

ARKANSAS TEACHER RETIREMENT SYSTEM

July 19, 2021

1400 West Third Street

BOARD ROOM

Little Rock, AR 72201

Board of Trustees - Educational Training Meeting

9:00 a.m.

Trustees

Danny Knight, Chair

Lloyd Black, Vice Chair

Anita Bell

Kathy Clayton

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AGENDA
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES - EDUCATIONAL TRAINING

July 19, 2021

9:00 a.m.

1400 West Third Street

Little Rock, AR 72201

- I. ***WELCOME.** *Danny Knight, Chair and Clint Rhoden, Executive Director* page 2.
- II. **ACTUARIES:** Plan Funding and Future Outlook. *Judy Kermans, Brian Murphy and Heidi Berry of Gabriel, Roeder, Smith and Company* (Attachment No. 1) page 3.
- III. **BREAK:** 9:55 - 10:05.
- IV. **CONSULTANTS:** ATRS Investments and Current Fund Standing.
 - A. Aon Hewitt Investment Consulting. *P. J. Kelly and Katie Comstock of Aon Hewitt Investment Consulting* (Attachment No. 2) page 47.
 - B. Franklin Park. *Michael Bacine of Franklin Park* (Attachment No. 3) page 90.
- V. **BREAK:** 11:05 - 11:15.
- VI. **FIDUCIARY DUTIES OF THE BOARD OF TRUSTEES.** *Heartsill Ragon, Attorney with Gill, Elrod and Ragon* (Attachment No. 4) page 110.
- VII. **CLOSING.** *Danny Knight, Chair and Clint Rhoden, Executive Director*

* Action Item

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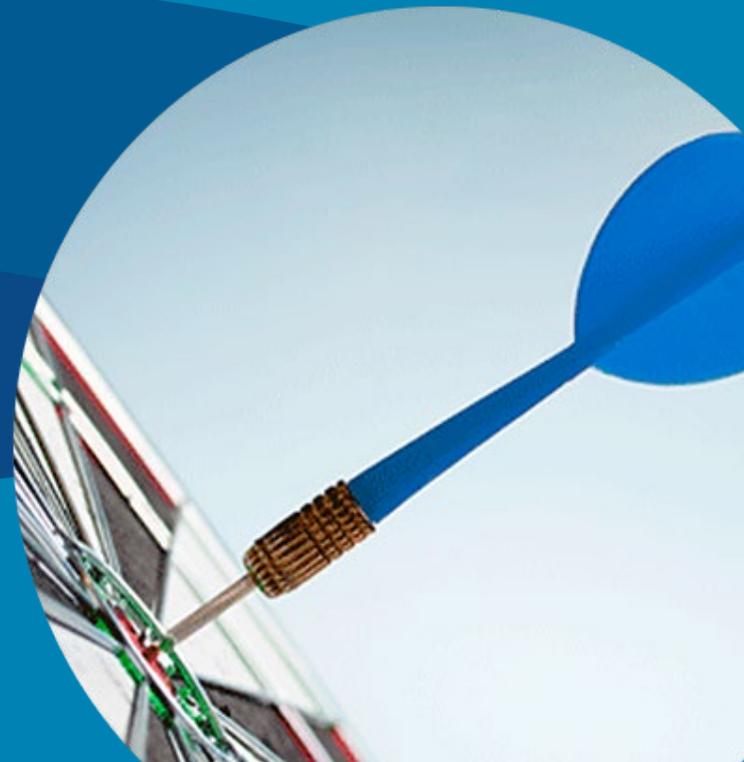
Arkansas Teacher Retirement System Educational Training Session

July 19, 2021

Judith A. Kermans, EA, FCA, MAAA

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

Heidi G. Barry, ASA, FCA, MAAA





of the 6/30/2020 Valuation

Actuarial Accrued Liabilities for:	\$Millions	
	2020	2019
Age and service retirement allowances based on total service likely to be rendered by <i>present active and TDROP members</i>	\$ 8,501	\$ 8,316
Benefits payable to present retirees and beneficiaries	12,890	12,460
Benefits payable for all other reasons	961	933
Total	\$22,352	\$21,709
Funding Value of Assets	18,007	17,413
Unfunded Actuarial Accrued Liabilities (UAAL)	\$ 4,345	\$ 4,296
% Funded Based on		
Funding Value of Assets	81%	80%
Market Value of Assets	76%	82%
Amortization Years	27	28

If the UAAL were measured based on the market value of assets, it would be \$5,450 million.



LOOKING BACK

ATRS Rate of Return History

Fiscal	Accumulation of \$1,000 invested July 1, 2000			
	Actual Return	\$1,000	Assumed Return	\$1,000
2001	-3.3%	967	8.0%	1,080
2002	-6.1%	908	8.0%	1,166
2003	1.1%	918	8.0%	1,260
2004	17.0%	1,074	8.0%	1,360
2005	9.6%	1,177	8.0%	1,469
2006	13.3%	1,334	8.0%	1,587
2007	19.2%	1,590	8.0%	1,714
2008	-4.2%	1,523	8.0%	1,851
2009	-18.3%	1,244	8.0%	1,999
2010	14.2%	1,421	8.0%	2,159
2011	22.6%	1,742	8.0%	2,332
2012	-1.1%	1,723	8.0%	2,518
2013	14.9%	1,980	8.0%	2,720
2014	19.2%	2,360	8.0%	2,937
2015	4.3%	2,461	8.0%	3,172
2016	0.2%	2,466	8.0%	3,426
2017	16.0%	2,860	8.0%	3,700
2018	11.4%	3,185	7.5%	3,978
2019	5.2%	3,350	7.5%	4,276
2020	-1.0%	3,317	7.5%	4,597
2021	30.0%	4,312	7.5%	4,941
Avg	7.2%		7.9%	



Historical returns are not the basis for making assumptions about the future, but they can help us understand how things have worked out in the past. The chart shows that since the start of the Millennium, investment return has fallen well below the assumptions we have made about it.

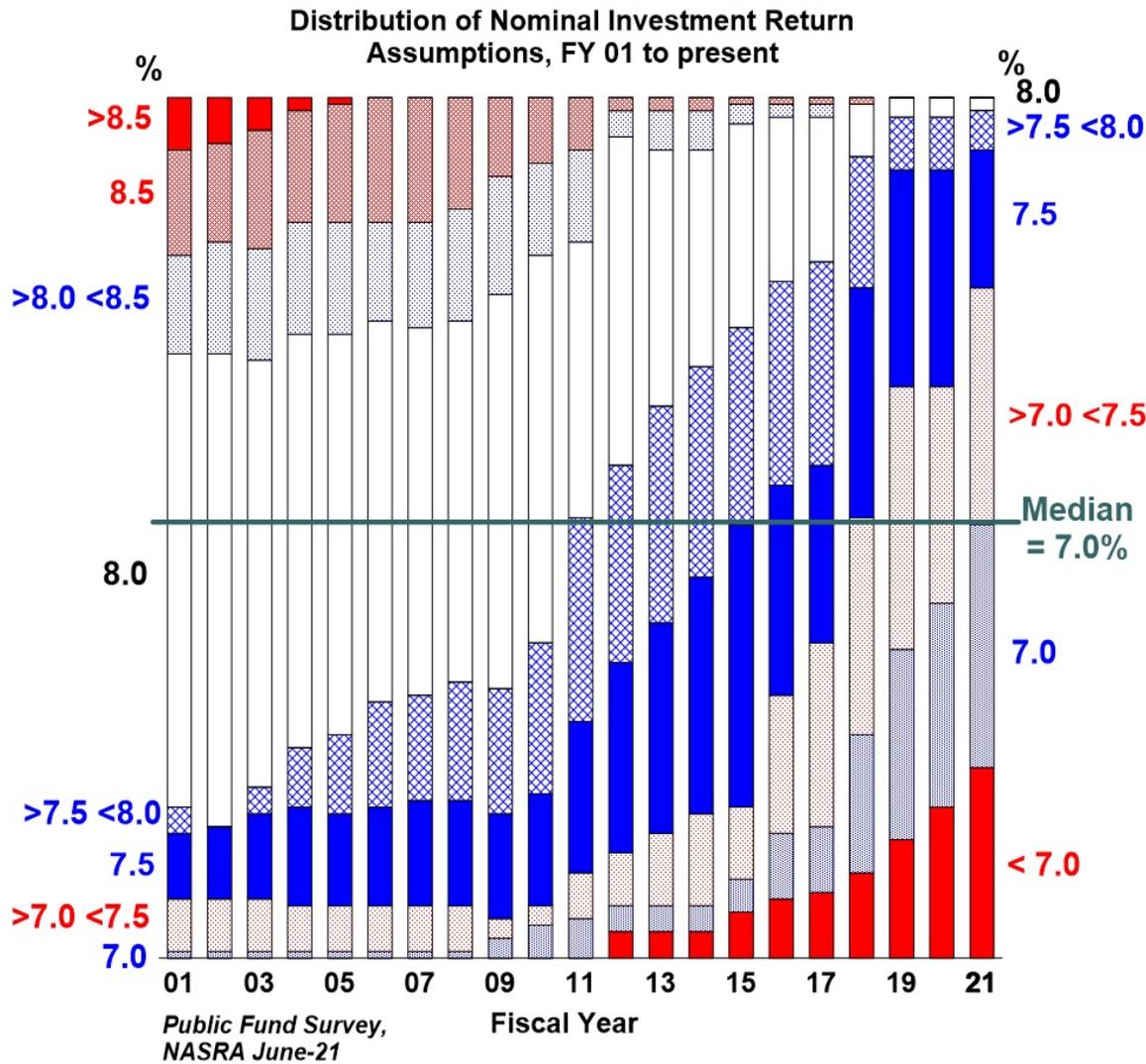
Understanding Return and Risk

	Steady Return			Volatile Return		
	Beg of Yr	Return	End of Yr	Beg of Yr	Return	End of Yr
Year 1	\$1,000	7.50%	\$1,075	\$1,000	20.00%	\$1,200
Year 2	\$1,075	7.50%	\$1,156	\$1,200	-5.00%	\$1,140
Year 3	\$1,156	7.50%	\$1,242	\$1,140	20.00%	\$1,368
Year 4	\$1,242	7.50%	\$1,335	\$1,368	-5.00%	\$1,300
Year 5	\$1,335	7.50%	\$1,436	\$1,300	20.00%	\$1,560
Year 6	\$1,436	7.50%	\$1,543	\$1,560	-5.00%	\$1,482
Year 7	\$1,543	7.50%	\$1,659	\$1,482	20.00%	\$1,778
Year 8	\$1,659	7.50%	\$1,783	\$1,778	-5.00%	\$1,689
Year 9	\$1,783	7.50%	\$1,917	\$1,689	20.00%	\$2,027
Year 10	\$1,917	7.50%	\$2,061	\$2,027	-5.00%	\$1,925
Average Rate of Return						
Arithmetic		7.50%			7.50%	
Geometric		7.50%			6.77%	
Variance		0.00%			1.56%	
Std Dev		0.00%			12.50%	



A steady return produces a higher ending balance than a volatile return if the arithmetic average is the same. The geometric average reflects that behavior better than the arithmetic average. Basically, volatility drags down return.

