher Retirement System, is amended to read as follows:

26 (5) When the Arkansas Teacher Retirement System provides a
27 benefit amount that is not dependent on length of credited service, the
28 benefit amount shall be reduced to the proportion that actual system service
29 bears to total ~~reciprocal system credited~~ service credited by a reciprocal
30 system.

31

32 SECTION 29. Arkansas Code § 24-7-601(g)(1), concerning concurrent
33 service earned in the Arkansas Teacher Retirement System and reciprocal
34 systems, is amended to add an additional subdivision to read as follows:

35 (C) A member's part-time employment with a PSHE employer
36 or an employer covered by the Arkansas Public Employees' Retirement System

1 shall not prevent the member from earning service credit under the Arkansas
2 Teacher Retirement System if the member does not earn service credit in an
3 alternate retirement plan or the Arkansas Public Employees' Retirement
4 System.

5
6 SECTION 30. Arkansas Code § 24-7-602(c)(1), concerning military
7 service credit under the Arkansas Teacher Retirement System when a member
8 leaves employment with a school to serve in the uniformed services of the
9 United States and later returns to employment with a school, is amended to
10 read as follows:

11 (c)(1)(A) ~~Effective December 12, 1994, a~~ A member who leaves
12 employment with a school or employment with a covered employer to serve, on a
13 voluntary or involuntary basis, in the uniformed services of the United
14 States and returns to employment with a school or employment with a covered
15 employer shall be treated as not having incurred a break in service with the
16 employer.

17 (B) The employer shall certify to the system that
18 reemployment was in accordance with the requirements set forth in section
19 4312 of the Uniformed Services Employment and Reemployment Rights Act of
20 1994, Pub. L. No. 103-353.

21
22 SECTION 31. Arkansas Code § 24-7-701(a)(1)(B), concerning the time
23 frame necessary for a member to submit a complete application for voluntary
24 retirement under the Arkansas Teacher Retirement System, is amended to read
25 as follows:

26 (B) If a member fails to submit a complete retirement
27 application ~~within six (6) calendar months after~~ by the end of the sixth full
28 calendar month immediately following the effective date of benefits,
29 including all additional documentation required by the system, the
30 application shall be void unless an extension has been granted by the ~~system~~
31 Executive Director of the Arkansas Teacher Retirement System.

32
33 SECTION 32. Arkansas Code § 24-7-701(e)(1), concerning when a member
34 may cancel an application for voluntary retirement benefits under the
35 Arkansas Teacher Retirement System, is amended to read as follows:

36 (e)(1) A member may cancel an application for voluntary retirement

1 benefits ~~up to two (2) calendar months after~~ any time before the end of the
2 second full calendar month immediately following the effective date of
3 benefits.

4
5 SECTION 33. Arkansas Code § 24-7-702(a)(1)(A) and (B), concerning a
6 member's application for voluntary early retirement under the Arkansas
7 Teacher Retirement System, are amended to read as follows:

8 (a)(1)(A) Except as provided under subdivision (a)(2) of this section,
9 an active or inactive member who has a combined total of twenty-five (25) or
10 more years of actual and reciprocal service, including purchased or free
11 credited service, but has not attained sixty (60) years of age and is not
12 eligible for retirement under § 24-7-701 may voluntarily retire early by
13 filing a written application with the ~~Board of Trustees of the Arkansas~~
14 ~~Teacher Retirement System~~ Arkansas Teacher Retirement System.

15 (B) If a member fails to submit a complete retirement
16 application ~~within six (6) calendar months of~~ by the end of the sixth full
17 calendar month immediately following the effective date of benefits,
18 including all additional documentation required by the Arkansas Teacher
19 Retirement System, the application shall be void unless an extension is
20 granted by the ~~system~~ Executive Director of the Arkansas Teacher Retirement
21 System.

22
23 SECTION 34. Arkansas Code § 24-7-702(f)(1), concerning when a member
24 may cancel an application for early voluntary retirement benefits under the
25 Arkansas Teacher Retirement System, is amended to read as follows:

26 (f)(1) A member may cancel an application for early voluntary
27 retirement benefits up to two (2) full calendar months after the effective
28 date of benefits.

29
30 SECTION 35. Arkansas Code § 24-7-704(a)(1)(D)(i) and (ii), concerning
31 when a member must submit an application and accompanying documentation for
32 disability retirement under the Arkansas Teacher Retirement System, are
33 amended to read as follows:

34 (D)(i) A member has ~~six (6) calendar months from~~ until the
35 end of the sixth full calendar month immediately following the date of his or
36 her application for disability retirement to submit a completed application

1 and accompanying documentation.

2 (ii) If a member does not provide all accompanying
3 documentation requested by the system ~~within the six (6) calendar months by~~
4 the end of the sixth full calendar month immediately following the date of
5 his or her application for disability retirement, the system shall:

6 (a) Submit the application to the medical
7 committee for review as complete; or

8 (b) Withdraw the application at the request of
9 the member unless an extension is granted by the ~~system~~ Executive Director of
10 the Arkansas Teacher Retirement System.

11

12 SECTION 36. Arkansas Code § 24-7-704(a)(1)(G) and (H), concerning
13 actions by the medical committee related to when a member submits an
14 application for disability retirement under the Arkansas Teacher Retirement
15 System, are amended to read as follows:

16 (G) If the medical committee requests additional
17 documentation upon initial review, a member has ~~six (6) calendar months from~~
18 until the end of the sixth full calendar month immediately following the date
19 of a medical committee request to submit any additional accompanying
20 documentation unless an extension is granted by the ~~system~~ executive
21 director.

22 (H)(i) If the medical committee finds that a member is not
23 qualified to receive disability benefits, written notice of the medical
24 committee's finding shall be sent to the member and the member may request a
25 second review provided the member submits additional medical documentation.

26 (ii)(a) ~~A second review may be requested one (1)~~
27 ~~time~~ A member may request a second review one (1) time for each application
28 for disability retirement filed by the member.

29 (b) A member's option to request a second
30 review does not apply to a disability retiree who applies for a review under
31 subsection (b) of this section.

32 (iii) The member has ~~six (6) calendar months until~~
33 the end of the sixth full calendar month immediately following the date of
34 the written notice to submit additional medical documentation unless an
35 extension is granted by the ~~system~~ executive director.

36

1 SECTION 37. Arkansas Code § 24-7-704(a)(3)(B), concerning when a
2 member must submit all documents and election forms required to begin annuity
3 payments for disability retirement under the Arkansas Teacher Retirement
4 System, is amended to read as follows:

5 (B) If a member does not submit the required documents
6 ~~within six (6) calendar months after~~ by the end of the sixth full calendar
7 month immediately following the date on which the medical committee finds
8 that the member qualifies to receive disability benefits, the member's
9 application shall be void unless an extension has been granted by the ~~system~~
10 executive director.

11
12 SECTION 38. Arkansas Code § 24-7-704(a)(4), concerning restrictions on
13 when a member is eligible to begin receiving disability retirement payments
14 under the Arkansas Teacher Retirement System, is amended to read as follows:

15 (4) To begin receiving disability retirement, a member shall
16 not:

17 (A) Be employed by a ~~system-covered employer~~ covered
18 employer; or

19 (B) ~~Be indirectly employed by or through an independent~~
20 ~~contractor, limited liability company, partnership, corporation, or legal~~
21 ~~entity that is employed by a system-covered employer if the member has~~
22 ~~substantial control of the employer-employee relationship, including without~~
23 ~~limitation the ability to negotiate rates of pay with the system-covered~~
24 ~~employer or assign work and work hours to the member~~ Unless otherwise
25 provided by law, perform any action described in § 24-7-502(a)(6).

26
27 SECTION 39. Arkansas Code § 24-7-704(b)(3)(C)(iii), concerning actions
28 not taken by a disability retiree under the Arkansas Teacher Retirement
29 System that will cause termination of disability retirement benefits, is
30 amended to read as follows:

31 (iii) Apply for a review by the system's medical
32 committee ~~within three (3) months of disability benefits ceasing~~ by the end
33 of the third full calendar month immediately following the cessation of
34 disability benefits due to the lack of a Social Security Administration
35 determination letter finding that the disability retiree is unable to perform
36 his or her former work duties as described in subdivision (a)(1)(E)(iii) of

1 this section.

