

ARKANSAS TEACHER RETIREMENT SYSTEM

Enabling Laws

Act 2109 of 2005
ACA 24-7-101 et seq.

History and Organization

MISSION

The Arkansas Teacher Retirement System ("ATRS") is a cost sharing, multiple-employer, combination contributory/non-contributory defined benefit pension plan. ATRS provides age and service retirement benefits, Teacher Deferred Retirement Option Plan benefits, disability retirement benefits, survivor benefits, and lump sum death benefits for public school teachers and other educationally related employees as defined by Act 427 of 1973, as amended. ATRS is committed to providing high quality member services (including education and counseling), effectively and prudently managing the investment of the assets of the System, and making accurate and timely benefit payments to retired members or beneficiaries.

As of June 30, 2005, ATRS had 68,770 active members; 23,858 retired members and beneficiaries receiving benefits; 4,251 T-DROP participants; and 9,498 terminated plan members entitled to but not yet receiving benefits. The monthly benefits payroll averaged \$35,043,446. The System had 349 participating employers. As of June 30, 2005, total assets had risen to over \$10,000,000,000 with net assets available for benefits of over \$8,500,000,000. The System's revenue sources consist of employer and employee contributions and investment earnings.

HISTORY OF THE AGENCY

The Teacher Retirement System of the State of Arkansas was established by authority of the Arkansas General Assembly on March 17, 1937 pursuant to Act 266 of 1937. Numerous changes were made to the teacher retirement laws over the next 20 years. Act 93 of 1957 combined the existing laws and made further refinements. Act 93 of 1957 was superceded by Act 42 of 1971, which included the changes made since 1957. The teacher retirement laws were rewritten in entirety by Act 427 of 1973. Subsequent changes have been made in the form of amendments to Act 427. Statutes covering the Teacher Retirement System are primarily located in Title 24 of the Arkansas Code, particularly Chapter 7.

Act 541 of 1977 placed the system on the level-percent of payroll funding method and for the first time provided that the employer contribution rate is determined by the most recent actuarial valuation of the System. Act 472 of 1989 gave the General Assembly the right to set the employer contribution rate. Act 340 of 2003 authorized the ATRS Board of Trustees to set the employer contribution rate beginning July 1, 2003 subject to legislative maximums. The current employer contribution rate is set at 14% of active member payroll.

Act 504 of 1985 established a non-contributory plan for members of the system in addition to the contributory plan. Members were allowed to elect to be contributory or non-contributory and could change that election one time. Beginning July 1, 1993, the law was amended by Act 435 of 1993 to

allow any member to change his/her election concerning member contributions once each fiscal year. Under Act 14 of 1991, effective July 1, 1991, all new members of the Teacher Retirement System automatically became members of the non-contributory plan but could elect to become contributory members prior to the preparation of the first payroll of the fiscal year. Act 435 of 1993, effective July 1, 1993, provided that any former active member who returns to service also automatically becomes a non-contributory member, with the option to become a contributory member, and must make the election in the same manner as a new member. Act 81 of 1999, amended by Act 907 of 1999, provided that new members who enter covered service after July 1, 1999 will be automatically enrolled in the contributory plan. Act 907 also provided that members who were working in a covered position prior to July 1, 2000 must before June 30, 2000 make an irrevocable election to be in either the contributory or non-contributory plan and that this election would remain in effect for the remainder of the member's covered service. In addition, this act provided former active members who entered covered service after June 30, 1999, one year to make an irrevocable election of the contributory or non-contributory plan. In both cases of active and former active members, if no election was made by the prescribed deadline, the member was permanently enrolled in the plan in which he/she was enrolled on the deadline. Act 23 of the Second Extraordinary Session of 2003, as amended by Act 47, provides that effective July 1, 2005 and each July 1 thereafter, active members of ATRS who have previously elected to eliminate members contributions to make an irrevocable election to become contributory. The Acts further mandate that, effective July 1, 2005, any active member whose status changes from nonteacher status to teacher status under contract for 181 days or more shall become contributory.

