

# Exhibit 29

Memo to: Representative Jodie Mahony  
From: David R. Malone, Executive Director  
Date: December 14, 2006  
Re: ATRS EMPLOYER CONTRIBUTION RATE -  
SUMMARY OF SENSE OF THE ATRS BOARD

You have requested that I give you and other legislators a sense of the feelings of the ATRS board as expressed to date concerning the setting of the employer contribution rate for the next biennium.

The plan actuary reported in connection with GASB No. 25 that for the year beginning July 1, 2007, employer contributions required will exceed contributions made, unless the employer contribution rate is raised to at least 14.54%, and preferably to 15%.

On December 4, 2006, the plan actuary reported to the Board that, based on June 30, 2006 valuation results, an employer contribution rate increase to 14.54% of payroll would be needed to produce an immediate return to a 30-year amortization period. (FY05: 38 years; FY06: 36 years).

On December 5, 2006, following a lengthy discussion, the Board voted to express that it was the sense of the Board that, as plan fiduciaries, the Board should request authority to raise the employer contribution rate effective 7-1-06 to an amount not exceeding 14.5% for the next two fiscal years and that the additional .5% should be funded for all ATRS covered employees, including those not employed by school districts. Additionally, the Board expressed its preference that the .5% be sent directly to the System.

The Board further requested staff to prepare and bring a draft resolution back to the Board following consultation with legislators and legislative staff.

In an effort to keep good faith with the legislature, the Board agreed to propose several pieces of "belt-tightening" legislation. This legislation would do some trimming of "non-basic" add-ons while preserving the basic benefits structure of ATRS (5 years to vest for retirement benefits, 28 years to retire, and a 2.15 multiplier). Other "belt-tightening" legislation may be presented to the Board later.

I am attaching summaries of the proposed "belt-tightening" legislation thus far adopted by the Board. The only piece on which we have a current actuarial analysis is the one eliminating the \$10,000 lump sum death benefit for dependent children which is estimated to cut the amortization years by 1.97 years.

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## **PROPOSED 'BELT-TIGHTENING' LEGISLATION:**

### **Lump Sum Death Benefit**

Amends 24-7-720 to

- cap the maximum amount to which the Board may raise the lump sum benefit at the current \$10,000 for contributory and \$6,667 for noncontributory members (from current caps of \$15,000 and \$10,000)
- require that, for active members dying or members retiring on or after July 1, 2007, 10 years of actual service with ATRS, rather than the current 5 years, will be required for eligibility for the lump sum death benefit
- clarify that such actual service will not include purchased or free credited service or reciprocal service.
- eliminates the additional \$10,000 lump sum death benefit for each dependent child currently being paid on top of survivor benefits.

### **Monthly Benefits – Redetermination (\$75 Stipend)**

Amends 24-7-713 (b) to

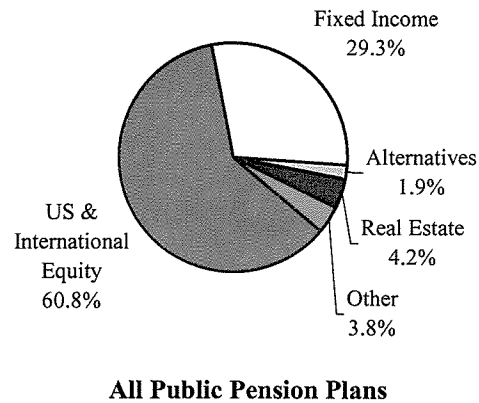
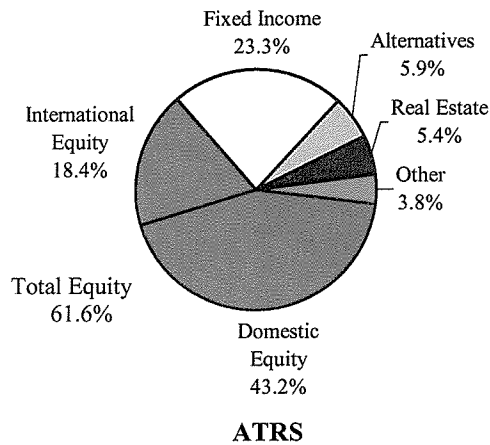
- cap the maximum amount to which the Board may raise the stipend to the current \$75 per month (from a cap of \$200 per month)
- require that, for members retiring on or after July 1, 2007, 10 years of actual service with ATRS, rather than the current 5 years, will be required for eligibility for the stipend
- clarify that such actual service will not include purchased or free credited service or reciprocal service.