2

3 SECTION 40. Arkansas Code § 24-7-704(b)(3)(D)(i), concerning certain
4 conditions that allow a disability retiree under the Arkansas Teacher
5 Retirement System to seek a review by the system's medical committee, is
6 amended to read as follows:

7 (D)(i) A disability retiree who seeks and fails to receive
8 a determination letter finding the disability retiree is unable to perform
9 his or her former work duties as described in subdivision (a)(1)(E)(iii) of
10 this section by the Social Security Administration may seek a review
11 permitted under subdivision (b)(3)(C)(iii) of this section no earlier than
12 three (3) full calendar months before the date on which the member's
13 disability retirement would otherwise end and no later than ~~three (3) months~~
14 after the end of the third full calendar month immediately following the
15 termination of disability retirement.

16

17 SECTION 41. Arkansas Code § 24-7-706(a)-(e), concerning annuity
18 options under the Arkansas Teacher Retirement System, are amended to read as
19 follows:

20 (a)(1) Before the date the first payment of his or her annuity becomes
21 due, a member may elect to receive his or her annuity as a straight life
22 annuity, or he or she may elect to receive the actuarial equivalent, at that
23 time, of his or her straight life annuity in a reduced annuity payable
24 throughout his or her life.

25 (2) The member may nominate a beneficiary, in accordance with
26 one (1) of the following options:

27 (A) Option A – 100% Survivor Annuity.

28 (i) Under Option A, upon the death of a ~~retirant~~
29 retiree, his or her reduced annuity shall be continued throughout the life of
30 and paid to such person as he or she shall have nominated by written
31 designation executed and filed with the Board of Trustees of the Arkansas
32 Teacher Retirement System before the date the first payment of his or her
33 annuity becomes due.

34 (ii) The person designated as a beneficiary by the
35 ~~retirant~~ retiree shall be:

36 (a) The ~~retirant's~~ retiree's spouse for not

1 less than one (1) year immediately preceding the first payment due date; or
2 (b) A dependent child of the ~~retirant~~ retiree
3 who has been adjudged physically or mentally incapacitated by a court of
4 competent jurisdiction;

5 (B) Option B – 50% Survivor Annuity.

6 (i) Under Option B, upon the death of a ~~retirant~~
7 retiree, one-half ($\frac{1}{2}$) of his or her reduced annuity shall be continued
8 throughout the life of and paid to such person as he or she has nominated by
9 written designation executed and filed with the board before the date the
10 first payment of his or her annuity becomes due.

11 (ii) The person designated as a beneficiary by the
12 ~~retirant~~ retiree shall be:

13 (a) The ~~retirant's~~ retiree's spouse for not
14 less than one (1) year immediately preceding the first payment due date; or

15 (b) A dependent child of the ~~retirant~~ retiree
16 who has been adjudged physically or mentally incapacitated by a court of
17 competent jurisdiction; or

18 (C) Option C – Annuity for Ten (10) Years Certain and Life
19 Thereafter.

20 (i) Under Option C, a ~~retirant~~ retiree shall receive
21 a reduced annuity payable throughout his or her life with the provision that
22 if he or she dies before he or she has received one hundred twenty (120)
23 monthly annuity payments, the payments shall be continued for the remainder
24 of the period of one hundred twenty (120) months and paid to such persons in
25 equal shares as the ~~retirant~~ retiree has nominated by written designation
26 executed and filed with the board.

27 (ii) If the designated beneficiaries predecease the
28 ~~retirant~~ retiree, the ~~retirant~~ retiree may nominate successor beneficiaries
29 or may elect to return to his or her single lifetime benefit equivalent by
30 written designation executed and filed with the board, to be effective the
31 month following receipt of his or her election by the Arkansas Teacher
32 Retirement System.

33 (iii)(a) If the designated beneficiary is the spouse
34 of the ~~retirant~~ retiree and the marriage ends in divorce or other marriage
35 dissolution, the ~~retirant~~ retiree may:

36 (1) Nominate a successor beneficiary; or

1 (2) Elect to return to his or her single
2 lifetime benefit equivalent.

3 (b) The nomination or election made under
4 subdivision (a)(2)(C)(iii)(a) of this section shall be in writing, executed
5 by the ~~retirant~~ retiree, and filed with the board, to be effective the month
6 following receipt of his or her election by the system.

7 (iv) If no designated beneficiary survives the
8 ~~retirant~~ retiree, the annuity reserve for the remainder of the annuity
9 payments shall be paid to the ~~retirant's~~ retiree's estate.

10 (v) If the last designated beneficiary receiving
11 annuity payments dies before all annuity payments are made, the annuity
12 reserve for the remainder of the annuity payments shall be paid to the
13 beneficiary's estate.

14 (vi) Effective the month following completion of the
15 one-hundred-twenty-month period, the ~~retirant's~~ retiree's annuity shall
16 return to his or her single lifetime benefit equivalent.

17 (3) In addition to the persons eligible to be designated as a
18 beneficiary under either Option A or Option B in subdivision (a)(2) of this
19 section, the board may promulgate rules concerning the addition of classes of
20 eligible persons to be designated as a beneficiary under this section and for
21 the rights of option beneficiaries of deceased disability retirees under §
22 24-7-704.

23 (b)(1)(A) If a member's marital status changes after retirement due to
24 the death of the member's spouse, or a divorce or marriage dissolution from
25 the member's spouse who is also the member's designated beneficiary, then the
26 member may elect to cancel any optional plan designating the former spouse as
27 a beneficiary.

28 (B) A member's election under subdivision (b)(1)(A) of
29 this section shall cause the member to return to his or her lifetime benefit
30 equivalent, to be effective the month following the system's receipt of the
31 approved form.

32 (2) A ~~retirant~~ retiree who is receiving a single lifetime
33 benefit and who marries after retirement may elect to cancel his or her
34 single lifetime benefit and may elect an annuity providing continuing
35 lifetime benefits to his or her spouse under rules promulgated by the board.

36 (c) If a member fails to elect an option, his or her annuity shall be

1 paid to him or her as a straight life annuity.

2 (d)(1) Notwithstanding anything contained in this section to the
3 contrary, the residue beneficiary under § 24-7-709 may elect to cancel the
4 form of annuity in effect and elect Option A – 100% Survivor Annuity upon the
5 death of a ~~retirant~~ retiree on or after July 1, 1989, if:

6 (A) The ~~retirant~~ retiree died within one (1) year
7 following the effective date of retirement;

8 (B) The ~~retirant~~ retiree was receiving a straight life
9 annuity; and

10 (C) The residue beneficiary otherwise qualifies for an
11 Option A – 100% Survivor Annuity.

12 (2) The election to change may be made only one (1) time and
13 shall be on a form approved by the system.

14 (3) The election form must be received by the system within one
15 hundred twenty (120) days of the death of the retiree.

16 (e)(1) Notwithstanding anything in this section to the contrary, a
17 ~~retirant~~ retiree who retired on or after July 1, 1994, may elect to cancel
18 his or her election made at retirement for receiving an annuity and elect
19 another option, provided that he or she:

20 (A) Does so within one (1) year after July 1, 1995, or
21 within one (1) year of retirement;

22 (B) Files with the system a new election form approved by
23 the system; and

24 (C)(i) Repays to the system the difference between the
25 amount of the annuity received when he or she retired and the new annuity due
26 as a result of the election change, plus interest from July 1, 1994, or his
27 or her retirement date, whichever is later, to the date of payment in full.

28 (ii) The difference shall be calculated
29 retroactively to July 1, 1994, or his or her retirement date, whichever is
30 later.

31 (2) The election to change shall be made only one (1) time.

32 (3) The election change shall be effective retroactively to the
33 effective date of his or her annuity.

34

35 SECTION 42. Arkansas Code § 24-7-707(d), concerning when a member must
36 submit an application for deferred retirement under the Arkansas Teacher

1 Retirement System, is amended to read as follows:

2 (d) If a member fails to submit a complete deferred retirement
3 application ~~within six (6) calendar months of~~ by the end of the sixth full
4 calendar month immediately following the effective date of benefits,
5 including all additional documentation required by the system, the
6 application shall be void unless an extension is granted by the ~~system~~
7 Executive Director of the Arkansas Teacher Retirement System.

8

9 SECTION 43. Arkansas Code § 24-7-707(e)(1), concerning when a member
10 may cancel an application for deferred retirement under the Arkansas Teacher
11 Retirement System, is amended to read as follows:

12 (e)(1) A member may cancel an application for deferred retirement
13 benefits any time before ~~two (2) calendar months from~~ the end of the second
14 full calendar month immediately following the effective date of benefits.