Act 653 of 1989 provided that any person employed full-time by a school district after July 1, 1989, must become a member of the Teacher Retirement System. Act 43 of 1991 removed the right of a part-time employee to be excluded from membership in the Teacher Retirement System. Act 1026 of 1993 provided that part-time school personnel who accumulate less than 30 days of service within a fiscal year are not eligible for membership in the Teacher Retirement System.

Act 776 of 1979 provided for an alternate benefit formula multiplier of 1.125% of the final average salary times total years of service. Act 435 of 1981 increased the multiplier to 1.4% and Act 127 of 1983 increased it to 1.5% effective July 1, 1983, and to 1.59% effective July 1, 1984. Act 802 of 1987 increased the contributory multiplier of 1.59% to 1.65% effective July 1, 1987, to 1.70% effective July 1, 1988, and to 1.75% effective July 1, 1989. This act also set the multiplier for non-contributory service for the same effective dates at 1.0%, 1.0378%, 1.07% and 1.10% respectively. Act 44 of 1991 increased the 1.75% contributory multiplier to 1.85% effective July 1, 1991, 1.95% effective July 1, 1992, and provided certain financial conditions were met, to 2.05% effective July 1, 1993. This act also set the non-contributory multiplier for the same effective dates at 1.17%, 1.23% and 1.29% respectively. Act 992 of 1997 again increased the contributory multiplier to 2.065% and 1.305% for non-contributory service. Act 396 of 1999 authorized the Board of Trustees to raise the multipliers for contributory and non-contributory service to 2.125% and 1.365% respectively, which was implemented by the Board effective January 1, 2000. On July 1, 2001, the Board of Trustees raised the multipliers for contributory and non-contributory service to 2.15% and 1.39% respectively under the provisions of Act 396 of 1999. Beginning in 1997, ATRS is prohibited by various statutes from implementing any benefit enhancement if (1) it would cause ATRS' unfunded actuarial accrued liabilities to exceed a thirty-year amortization or (2) ATRS has unfunded actuarial accrued liabilities being amortized over a period exceeding thirty years until the unfunded actuarial accrued liability is reduced.

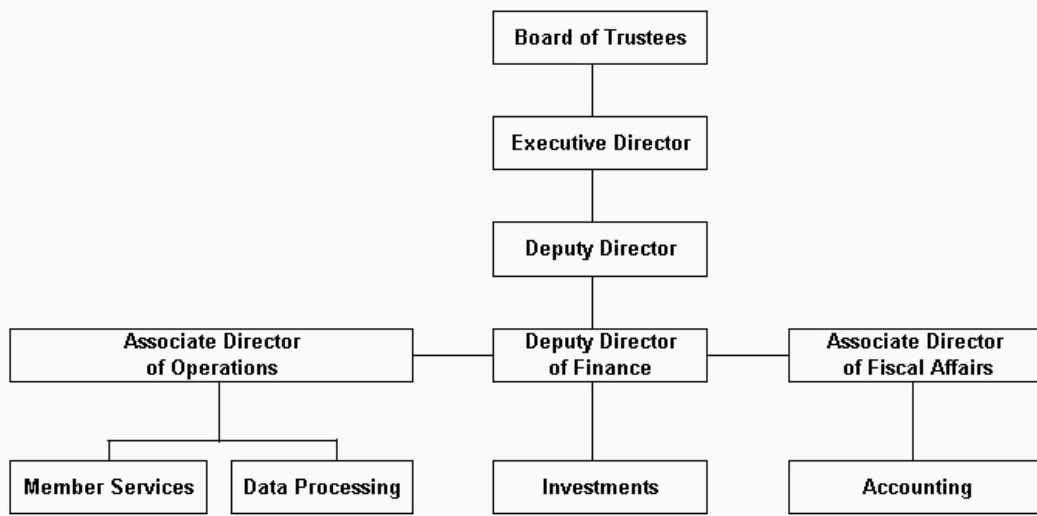
Act 1096 of 1995 established the Teacher Deferred Retirement Option Plan (T-DROP), which allows members to defer receipt of benefit payments, and to continue to work in a position covered by Teacher Retirement. In order to make T-DROP more cost neutral, Acts 991 and 992 of 2003 made changes in the methods for determining plan contributions for new members in the T-DROP on or after September 1, 2003 and required that employer contributions recommence for members whose effective date in T-DROP is before September 1, 2003.