### **Conditions Subjecting Annuities to Limitations**

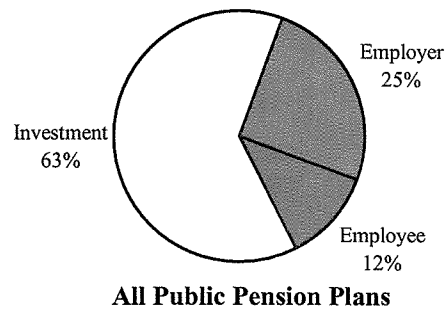
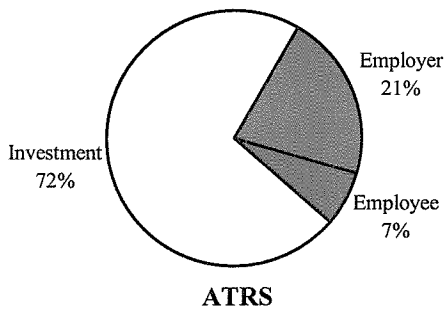
Amends 24-7-708 to provide that waivers of the earnings limitation may only be requested for retirants who retired with at least 30 years of credited service.

## Arkansas Teacher Retirement System A Defined Benefit Plan

**Financial Condition of ATRS.** ATRS has roughly 81 percent of the funds required for each dollar owed for benefit liabilities. These assets are diversely invested and professionally managed for long term maximum return with minimal risk. Managers employed by the system must adhere to guidelines developed by the Board of Trustees in cooperation with an independent investment consulting firm. At June 30, 2005, ATRS had investments with a fair market value of more than \$8.5 billion.



**ATRS Funding is NOT Shouldered by Taxpayers.** In fact, employer (taxpayer) contributions to ATRS for the last decade have averaged 21% of total revenue. Investment earnings and employee contributions have comprised the remaining revenue by providing 72% and 7%, respectively. Unlike like the corporate pension environment, most ATRS members are required to contribute to their pension plan.