15

16 SECTION 44. Arkansas Code § 24-7-709 is amended to read as follows:

17 24-7-709. Disposition of ~~member~~ retiree contributions – Residue.

18 (a)(1)~~(A)~~ If a retiree and his or her option annuitants, if any, die
19 before receiving annuity payments equal to the ~~member's~~ retiree's residue
20 amount, then the residue amount shall be paid to ~~such persons as the retiree~~
21 ~~shall have nominated by written designation~~ duly one (1) or more
22 beneficiaries nominated by the retiree in a written designation that is
23 executed and filed with the Arkansas Teacher Retirement System.

24 ~~(B) As used in this subchapter, "residue" means the~~
25 ~~difference between the accumulated contributions and regular interest~~
26 ~~credited to the retirement reserve account as of the member's retirement~~
27 ~~effective date and the total amount of retirement annuities paid.~~

28 (2) If a retiree designates more than one (1) beneficiary, the
29 residue shall be divided equally among each designated beneficiary.

30 (3) If a retiree and his or her option annuitants die and the
31 member has failed to designate a beneficiary or if all designated
32 beneficiaries have predeceased the retiree, the residue shall be paid to the
33 retiree's estate.

34 (4) If all designated beneficiaries predecease the retiree, the
35 residue shall be paid to the estate of the most recently deceased designated
36 beneficiary.

1 (b) If upon the termination of the option annuity no surviving
2 beneficiary designated by the ~~member~~ retiree survives and it is impracticable
3 to make payment to the ~~member's~~ retiree's estate, the residue shall be
4 forfeited to the trust assets of the system subject to any valid claim of the
5 ~~member's~~ retiree's estate under § 24-7-734.

6
7 SECTION 45. Arkansas Code § 24-7-710(a)(2)(B), concerning when an
8 eligible survivor or a minor survivor's guardian or legal representative must
9 complete an application for survivor annuity benefits under the Arkansas
10 Teacher Retirement System, is amended to read as follows:

11 (B) If an immediately eligible survivor or the minor
12 survivor's guardian or legal representative fails to complete the application
13 process ~~within six (6) calendar months after~~ by the end of the sixth full
14 calendar month following the date on which the application required under
15 subdivision (a)(2)(A) of this section is filed, including the submission of
16 any additional documentation required by the system, the application shall be
17 void unless an extension is granted by the ~~system~~ Executive Director of the
18 Arkansas Teacher Retirement System.

19
20 SECTION 46. Arkansas Code § 24-7-710(b)(1)(A)(i), concerning a
21 member's survivor annuity under the Arkansas Teacher Retirement System and
22 when it is received by a member's surviving spouse who was married to the
23 member for at least the two (2) years immediately preceding the member's
24 death, is amended to read as follows:

25 (b)(1)(A)(i) Unless the member otherwise directs an alternative
26 beneficiary to receive the member's residue amount by using a beneficiary
27 form approved by the system, a member's surviving spouse, who was married to
28 the member for at least the two (2) years immediately preceding the member's
29 death, shall receive an annuity computed in the same manner in all respects
30 as if the member had retired on the date of the member's death and elected
31 Option A under § 24-7-706 to provide one hundred percent (100%) survivor
32 annuity benefits, including benefits applicable under § 24-7-713, for his or
33 her spouse.

34
35 SECTION 47. Arkansas Code § 24-7-710(b)(1)(B)(ii), concerning when an
36 immediately eligible spouse must complete an application process for a

1 survivor annuity benefit under the Arkansas Teacher Retirement System, is
2 amended to read as follows:

3 (ii) If an immediately eligible spouse fails to
4 complete the application process ~~within six (6) calendar months after~~ by the
5 end of the sixth full calendar month following the date on which the
6 application required under subdivision (b)(1)(B)(i) of this section is filed,
7 including the submission of all additional documentation required by the
8 system, the application shall be void unless an extension is granted by the
9 ~~system~~ executive director.

10

11 SECTION 48. Arkansas Code § 24-7-710(b)(1)(C)(ii), concerning when a
12 surviving spouse's application for surviving spouse benefits becomes void
13 under the Arkansas Teacher Retirement System, is amended to read as follows:

14 (ii) If a surviving spouse becomes eligible for
15 surviving spouse benefits and fails to complete the application process
16 ~~within six (6) calendar months after~~ by the end of the sixth full calendar
17 month following the date on which the application required under subdivision
18 (b)(1)(B)(i) of this section is filed, including the submission of any
19 additional documentation required by the system, the application shall be
20 void unless an extension is granted by the ~~system~~ executive director.

21

22 SECTION 49. Arkansas Code § 24-7-713(a)(1), concerning when certain
23 persons receiving benefits under the Arkansas Teacher Retirement System
24 receive a simple cost of living adjustment, is amended to read as follows:

25 (a)(1) July 1 of each year, ~~retirants~~ retirees, survivors,
26 participants in the Teacher Deferred Retirement Option Plan, and annuity
27 beneficiaries who have been receiving monthly benefits for the previous
28 twelve (12) months shall receive a simple cost of living adjustment.

29

30 SECTION 50. Arkansas Code § 24-7-713(d), concerning the administration
31 of the Arkansas Teacher Retirement System benefit stipend by the Board of
32 Trustees of the Arkansas Teacher Retirement System, is amended to read as
33 follows:

34 (d)(1) The board may remove by board resolution the benefit stipend
35 from the base amount of current ~~retirants~~ retirees and option beneficiaries
36 if the board determines that the removal of the benefit stipend from the base

1 amount is prudent in order to maintain actuarial soundness.

2 (2) The board may phase in the removal of the benefit stipend
3 from the base amount of current ~~retirant~~ retiree and option beneficiaries by
4 board resolution.

5

6 SECTION 51. Arkansas Code § 24-7-714 is amended to read as follows:

7 24-7-714. Increase in monthly benefits – Acts 1979, No. 655, and Acts
8 1981, No. 885.

9 (a) The monthly retirement benefit payable to ~~retirants~~ retirees and
10 beneficiaries of the Arkansas Teacher Retirement System who were retired on
11 or before July 1, 1978, and who were receiving benefits on July 1, 1979,
12 shall be increased as follows:

13 (1) For all benefits to ~~retirants~~ retirees and beneficiaries of
14 the system whose total credited service is before July 1, 1961, a monthly
15 benefit increase equal to one dollar (\$1.00) per each year of credited
16 service;

17 (2) For all benefits to ~~retirants~~ retirees and beneficiaries of
18 the system which are based in whole or in part upon credited service rendered
19 after July 1, 1961, a monthly benefit increase equal to seventy-five cents
20 (75¢) per each year of credited service;

21 (3) For benefit increases authorized by subdivisions (a)(1) and
22 (2) of this section, fractional years of service shall be disregarded, and
23 the increase shall be added to the monthly annuity after the annual
24 postretirement increase based on the consumer price index has been applied to
25 the ~~retirant's~~ retiree's base annuity; and

26 (4) In the event that there is more than one (1) beneficiary or
27 survivor of a member or ~~retirant~~ retiree receiving benefits, the increases in
28 subdivisions (a)(1) and (2) of this section shall be based upon the member's
29 total credited service. The benefit increase so determined shall be divided
30 between the survivors or beneficiaries in proportion to their base annuities.

31 (b) For retirements effective after July 1, 1978, for which a monthly
32 benefit is payable for the month of July 1981 or later, calculations shall be
33 made as provided in subdivisions (b)(1) and (2) of this section. If the
34 monthly benefit calculated using subdivision (b)(1) of this section is more
35 than the monthly benefit calculated using subdivision (b)(2) of this section,
36 then the difference shall be paid to the ~~retirant~~ retiree as a monthly

1 benefit increase, subject to the provisions of subdivisions (b)(3)-(6) of
2 this section, as follows:

3 (1) Calculate the monthly annuity payable to the member under §
4 24-7-705, based on the provisions of § 24-7-705, his or her salary record,
5 and his or her service record, all as of July 1, 1978, and add seventy-five
6 cents (75¢) for each year of the member's credited service rendered before
7 July 1, 1978;

8 (2) Calculate the monthly annuity payable to the member under
9 the provisions of § 24-7-705 in effect at the time of the member's
10 retirement;

11 (3) For benefit increases authorized by this subsection,
12 fractional years of service shall be disregarded. The increase shall be added
13 to the monthly annuity after the annual postretirement increase based on the
14 consumer price index has been applied to the ~~retirant's~~ retiree's base
15 annuity;

16 (4) In the event that there is more than one (1) beneficiary or
17 survivor of a member or ~~retirant~~ retiree receiving benefits, the increases in
18 this subsection shall be based upon the member's total credited service, and
19 the benefit increase so determined shall be divided between the survivors or
20 beneficiaries in proportion to their base annuities;

21 (5) Any benefit increase created by this subsection shall be
22 effective at retirement but not for any month before July 1981; and

23 (6) If there is any change in § 24-7-705 after the member's
24 retirement, the amount under subdivision (b)(2) of this section shall be
25 recalculated using the changed provisions, and the benefit increase provided
26 by this subsection shall be changed correspondingly.