Act 461 of 2001 defined "Normal Retirement Age" as age 65, thus allowing members who reach that age to apply for retirement benefits without termination of employment. This Act also designates that members under age 65 must terminate employment for a minimum of 30 days to be eligible for retirement benefits.

ADMINISTRATION

The general administration and responsibility for the proper operation of the system and for making effective the provisions of the teacher retirement laws is vested in the 15-member Board of Trustees. The State Bank Commissioner, State Treasurer, State Auditor and the Commissioner of the Department of Education serve as ex officio members on the Board. Eleven (11) members are elected to the Board; eight (8) are active members and three (3) represent retirees. The Board believes that its paramount purpose is to provide an adequate and equitable retirement plan for the members of the System, to protect its members in the event of total and permanent disability, and to provide in part for their dependents upon their deaths.

The trustees serve without compensation except reimbursement for any necessary expenses incurred in attending meetings of the Board or in performing other official Board duties as defined by the Board. The Board appoints the Executive Director for the system as well as an actuarial firm to serve as technical advisor on matters regarding the operation of the system on an actuarial basis. The Board has the authority to employ professional investment counsel and to appoint a medical board to advise the Board on disability claims. The Board meets at least quarterly and must have eight (8) members present for a quorum. At least eight (8) concurring votes are needed to reach a decision.



Agency Commentary

The Arkansas Teacher Retirement System ("ATRS") is a cost sharing, multiple-employer, combination contributory/non-contributory defined benefit pension plan. ATRS provides age and service retirement benefits, Teacher Deferred Retirement Option Plan benefits, disability retirement benefits, survivor benefits, and lump sum death benefits for public school teachers and other educationally related employees as defined by Act 427 of 1973, as amended. The mission of ATRS is to provide optimum benefits that will enhance the quality of life for its members, while providing the highest level of customer service.

The Teacher Retirement System is administered in a manner that will provide service to the membership and fiscally sound management of the trust fund. The proposed 2007-2009 budget will continue to enable the staff to provide an improved information program and an expanded public presence to ATRS' members. It will enable the System to maintain a more efficient and effective record keeping system, an improved investments/accounting system, an expanded range of counseling services, and greater coverage of counseling services outside the Little Rock office.

BASE LEVEL / CHANGE LEVEL REQUESTS

The Base Level budget will not be adequate for the rapid growth of this agency and the increasing level of sophistication of both personnel and systems necessary for its efficient operation. System assets under management now exceed \$10 billion. What is often misunderstood about pension systems is the growing need for services even if no changes are made in legislatively approved benefits or school employment levels. To simply deliver the promised benefits and services to the current 24,000 retirees/beneficiaries and 83,000 active and inactive members will require increased resources.

In the next ten years, the assets to be managed are expected to grow from a current 10 billion dollar level to \$17 billion. The assets to be managed are forecasted to grow to a \$27 billion dollar level in twenty years, \$44 billion in thirty years, and \$71 billion in 40 years. Additional staff will be required to manage these growing assets. The System's actuary projects that even if the number of active members remains constant, total membership to be served (actives, current retirees, future retirees, and T-DROP participants) will grow from 85,000 to more than 100,000 in the next ten years. Additional staff will be required to provide services to the growing number of members until 2040-50, when the client base is projected to reach its maximum size. Benefits paid are projected by the System's actuary to more than double over the next ten years. Additional staff will be required to administer the growing benefits obligation.

