

**HANDOUT 1**

# ASHERS

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Arkansas State Highway Employees' Retirement System



**Joint Performance Review Committee**

February 26, 2024

## Recent Legislation

- ASHERS action to comply with Arkansas law:
  - Require all investment advisors to certify in writing that they will vote proxies solely in the pecuniary interest of ASHERS members in accordance with Act 498.
  - As part of certification, advisors agree to provide ASHERS with an annual tabulation and report of all proxy votes to our Board of Trustees and for publication on the ARDOT website.

## ASHERS Investment Policy

- Investment Objectives:
  - 1) The protection of the ASHERS' Fund so that such assets are preserved for providing benefits to participants and their beneficiaries, and
  - 2) To maximize total return - either in the form of income or capital appreciation or both - consistent with prudent risk taking on the amounts available to provide such benefits.

## Investment Implications

- Indirect Investing
  - ASHERS periodically invests in passive Exchange Traded Funds (ETFs).
  - Passive ETFs are designed to mirror the holdings of an underlying Index, Sector or Subsector but represent a single security rather than the entirety of the underlying components.
  - Passive ETFs are widely held, regulated, liquid and low cost.
  - ETFs are very effective for diversifying investment risks.

## Investment Implications

- Passive ETF Issuers
  - ETFs are issued by large financial institutions, among them BlackRock, State Street and Vanguard.
  - Passive ETFs are not actively managed by the issuers since they seek to replicate the underlying Index, Sector or Subsector.
  - Members of the ASHERS Board of Trustees, as well as the System's administrators and investment managers, do not actively receive, nor solicit investment advice from passive ETF issuers.

## Investment Returns

ASHERS actuarial funded status as of June 30, 2023 was **84.23%**.

Returns as of 12/31/23	QTD	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception**
<b>ASHERS Total Account*</b>	<b>8.61%</b>	<b>12.98%</b>	<b>4.69%</b>	<b>10.86%</b>	<b>7.05%</b>	<b>7.66%</b>
Callan Median Pension Fund^	7.94%	12.99%	4.26%	8.98%	6.95%	6.76%

All returns over one year are annualized.

\*Source: Northern Trust.

^Source: Callan, LLC. Represents the median public fund sponsor return based on the Callan Public Fund Sponsor Database, which consists of public employee pension total funds including both Callan Associates client and surveyed non-client funds.

\*\* Inception 03-01-99

## Summary

- The ASHERS Board of Trustees and its administrators always abide by their fiduciary duties to its members and ensure that all investments are made solely to satisfy its Investment Policy.
- ASHERS will continue to monitor the situation in Tennessee.

## Contact Information

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