

ARKANSAS TEACHER RETIREMENT SYSTEM

March 9, 2023

1400 West Third Street

BOARD ROOM

Little Rock, AR 72201

Board of Trustees - Called Meeting

4:15 p.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 - CALLED

March 9, 2023

4:15 p.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 3.
- IV. ***Member's Eligibility to Retire Using Purchased Future Service Credit.** *Clint Rhoden, Executive Director* (Attachment No. 2) page 4.
- V. Investment Committee Report. *Chip Martin, Investment Committee 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.**
- VI. Other Business.
- VII. ***Adjourn.**

* Action Item

2023-03-09 14:16:58.072855

EXECUTIVE SUMMARY

TO: Board of Trustees - Called
FROM: ATRS Staff
RE: Executive Summary
DATE: March 9, 2023

IV. *Member's Eligibility to Retire Using Purchased Future Service Credit. *Clint Rhoden, Executive Director*

ATRS member # 476265 ("Member") entered into a contract buyout settlement agreement. As part of the settlement agreement, two (2) years of service credit for fiscal years 2023-2024 and 2024-2025 will be purchased for the Member. Including the two (2) years of service credit being purchased, the Member will have twenty-seven (27) years of service credit on July 1, 2023, and will be eligible for early voluntary retirement. The Member has asked whether he may retire on July 1, 2023, or if he must wait until July 1, 2025.

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

VI. Other Business.



March 8, 2023

Mr. Clint Rhoden
Executive Director
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, Arkansas 72201

Re: Contract Buyouts

Dear Mr. Rhoden:

We understand that the ATRS Board is considering whether or not to allow members with future service credit that was purchased by an employer in connection with a contract buyout to retire earlier than if they had fulfilled the contract and then retired. We understand further that the Board would like our opinion on whether allowing members to do so would have a cost to the system.

Based on sample cases provided by ATRS staff, contract buyouts are currently being priced with a draft calculator that we provided some years ago. The draft calculator was based on the goal of cost neutrality. The calculator requires the user to enter the age when the person would first be eligible for unreduced retirement, after the purchase. It then calculates the cost of the buyout based on the assumption that the person would otherwise fulfill the contract, terminate service at the end of the contract and begin drawing benefits at the age the user entered.

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. Please let us know if you would like us to work with ATRS staff on this determination.

Please know that we are happy to help in any way.

Mr. Clint Rhoden

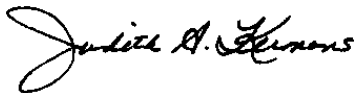
March 8, 2023

Page 2

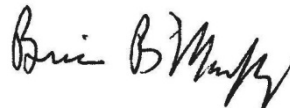
Brian B. Murphy, Judith A. Kermans and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, MAAA, FCA



Brian B. Murphy, FSA, EA, MAAA, FCA, PhD



Heidi G. Barry, ASA, MAAA, FCA

Cc: Jennifer Liwo, ATRS

JAK/BBM/HGB:rmn