In addressing these staffing issues, a continuing serious concern is our inability to recruit experienced staff in certain areas due to state-imposed salary limits. We are requesting some flexibility in this area. We have requested special language to help us meet our staffing needs. A pension agency of our size and complexity must be able to attract and retain highly qualified employees. According to pension system studies, ATRS is understaffed for a System with assets in excess of \$10 billion dollars.

The Agency requests additional appropriation plus Personal Services Matching to add 26 new positions that are needed throughout our agency. We are requesting the addition of these positions to handle the increase in workload during the next biennium. ATRS is also requesting 7 positions to

staff a call center and 10 positions to staff a new satellite office located in the northwest area of Arkansas. This will bring the total number of new positions we are requesting to 43 and bring our authorized positions for each year to 116. We are requesting these positions to better serve the needs of our members. We have requested a change from Base Level for Extra Help this biennium of \$95,000 for a total appropriation of \$200,000. We have requested no change from Base Level in Overtime.

ATRS has requested no additional appropriation for Operating Expenses, Capital Outlay and Professional Fees. We were able to reallocate appropriation within our operations fund center to pay for Operating Expenses, Capital Outlay and Professional Fees associated with continuing operations, a new call center, increased office space and opening a satellite office. ATRS also gave data processing related appropriation back to the State this biennium in the amount of \$3,100,000. Our agency worked diligently to get our new membership system completed. Its completion is now beginning to allow us to realize a reduction in DP related expenses. Because the new member system is server based in-house, the expense of operations performed for ATRS by a centralized data center is being drastically reduced. The decrease in DP related expense gives the System the financial ability to address our other operating needs.

We are currently operating at nearly a full staff level and are experiencing a lack of office space. The Auditor of State is anticipating vacating the first floor of our building as of the end of fiscal year 2007. The System plans to lease the first floor to accommodate our growing staff. We have reallocated base level appropriation for the increase in Operating Expenses associated with the additional office space.

The System is going to set up a call center to better serve our members. We anticipate the call center will not only give our members quick and accurate information but it will improve the work production levels of our member services department and our benefits and counseling department. Operations appropriation is already available to us due to the reallocation of base level appropriation.

Since ATRS is committed to providing high quality member services, the System is going to open a satellite office in the northwest area of the State. According to Arkansas demographic studies, the northwest corner of Arkansas is nearing the population density of the greater Little Rock area. A satellite office would provide the most cost efficient and member oriented service to this growing area of Arkansas. This satellite office will also serve as an IT hot site for the System. The hot site will improve the System's disaster recovery capabilities. Operations appropriation is already available due to the reallocation of base level appropriation.

We are requesting an increase in appropriation of \$53,250,000 in FY08 and an increase in appropriation of \$157,200,000 in FY09 for our benefit expense line item. The Change Levels requested reflect the anticipated increase in benefits expense per actuarial projections and agency historical trend analyses. T-Drop benefit expense did rise dramatically as mentioned in our 05-07 biennial commentary in FY 06 and will continue to increase. We are requesting an increase in appropriation of \$1,275,000 in FY08 and an increase in appropriation of \$1,625,000 in FY09 for our refund expense line item. The Change Levels requested reflect historical trends and the option to elect to go contributory legislation that goes into effect on July 1, 2006.

