

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

RESOLUTION
No. 2008-53

WHEREAS, the Board desires to provide adequate inflation protection for its retirees;

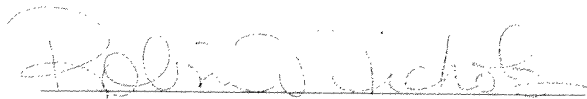
WHEREAS, the Board desires to exercise its authority to compound the cost of living adjustment under § A.C.A. § 24-7-727;

WHEREAS, the Board desires to have a written policy to govern its authority when it elects to compound the COLA under A.C.A. § 24-7-727;

THEREFORE, BE IT RESOLVED, that the ATRS Board of Trustees hereby authorizes that the cost of living adjustment be compounded for the fiscal year July 1, 2009, through June 30, 2010, for all retirees receiving a benefit for the prior 12 month period ending June 30, 2009, and adjust the base amount thereafter to include the compound cost of living adjustment;

BE IT FURTHER RESOLVED that the ATRS staff is hereby authorized to draft and proposes regulations to this effect under the Administrative Procedures Act, which will be reviewed at the Board's next scheduled meeting.

Adopted this 7th day of August, 2008



Robin Nichols, Chair
Arkansas Teacher Retirement System

June 20, 2008

Mr. Paul Doane
Executive Director
Arkansas Teacher Retirement System
1400 West Third
Little Rock, Arkansas 72201

Re: Supplemental Valuation

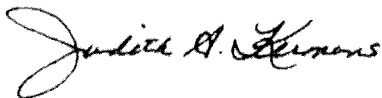
Dear Mr. Doane:

Enclosed is a supplemental actuarial valuation of the following benefit changes for ATRS members:

- Update the base benefit for all retirees to be equal to the current benefit as of 2008.
- Provide a 3% Compound COLA for one year and a 3% Simple COLA thereafter.

Please call if you have any questions regarding the calculations enclosed.

Sincerely,



Judith A. Kermans

JAK:rmn
Enclosures

cc: Gail Bolden, ATRS
Brian Murphy, GRS
Mita Drazilov, GRS

**ARKANSAS TEACHER RETIREMENT SYSTEM
SUPPLEMENTAL ACTUARIAL VALUATION
AS OF JUNE 30, 2007**

Requested By: Mr. Paul Doane, Executive Director
Date: June 20, 2008
Submitted By: Brian B. Murphy, FSA, EA and Judith A. Kermans, EA, Actuaries
Gabriel, Roeder, Smith & Company

This report contains an actuarial valuation of a proposed change in benefits for members of the Arkansas Teacher Retirement System. The actuaries issuing this report are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The supplemental valuation was based on the census data and actuarial methods and assumptions used in the June 30, 2007 actuarial valuation. The results of the supplemental valuation indicate what the June 30, 2007 valuation would have shown if the proposed benefit change had been in effect on that date. Supplemental valuations do not predict the result of future actuarial valuations. (Future activities can affect future valuation results in an unpredictable manner.) Rather, supplemental valuations give an indication of the probable effect of **only the benefit change** on future valuations without comment on the complete end result of the future valuations.

These calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the valuation report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important and relevant plan provisions are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in the report. Also, in the event that more than one plan change is being considered, it is very important to remember that the results of separate actuarial valuations cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

**ARKANSAS TEACHER RETIREMENT SYSTEM
SUPPLEMENTAL ACTUARIAL VALUATION
AS OF JUNE 30, 2007**

Actuarial assumptions are adopted by the Retirement Board of Trustees. The assumptions used for this valuation include:

- An assumed rate of investment return of 8.0%.
- An entry-age normal cost valuation method.
- For purposes of amortizing unfunded accrued liabilities, payroll was assumed to increase 4.0% per year.

The amortization period as of June 30, 2007 is 19 years, based upon a 14% employer contribution rate.

A brief summary of the data, as of June 30, 2007, used in this valuation is presented below.

Group	Active Members				Retired Members	
	Number	Covered Payroll	Average in Years		Number	Annual Benefits
			Age	Service		
Education	34,173	\$1,546,059,280	43.4	12.3		
Support	35,053	644,598,962	45.4	6.5		
Total	69,226	\$2,190,658,242	44.4	9.3	25,292	\$478,293,785

Group	T-DROP Members		Deferred Vested Members	
	Number	Annual Contributions	Number	Estimated Annual Benefits
Total	4,709	\$93,757,961	10,689	\$45,185,204

ARKANSAS TEACHER RETIREMENT SYSTEM
SUPPLEMENTAL ACTUARIAL VALUATION AS OF JUNE 30, 2007
3% COMPOUND COLA FOR 1 YEAR AND UPDATE OF BASE

PRESENT PROVISIONS: Each July 1, every retired member's annuity is adjusted to be equal to the base annuity times 100% plus 3% for each full year in the period from the effective date of the base annuity to the current July 1 (Simple COLA).