Investment Return Assumptions Still Dropping



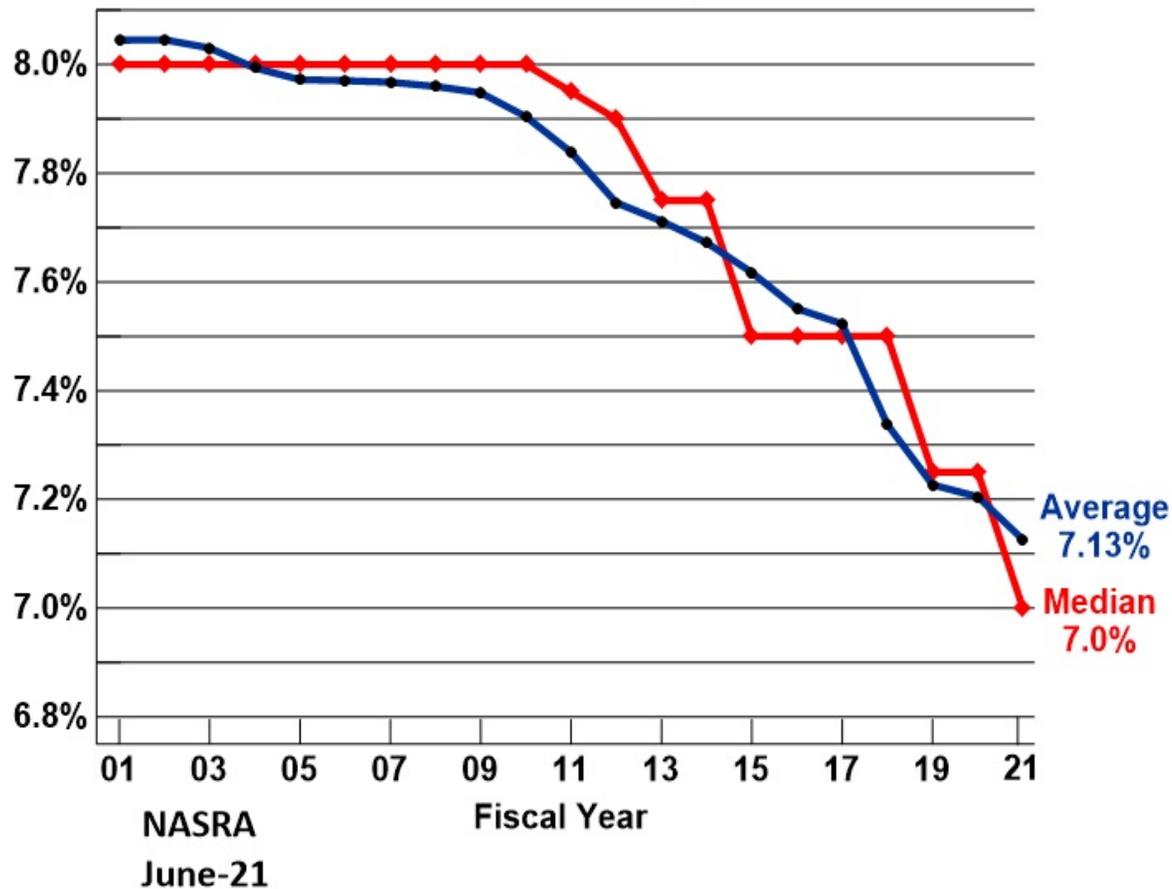
← Ohio Police and Fire
Arkansas Highway

← ATRS



Investment Return Assumptions Still Dropping

Change in Median and Average Public Pension Plan Investment Return Assumption

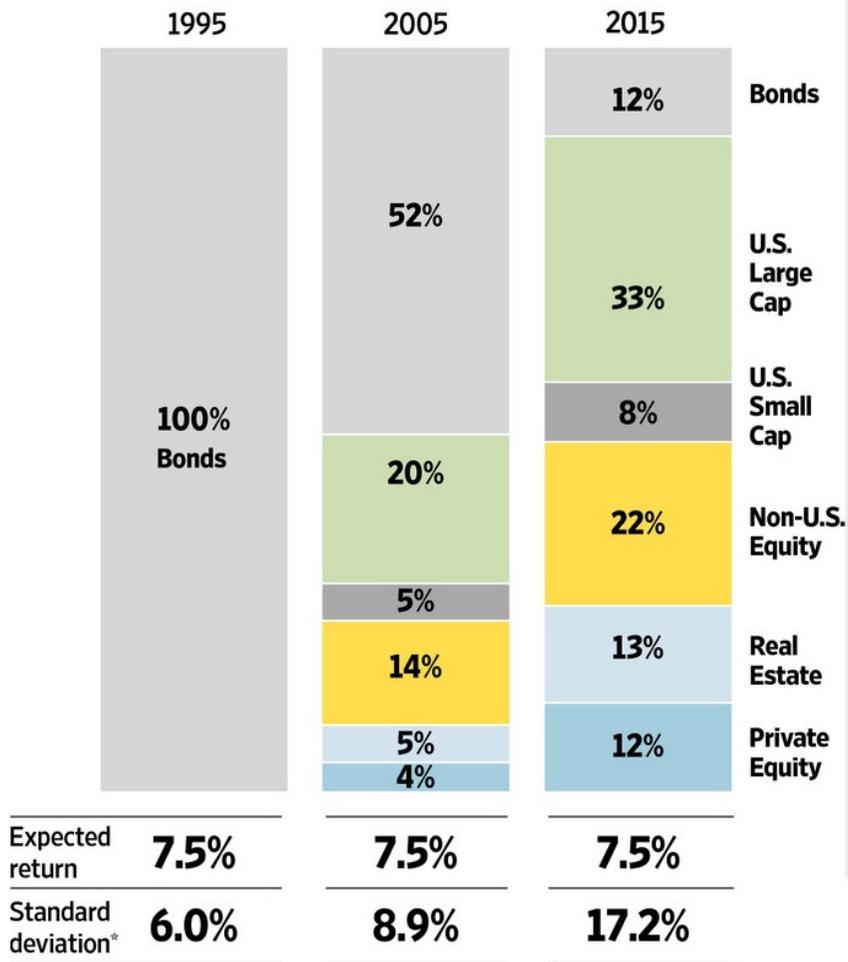


- The current median and average assumptions are **7.0%** and **7.13%** respectively
- Downward trend continuing



Increasing Risk for a Given Return

Estimates of what investors needed to earn 7.5%



*Likely amount by which returns could vary
Source: Callan Associates

THE WALL STREET JOURNAL.

- ATRS Currently assumes 7.5% return
- It takes much more risk today to produce a portfolio earning 7.5% than it did years ago
- While ATRS's current Standard Deviation is below the figure in this generic study, it is much higher than it would have been in 1995



Asset Allocation and Risk



Higher allocation of investments to risk-oriented asset classes leads to higher volatility in earnings

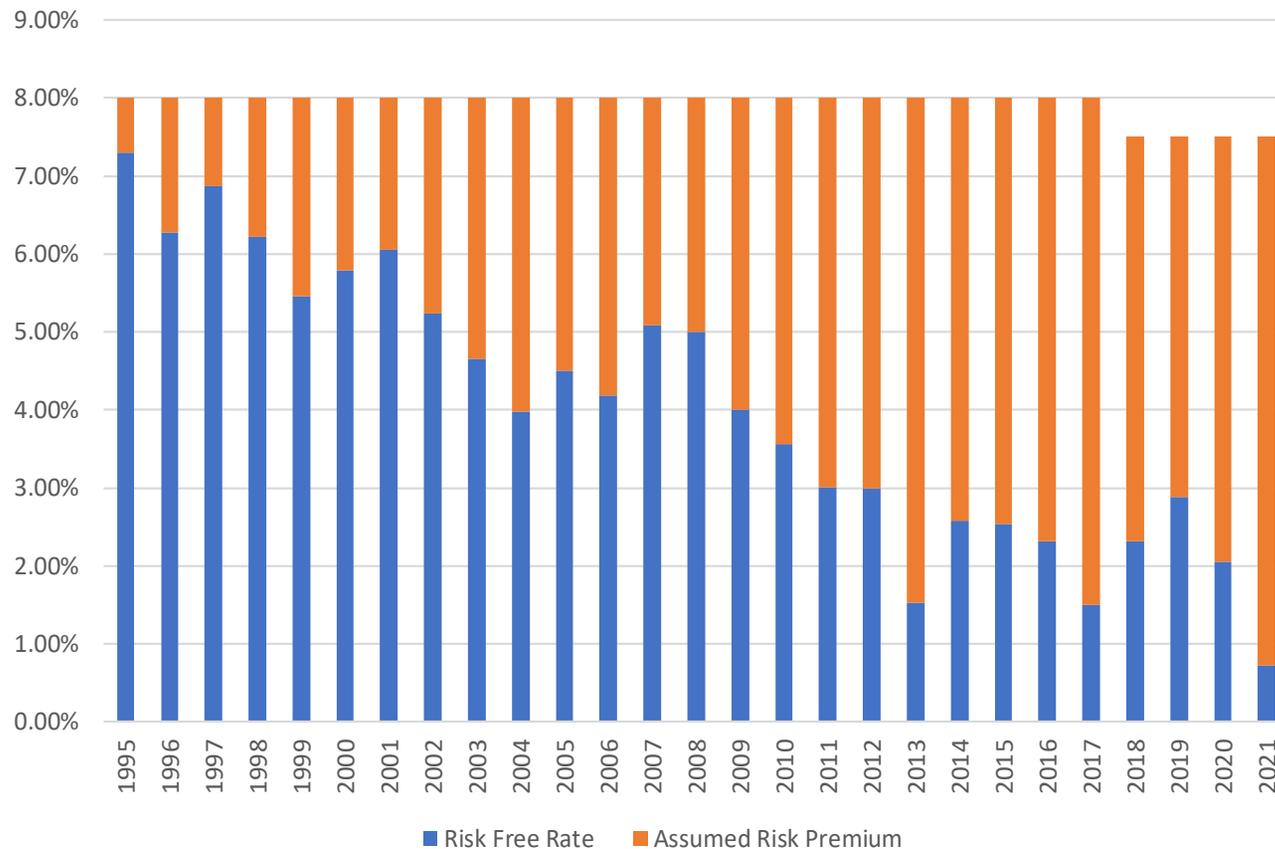


Most funding methods have mechanisms for mitigating short-term volatility



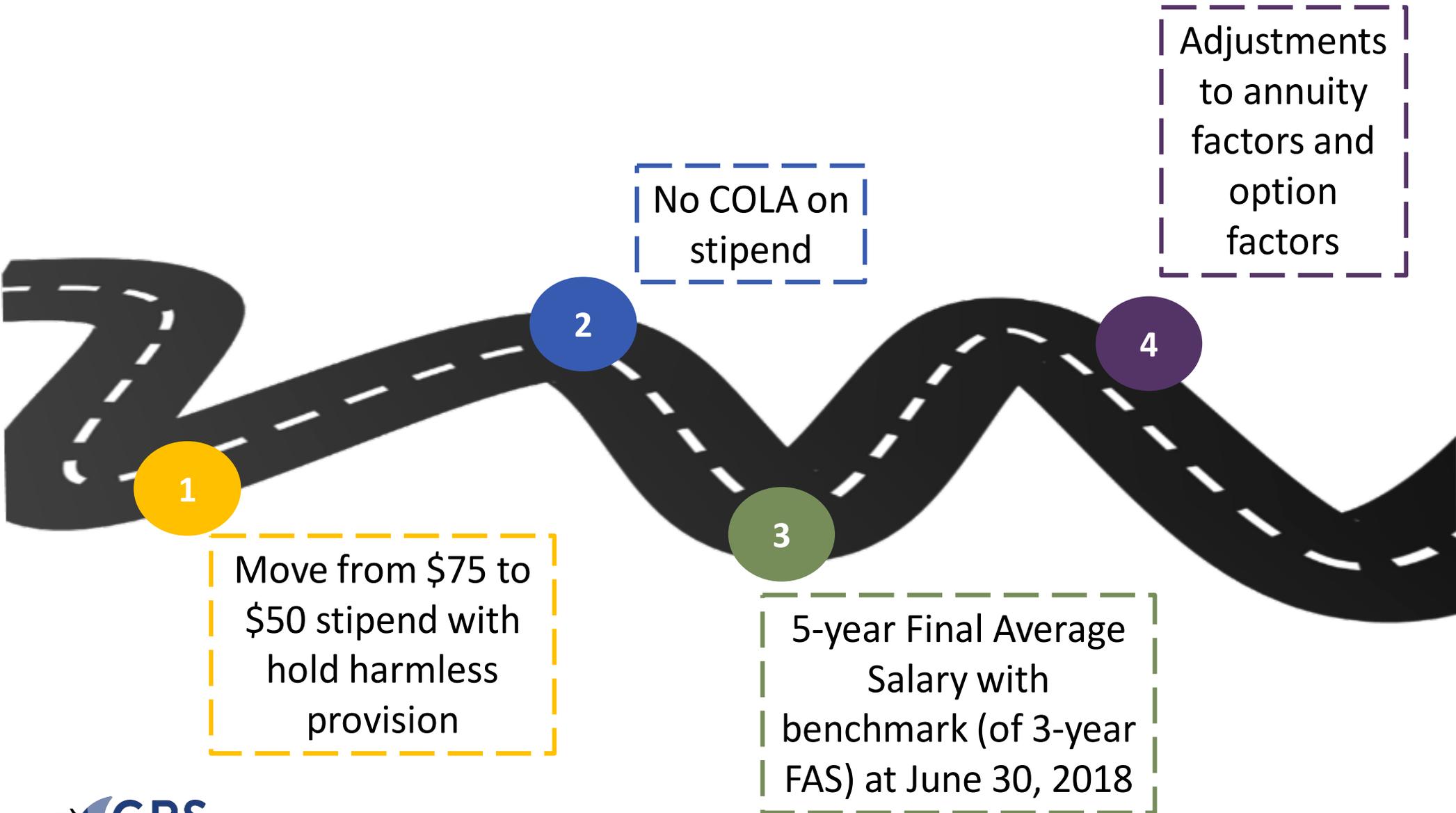
Fixed rate plans, like ATRS, are exposed to lasting effects of volatility