ATRS has requested a net Total Base Level/Change Level request reduction in our 2QW Operations

fund center of \$1,335,680 in FY08 and \$1,335,680 in FY09. The Agency has requested a net Total Base Level/Change Level request additional appropriation in our C26 Cash fund of \$54,525,000 in FY08 and \$158,825,000 in FY09. The Agency is not requesting any change levels for our 2QV Property Management fund center.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
ARKANSAS TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2004

Findings	Recommendations
<p>Investments were overstated \$22,398,673 at June 30, 2004 due to management's failing to record Victory Building property at fair value, as required by Governmental Accounting Standards Board (GASB) Statement No. 25. On May 10, 2004 the property appraised at \$20,000,000 but was reflected at cost (\$42,398,673) on the Agency's books at June 30, 2004. It appears the reason for some of the decline in market value was the occupancy rate of 49%.</p>	<p>Comply with GASB Statement No. 25.</p>
<p>The Division of Legislative Audit, Information Systems Section, conducted an evaluation of system controls over Arkansas Teacher Retirement Member Information System (ATRMIS). Significant findings from this review are summarized below:</p> <ul style="list-style-type: none"> • Backup tapes were not rotated to a secured off-site storage location. • Existing backup and recovery documentation did not sufficiently address all components needed as part of a recovery effort. • Program change control procedures were inadequate. • Certain 1099's were assigned an incorrect distribution code and corrected 1099's were not re-issued. • Several network devices were not adequately secured and were potentially vulnerable to unauthorized access. • Proper segregation of duties between incompatible job functions was not maintained. 	<p>Implement procedures to correct these system control deficiencies.</p>

Employment Summary

	Male	Female	Total	%
White Employees	13	41	54	77 %
Black Employees	2	11	13	19 %
Other Racial Minorities	1	2	3	4 %
	Total Minorities		16	23 %
	Total Employees		70	100 %

Cash Fund Balance Description as of June 30, 2006

Fund Account	Balance	Type	Location
3750000	\$0	Checking	Metropolitan National Bank

Statutory/Other Restrictions on use:

ACA §19-4-801 establishes that the agency can use a cash fund. ACA §24-7-403 restricts the use to benefits, refunds and other disbursements in accordance with ACA §24-7 et seq.

Statutory Provisions for Fees, Fines, Penalties:

None

Revenue Receipts Cycle:

Monthly

Fund Balance Utilization:

Fund balance is returned to the Trust Fund at the end of the year.

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Agency Comprehensive Annual Financial Report	24-7-305(d)(1), 24-2-702	Y	Y	800	Reports on the financial health of ATRS; provides necessary information to ATRS board; required by GFOA and other entities

Department Appropriation Summary

Appropriation	Historical Data						Agency Request and Executive Recommendation							
	2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
2QV Property Management	0	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0	500,000	0
2QW Teacher Retirement System-Oprs	121,390,709	72	174,766,145	73	174,841,852	73	173,411,907	116	170,426,096	82	173,412,244	116	170,426,433	82
C26 Teacher Retirement System-Cash	392,219,404	0	583,000,000	0	583,000,000	0	637,525,000	0	637,525,000	0	741,825,000	0	741,825,000	0
Total	513,610,113	72	758,266,145	73	758,341,852	73	811,436,907	116	808,451,096	82	915,737,244	116	912,751,433	82

Funding Sources		%		%		%		%		%		%
Cash Fund 4000045	392,219,404	76.4	583,000,000	76.9			637,525,000	78.6	637,525,000	78.6	741,825,000	81.0
Trust Fund 4000050	121,390,709	23.6	175,266,145	23.1			173,911,907	21.4	173,911,907	21.4	173,912,244	19.0
Total Funds	513,610,113	100.0	758,266,145	100.0			811,436,907	100.0	811,436,907	100.0	915,737,244	100.0
Excess Appropriation/(Funding)	0		0				0		(2,985,811)		0	
Grand Total	513,610,113		758,266,145				811,436,907		808,451,096		915,737,244	

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
65	55	10	65	0	15.38%	73	67	6	73	0	8.22%	73	70	3	73	0	4.11%

Analysis of Budget Request

Appropriation: 2QV - Property Management

Funding Sources: TER-Teacher Retirement Fund

The Property Management Program of the Arkansas Teacher Retirement System pays for the necessary expenses to maintain properties that the System holds as investments. These expenses include, but are not limited to, attorney fees, foreclosure expenses, selling expenses, audit costs, appraisal expenses, property management fees, property rehabilitation costs, travel expenses related to property management, property repairs, property maintenance, advertising expenses, and property operating expenses.