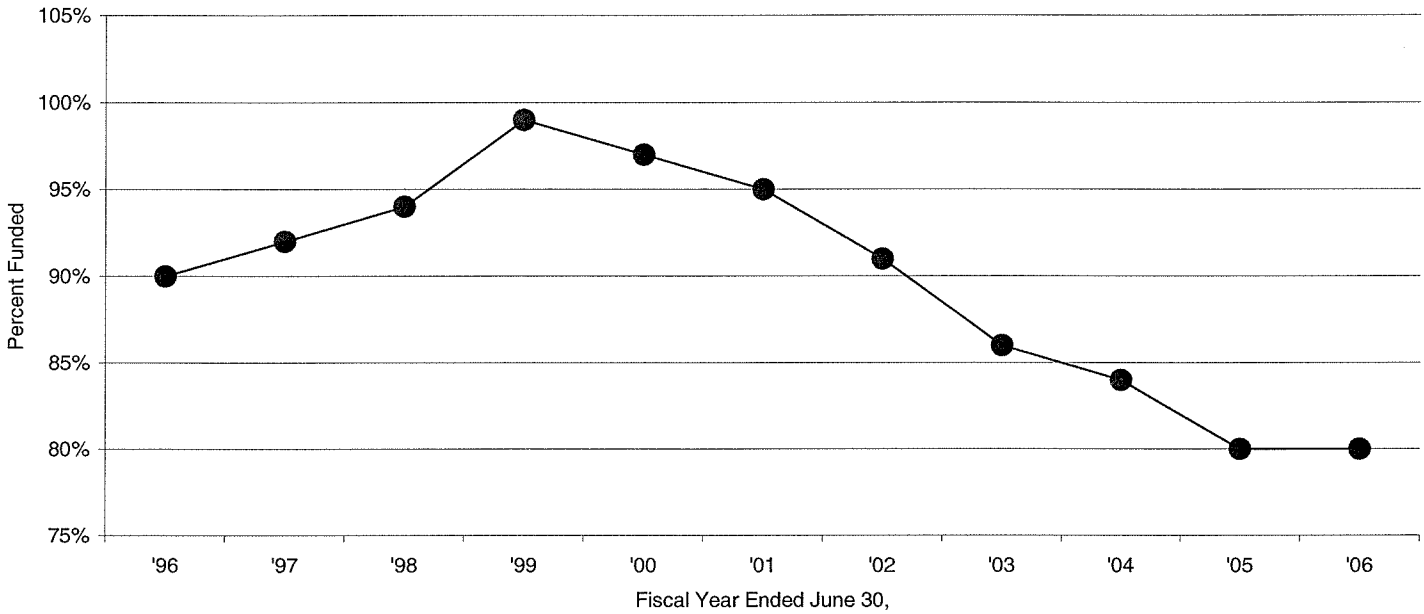
**ATRS Attracts and Retains the State's Essential Education Workforce.** There are currently more than 105,000 working, inactive and retired members of the system. They live and work in virtually every city and town in the state and comprise more than 7% of the state's total workforce. Retention of experienced and trained educators is critical to continuing economic development and providing a skilled workforce.

**ATRS is an Integral Component of the State's Economy.** ATRS distributes more than \$450 million annually in benefits to more than 23,000 retirees and beneficiaries, with an average annual benefit in excess of \$18,000. These payments are steady and continuous, increase with inflation, and provide a strong and locally-disseminated economic stimulus.

**ATRS is Subject to Comprehensive Oversight.** While private sector plans are subject solely to federal regulation, ATRS is a creature of statutory law and must comply with a large number of state requirements. The plan is accountable to the General Assembly, the Board of Trustees that governs the system, and state and federal law.