ATRS Assumed Return By Fiscal Year

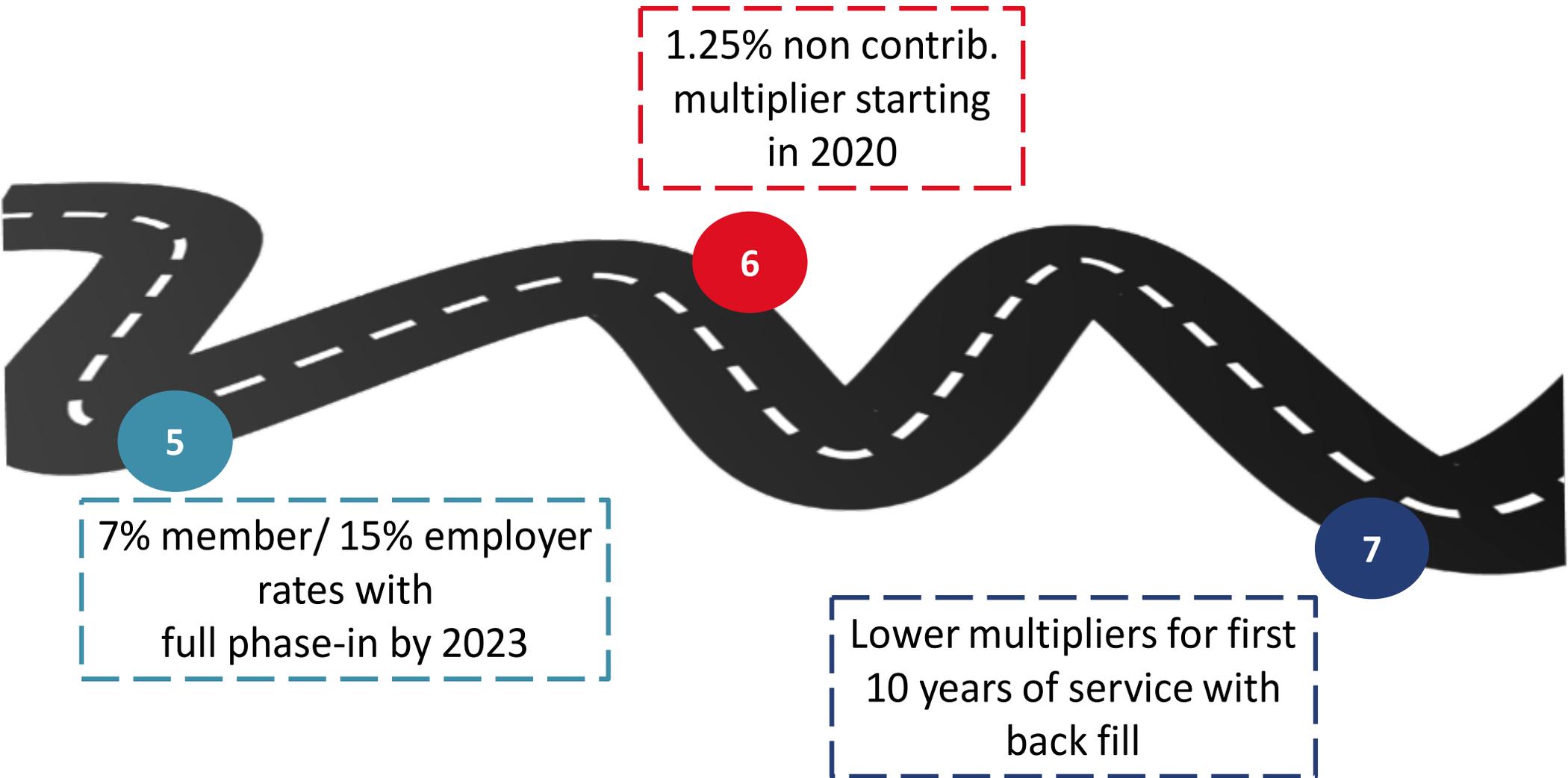


The chart uses the 10-year Treasury rate to illustrate a risk free rate of return. ATRS changed to a 7.5% assumption for FY 2018 and beyond. This change was painful.

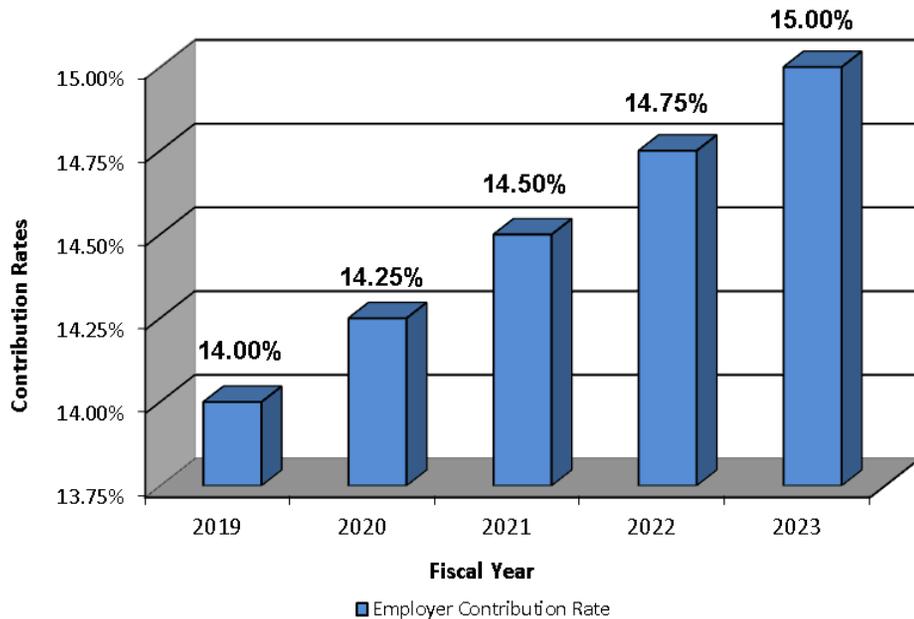
Changes at ATRS to Support the Drop to 7.5% Rate



Changes at ATRS to Support the Drop to 7.5% Rate

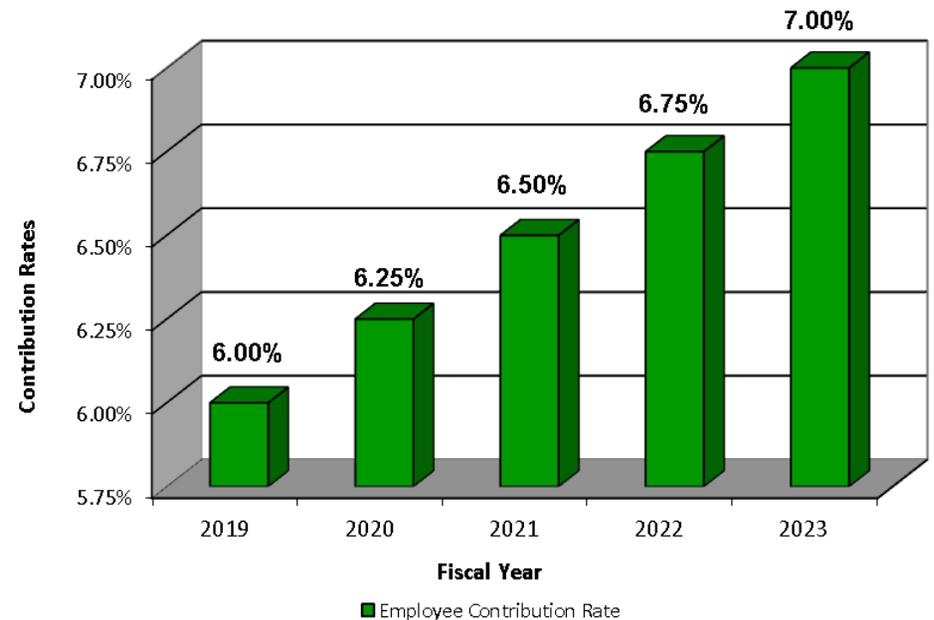


Future Increases in Contribution Rates



The Employer Contribution Rate is scheduled to increase by 0.25% each year and reach an ultimate rate of 15.0% by FY 2023

The Employee Contribution Rate is scheduled to increase by 0.25% each year and reach an ultimate rate of 7.0% by FY 2023





LOOKING FORWARD



About Projections

The projections that follow are based upon many assumptions about the future.

Actual future valuation results will take all known future information into account and will differ from the projections -- perhaps materially.

Projected results are very sensitive to the rates of payroll growth and liability growth that are assumed. In the long run, according to theory, both of those figures should approach the rate of payroll growth.



The Future

Following are projected valuation results for the next few years based on alternate future rates of investment return for 2021.

All scenarios assume a 7.5% return for years after 2021.

All scenarios assume a 15% of pay ultimate employer contribution rate.

Results will be impacted by any new assumptions that are adopted. Actual experience will determine what actually happens.

Projected Amortization Years

Valuation Year	2021	2022	2023
Projection A			
Investment Return	7.5%	7.5%	7.5%
Amortization Years	31	33	37
Funded Percent	79%	78%	77%
Projection B			
Investment Return	30.0%	7.5%	7.5%
Amortization Years	21	14	10
Funded Percent	83%	87%	90%

- While projection B looks very favorable, it is important to remember that 7.5% is well above the median expectation of public plans.
- The probability of achieving 7.5% over the next ten years is well below 50%. Projection B is actually an unlikely scenario.



Looking Forward

- An experience study is currently underway which will review all actuarial assumptions and methods.
- This is a complicated and laborious project which takes a few months to complete.
- ATRS has completed such studies approximately every five years.



Actuarial Experience Study

Experience Study Process

Assumptions are made about the following risk areas:

Demographic Assumptions

- Rates of quitting among active members.
- Rates of disability among active members.
- Rates of retirement among active members.
- Rates of mortality among active members, retirees and beneficiaries.
- Patterns of merit & longevity pay increases to active members.



Economic Assumptions

- Long-term rates of investment return to be generated by the assets of the System.
- Long-term rates of growth of total payroll.
- Price inflation.

Experience Study Process

- Assumptions should be carefully chosen and continually monitored
 - Continued use of outdated assumptions can lead to ...

Experience Study Process

Understated costs resulting in:

- Sharp increases in required contributions at some point in the future
- In extreme cases, an inability to pay benefits when due

Overstated costs resulting in:

- An unnecessarily large burden on the current generation of members, employers and taxpayers



Demographic Assumptions

- One of the major issues with the five-year experience period under review is the impact of Covid-19
 - Generally two schools of thought
 - Covid-19 is a one-time shock and things will be closer to ‘normal’ going forward
 - Any impact will result in gains or losses in 2020/2021 valuations only
 - Future long term trends and assumptions will not be affected
 - Should exclude some data for Experience Study purposes
 - Covid-19 will have a long-lasting impact for many years to come
 - We would need several years of data to collect relevant information
 - Could have impact on all actuarial assumptions (not just mortality), but trends will emerge over time
 - General recommendation – do not overreact
 - Wait until we have more information to make appropriate decisions

Retiree Mortality

- Post-retirement mortality is arguably the most important demographic assumption used in the actuarial valuation process
- ASOP No. 35 states with regard to the mortality assumption:
 - “The disclosure of the mortality assumption should contain sufficient detail to permit another qualified actuary to understand the provision made for future mortality improvement. If the actuary assumes zero mortality improvement after the measurement date, the actuary should state that no provision was made for future mortality improvement.”

Mortality

- Mortality assumption consists of two components
 - Base table – reflects expected mortality rates as of a base year
 - Mortality improvement – reflects anticipated improvements in mortality over each member's future lifetime
- New mortality tables (Pub2010) were recently developed by the Society of Actuaries (SOA)
 - 94 different versions
 - Based upon public sector retirement system mortality experience
 - The SOA examined mortality for Teachers, Public Safety, and General employment categories
 - Prior to the release of these tables, the SOA developed and released the RP-2014 mortality tables (based upon private sector retirement system mortality experience)

Female Generational Life Expectancy

Mortality Table: Projection Type: Age in Year:	Years of Future Life Expectancy for Females by Future Calendar Year				
	RP-2014 Generational	RP-2014 Generational	RP-2014 Generational	RP-2014 Generational	RP-2014 Generational
	2021	2031	2041	2051	2061
55	33.1	34.0	34.9	35.8	36.7
60	28.3	29.2	30.0	30.9	31.7
65	23.7	24.5	25.3	26.1	26.9
70	19.3	20.1	20.8	21.6	22.3
75	15.2	15.9	16.6	17.3	17.9
85	8.3	8.8	9.3	9.8	10.3
95	4.1	4.3	4.6	4.9	5.2

RP-2014 rates and life expectancies are projected back to 2006 and then in future years are determined by the MP-2017 projection scale and adjusted for partial credibility with scales of 1.01 and 0.91 for males and females, respectively.

Life Expectancy Comparison

RP-2014 vs Pub-2010

Mortality Table: Projection Type:	Years of Future Life Expectancy in 2021			
	Male		Female	
	RP-2014 Generational	Pub-2010 Teacher Generational	RP-2014 Generational	Pub-2010 Teacher Generational
Age in 2021				
55	29.7	32.5	33.1	34.7
60	25.2	27.6	28.3	29.8
65	20.8	22.8	23.7	24.9
70	16.8	18.3	19.3	20.3
80	9.6	10.4	11.5	11.8
90	4.7	5.0	5.8	5.8

RP-2014 rates and life expectancies are projected back to 2006 and then in future years are determined by the MP-2017 projection scale and adjusted for partial credibility with scales of 1.01 and 0.91 for males and females, respectively.

Pub-2010 rates and life expectancies in future years are determined by the MP-2020 projection scale. No adjustments have been made for partial credibility. This will be done as part of the experience study. Approximately every 10 years the generational projection adds a year of life expectancy for a 65 year old.