The Agency is requesting the Base Level of \$500,000 for FY08 and FY09.

The Executive Recommendation provides for Agency Request.

Appropriation Summary

Appropriation: 2QV Property Management
Funding Sources: TER-Teacher Retirement Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Property Management 5900046	0	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total	0	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Funding Sources									
Trust Fund 4000050	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Total Funding	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	500,000		500,000	500,000	500,000	500,000	500,000	500,000

REPLACEMENT PAGES

Analysis of Budget Request

REPLACEMENT PAGES

Appropriation: 2QW - Teacher Retirement System-Oprs
Funding Sources: TER-Teacher Retirement Fund

The Arkansas Teacher Retirement System provides age, service, survivor, and disability benefits for public school teachers and other covered employees. This appropriation is funded by trust funds of the Teacher Retirement System.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

It is estimated that assets managed by the Agency will grow by \$7 billion over the next ten (10) years. The increased workload associated with managing these assets as well as providing quality service to the growing number of members have led the Agency to request additional appropriation and the reallocation of appropriation. The reallocated funds are available due to the completion of the Agency's new membership system. If approved, these reallocated funds will be used for the Little Rock office, a new call center to be located in the Little Rock office, and the establishment of a satellite office in northwest Arkansas. The overall request includes an additional forty-three (43) positions and a negative change level of \$1,335,680.

Little Rock Office

The Agency requests a reallocation of \$2,089,785 in FY08 and \$1,992,385 in FY09 to fund the requests listed below for the Little Rock office:

- An increase in Salaries (26 positions) of \$728,591 and Personal Services Matching of \$274,702 for FY08 and FY09 is requested to meet the growth in workload.
- An increase in Extra Help of \$95,000 for FY08 and FY09 is requested to continue work on ongoing projects and assist with increased workloads.
- An increase in Operating Expenses of \$483,533 for FY08 and \$600,153 for FY09 is requested to meet the costs associated with current and new employees and additional office space (\$110,000 in FY08 and FY09).
- An increase in Conference & Travel Expenses of \$2,591 for FY08 and \$3,571 for FY09 is requested to allow more employees to attend conferences and training.
- An increase of \$220,000 each year in Professional Fees and \$20,000 each year in Professional Services for increases in legal, medical, and other professional fees.
- An increase in Capital Outlay of \$265,368 for FY08 and \$50,368 for FY09 to purchase new and replacement equipment for the existing office space (\$247,368 in FY08 and \$18,368 in FY09) and the new office space (\$18,000 for FY08 and \$32,000 for FY09).

Call Center

The Agency requests a reallocation of \$430,735 in FY08 and \$265,735 in FY09 to fund a call center

to be located in the Little Rock office. The center will provide information to members and allow the member services department to improve work production levels.

- \$194,178 in Salaries (7 positions) and \$71,556 in Personal Services Matching for FY08 and FY09.
- \$165,000 for FY08 only in Capital Outlay for software and two servers.

Satellite Office

Demographic studies of Arkansas indicate a growing number of members in the northwest region of the State. The Agency requests a reallocation of \$440,292 in FY08 and \$702,692 in FY09 to fund a satellite office to directly assist members living in this region. This location will also serve as an IT site to improve the Agency's disaster recovery capabilities.

- \$294,382 in Salaries (10 positions) and \$105,910 in Personal Services Matching for FY08 and FY09.
- \$40,000 in Operating Expenses in FY08 and FY09 for office rental.
- \$262,400 in Capital Outlay for FY09 only to purchase five (5) new servers, two (2) printers, one industrial scanner, workstations, and one (1) AS400 machine.