PROPOSED PROVISIONS: Each July 1, every retired member's annuity would be adjusted to be equal to the annuity as of July 1, 2008 times 100% plus 3% for each full year in the period from July 1, 2008 to the current July 1 (Simple COLA). Retired members would receive a 3% Compound COLA in 2009 and a 3% Simple COLA thereafter.

Actuarial Statement

The financial effect of the proposal is shown below:

<u>Valuation Date June 30, 2007</u>	<u>\$ Millions</u>		
	<u>Valuation Results</u>	<u>Proposal Results</u>	<u>Effect</u>
1) Accrued Liabilities	\$12,329	\$12,482	
2) Funding Value of Assets	10,519	10,519	
3) UAAL \$: (1) - (2)	\$ 1,810	\$ 1,963	\$ 153
- % Funded: (2) / (1)	85%	84%	
1) Employer Contribution Rate	14.00%	14.00%	
2) Normal Cost	8.33%	8.33%	
3) UAAL %: (1) - (2)	5.67%	5.67%	
Amortization Years	19.10	21.58	2.48

Comments Regarding the Proposal

The figures shown above are based on the June 30, 2007 actuarial valuation. Please remember that these changes, if adopted, would likely impact the June 30, 2008 valuation. That valuation is completed in the fall of 2008 and is based on member data and financial results as of June 30, 2008, neither of which is available to us at this time.

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Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999
4

A Bill

Act 404 of 1999
SENATE BILL 265

5 By: Senator Hopkins
6 By: Representative Faris
7
8

For An Act To Be Entitled

9
10 "AN ACT TO PROVIDE AUTHORITY FOR THE BOARD OF TRUSTEES
11 OF THE TEACHER RETIREMENT SYSTEM (TRS), WHEN
12 ACTUARIALLY APPROPRIATE, TO COMPOUND THE COST-OF-
13 LIVING ADJUSTMENT FOR RETIRANTS, BENEFICIARIES, AND
14 TEACHER DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS;
15 AND FOR OTHER PURPOSES."
16

Subtitle

17
18 "TO PROVIDE AUTHORITY FOR THE TRS-BOARD
19 OF TRUSTEES, WHEN ACTUARIALLY
20 APPROPRIATE, TO COMPOUND THE COST-OF-
21 LIVING ADJUSTMENT FOR RETIRANTS AND
22 OTHER BENEFICIARIES."
23
24

25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
26

27 SECTION 1. Compounded cost of living adjustments.

28 (a) After July 1, 1999, beginning with the July 1 which is at least
29 twelve (12) months after the effective date of a monthly benefit, the amount
30 of the benefit shall be redetermined effective each July 1, and the
31 redetermined amount shall be payable for the ensuing year.

32 (b) The redetermined amount shall be the amount of the benefit payable
33 as of the immediately preceding June 30 increased by three percent (3%).

34 (c) The benefit provisions provided in subsections (a) and (b) of this
35 section shall be implemented according to rules and regulations of the Teacher
36 Retirement System's Board of Trustees as is actuarially appropriate for the



1 system. Prior to increasing a benefit as provided in this section, the Board
2 of Trustees shall file relevant information concerning the actuarial
3 appropriateness of the action with the Joint Interim Committee on Public
4 Retirement and Social Security Programs.

5
6 SECTION 2. No benefit enhancement provided for by this act shall be
7 implemented if it would cause the publicly supported retirement system's
8 unfunded actuarial accrued liabilities to exceed a thirty (30) year
9 amortization. No benefit enhancement provided for by this act shall be
10 implemented by any publicly supported system which has unfunded actuarial
11 accrued liabilities being amortized over a period exceeding thirty (30) years
12 until the unfunded actuarial accrued liability is reduced to a level less than
13 the standards prescribed by Arkansas Code, Title 24.

14
15 SECTION 3. All provisions of this act of general and permanent nature
16 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
17 Revision Commission shall incorporate the same in the Code.

18
19 SECTION 4. If any provisions of this act or the application thereof to
20 any person or circumstance is held invalid, the invalidity shall not affect
21 other provisions or applications of the act which can be given effect without
22 the invalid provisions or application, and to this end the provisions of this
23 act are declared to be severable.

24
25 SECTION 5. All laws and parts of laws in conflict with this act are
26 hereby repealed.

27
28
29 APPROVED: 3/4/1999