Discussion

- Very hard to say how the switch to Pub-2010 will affect an individual plan. The answer depends on:
 - Mortality table currently in use
 - Whether or not plan's own mortality experience is credible
- The effect may be incremental for plans with current fully generational mortality tables

Economic Assumptions – ASOP No. 27

- Guidance regarding the selection of economic assumptions is governed by Actuarial Standard of Practice (ASOP) No. 27
- ASOP No. 27 requires that the selected economic assumptions be individually reasonable and consistent with one another
- That is, the selection of the price inflation assumption should be consistent with the selection of the wage inflation and investment return assumptions

Economic Assumptions – Investment Return

- The investment return assumption (currently 7.5% for ATRS) is the actuarial assumption that has the largest effect on actuarial valuation results and the amortization period.
- As more of the actuarial accrued liabilities are related to non-active members, investment return assumption becomes a more prominent factor
 - Retiree liabilities are currently 58% of ATRS liabilities and growing

Considerations for the Selection of the Investment Return Assumption

- Must be based upon forward-looking expectations and the System's asset allocation (target asset allocation)
- There is more than one acceptable answer
 - Different actuaries can come to different recommendations
 - The actuary may present the Board with alternatives
 - However, each alternative must be reasonable

Considerations for the Selection of the Investment Return Assumption

- There are many considerations that ATRS may wish to take into account when adopting the investment return assumption
 - Appropriate time horizon for capital market expectations
 - ATRS' investment consultant's capital market expectations
 - “current” capital market expectations

Appropriate Time Horizon for Capital Market Expectations



- The time horizon for the capital market expectations of the majority of the investment firms that GRS monitors is 10 years
 - 12 firms provided expectations for the 2021 CMAM
- Some investment consultants also provide capital market expectations over a longer horizon
 - For example, 20 to 30 years
 - These capital market expectations currently exceed the 10-year expectations by about 70 to 90 basis points
 - 6 firms provided expectations for the 2021 CMAM

Appropriate Time Horizon for Capital Market Expectations

- Some will argue that since public plans are long-term investors, that 20 to 30-year expectations are more appropriate to use than 10-year expectations
- While it is true that public plans are long-term investors, most PERS have significant liability commitments coming due in the next 10 to 15 years

Appropriate Time Horizon for Capital Market Expectations

- The total present value of all future pension benefits (PVFB) for ATRS as of June 30, 2020 is approximately \$25.5 billion
 - 25% of that PVFB is associated with benefit payments in the next 5 years
 - 44% in the next 10 years
 - 59% in the next 15 years
- Investment returns in the next 10 to 15 years are very important to ATRS
- While we believe that expectations over the next 10 years are more reasonable for the selection of the investment return assumption than those based on longer periods, it may be reasonable to recognize at least to some extent that there is a significant difference between 10-year and 20 to 30-year expectations

Considerations for the Selection of the Investment Return Assumption

- Potential other considerations:
 - Have forward-looking expectations “bottomed-out”?
 - Investment return assumption must be reasonable each year
 - Choosing an aggressive (high) assumption, for example, one that gives a lot of credibility to expected returns in the 11 to 30-year period would be expected to lead to a series of actuarial losses and therefore could be disruptive

Economic Assumptions – Investment Return Target Asset Allocation

- Based on ATRS Board Policy 4, amended June 7, 2021, the target asset allocation for the plan is as follows:

Asset Category	Asset Allocation
Total Equity	53.0%
Fixed Income	15.0
Opportunistic/Alternatives	5.0
Real Assets	15.0
Private Equity	12.0
Total	100.0%

Economic Assumptions – Investment Return

- Based upon the proposed asset allocation, future return expectations of various investment firms were analyzed
- Our analysis is based on the GRS Capital Market Assumption Modeler (CMAM)
 - Because GRS is a benefits consulting firm and does not develop or maintain its own capital market expectations, we request and monitor forward-looking expectations developed by several major investment consulting firms
 - We update our CMAM on an annual basis
- The next few slides show the results of the analysis
 - Plan incurred administrative expenses were assumed to be 0.05% based on historical data
 - Final expected nominal investment return results are based upon a 2.25% price inflation assumption

Capital Market Assumption Modeler (CMAM)

GRS 2021 CMAM								
Capital Market Assumption Set (CMA)	CMA Expected Nominal Return	CMA Inflation Assumption	Expected Real Return (2)-(3)	Actuary Inflation Assumption	Expected Nominal Return (4)+(5)	Plan Incurred Administrative Expenses	Expected Nominal Return Net of Expenses (6)-(7)	Standard Deviation of Expected Return (1-Year)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Average	6.84%	2.19%	4.65%	2.25%	6.90%	0.05%	6.85%	13.74%
Average from last 3 CMAMs							7.23%	13.55%

The average expected arithmetic nominal return from column 8 is 6.85% before adjustment for volatility drag. The 3-year average is 7.23%. Note that the expected rate of return shown represents the average future expected return which is higher than the median future expected return. It is less than 50% likely that assets will actually grow at this rate.

Considerations for the Selection of the Investment Return Assumption

The chart below gives the distribution of compounded returns over a ten-year period and the probability of achieving various returns compounded over the period.

GRS 2021 CMAM							
Capital Market Assumption Set (CMA)	Distribution of 10-Year Average Geometric Net Nominal Return			Probability of exceeding	Probability of exceeding	Probability of exceeding	Probability of exceeding
	40th	50th	60th	7.50%	7.25%	7.00%	6.75%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Average	4.90%	5.98%	7.07%	36.19%	38.36%	40.57%	42.82%
Average from last 3 CMAMs over 10-year horizon		6.38%					

Economic Assumptions – Investment Return

ASOP No. 27

- The preferred assumption in the actuarial community is the forward-looking expected geometric return (i.e., 50th percentile) of 5.98%
 - 6.38% using the 3-year average of CMAMs
- A less preferred and more aggressive assumption is the forward-looking expected arithmetic return (i.e., expected nominal return) of 6.85%
 - The 20 year geometric expectation of the portfolio is very close to 7%
 - 7.23% using the 3-year average of CMAMs
- We will do a more in depth analysis of the investment return assumption during the experience study
 - Includes obtaining advice from the Plan's Investment Consultant

Summary



Experience Study

- The actuary will use five years of data to analyze trends in retirement, quits, mortality, etc.
- Additional focus and analysis on the economic assumptions including expected assumed rates of return going forward
- All preliminary signs point to a recommendation for lowering the assumed rate of return
- The update of assumptions will help ATRS reset its sails and move into the future

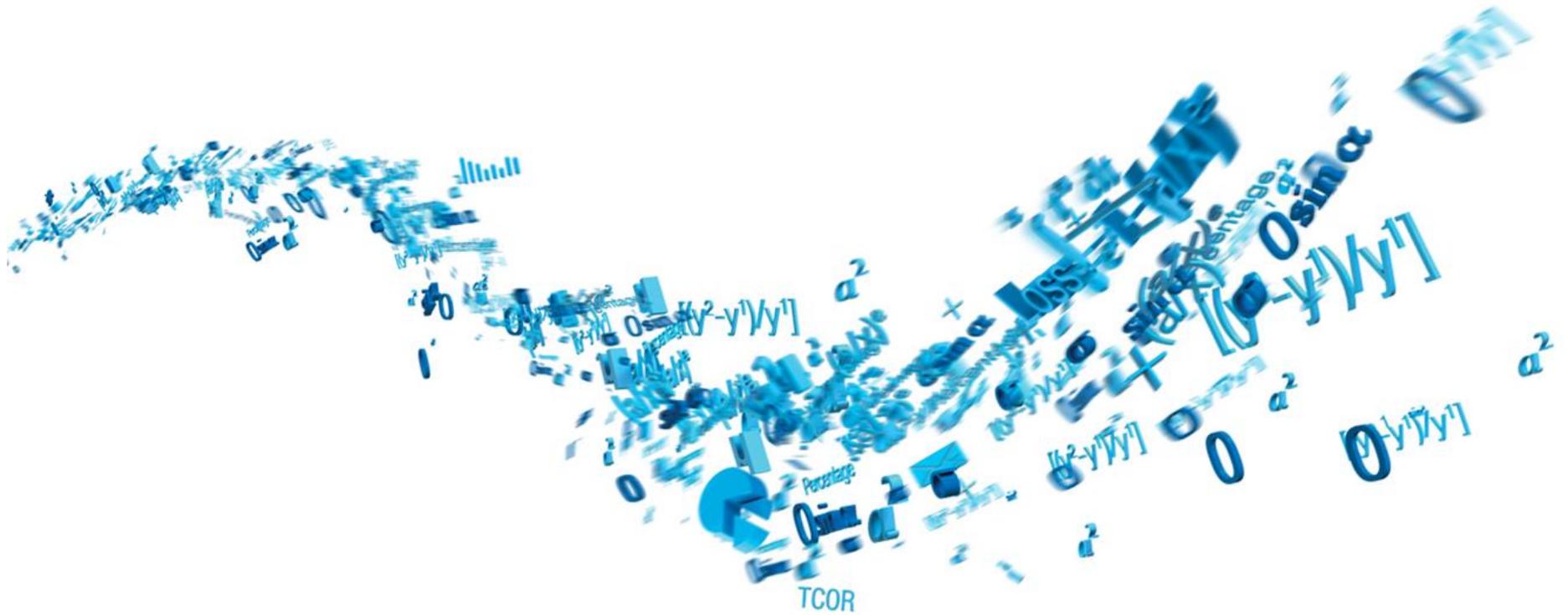
A man in a dark blue suit and patterned tie is pointing his right index finger directly at the camera. The background is a blurred office setting.

THANK YOU

QUESTIONS

Disclaimers

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.
- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.



Arkansas Teachers' Retirement System Board of Trustees Educational Training

July 19, 2021

Agenda Items

Section 1

Setting Strategic Asset Allocation

- Pension Plan Basics and Policy Setting Process
- 2018 Asset / Liability Study Review
- Asset Allocation Study Process
- Capital Market Assumptions Update

Section 2

Portfolio Structure / Implementation

- Core Beliefs
- Total Equity Structure Review
- Fixed Income Structure Review
- Opportunistic/Alternatives Structure Review
- Real Assets

Appendix

Agenda Tracker

Section 1

Setting Strategic Asset Allocation

- Pension Plan Basics and Policy Setting Process
- 2018 Asset / Liability Study Review
- Asset Allocation Study Process
- Capital Market Assumptions Update