27

28 SECTION 52. Arkansas Code § 24-7-727(a)(1), concerning when the Board
29 of Trustees of the Arkansas Teacher Retirement System may compound the cost
30 of living adjustment for retirants and participants in the Teacher Deferred
31 Retirement Option Plan, is amended to read as follows:

32 (a)(1) ~~After July 1, 1999, the~~ The Board of Trustees of the Arkansas
33 Teacher Retirement System may compound the cost of living adjustment for all
34 ~~retirants~~ retirees and participants in the Teacher Deferred Retirement Option
35 Plan who have received a monthly retirement benefit for the prior twelve-
36 month period.

1
2 SECTION 53. Arkansas Code § 24-7-727(b)(3)(A), concerning when the
3 Board of Trustees of the Arkansas Teacher Retirement System may reverse a
4 compounding of the cost of living adjustment for retirants and participants
5 in the Teacher Deferred Retirement Option Plan, is amended to read as
6 follows:

7 (3)(A) The board may reverse a compounding of the cost of living
8 adjustment for all ~~retirants~~ retirees and participants in the Teacher
9 Deferred Retirement Option Plan who benefit from the compounding.

10
11 SECTION 54. Arkansas Code § 24-7-728 is amended to read as follows:
12 24-7-728. Computation of benefits based on life annuity.

13 (a)(1) The Board of Trustees of the Arkansas Teacher Retirement System
14 is authorized ~~by this section~~ to raise the level of benefit to the current
15 ~~retirants~~ retirees and other beneficiaries of the Arkansas Teacher Retirement
16 System ~~to a comparable level increase to match the increase in benefits that~~
17 ~~would accrue to active members as a result of any increase in the calculation~~
18 ~~of a life annuity as provided in § 24-7-705(a)(1) in accordance with any~~
19 ~~rules the board might promulgate.~~

20 (2) The board may raise the level of benefit to a comparable
21 level increase that matches the increase in benefits that would accrue to
22 active members as a result of any increase in the calculation of a life
23 annuity as provided in § 24-7-705(a)(1) in accordance with any rules the
24 board might promulgate.

25 (b)(1) The amount of any increase for ~~retirants~~ retirees and other
26 beneficiaries shall also be determined in accordance with the rules of the
27 board as is actuarially appropriate for the system.

28 (2) ~~Prior to~~ Before increasing a benefit as provided in this
29 section, the board shall file relevant information concerning the actuarial
30 appropriateness of the action with the Joint Committee on Public Retirement
31 and Social Security Programs, and the action shall be reviewed by the Joint
32 Committee on Public Retirement and Social Security Programs.

33
34 SECTION 55. Arkansas Code § 24-7-730(a)(1), concerning the required
35 dates of distributions of member benefits under the Arkansas Teacher
36 Retirement System, is amended to read as follows:

1 (a)(1)(A) Notwithstanding the provisions of this subchapter regarding
2 the required dates of distribution of benefits under the Arkansas Teacher
3 Retirement System to former members, the distribution of a former member's
4 benefits under the system shall in any event be made or begun by April 1 of
5 the calendar year following the ~~later of the calendar year~~ latter of the
6 calendar year in which the member ~~attains age seventy-two (72) or the~~
7 ~~calendar year in which the member retires~~ or the calendar year in which the
8 member attains the applicable age.

9 (B) The applicable age for a member is as follows:

10 (i) In the case of a member who attains seventy-two
11 (72) years of age after December 31, 2022, and seventy-three (73) years of
12 age before January 1, 2030, the applicable age is seventy-three (73) years of
13 age;

14 (ii) In the case of a member who attains seventy-
15 three (73) years of age after December 31, 2029, and seventy-four (74) years
16 of age before January 1, 2033, the applicable age is seventy-four (74) years
17 of age; and

18 (iii) In the case of a member who attains seventy-
19 four (74) years of age after December 31, 2032, the applicable age is
20 seventy-five (75) years of age.

21
22 SECTION 56. Arkansas Code § 24-7-733(a)(2), concerning the requirement
23 that annual benefits under the Arkansas Teacher Retirement System shall not
24 violate limitations under the Internal Revenue Code, 26 U.S.C. 415(b), is
25 amended to read as follows:

26 (2) The annual benefits, as may be increased in subsequent
27 years, that are paid to ~~retirants~~ retirees by the system shall not violate
28 the limitations under the Internal Revenue Code, 26 U.S.C. 415(b), applicable
29 to the annuity effective date under the Internal Revenue Code, 26 U.S.C.
30 415(d), and benefits shall be paid in a manner that protects the tax-
31 qualified status of the system.

32
33 SECTION 57. Arkansas Code § 24-7-735(c), concerning a member or
34 employer's ability to purchase service credit, additional salary, or both for
35 a member under the Arkansas Teacher Retirement System, is amended to add an
36 additional subdivision to read as follows:

1 (4)(A) Service credit purchased under a settlement agreement or
2 court order shall offset service credit that is earned by the member as an
3 employee of another covered employer during the same period of time covered
4 by the service credit purchased under the settlement agreement or court
5 order.

6 (B) Service credit purchased under a settlement agreement
7 or court order shall not be applied by the system in a manner that allows the
8 member to earn more than one (1) year of service credit in a fiscal year.

9
10 SECTION 58. Arkansas Code § 24-7-738(b)(2), concerning the recovery of
11 an erroneously paid disability retirement benefit for a month in which a
12 member receives salary from a covered employer under the Arkansas Teacher
13 Retirement System, is amended to read as follows:

14 (2) Any disability retirement benefit erroneously paid to the
15 member or ~~retirant~~ retiree for a month in which the member receives salary
16 from a covered employer may be recovered by the system as an overpayment as
17 allowed by law.

18
19 SECTION 59. Arkansas Code § 24-7-1302(c), concerning when a member may
20 withdraw his or her application for the Teacher Deferred Retirement Option
21 Plan under the Arkansas Teacher Retirement System, is amended to read as
22 follows:

23 (c) The member may withdraw his or her plan application if notice to
24 withdraw is received by the system ~~no later than two (2) calendar months~~
25 ~~after~~ by the end of the second full calendar month immediately following the
26 member's plan date.

27
28 SECTION 60. Arkansas Code Title 24, Chapter 7, Subchapter 15 is
29 amended to read as follows:

30 Subchapter 15 – ~~Retirants'~~ Retirees' Ad Hoc Increase Act

31
32 24-7-1501. Title.

33 This subchapter shall be known and may be cited as the "~~Retirants'~~
34 Retirees' Ad Hoc Increase Act".

35
36 24-7-1502. Benefit generally.

1 (a)(1) The annual benefit payable to eligible retirees, survivors, and
 2 beneficiaries of ~~retirants~~ retirees of the Arkansas Teacher Retirement System
 3 shall be subject to a one-time ad hoc increase based on the ~~retirant's~~
 4 retiree's years of credited service that is grouped within descending decades
 5 as calculated by subtracting the total years of credited service from the
 6 date of retirement.

7 (2) A break in credited service is not considered under this
 8 subchapter.

9 (3) Teacher Deferred Retirement Option Plan participants shall
 10 have the total years of credited service subtracted from the date of entry
 11 into the plan.

12 (b)(1) One-half ($\frac{1}{2}$) of the annual dollar increase per year of credited
 13 service shall be calculated and provided to all retirees, survivors, and
 14 beneficiaries of ~~retirants~~ retirees that are eligible to receive this
 15 increase.