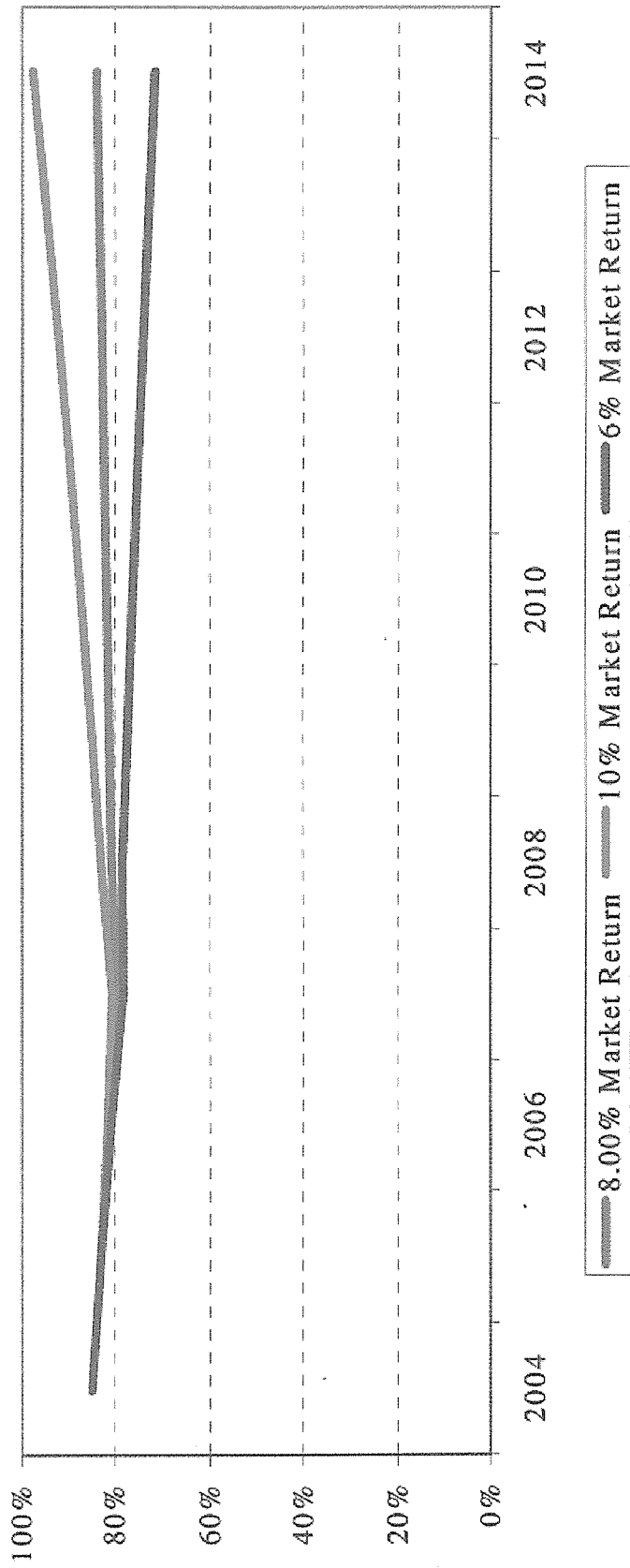
## Arkansas Teacher Retirement System

Funding Level



	Fiscal Year Ended June 30, (000,000)										
	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06
Unfunded liability	\$ 448.9	\$ 474.3	\$ 373.4	\$ 94.2	\$ 259.0	\$ 394.7	\$ 733.0	\$ 1,331.7	\$ 1,626.1	\$ 2,155.3	\$ 2,291.3
Actual return	19.4%	21.0%	16.5%	12.7%	8.0%	-3.1%	-6.1%	1.5%	18.0%	10.5%	12.4%
Years unfunded	16	15	12	4	22	125	38	36	31	38	36
Funding value (BOY)	\$ 3,626.0	\$ 4,186.0	\$ 4,955.7	\$ 5,815.1	\$ 6,740.1	\$ 7,619.7	\$ 8,166.2	\$ 8,328.4	\$ 8,113.2	\$ 8,423.6	\$ 8,817.2
Non-investment cash flow	(0.6)	(1.9)	(11.8)	(29.5)	(56.4)	(76.5)	(94.4)	(109.5)	(115.5)	(83.8)	(110.1)
Assumed 8% return	290.1	334.8	396.0	464.0	537.0	606.5	649.5	661.9	644.4	670.5	701.0
Current year	115.1	166.2	131.0	78.2	23.7	(216.3)	(278.4)	(146.6)	135.7	25.6	116.6
First prior year	62.9	115.1	166.2	131.0	78.2	23.7	(216.3)	(278.4)	(354.3)	135.7	25.6
Second prior year	92.6	62.9	115.1	166.2	131.0	78.2	23.7	(216.3)	-	(354.3)	135.7
Third prior year	-	92.6	62.9	115.1	166.2	131.0	78.2	23.7	-	-	(354.3)
Loss acceleration	-	-	-	-	-	-	-	(150.0)	-	-	-
Funding value (EOY)	\$ 4,186.0	\$ 4,955.7	\$ 5,815.1	\$ 6,740.1	\$ 7,619.7	\$ 8,166.2	\$ 8,328.4	\$ 8,113.2	\$ 8,423.6	\$ 8,817.2	\$ 9,331.7

### Funded Percentages Under 8% Rate of Return and 14% Employer Contribution



## Arkansas Teacher Retirement System

### *10 Year Return Forecast\**

	Current Policy
5 <sup>th</sup> Percentile	14.0
25 <sup>th</sup> Percentile	10.2
50 <sup>th</sup> Percentile	7.6
75 <sup>th</sup> Percentile	5.0
95 <sup>th</sup> Percentile	1.5

*\*Ennis Knupp & Associates*