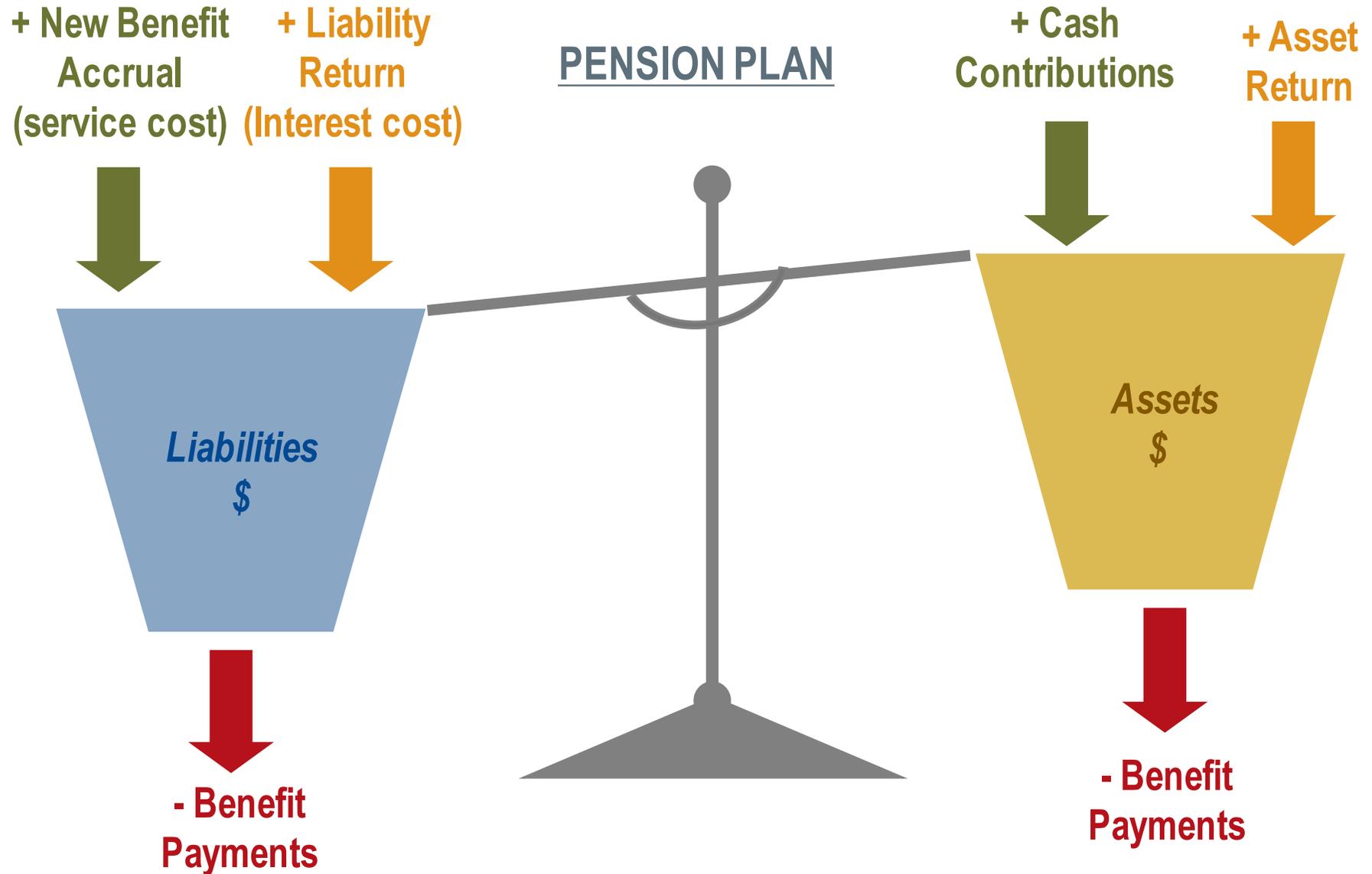
Section 2

Portfolio Structure / Implementation

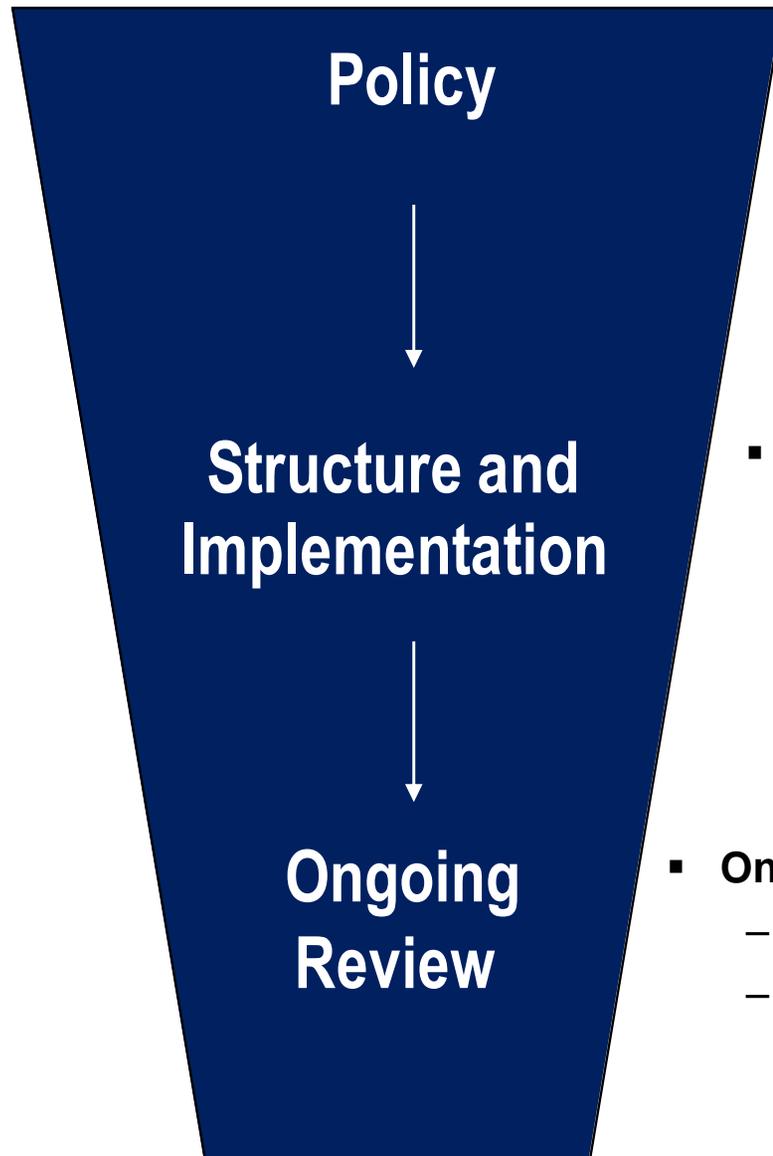
- Core Beliefs
- Total Equity Structure Review
- Fixed Income Structure Review
- Opportunistic/Alternatives Structure Review
- Real Assets

Appendix

Pension – Balance of Liabilities and Assets



Steps in the Investment Process and Priorities



- **Policy: Setting an appropriate strategy**
 - Asset allocation primary driver of long-term success
 - Set strategy in the context of plan liabilities
- **Structure: Assure implementation conforms with stated objectives and risk tolerance**
 - Risk-conscious approach
 - Efficient, cost-effective implementation
- **Ongoing Review: Performance as planned; no surprises**
 - Proactive assessment of portfolio and risks
 - Related oversight functions: proxy voting, etc.

Asset/Liability Study – The First Step in Setting Strategy

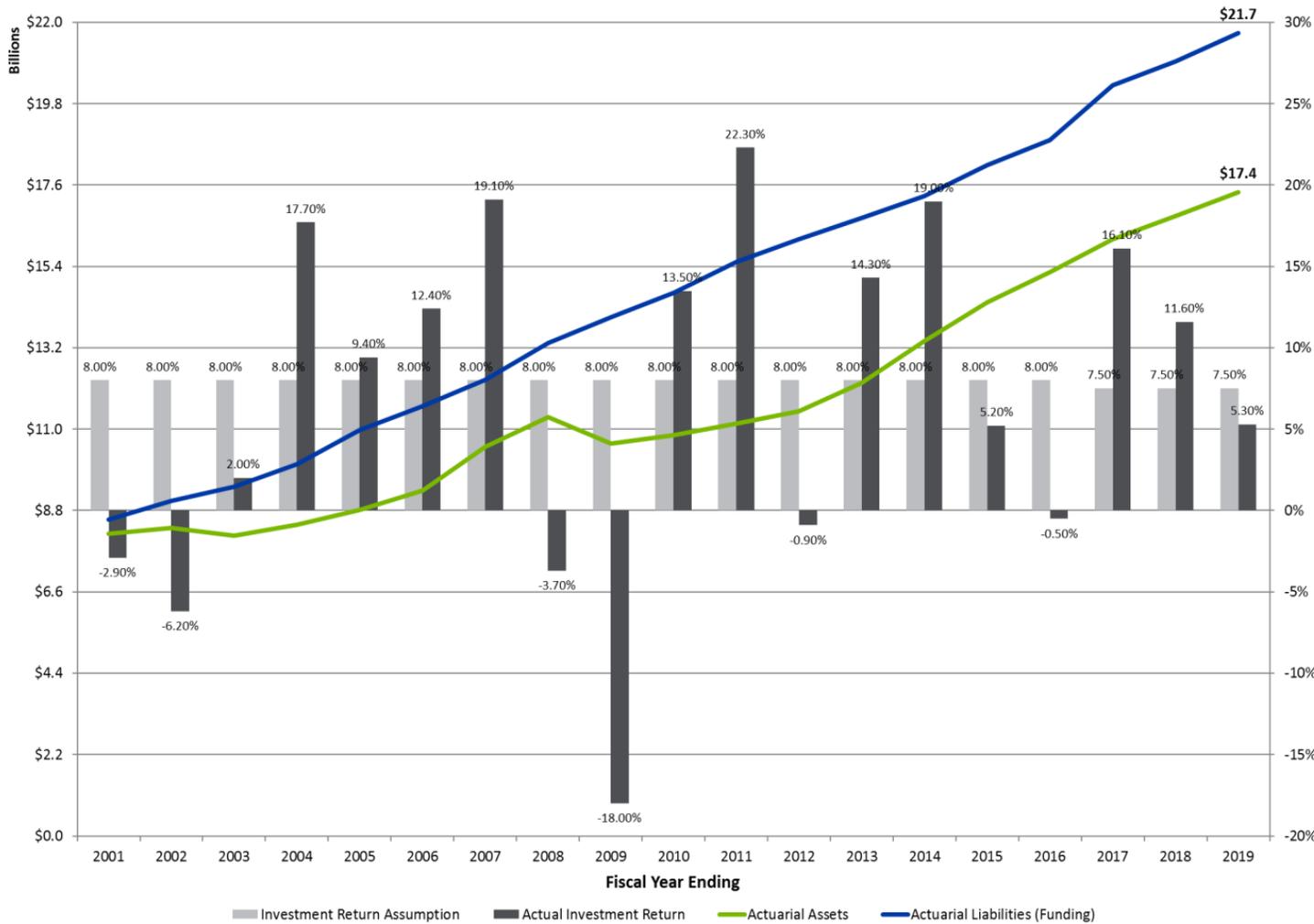
An asset/liability study:

- Provides fiduciaries with an understanding of the dynamic relationship between plan assets and liabilities over time
- Illustrates the impact of various asset allocations on required contributions and funded status under a range of different macro-economic scenarios
- Identifies future trends in the financial health of the plan based on economic uncertainties that may not be evident from an actuarial valuation, which provides only a snapshot at a point in time

Helps determine level of risk that is appropriate in the context of the Plan's liabilities

Background and Historical Information

Arkansas Teacher Retirement System



Key Takeaways:

- **Blue line** represents the actuarial liabilities over time
 - Adding to the increase in liability has been the decrease in the assumed investment return (light gray bar)
- **Green line** represents the actuarial value of plan assets over time
 - Assets reflect smoothing parameters to the actual return on assets (dark gray bar)



Sources: PublicPlansData (publicplansdata.org) as of July 2020 along with investment performance reporting for FYE 2019

2018 Asset Liability Study: Current State Asset-Liability Profile

As of June 30, 2019

Asset-Liability Snapshot as of 6/30/2019		
Metric (\$, Millions)	Value	Fund %
Market Value of Assets	\$17,741.6	81.7%
Actuarial Value of Assets	\$17,412.5	80.2%
Liability Metrics		
Actuarial Liability (AL) - Funding	\$21,708.9 ¹	

Key Takeaways:

- Pension plan is 81.7% funded on a market value of assets basis as of June 30, 2019
- Asset allocation is 90% return-seeking assets with 10% risk-reducing/safety assets to withstand stressed markets
- Asset hurdle rate of 11.20%, via cash funding and investment returns, needed to maintain or improve actuarial funded status

Asset-Liability Growth Metrics			
Metric (\$, Millions)	Value	% Liability	% Assets
AL Discount Cost	\$1,628.2	7.50%	9.18%
AL Normal Cost	\$357.6	1.65%	2.02%
Total Liability Hurdle Rate	\$1,985.7	9.15%	11.20%
Expected Return on Assets ²	\$1,321.0	6.08%	7.45%
Total Contributions	\$595.9	2.75%	3.36%
Total Exp. Asset Growth	\$1,916.9	8.83%	10.81%
Hurdle Rate Shortfall/(Surplus)	\$68.8	0.32%	0.39%
Est. Benefit Payments	\$1,146.7	5.28%	6.46%

¹ Based on a 7.50% discount rate consistent with the June 30, 2019 valuation results.

² Expected returns are using Aon Investments Q2 2020 Capital Market Assumptions. Assumptions do not include fees/expenses. All expected returns are geometric (long-term compounded; rounded to the nearest decimal) and net of investment fees.

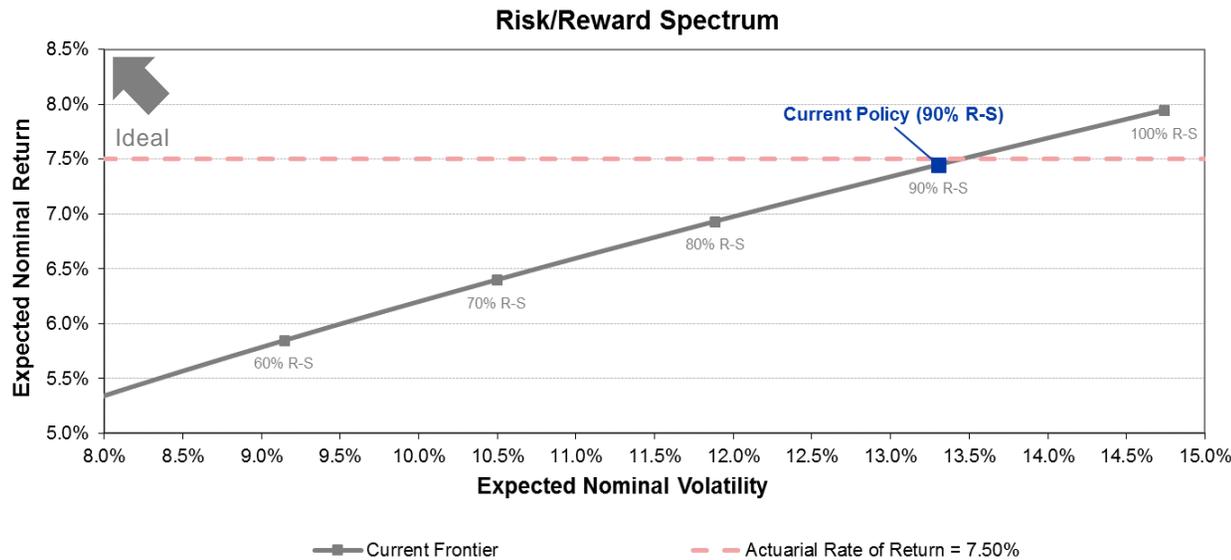
Expected returns presented are models and do not represent the returns of an actual client account. Not a guarantee of future results.

Percentages may not sum to 100% due to rounding.

