

**MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES – CALLED TELEPHONE MEETING**

**Wednesday, May 10, 2017
10:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Jeff Stubblefield, Chair*
Danny Knight, Vice Chair*
Dr. Richard Abernathy*
Anita Bell
Lloyd Black*
Kathy Clayton*
Kelly Davis*
Candace Franks, Bank Commissioner*
Hon. Andrea Lea*
John Brady, designee for Dennis Milligan*
Bobby Lester*
Robin Nichols*
Deborah Thompson*
Janet Watson*

ATRS Staff Present

George Hopkins, Executive Director*
Gail Bolden, Deputy Director
Rod Graves, Assoc. Dir. of Operations
Manju, Director Data Processing
Mike Lauro, Information System Manager
Kevin Odum, Attorney Specialist
Tammy Porter, Executive Assistant
Clint Rhoden, Director of Operations

Board Members Absent

Johnny Key

**via teleconference*

- I. **Call to Order/Roll Call.** Mr. Stubblefield, Chair, called the Board of Trustees meeting to order at 10:01 a.m. Voice roll call was taken. Mr. Johnny Key was absent. Hon. Andrea Lea joined the call at 10:06.
- II. **Adoption of Agenda.**

Mr. Knight *moved for adoption* of the Agenda. Mr. Lester *seconded the motion* and the Board *unanimously approved the motion*.
- III. **Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

IV. Expanding and Modifying the ATRS CASH Program Currently in Rule 16-1.

In the recently adjourned session, Act 647 of 2017 authorized the ATRS Board to modify and expand the existing CASH Program that ATRS has been using since 2013, to buyout inactive, vested members that have left the public education field in Arkansas. Many of the participants were members who obtained a refund of contributions on contributory years that did not cancel non-contributory years. The law has not changed that a refund cancels all years, however the law was not retro-active. ATRS has had success at buying out non-contributory members that are inactive and vested. Buying out members who are totally contributory or who have mixed service required a more complex analysis.

Since last fall, ATRS executive staff has been working with the actuaries to expand the CASH Program so that all inactive, vested members, whether contributory, non-contributory, or mixed service could participate. A couple of weeks ago, the final details were hammered out in meetings with the actuaries and ATRS executive staff.

The expanded CASH Program builds upon the structure of the original CASH Program and, for members with contributions, a comparison of the return of the residual balance (contributions plus interest) with a premium (hereinafter "premium residue") is compared to the CASH Program payment and the higher of the two is paid. This ensures that all inactive, vested members receive an incentive to consider the CASH Program payment. Previously, members with years away from retirement might actually have had a higher residual balance than the CASH payment. A progressive premium residue in the first four (4) years cures that problem.

In order to prevent a member from waiting and getting the equivalent of a very high interest rate by delaying receipt of the residual balance through a refund, the first four (4) years that a member is eligible to receive the higher of the residual payment plus a premium has a progressive escalation so that standard refunds should be virtually unaffected. Many members take a refund very soon after leaving employment and never become an inactive, vested member. The CASH Program had to be designed to prevent unintended delays in the standard refund process. In the first year, for a member who is eligible for the CASH Program and has contributory, the premium residue will be 101% of the standard refund. In the second year, it will be 102%. In the third year, it will be 105%. In the fourth year, it reaches the maximum premium of 110%.

To eliminate the issue of the time between a member calling and the date the application is received creating a different CASH payment amount (sometimes more, sometimes less), the resolution locks in the member's age for the duration of this offering. This means staff can do a one-time computation and know exactly what the member is entitled to as soon as the member contacts ATRS. That amount will not change if the member takes a while to file an application.

ATRS executive staff and the actuaries feel confident in the new CASH formula and the ability of the program to assist inactive, vested members while also helping ATRS reduce liabilities. The resolution is somewhat long, and essentially restates most of the CASH Program rule to ensure no ambiguity exists in how ATRS implements Act 647 of 2017.

A. Resolution 2017-18

Mr. Knight *moved to adopt* Resolution 2017-18, Expanding and Modifying the ATRS CASH Program Currently in Rule 16-1. Ms. Nichols *seconded the motion*, and the Board *unanimously approved the motion*.

VI. **Other Business.** None

VI. **Adjourn.**

Mr. Lester *moved to adjourn* the Board of Trustees Meeting. Mr. Black *seconded the motion*, and the Board *unanimously approved the motion*.

Meeting adjourned at 10:08 a.m.

George Hopkins,
Executive Director

Jeff Stubblefield, Chair
Board of Trustees

Tammy Porter, Recorder

Date