16 (2) One-half ($\frac{1}{2}$) of the annual dollar increase per year of
 17 credited service shall be calculated then prorated based on the amount of
 18 contributory service credit to total service on the ~~retirant's~~ retiree's:

- 19 (A) Retirement date; or
- 20 (B) Plan entry date.

21 (3) The amounts under this subsection shall be calculated and
 22 provided to all retirees, survivors, and beneficiaries of ~~retirants~~ retirees.

23 (c) The ad hoc benefit is payable to the retirees, survivors, and
 24 beneficiaries of ~~retirants~~ retirees of the system beginning on a July 1 that
 25 is at least twelve (12) full months after the effective date of a monthly
 26 benefit.

27 (d) The ad hoc benefit for a ~~retirant~~ retiree, survivor, and
 28 beneficiary of a ~~retirant~~ retiree shall not increase the ~~retirant's~~ retiree's
 29 current benefit by more than twenty-five percent (25%) of the annuity benefit
 30 payable as of the prior June 30.

31
 32 24-7-1503. Ad hoc benefit formula.

33 The schedule of decade dollar amounts per year of credited service is:

34	35	36
Formula Decades in Which Credited	Annual \$ Increase Per Year of	
Service Was Accrued Service	Credited Service	

1		
2	2000 – and later	\$5
3	1990–1999	\$10
4	1980–1989	\$20
5	1970–1979	\$30
6	1960–1969	\$40
7	1950–1959	\$50
8	1940–1949	\$60
9	1930–1939	\$70
10	1920–1929	\$80
11	1910–1919	\$90

12

13 24-7-1504. Promulgation of rules – Duty of board.

14 (a) The Board of Trustees of the Arkansas Teacher Retirement System
15 shall promulgate rules for the ad hoc benefit under this subchapter.

16 (b) An ad hoc benefit under this subchapter shall not be implemented
17 if the ad hoc benefit would cause the Arkansas Teacher Retirement System’s
18 unfunded actuarial accrued liabilities to exceed an eighteen-year
19 amortization.

20 (c) The board shall only authorize an ad hoc benefit that is
21 actuarially appropriate for the system.

22 (d) Before an increase of retirement benefit through an ad hoc benefit
23 is authorized, the board shall file relevant information with the Joint
24 Interim Committee on Public Retirement and Social Security Programs regarding
25 the actuarial appropriateness of the increase.

26 (e) The board may reduce the decade increase formula under § 24-7-1503
27 proportionately on a one-to-one formula basis for each decade when the
28 reduction is actuarially feasible to implement.

29 (f) The ad hoc benefit increase is a one-time adjustment and shall
30 also be used to increase the base amount of a ~~retirant’s~~ retiree’s benefits
31 when calculating any future additional benefit increases.

32

33 SECTION 61. EMERGENCY CLAUSE. It is found and determined by the
34 General Assembly of the State of Arkansas that the operations of a state
35 public retirement system are complex; that the Arkansas Teacher Retirement
36 System must be able to meet the needs of its members as anticipated by the

1 General Assembly; that certain provisions of the Arkansas Teacher Retirement
2 System Act need revision and updating to bring them into conformance with
3 sound public pension policy and actuarial requirements; that the revisions
4 and updates are of great importance to members of the Arkansas Teacher
5 Retirement System and to other citizens of the State of Arkansas; that as the
6 Arkansas Teacher Retirement System operates on a fiscal year of July 1 to
7 June 30, a July 1, 2023, effective date is necessary in order to allow the
8 provisions within this act to begin on the first day of the fiscal year and
9 to allow for a structured and proper administration of the procedures
10 referenced in this act; that the updates and revisions to the Arkansas
11 Teacher Retirement System Act are of great importance for actuarial purposes
12 and for the improvement and protection of member benefits under the Arkansas
13 Teacher Retirement System; and that this act is necessary in order to
14 maintain an orderly system of benefits for the members of the Arkansas
15 Teacher Retirement System. Therefore, an emergency is declared to exist, and
16 this act being necessary for the preservation of the public peace, health,
17 and safety shall become effective on July 1, 2023.

18
19 /s/Warren

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22 **APPROVED: 2/21/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

A Bill

SENATE BILL 116

5 By: Senator K. Hammer
6 By: Representative Warren
7

For An Act To Be Entitled

9 AN ACT TO ALLOW THE PURCHASE OF PERMISSIVE SERVICE
10 CREDIT UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM;
11 TO ADD DEFINITIONS APPLICABLE TO THE ARKANSAS TEACHER
12 RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR
13 OTHER PURPOSES.
14

Subtitle

15
16 TO ALLOW THE PURCHASE OF PERMISSIVE
17 SERVICE CREDIT UNDER THE ARKANSAS TEACHER
18 RETIREMENT SYSTEM; AND TO DECLARE AN
19 EMERGENCY.
20
21
22

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
24

25 SECTION 1. Arkansas Code § 24-7-202, concerning definitions applicable
26 to the Arkansas Teacher Retirement System Act, is amended to add additional
27 subdivisions to read as follows:

28 (45) "Gap year" means a period of time:

29 (A) In which a member:

30 (i) Was an inactive member; and

31 (ii) Either:

32 (a) Was unemployed; or

33 (b) Did not provide qualified service; and

34 (B) For which the system may grant the member permissive
35 service credit;

36 (46) "Permissive service credit" means service:



1 (A) That is credited under the system for the purpose of
2 calculating a member's benefit;

3 (B) That has not previously been credited under the
4 system; and

5 (C) For which a member contributes or pays the amount
6 necessary to fund the benefit attributable to the service as required by the
7 system; and

8 (47) "Qualified service" means the service described in 26
9 U.S.C. § 415(n)(3)(C)(i)-(iv), as it existed on January 1, 2023.

10
11 SECTION 2. Arkansas Code Title 24, Chapter 7, Subchapter 6, is amended
12 to add a new section to read as follows:

13 24-7-613. Permissive service credit – Gap year service.

14 (a) A member of the Arkansas Teacher Retirement System may purchase
15 permissive service credit for one (1) or more gap years if:

16 (1) The member:

17 (A) Has five (5) years of actual service in the system;

18 (B) Has left his or her position as a classroom teacher
19 immediately before each nonconsecutive gap year or the initial gap year of
20 consecutive gap years;

21 (C) Returns to his or her position as a classroom teacher
22 after one (1) or more gap years;

23 (D) Accrues at least one-half (1/2) year of service credit
24 after returning to his or her position as a classroom teacher;

25 (E) Was inactive during the gap year or gap years; and

26 (F) Is ineligible to receive free service credit for each
27 gap year under another provision of the law applicable to this system; and

28 (2) Each gap year amounts to an entire fiscal year.

29 (b)(1) A member may purchase one (1) year of permissive service credit
30 for each one (1) gap year.

31 (2) A member shall not purchase more than five (5) years of
32 permissive service credit.

33 (c) Permissive service credit for one (1) or more gap years shall not
34 be purchasable after a member retires from the system.

35 (d) Permissive service credit shall be credited in accordance with §
36 24-7-601.

1 (e)(1) The member shall pay the actuarial equivalent of the member's
2 benefits to the system for each year of permissive service credit purchased.

3 (2) A year of permissive service credit that is being purchased
4 by a member shall not become credited service under the system until the
5 actuarial equivalent of the member's benefits is paid in full.

6 (f) At the member's request, a member's payment for permissive service
7 credit under this section shall be refunded if the:

8 (1) Member ceases to be an active member before the permissive
9 service credit is established as credited service in the system; or

10 (2) Permissive service credit is not otherwise used to establish
11 the member's eligibility for retirement under the system.

12
13 SECTION 3. EMERGENCY CLAUSE. It is found and determined by the
14 General Assembly of the State of Arkansas that the operations of a state
15 public retirement system are complex; that the Arkansas Teacher Retirement
16 System must be able to meet the needs of its members as anticipated by the
17 General Assembly; that certain provisions of the Arkansas Teacher Retirement
18 System Act need revision and updating to bring them into conformance with
19 sound public pension policy and actuarial requirements; that the revisions
20 and updates are of great importance to members of the Arkansas Teacher
21 Retirement System and to other citizens of the State of Arkansas; that as the
22 Arkansas Teacher Retirement System operates on a fiscal year of July 1 to
23 June 30, a July 1, 2023, effective date is necessary in order to allow the
24 provisions within this act to begin on the first day of the fiscal year and
25 to allow for a structured and proper administration of the procedures
26 referenced in this act; that the updates and revisions to the Arkansas
27 Teacher Retirement System Act are of great importance for actuarial purposes
28 and for the improvement and protection of member benefits under the Arkansas
29 Teacher Retirement System; and that this act is necessary in order to
30 maintain an orderly system of benefits for the members of the Arkansas
31 Teacher Retirement System. Therefore, an emergency is declared to exist, and
32 this act being necessary for the preservation of the public peace, health,
33 and safety shall become effective on July 1, 2023.