Refunds/Reimbursements

The Agency is requesting an increase of \$400,000 in Refunds/Reimbursements to ensure sufficient appropriation for payment made to employers and employees who are leaving state employment.

The Executive Recommendation provides for Base Level with the following exceptions:

- Nine (9) additional positions for the Little Rock Office: three (3) Retirement Counselors, Grade 19 (\$27,629), three (3) Accountant II's, Grade 19 (\$27,629), one (1) Senior Auditor, Grade 21 (\$31,339), one (1) Junior Auditor, Grade 20 (\$29,394), and one (1) Accountant I, Grade 18 (\$25,897)
- \$50,000 in Capital Outlay for FY08 and FY09
- Reduction in Data Processing Services line item of \$1,055,048 each fiscal year
- Reduction in Investment Counsel line item of \$3,641,444 each fiscal year

Appropriation Summary

Appropriation: 2QW Teacher Retirement System-Oprs
Funding Sources: TER-Teacher Retirement Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	2,287,219	2,729,357	2,803,022	2,729,357	3,946,508	2,981,761	2,729,357	3,946,508	2,981,761
#Positions	72	73	73	73	116	82	73	116	82
Extra Help 5010001	80,907	105,000	105,000	105,000	200,000	105,000	105,000	200,000	105,000
#Extra Help	10	14	14	14	14	14	14	14	14
Personal Services Matching 5010003	777,821	925,630	927,672	957,440	1,409,609	1,030,037	957,777	1,409,946	1,030,374
Overtime 5010006	56,788	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Operating Expenses 5020002	1,700,220	2,934,889	2,934,889	2,934,889	3,458,422	2,934,889	2,934,889	3,575,042	2,934,889
Conference & Travel Expenses 5050009	16,972	30,759	30,759	30,759	33,350	30,759	30,759	34,330	30,759
Professional Fees 5060010	258,089	343,650	343,650	343,650	563,650	343,650	343,650	563,650	343,650
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Benefits-Non Employee 5100023	109,658,803	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Refunds/Reimbursements 5110014	5,403,774	6,550,000	6,550,000	6,550,000	6,950,000	6,550,000	6,550,000	6,950,000	6,550,000
Capital Outlay 5120011	15,106	50,368	50,368	0	430,368	50,000	0	312,768	50,000
Professional Sevices 5900043	181,079	250,000	250,000	250,000	270,000	250,000	250,000	270,000	250,000
Data Processing Services 5900044	432,604	4,055,048	4,055,048	4,055,048	3,000,000	3,000,000	4,055,048	3,000,000	3,000,000
Investment Counsel 5900046	521,327	6,641,444	6,641,444	6,641,444	3,000,000	3,000,000	6,641,444	3,000,000	3,000,000
Total	121,390,709	174,766,145	174,841,852	174,747,587	173,411,907	170,426,096	174,747,924	173,412,244	170,426,433
Funding Sources									
Trust Fund 4000050	121,390,709	174,766,145		174,747,587	173,411,907	173,411,907	174,747,924	173,412,244	173,412,244
Total Funding	121,390,709	174,766,145		174,747,587	173,411,907	173,411,907	174,747,924	173,412,244	173,412,244
Excess Appropriation/(Funding)	0	0		0	0	(2,985,811)	0	0	(2,985,811)
Grand Total	121,390,709	174,766,145		174,747,587	173,411,907	170,426,096	174,747,924	173,412,244	170,426,433

Change Level by Appropriation

Appropriation: 2QW-Teacher Retirement System-Oprs

Funding Sources: TER-Teacher Retirement Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	174,747,587	73	174,747,587	100.0	174,747,924	73	174,747,924	100.0
C01	Existing Program	1,764,320	43	176,511,907	101.0	1,764,320	43	176,512,244	101.0
C03	Discontinue Program	(3,100,000)	0	173,411,907	99.2	(3,100,000)	0	173,412,244	99.2
C04	Reallocation	0	0	173,411,907	99.2	0	0	173,412,244	99.2