Target Asset Allocation as of 6/30/2019		
Metric (\$, Millions)	Value	Alloc %
Return-Seeking		
- U.S. Equity	\$31.9	0%
- Global Equity	\$9,403.1	53%
- Private Equity	\$2,129.0	12%
- Real Estate	\$1,774.2	10%
- Hedge Funds	\$402.7	2%
- Infrastructure/Farmland/Timber	\$887.1	5%
- Equity Insurance Risk Premiums	\$163.2	1%
- Insurance Linked Securities	\$289.2	2%
- Multi Asset Credit	\$887.1	5%
- Total	\$15,967.5	90%
Risk-Reducing		
- Core Bonds	\$1,774.2	10%
- Total	\$1,774.2	10%
Total	\$17,741.6	100%

2018 Asset Liability Study: Portfolio Analysis

Risk/Reward Spectrum



Key Takeaways:

- The current portfolio is positioned at the higher end of the risk spectrum
 - Return-seeking assets are broadly diversified
 - Risk-Reducing asset allocation should withstand stressed markets

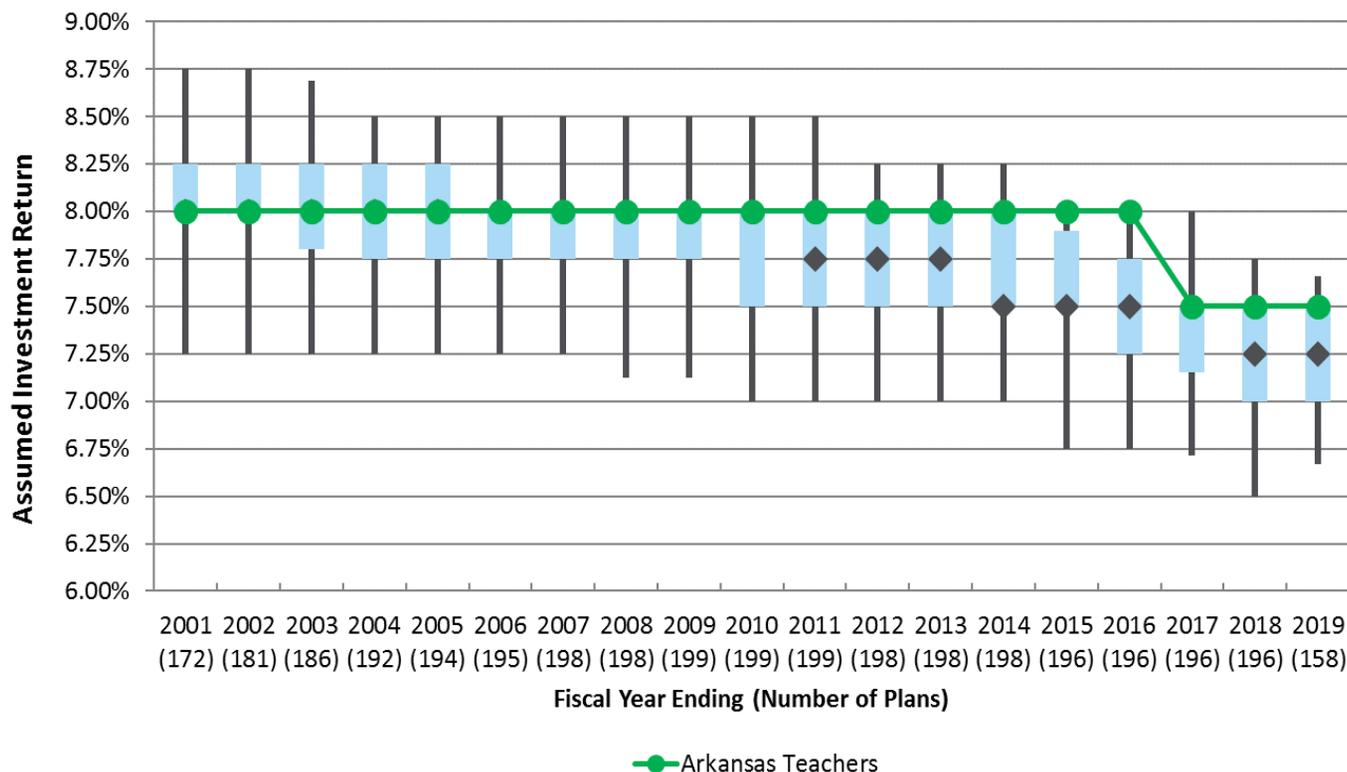
	Expected Nominal Return	Expected Nominal Volatility	Sharpe Ratio	Return-Seeking Assets											Risk-Reducing/ Safety Assets
				Public Equity	Private Equity	EIRP	Liquid Alts	Multi Asset Credit	ILS	Real Estate	Farm-land	Timber	Infra-structure	Core Bonds	
Current Policy (90% R-S)	7.45%	13.30%	0.477	53%	12%	1%	2%	5%	2%	10%	1%	2%	2%	10%	
Current Frontier															
0% Return-Seeking	2.10%	4.50%	0.222	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	
10% Return-Seeking	2.78%	4.40%	0.381	6%	1%	0%	0%	1%	0%	1%	0%	0%	0%	90%	
20% Return-Seeking	3.43%	4.81%	0.486	12%	3%	0%	1%	1%	0%	2%	0%	0%	0%	80%	
30% Return-Seeking	4.07%	5.60%	0.530	18%	4%	0%	1%	2%	1%	3%	0%	1%	1%	70%	
40% Return-Seeking	4.68%	6.65%	0.538	24%	5%	0%	1%	2%	1%	4%	0%	1%	1%	60%	
50% Return-Seeking	5.27%	7.85%	0.531	30%	7%	1%	1%	3%	1%	6%	1%	1%	1%	50%	
60% Return-Seeking	5.84%	9.14%	0.519	35%	8%	1%	2%	3%	1%	7%	1%	1%	1%	40%	
70% Return-Seeking	6.40%	10.50%	0.505	41%	9%	1%	2%	4%	1%	8%	1%	2%	2%	30%	
80% Return-Seeking	6.93%	11.89%	0.491	47%	11%	1%	2%	4%	1%	9%	1%	2%	2%	20%	
90% Return-Seeking	7.45%	13.30%	0.477	53%	12%	1%	2%	5%	2%	10%	1%	2%	2%	10%	
100% Return-Seeking	7.94%	14.74%	0.464	59%	13%	1%	3%	6%	2%	11%	1%	2%	2%	0%	

Expected returns are using Aon Investments Q2 2020 Capital Market Assumptions. Assumptions do not include fees/expenses. All expected returns are geometric (long-term compounded; rounded to the nearest decimal) and net of investment fees. Expected returns presented are models and do not represent the returns of an actual client account. Not a guarantee of future results. Percentages may not sum to 100% due to rounding.

Portfolio Analysis

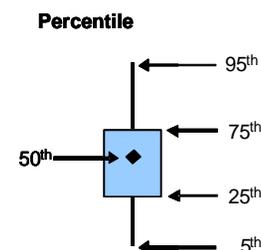
Expected Return Assumption versus Peers¹

Distribution of U.S. Public Pension Investment Return Assumptions



Key Takeaways:

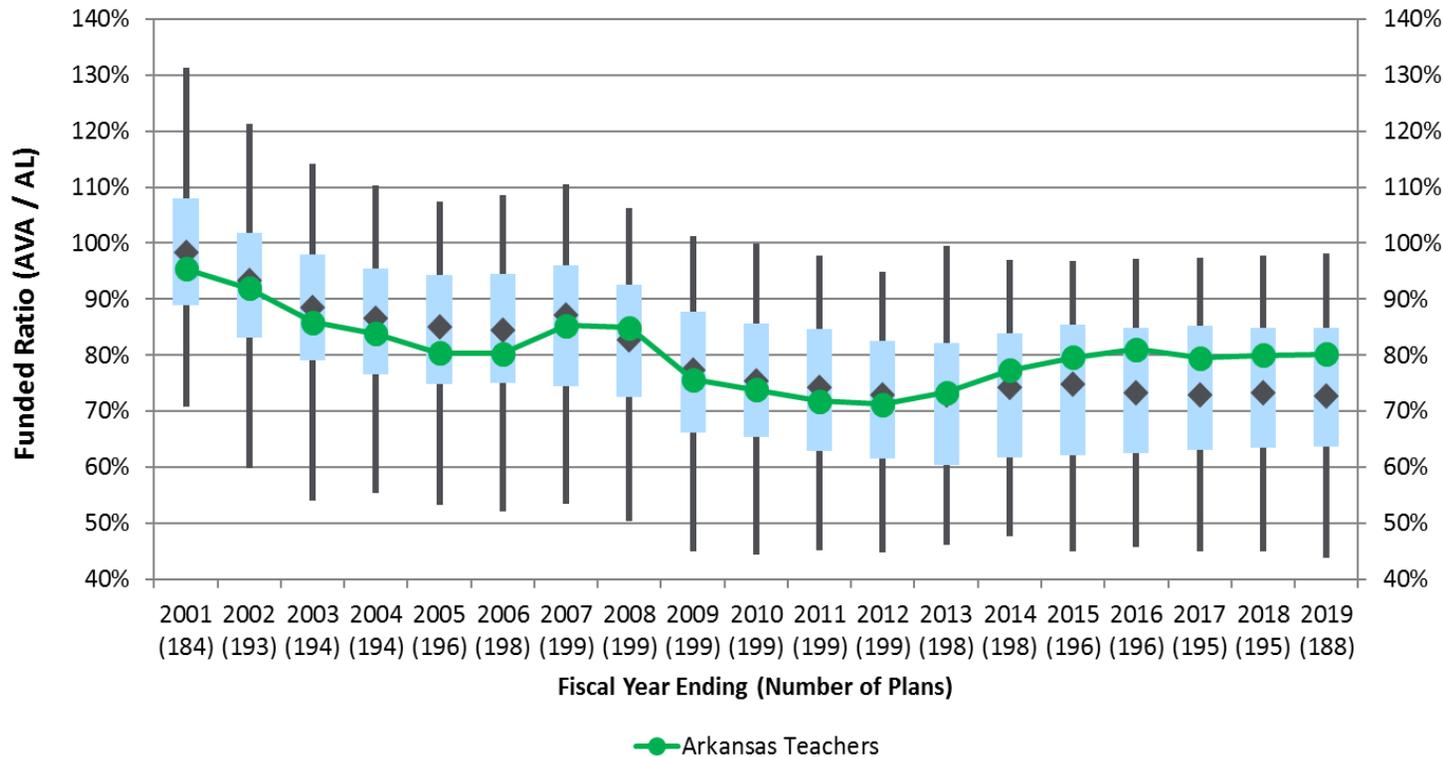
- The public pension peer median actuarial assumption for investment return has declined from 8.00% in 2001-2010 to 7.25% based on the latest survey data
- ATRS' assumption for FYE 2019 (7.55%) fell at the 75th percentile relative to its peers
- If ATRS exceeds (or falls short of) the actuarial return assumption, lower (or higher) funding will be needed in future years



Peer Comparisons

Funded Ratio (Based on Actuarial Value of Assets) versus Peers¹

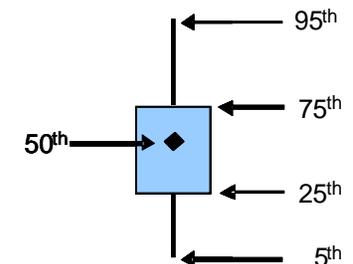
Distribution of U.S. Public Pension Funded Ratios



Key Takeaways:

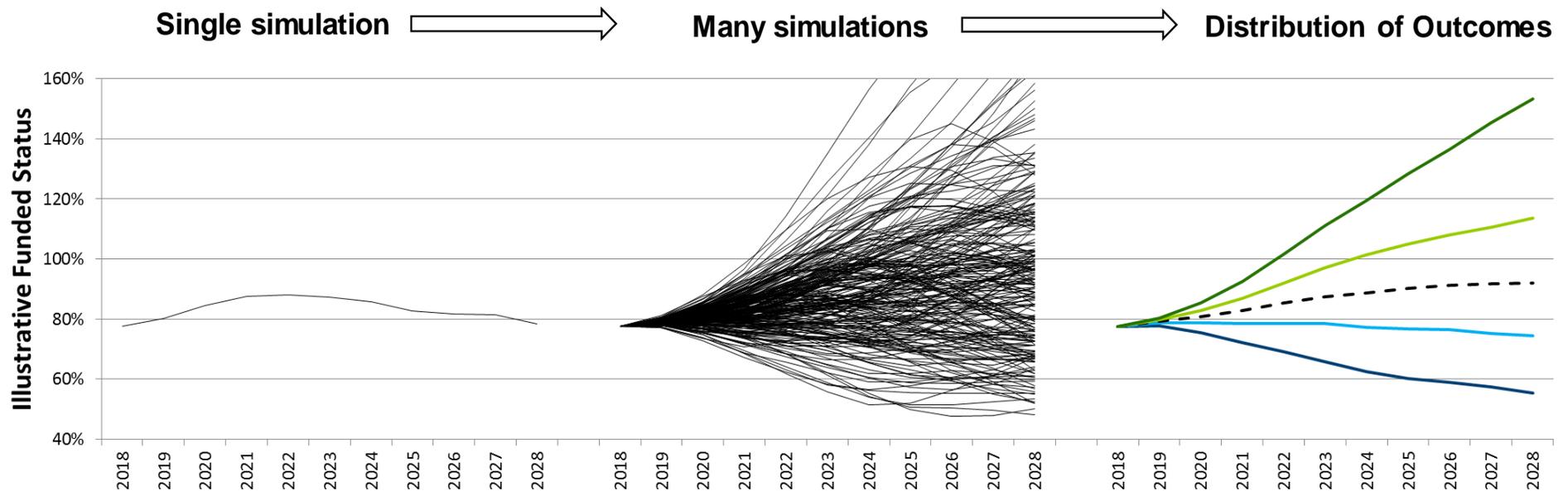
- The median funded ratio as of FYE 2019 was 73% based on the latest survey data
- ATRS' FYE 2019 funded ratio (80%) fell above the 50th percentile relative to its peers
- ATRS' FYE 2019 funded ratio based on Market Value of Assets was 82%