34
35 **APPROVED: 2/21/23**

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

As Engrossed: H2/16/23

A Bill

HOUSE BILL 1186

5 By: Representative A. Collins
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND AND UPDATE THE LAW CONCERNING ANNUITY
10 OPTIONS UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM;
11 TO ALLOW A RETIRANT TO DESIGNATE BOTH SURVIVING
12 SPOUSE AND DEPENDENT CHILDREN AS OPTION BENEFICIARIES
13 UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO
14 CLARIFY WHEN A SURVIVING SPOUSE OF A DISABILITY
15 RETIRANT IS ENTITLED TO BEGIN RECEIVING PAYMENTS
16 UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO
17 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.
18

Subtitle

19
20
21 TO AMEND AND UPDATE THE LAW CONCERNING
22 ANNUITY OPTIONS UNDER THE ARKANSAS
23 TEACHER RETIREMENT SYSTEM; AND TO DECLARE
24 AN EMERGENCY.
25

26
27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
28

29 SECTION 1. Arkansas Code § 24-7-706(a)(2), concerning a member's
30 annuity election and criteria that must be met for a member's nominated
31 beneficiary to receive an annuity in accordance with the Option A – 100%
32 Survivor Annuity option under the Arkansas Teacher Retirement System, is
33 amended to read as follows:

34 (2) The member may ~~nominate~~ designate a beneficiary one (1) or
35 more beneficiaries, in accordance with one (1) of the following options:

36 (A) Option A – 100% Survivor Annuity.



1 (i) Under Option A, upon the death of a ~~retirant~~
 2 retiree, his or her reduced annuity shall be continued throughout the life of
 3 and paid ~~to such person as he or she shall have nominated~~ as provided under
 4 subdivision (a)(4) of this subsection to the persons that he or she nominates
 5 by written designation executed and filed with the Board of Trustees of the
 6 Arkansas Teacher Retirement System before the date the first payment of his
 7 or her annuity becomes due.

8 (ii)(a) ~~The person designated as a beneficiary by the~~
 9 ~~retirant shall be.~~ The designated beneficiary or beneficiaries of a retiree
 10 shall be either:

11 (1) The retiree's spouse;

12 (2) One (1) or more of the retiree's
 13 children who qualify as a dependent child under subdivision (a)(2)(A)(ii)(c)
 14 of this section; or

15 (3) Both the retiree's spouse and one (1)
 16 or more of the retiree's children who qualify as a dependent child under
 17 subdivision (a)(2)(A)(ii)(c) of this section.

18 ~~(a)(b) The retirant's spouse for not less than~~
 19 ~~one (1) year immediately preceding the first payment due date; or spouse of a~~
 20 retiree may be designated as the retiree's beneficiary if the retiree has
 21 been married to the spouse for at least one (1) year immediately preceding
 22 the first annuity payment due date.

23 ~~(b)(c) A dependent child of the retirant who~~
 24 ~~has been adjudged physically or mentally incapacitated by a court of~~
 25 ~~competent jurisdiction~~ A child of a retiree qualifies as a dependent child
 26 and may be designated as an Option A beneficiary of the retiree if the child
 27 has been adjudged physically or mentally incapacitated by a court of
 28 competent jurisdiction;

29
 30 SECTION 2. Arkansas Code § 24-7-706(a)(2)(B), concerning the Option B
 31 – 50% Survivor Annuity option under the Arkansas Teacher Retirement System,
 32 is amended to read as follows:

33 (B) Option B – 50% Survivor Annuity.

34 (i) Under Option B, upon the death of a ~~retirant~~
 35 retiree, one-half ($\frac{1}{2}$) of his or her reduced annuity shall be continued
 36 throughout the life of and paid ~~to such person as he or she has nominated~~ as

1 provided under subdivision (a)(4) of this subsection to the persons that he
 2 or she nominates by written designation executed and filed with the board
 3 before the date the first payment of his or her annuity becomes due.

4 ~~(ii)(a) The person designated as a beneficiary by~~
 5 ~~the retirant shall be.~~ The designated beneficiary or beneficiaries of a
 6 retiree shall be either:

7 (1) The retiree's spouse;

8 (2) One (1) or more of the retiree's
 9 children who qualify as a dependent child under subdivision (a)(2)(B)(ii)(c)
 10 of this section; or

11 (3) Both the retiree's spouse and one
 12 (1) or more of the retiree's children who qualify as a dependent child under
 13 subdivision (a)(2)(B)(ii)(c) of this section.

14 ~~(a)(b) The retirant's spouse for not less than~~
 15 ~~one (1) year immediately preceding the first payment due date; or~~ The spouse
 16 of a retiree may be designated as the retiree's beneficiary if the retiree
 17 has been married to the spouse for at least one (1) year immediately
 18 preceding the first annuity payment due date.

19 ~~(b)(c) A dependent child of the retirant who~~
 20 ~~has been adjudged physically or mentally incapacitated by a court of~~
 21 ~~competent jurisdiction~~ A dependent child of a retiree may be designated as an
 22 Option B beneficiary of the retiree if the dependent child has been adjudged
 23 physically or mentally incapacitated by a court of competent jurisdiction; or
 24

25 SECTION 3. Arkansas Code § 24-7-706(a), concerning annuity options
 26 under the Arkansas Teacher Retirement System, is amended to add new
 27 subdivisions to read as follows:

28 (4)(A)(i) Upon the death of a retiree, if both a spouse and one
 29 (1) dependent child are designated as the retiree's Option A beneficiaries,
 30 the retiree's reduced annuity shall be paid in equal shares to the spouse and
 31 the dependent child.

32 (ii) Upon the death of a retiree, if both a spouse
 33 and more than one (1) dependent child are designated as the retiree's Option
 34 A beneficiaries, the spouse shall receive fifty percent (50%) of the
 35 retiree's reduced annuity and the remaining fifty percent (50%) of the
 36 retiree's reduced annuity shall be paid in equal shares to the dependent

1 children.

2 (iii) Upon the death of a retiree, if more than one
3 (1) dependent child is designated as the retiree's Option A beneficiary and a
4 spouse is not designated as the retiree's Option A beneficiary, the retiree's
5 reduced annuity shall be paid in equal shares to each dependent child
6 designated as the retiree's Option A beneficiary.

7 (B)(i) Upon the death of a retiree, if both a spouse and
8 one (1) dependent child are designated as the retiree's Option B
9 beneficiaries, one-half (1/2) of the retiree's reduced annuity shall be paid
10 in equal shares to the spouse and the dependent child.

11 (ii) Upon the death of a retiree, if both a spouse
12 and more than one (1) dependent child are designated as the retiree's Option
13 B beneficiaries, the spouse shall receive fifty percent (50%) of one-half
14 (1/2) of the retiree's reduced annuity and the remaining fifty percent (50%)
15 of one-half (1/2) of the retiree's reduced annuity shall be paid in equal
16 shares to the dependent children.

17 (iii) Upon the death of a retiree, if more than one
18 (1) dependent child is designated as the retiree's Option B beneficiary and a
19 spouse is not designated as the retiree's Option B beneficiary, the retiree's
20 reduced annuity shall be paid in equal shares to each dependent child
21 designated as the retiree's Option B beneficiary.

22 (5) If both a spouse and one (1) or more dependent children are
23 designated as the Option A or Option B beneficiaries of a retiree and annuity
24 payments to either the spouse or one (1) or more of the dependent children
25 have begun, the following shall apply:

26 (A) A dependent child's portion of the annuity shall not
27 revert to the spouse or any other dependent children if the dependent child:

28 (i) Predeceases the spouse or any other dependent
29 children; or

30 (ii) Otherwise becomes ineligible to continue
31 receiving annuity payments; and

32 (B) The spouse's portion of the annuity shall not revert
33 to any dependent child if the spouse:

34 (i) Predeceases one (1) or more dependent children;
35 or

36 (ii) Otherwise becomes ineligible to continue

1 receiving annuity payments.