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	174,727,587	73	174,727,587	100.0	174,727,924	73	174,727,924	100.0
C01	Existing Program	345,001	9	175,072,588	100.2	345,001	9	175,072,925	100.2
C03	Discontinue Program	(3,100,000)	0	171,972,588	98.4	(3,100,000)	0	171,972,925	98.4
C04	Reallocation	(1,546,492)	0	170,426,096	97.5	(1,546,492)	0	170,426,433	97.5

Justification

C01	The Agency requests additional appropriation in Regular Salaries and Personal Services Matching to add 43 new positions to be used in the Little Rock office (26 positions), a call center located within the Little Rock office (7 positions), and a satellite office located in NW Arkansas (10 positions). An additional \$95,000 in Extra Help is requested to continue work on ongoing projects and increased workload. The requested appropriation in Salaries, Extra Help, and Personal Services Matching will be offset by the reduction in Data Processing Services and Investment Counsel.
C03	Decrease in appropriation due to the completion of new membership system. This has reduced the Agency's need for professional fees and data processing expenses.
C04	Reallocated \$55,048 from DP Services to Operating Expenses and \$1,000,000 to Regular Salaries. Reallocated \$1,541,444 from Investment Counsel to Operating Expenses, \$217,151 to Regular Salaries, \$95,000 to Extra Help, and \$452,169 to Personal Services Matching. These reallocations will be used for costs associated with continuing operations, a new call center, increased office space, a satellite office, and maintaining the new membership system.

Analysis of Budget Request

Appropriation: C26 - Teacher Retirement System-Cash

Funding Sources: 375-Arkansas Teacher Retirement Fund-Cash

The Arkansas Teacher Retirement System Cash fund allows the Agency to make payments to beneficiaries by check or direct deposit. An increase of \$53,250,000 for FY08 and \$157,200,000 in FY09 in Benefits-Non-Employee and of \$1,000,000 for FY08 and \$1,625,000 for FY09 in Refunds/Reimbursements is requested to meet the anticipated increase in benefit payments.

The Executive Recommendation provides for Agency Request. Expenditure of appropriation is contingent upon available funding.

Appropriation Summary

Appropriation: C26 Teacher Retirement System-Cash
Funding Sources: 375-Arkansas Teacher Retirement Fund-Cash

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Benefits-Non Employee 5100023	391,415,556	582,000,000	582,000,000	582,000,000	635,250,000	635,250,000	582,000,000	739,200,000	739,200,000
Refunds/Reimbursements 5110014	803,848	1,000,000	1,000,000	1,000,000	2,275,000	2,275,000	1,000,000	2,625,000	2,625,000
Total	392,219,404	583,000,000	583,000,000	583,000,000	637,525,000	637,525,000	583,000,000	741,825,000	741,825,000
Funding Sources									
Cash Fund 4000045	392,219,404	583,000,000		583,000,000	637,525,000	637,525,000	583,000,000	741,825,000	741,825,000
Total Funding	392,219,404	583,000,000		583,000,000	637,525,000	637,525,000	583,000,000	741,825,000	741,825,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	392,219,404	583,000,000		583,000,000	637,525,000	637,525,000	583,000,000	741,825,000	741,825,000

Change Level by Appropriation

Appropriation: C26-Teacher Retirement System-Cash

Funding Sources: 375-Arkansas Teacher Retirement Fund-Cash

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	583,000,000	0	583,000,000	100.0	583,000,000	0	583,000,000	100.0
C01	Existing Program	54,525,000	0	637,525,000	109.3	158,825,000	0	741,825,000	127.2

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	583,000,000	0	583,000,000	100.0	583,000,000	0	583,000,000	100.0
C01	Existing Program	54,525,000	0	637,525,000	109.3	158,825,000	0	741,825,000	127.2

Justification

C01	An increase in benefits and refund expense is requested per actuarial projections and historical trend analyses.
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