Percentile



Asset-Liability Simulation Overview

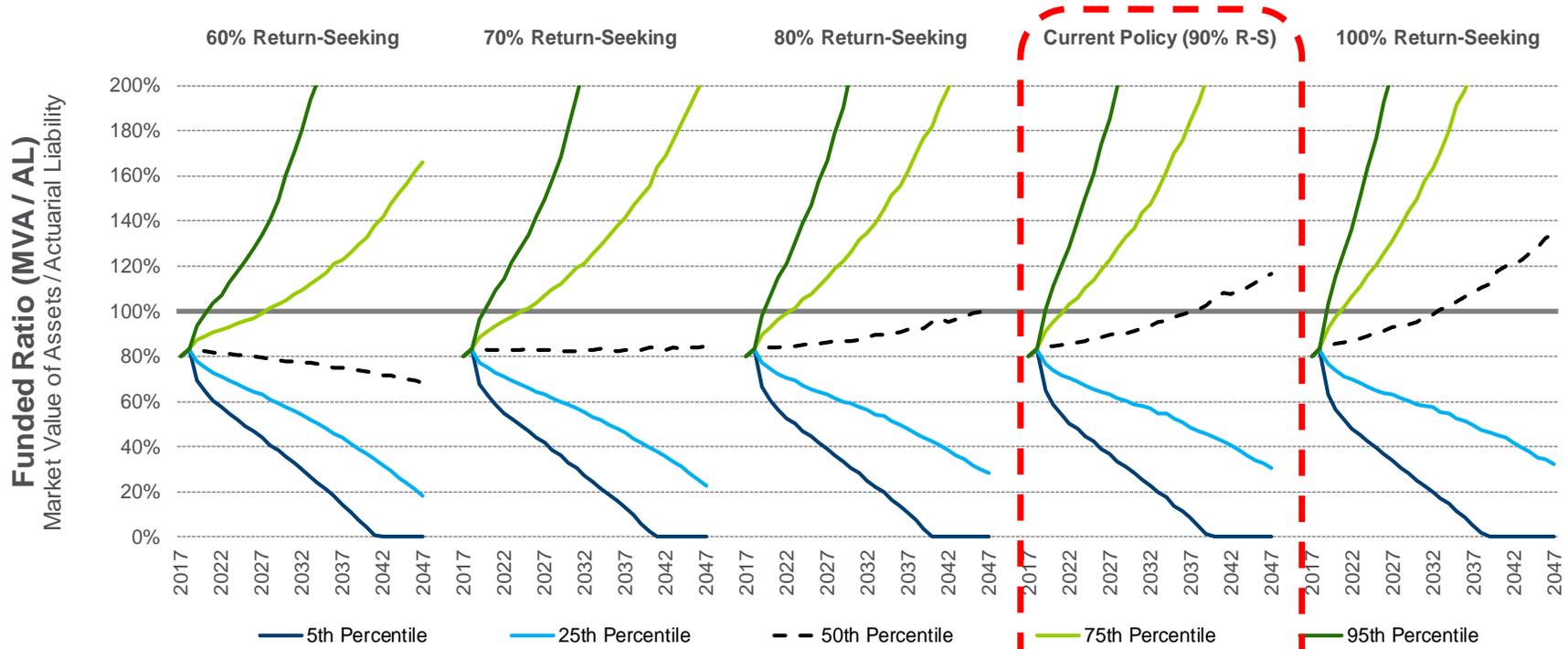
- Thousands of simulations plotted in one graph would be impossible to interpret
- Instead, we rank the simulations at each point over the future
- This produces a distribution of outcomes illustrating the degree of uncertainty of a plan's financial position over the projection period
- Different investment strategies will produce different distributions of outcomes



58 The path of a given scenario will follow a much less smooth pattern than the distribution suggests, as illustrated above

Asset-Liability Projection Results – From 2018 AL Study

Market Value of Assets / Actuarial Liability Funded Ratio



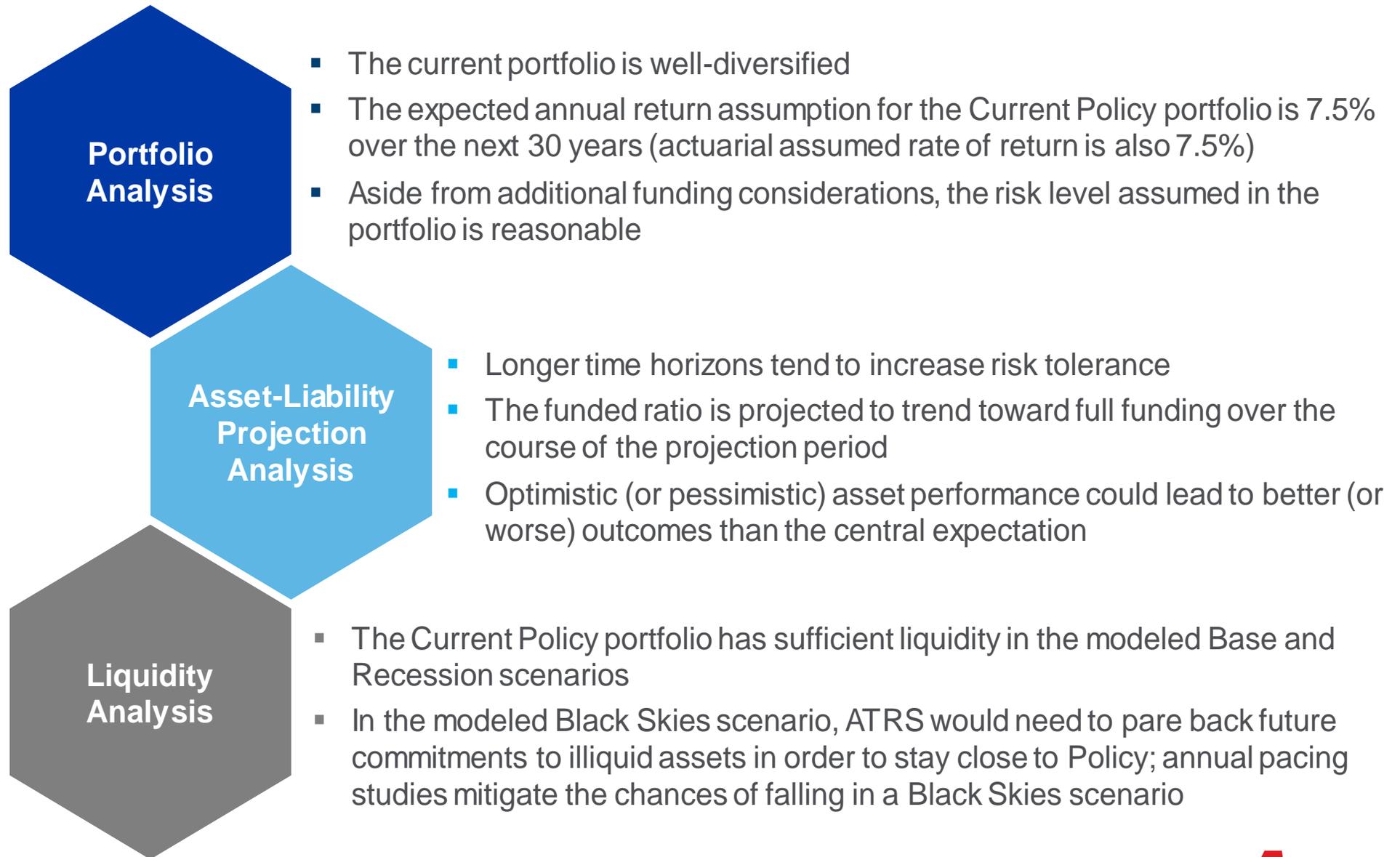
Strategy	60% Return-Seeking			70% Return-Seeking			80% Return-Seeking			Current Policy (90% R-S)			100% Return-Seeking		
Year	2027	2037	2047	2027	2037	2047	2027	2037	2047	2027	2037	2047	2027	2037	2047
5th Percentile	44%	14%	0%	42%	13%	0%	39%	11%	0%	37%	8%	0%	34%	5%	0%
25th Percentile	63%	44%	18%	63%	46%	23%	63%	48%	28%	63%	49%	31%	63%	50%	32%
50th Percentile	80%	75%	68%	83%	83%	84%	86%	92%	100%	90%	100%	117%	93%	108%	135%
75th Percentile	99%	123%	166%	107%	141%	>200%	115%	162%	>200%	123%	184%	>200%	131%	>200%	>200%
95th Percentile	134%	>200%	>200%	150%	>200%	>200%	166%	>200%	>200%	185%	>200%	>200%	>200%	>200%	>200%
Probability > 100%	25%	37%	42%	32%	43%	47%	38%	47%	50%	42%	50%	55%	45%	53%	58%

Key Takeaways:

- Plan is expected to achieve full funding in the Current Policy
- Higher (or lower) return-seeking strategies adjust the trajectory of the central expectation

59 Liability projections assume discount rates of 7.50% for all investment policies studied

ATRS 2018 Asset Liability Study Executive Summary



Asset Allocation Exercise

- Next step to setting Policy is to translate results of the Asset/Liability study to an actionable strategic asset allocation

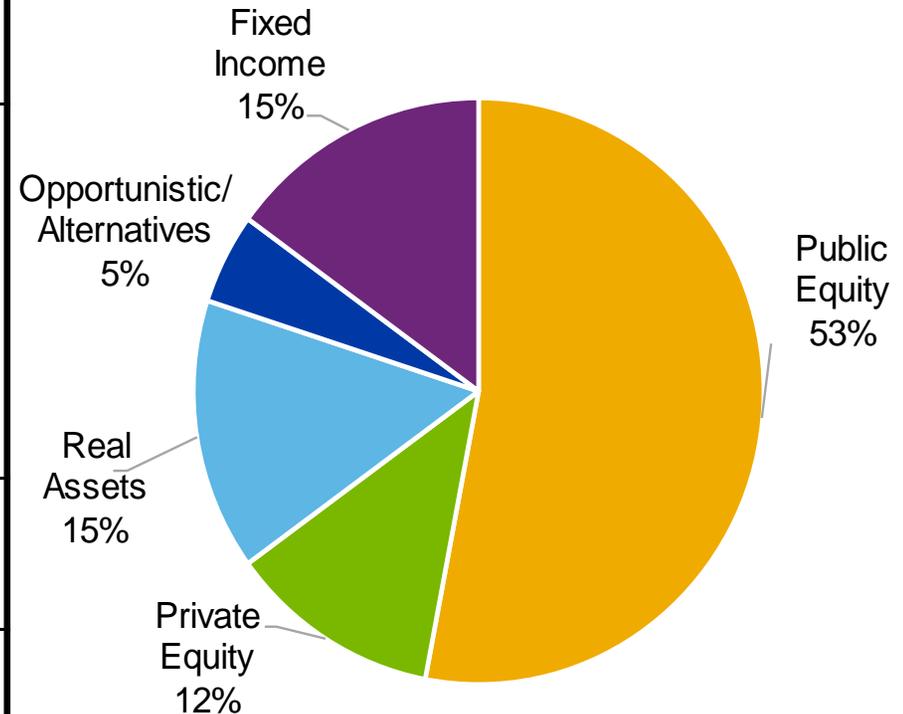
- Determine composition of risk-reducing allocation (bonds)

- Develop asset class targets within return-seeking (risky) allocation while giving due consideration to:
 - Long-term return expectation
 - Risk control / Diversification
 - Inflation protection
 - Liquidity needs
 - Costs
 - Resources
 - Flexibility

ATRS Long Term Policy Targets

Asset Class/Category	Role in Portfolio
Return-Seeking Asset Classes	
Public Equities (U.S. / global equities)	Capture global growth / capital appreciation
Real Assets	
Real Estate (Private Real Estate, REITs)	Returns in excess of bonds, Income-stream, inflation-hedging, added diversification
Timber and Agriculture	Returns in excess of bonds, inflation-hedging, added diversification
Infrastructure	Returns between equity and bonds, diversifier, steady income stream
Private Equity	
Venture Capital, Buyouts, Distressed, etc.	Higher returns than public equity, Skill-based return enhancement
Opportunistic/Alternative Strategies (can include)	
Absolute return, event driven, global macros, etc	Skill-based diversifier, downside protection
ILS	Uncorrelated to financial markets
Credit-Oriented strategies	Higher Return expectations than traditional bonds, Diversifier
Risk-Reducing Asset Class	
U.S. Fixed Income	Downside-protection, risk reducer

ATRS Current Long-Term Policy

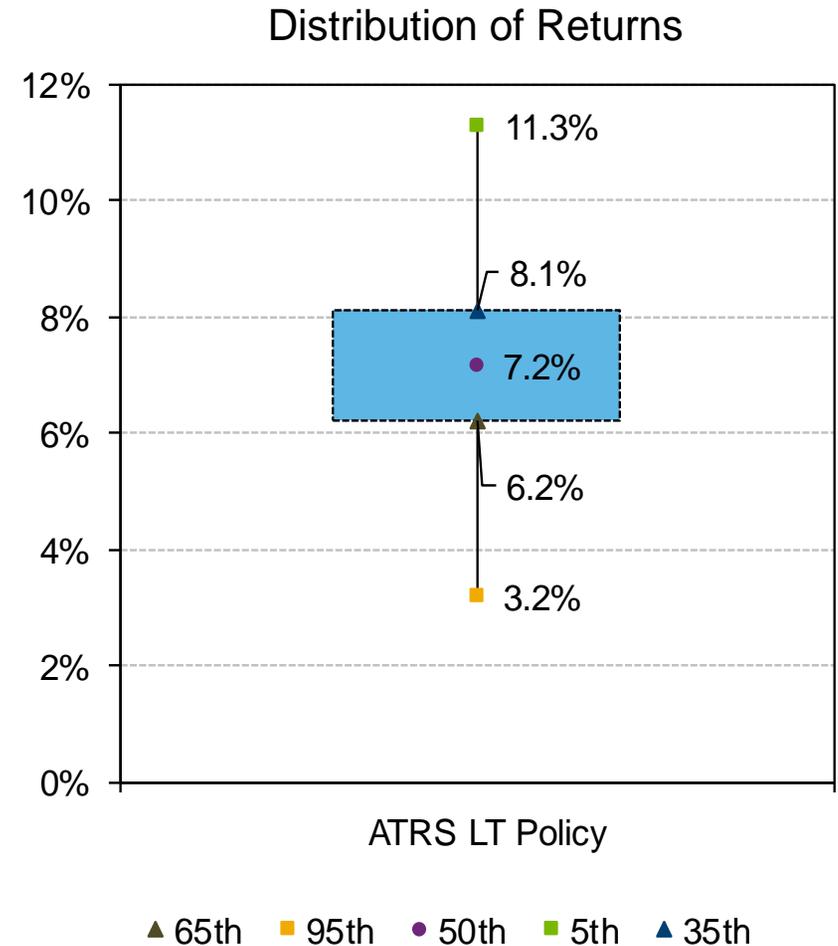


Aon Capital Market Assumptions (CMAs): Overview

- What are they?
 - Asset class return, volatility and correlation assumptions
 - Long-term: (10- and 30-year), forward-looking assumptions
 - Best estimates: (50/50 probability of better or worse long-term results than expected)
 - Quarterly: Updated on a quarterly basis to reflect current market pricing/levels
- Return assumptions most critical
 - Market Returns: no active management value added or fees (other than hedge funds and private equity, where traditional passive investments are not available)
- Volatility assumptions are set with a forward-looking view, considering:
 - Implied volatilities priced into option contracts of various terms
 - Historical volatility levels
 - For illiquid asset classes, such as real estate, de-smoothing techniques are employed when assessing historic volatility levels
 - The broad economic/market environment
- Correlation assumptions are formulated with reference to historic experience over different time periods and during different economic conditions