2
3 SECTION 4. Arkansas Code § 24-7-706(d), concerning the ability of a
4 residue beneficiary under § 24-7-709 to cancel the form of annuity in effect
5 and elect Option A – 100% Survivor Annuity option under certain conditions,
6 is amended to add additional subdivisions to read as follows:

7 (4) A surviving spouse who is eligible to receive an annuity
8 under this section may elect to receive a lump-sum distribution of the
9 retiree's residue in lieu of the spousal annuity if:

10 (A) The retiree did not designate one (1) or more
11 dependent children as a beneficiary; and

12 (B) The surviving spouse files a written waiver of his or
13 her right to the spousal annuity with the system.

14 (5) If a residue beneficiary elects the Option A – 100% Survivor
15 Annuity under this subsection and is the surviving spouse of a disability
16 retiree, the same procedures used under § 24-7-710 to determine when an
17 active member's surviving spouse is entitled to begin receiving benefit
18 payments shall be used to determine when the residue beneficiary is entitled
19 to begin receiving benefit payments.

20
21 SECTION 5. Arkansas Code § 24-7-706, concerning annuity options, is
22 amended to add an additional subsection to read as follows:

23 (g) A retiree's effective retirement date and the date when survivor
24 benefits under this section are payable shall be determined by the law in
25 effect at the time of the retiree's death.

26
27 SECTION 6. EMERGENCY CLAUSE. It is found and determined by the
28 General Assembly of the State of Arkansas that the operations of a state
29 public retirement system are complex; that the Arkansas Teacher Retirement
30 System must be able to meet the needs of its members as anticipated by the
31 General Assembly; that certain provisions of the Arkansas Teacher Retirement
32 System Act need revision and updating to bring them into conformance with
33 sound public pension policy and actuarial requirements; that the current
34 provisions of the Arkansas Teacher Retirement System Act do not allow a
35 retirant to provide for both his or her surviving spouse and dependent
36 children in the event of the retirant's death by designating both his or her

1 surviving spouse and dependent children as option beneficiaries; that the
2 current provisions of the Arkansas Teacher Retirement System Act do not
3 clearly address when the surviving spouse of a disability retiree is
4 entitled to begin receiving benefit payments; that the revisions and updates
5 are of great importance to members of the Arkansas Teacher Retirement System
6 and to other citizens of the State of Arkansas; that the Arkansas Teacher
7 Retirement System operates on a fiscal year of July 1 to June 30; that a July
8 1, 2023, effective date is necessary to allow the provisions within this act
9 to begin on the first day of the fiscal year to provide for the proper
10 administration of the procedures referenced in this act; that the updates and
11 revisions to the Arkansas Teacher Retirement System Act are of great
12 importance for actuarial purposes and for the improvement and protection of
13 member benefits under the Arkansas Teacher Retirement System; and that this
14 act is necessary in order to maintain an orderly system of benefits for the
15 members of the Arkansas Teacher Retirement System. Therefore, an emergency
16 is declared to exist, and this act being necessary for the preservation of
17 the public peace, health, and safety shall become effective on July 1, 2023.

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19 */s/A. Collins*

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22 **APPROVED: 3/2/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

As Engrossed: H2/13/23

A Bill

HOUSE BILL 1187

5 By: Representative A. Collins
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND AND UPDATE THE LAW CONCERNING THE
10 LUMP-SUM DEATH BENEFIT UNDER THE ARKANSAS TEACHER
11 RETIREMENT SYSTEM; TO CLARIFY THE ADMINISTRATION OF
12 THE LUMP-SUM DEATH BENEFIT UNDER THE ARKANSAS TEACHER
13 RETIREMENT SYSTEM; TO CLARIFY THE ELIGIBILITY OF A
14 RETIRED MEMBER AND A T-DROP PARTICIPANT TO RECEIVE A
15 LUMP-SUM DEATH BENEFIT UNDER THE ARKANSAS TEACHER
16 RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR
17 OTHER PURPOSES.
18
19

Subtitle

21 TO AMEND AND UPDATE THE LAW CONCERNING
22 THE LUMP-SUM DEATH BENEFIT UNDER THE
23 ARKANSAS TEACHER RETIREMENT SYSTEM; AND
24 TO DECLARE AN EMERGENCY.
25
26

27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
28

29 SECTION 1. Arkansas Code § 24-7-720 is amended to read as follows:

30 24-7-720. Lump-sum death benefit – Definition.

31 (a)(1)(A) ~~If prior to July 1, 2007, an active member of the Arkansas~~
32 ~~Teacher Retirement System with five (5) or more years of actual service,~~
33 ~~including actual service for the year immediately preceding the member's~~
34 ~~death, dies in employer service before retirement, then a lump sum of up to~~
35 ~~ten thousand dollars (\$10,000) shall be paid to such persons as he or she~~
36 ~~shall have nominated by written designation duly executed and filed with the~~



1 ~~Board of Trustees of the Arkansas Teacher Retirement System~~ If an active
2 member, T-DROP participant, or a retired member with five (5) years of actual
3 service, including actual service for the year immediately preceding the
4 member's death, dies before July 1, 2007, then one (1) lump-sum death benefit
5 of up to ten thousand dollars (\$10,000) shall be paid in equal shares to each
6 person designated by the member as a beneficiary in the manner required by
7 the Arkansas Teacher Retirement System.

8 (B) ~~If on or after July 1, 2007, an active member of the~~
9 ~~Arkansas Teacher Retirement System with ten (10) or more years of actual~~
10 ~~service dies in employer service before retirement, then a lump sum of up to~~
11 ~~ten thousand dollars (\$10,000) shall be paid to the persons he or she has~~
12 ~~nominated by written designation executed and filed with the board~~ Effective
13 July 1, 2009, if a member who retired or became a T-DROP participant on or
14 before July 1, 2007, with five (5) or more years of actual service dies, then
15 one (1) lump-sum death benefit of up to ten thousand dollars (\$10,000) shall
16 be paid in equal shares to each person designated by the member as a
17 beneficiary in the manner required by the system.

18 (C) If an active member, T-DROP participant, or a retired
19 member with ten (10) or more years of actual service dies on or after July 1,
20 2007, then one (1) lump-sum death benefit of up to ten thousand dollars
21 (\$10,000) shall be paid in equal shares to each person designated by the
22 member as a beneficiary in the manner required by the system.

23 (D)(i) If a member accrues a minimum of ten (10) years of
24 actual, contributory service, regardless of noncontributory service accrued
25 in combination with the contributory service, the member shall receive the
26 maximum lump-sum death benefit as determined by the Board of Trustees of the
27 Arkansas Teacher Retirement System under this section.

28 (ii) Upon the member's death, the maximum lump-sum
29 death benefit shall be paid in equal shares to each person designated by the
30 member as a beneficiary in the manner required by the system.

31 (iii) The board may set a lump-sum death benefit for
32 noncontributory service as the board deems appropriate.

33 (2) ~~If there are no designated persons who survive the member,~~
34 ~~the lump sum shall be paid to the member's estate~~ If a member designates more
35 than one (1) beneficiary, the lump-sum death benefit shall be divided equally
36 amongst each designated beneficiary.

1 (3) If all of the member's designated beneficiaries do not
2 survive the member, the lump-sum death benefit shall be paid to the member's
3 estate.

4 ~~(b)(1) If a retired member of the system dies prior to July 1, 2007,~~
5 ~~and the retired member accrued five (5) or more years of actual service,~~
6 ~~including actual service for the year immediately preceding the member's~~
7 ~~death, then a lump sum of up to ten thousand dollars (\$10,000) shall be paid~~
8 ~~to such persons as he or she shall have nominated by written designation duly~~
9 ~~executed and filed with the board.~~

10 ~~(2) If a retired member of the system dies on or after July 1,~~
11 ~~2007, and the retired member accrued ten (10) or more years of actual~~
12 ~~service, including actual service for the year immediately preceding the~~
13 ~~member's death, then a lump sum of up to ten thousand dollars (\$10,000) shall~~
14 ~~be paid to such persons as he or she shall have nominated by written~~
15 ~~designation duly executed and filed with the board.~~

16 ~~(3) If there are no designated persons who survive the member,~~
17 ~~the lump sum shall be paid to the member's estate.~~

18 ~~(e)(b)~~ The amount of the lump-sum death benefit payments under this
19 section shall be set periodically and not more often than annually by rules
20 and resolutions of the board as the board determines is actuarially
21 appropriate for the system.

22 ~~(d)(1) For determining eligibility for the lump-sum death~~
23 ~~benefit under this section, "actual service" means service rendered in a~~
24 ~~position covered by the system.~~

25 ~~(2) "Actual service" does not include purchased or free credited~~
26 ~~service or reciprocal service.~~

27 ~~(e)(1)(c)(1)~~ A benefit enhancement provided for under this section
28 shall not be implemented if it would cause the system's unfunded actuarial
29 accrued liabilities to exceed an eighteen-year amortization.

30 (2) If the system's unfunded actuarial accrued liabilities
31 exceed an eighteen-year amortization, a benefit enhancement provided for
32 under this section shall not be implemented until the unfunded actuarial
33 accrued liability is reduced to a level less than the standards prescribed by
34 § 24-1-101 et seq.

35 ~~(f)(1)(d)~~ Pursuant to the board's fiduciary duty, the board shall
36 implement this benefit provision for lump-sum death benefit payments by

1 either making the lump-sum death benefit payments directly from the system or
2 by purchasing a group life insurance policy for the benefit of system
3 members.

4 ~~(2) A lump-sum payment under this subsection is intended to be~~
5 ~~exempt from income tax.~~

6 ~~(g) Effective July 1, 2009, a retired member of the system who retired~~
7 ~~on or before July 1, 2007, and had five (5) or more years of actual service~~
8 ~~credited in his or her account at retirement shall have the lump-sum death~~
9 ~~benefit paid upon the retired member's death under subsection (b) of this~~
10 ~~section.~~

11 ~~(h)(e)~~ A lump-sum death benefit payment under this section is intended
12 to be exempt from income tax.

13 ~~(i)(f)~~ For eligibility under this section, a member is considered
14 active for an additional fiscal year following the last fiscal year that the
15 member renders actual service in a position reported to the system by a
16 covered employer and the member obtains at least one-fourth ($\frac{1}{4}$) year of
17 service credit.

18 ~~(j)(1)(A) If a member accrues a minimum of ten (10) years of actual,~~
19 ~~contributory service, regardless of noncontributory service accrued in~~
20 ~~combination with the contributory service, the member shall receive the~~
21 ~~maximum lump-sum death benefit as determined by the board under this section.~~

22 ~~(B) Upon the member's death, the lump-sum death benefit~~
23 ~~shall be paid to persons the member selects by written designation executed~~
24 ~~and filed with the board.~~

25 ~~(2) The board may set a lump-sum benefit for noncontributory~~
26 ~~service as the board deems appropriate.~~

27
28 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
29 General Assembly of the State of Arkansas that the operations of a state
30 public retirement system are complex; that the Arkansas Teacher Retirement
31 System must be able to meet the needs of its members as anticipated by the
32 General Assembly; that certain provisions of the Arkansas Teacher Retirement
33 System Act need revision and updating to bring them into conformance with
34 sound public pension policy and actuarial requirements; that the current
35 provisions of the Arkansas Teacher Retirement System Act create ambiguity as
36 to the proper administration of the lump-sum death benefit and the

1 eligibility of a retiree and T-DROP participant to receive a lump-sum death
2 benefit; that the revisions and updates are of great importance to members of
3 the Arkansas Teacher Retirement System and to other citizens of the State of
4 Arkansas; that as the Arkansas Teacher Retirement System operates on a fiscal
5 year of July 1 to June 30, a July 1, 2023, effective date is necessary in
6 order to allow the provisions within this act to begin on the first day of
7 the fiscal year and to allow for a structured and proper administration of
8 the procedures referenced in this act; that the updates and revisions to the
9 Arkansas Teacher Retirement System Act are of great importance for actuarial
10 purposes and for the improvement and protection of member benefits under the
11 Arkansas Teacher Retirement System; and that this act is necessary in order
12 to maintain an orderly system of benefits for the members of the Arkansas
13 Teacher Retirement System. Therefore, an emergency is declared to exist, and
14 this act being necessary for the preservation of the public peace, health,
15 and safety shall become effective on July 1, 2023.

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17 */s/A. Collins*
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20 **APPROVED: 3/2/23**
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1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

As Engrossed: S2/21/23

A Bill

SENATE BILL 117

5 By: Senator K. Hammer
6 By: Representatives Warren, *J. Mayberry*
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING THE TERMINATION
10 SEPARATION PERIOD UNDER THE ARKANSAS TEACHER
11 RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR
12 OTHER PURPOSES.
13
14

Subtitle

15 TO AMEND THE LAW CONCERNING THE
16 TERMINATION SEPARATION PERIOD UNDER THE
17 ARKANSAS TEACHER RETIREMENT SYSTEM; AND
18 TO DECLARE AN EMERGENCY.
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. Arkansas Code § 24-7-502(a)(2), concerning termination from
25 employment for purposes of retirement eligibility under the Arkansas Teacher
26 Retirement System, is amended to read as follows:

27 (2) Effective ~~September 1, 2021~~ July 1, 2023, a member shall not
28 be terminated from employment for purposes of retirement eligibility if
29 within ~~six (6) calendar months~~ the fourth full calendar month of the member's
30 effective date of retirement the member:

- 31 (A) Becomes employed with a covered employer; and
32 (B) Has not attained the system's normal retirement age.
33

34 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
35 General Assembly of the State of Arkansas that the operations of a state
36 public retirement system are complex; that the Arkansas Teacher Retirement



1 System must be able to meet the needs of its members as anticipated by the
2 General Assembly; that certain provisions of the Arkansas Teacher Retirement
3 System Act need revision and updating to bring them into conformance with
4 sound public pension policy and actuarial requirements; that the provisions
5 of this act assist in addressing the shortage of teachers in Arkansas and
6 will enable retired teachers to return to employment with public schools and
7 public charter schools sooner; that the revisions and updates are of great
8 importance to members of the Arkansas Teacher Retirement System and to other
9 citizens of the State of Arkansas; that as the Arkansas Teacher Retirement
10 System operates on a fiscal year of July 1 to June 30, a July 1, 2023,
11 effective date is necessary in order to allow the provisions within this act
12 to begin on the first day of the fiscal year and to allow for a structured
13 and proper administration of the procedures referenced in this act; that the
14 updates and revisions to the Arkansas Teacher Retirement System Act are of
15 great importance for actuarial purposes and for the improvement and
16 protection of member benefits under the Arkansas Teacher Retirement System;
17 and that this act is necessary in order to maintain an orderly system of
18 benefits for the members of the Arkansas Teacher Retirement System.
19 Therefore, an emergency is declared to exist, and this act being necessary
20 for the preservation of the public peace, health, and safety shall become
21 effective on July 1, 2023.

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23 */s/K. Hammer*

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26 **APPROVED: 3/2/23**
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SUMMARY OF DISABILITY APPLICATIONS SUBMITTED
FOR CONSIDERATION BY THE MEDICAL COMMITTEE

The Medical Committee met in executive session in the first floor conference room at 2:00 p.m. on February 3, 2023. Those members present were Dr. Eddie Phillips, Dr. Hoyte Pyle, and Dr. Jim Morse. Anne Marie Lehman Berardi of the Teacher Retirement System was also in attendance.

A total of six disability applications were considered. Of the six applicants, six were approved: ATRS ID 136878; 356642; 112922; 261291; 172651; & 171427.

Respectfully Submitted,



Eddie Phillips, M.D.
Medical Committee Chairman

Respectfully Submitted,



Anne Marie Lehman Berardi
Retirement Benefits Counselor

SUMMARY OF DISABILITY APPLICATIONS SUBMITTED
FOR CONSIDERATION BY THE MEDICAL COMMITTEE

The Medical Committee met in executive session in the first floor conference room at 9:30 a.m. on March 1, 2023. Those members present were Dr. Eddie Phillips, Dr. Hoyte Pyle, and Dr. Jim Morse. Anne Marie Lehman Berardi of the Teacher Retirement System was also in attendance.

A total of three disability applications were considered. Of the three applicants, two were approved: ATRS ID 453695; 176920. One applicant had more information requested: ATRS ID 226435.

Respectfully Submitted,



Eddie Phillips, M.D.
Medical Committee Chairman

Respectfully Submitted,



Anne Marie Lehman Berardi
Retirement Benefits Counselor