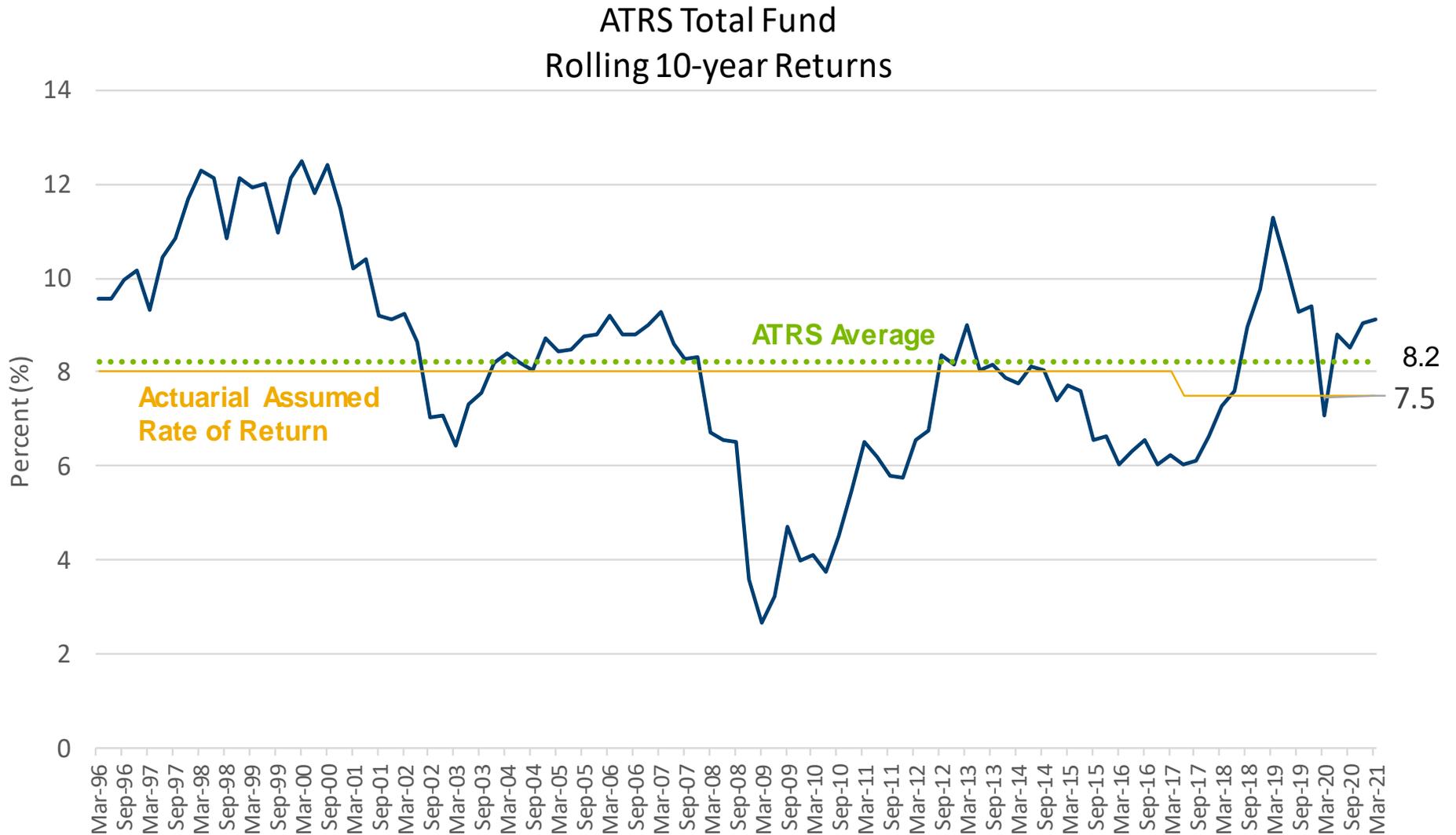
ATRS: Distribution of Expected Returns

Asset Class	Allocation (%)	Expected Return*	Risk
Public Equity	53.0%	7.1%	18.5%
Private Equity	12.0	8.9	25.0
Real Assets	15.0	6.6	13.4
Opportunistic / Alternatives	5.0	6.4	5.7
Fixed Income	15.0	3.9	5.0
Total ATRS	100%	7.16%	13.65%



*Based on AHIC 2Q 2021 30 year Capital Market Assumptions. Inflation assumption is 2.1%

ATRS Historical Total Fund Rolling 10-Year Returns



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Agenda Tracker

Section 1

Setting Strategic Asset Allocation

- Pension Plan Basics and Policy Setting Process
- 2018 Asset / Liability Study Review
- Asset Allocation Study Process
- Capital Market Assumptions Update

Section 2

Portfolio Structure / Implementation

- Core Beliefs
- Total Equity Structure Review
- Fixed Income Structure Review
- Opportunistic/Alternatives Structure Review
- Real Assets

Appendix

Portfolio Structure: Core Beliefs

- Portfolio structure encompasses decisions relating to the implementation of the strategic asset allocation

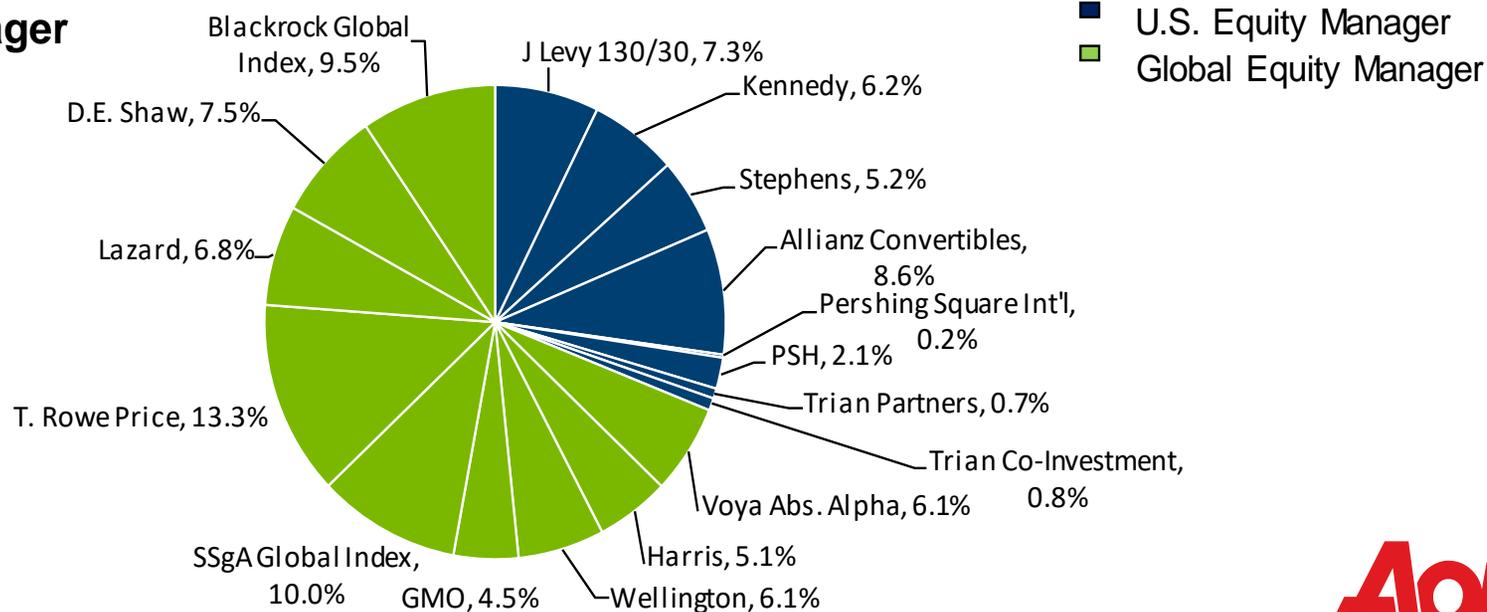
Core Beliefs:

- Gain *exposure to the broad opportunity set* across each asset class
 - Eliminate *un-intended* structural biases
 - Recognize risks associated with structural biases and be comfortable with such risks
- *Pay little for beta*
 - Use active management for alpha; not diversification
- *Eliminate style-box approach* to portfolio construction
 - Style boxes are a rigid and artificial construct
- Focus manager selection efforts on *skill and not style*
 - Hire active managers that can add value regardless of their style and capitalization orientation
 - Allow managers with identifiable skill broad latitude to add value
- *Utilize active risk budgeting* as a risk control and allocation tool
- *Seek to keep fees low* – higher fees do not translate to higher value-added

Total Equity: Current Structure

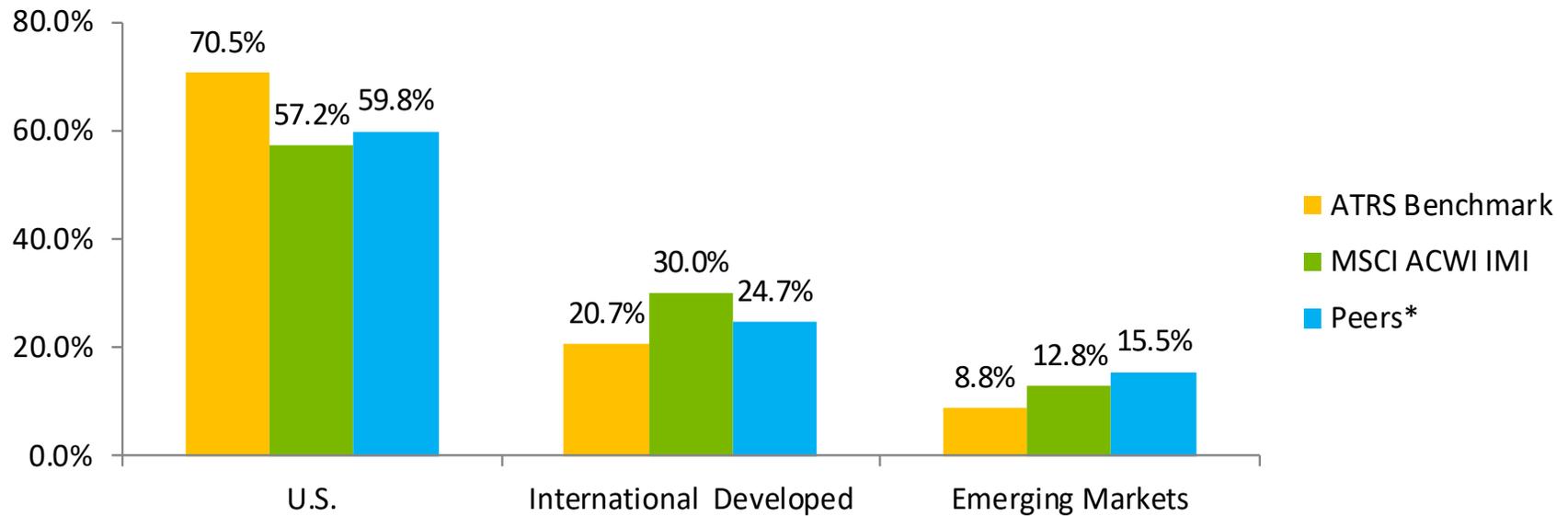
As of 3/31/2021	Total Equity
Role	<ul style="list-style-type: none"> Growth, Alpha, Diversification
Long-Term Target	<ul style="list-style-type: none"> 57%
Current Alloc. (\$B / % of total fund)	<ul style="list-style-type: none"> \$11.9 / 58.9%
Active / Passive (%)	<ul style="list-style-type: none"> 76% / 24%
Active / Passive Mandates	<ul style="list-style-type: none"> 15 / 2
Forward-looking Active Risk	<ul style="list-style-type: none"> 2.2%
Structural Biases	<ul style="list-style-type: none"> Small cap bias U.S. bias

Current Manager Allocation



Total Equity: Geographical Allocation Highlight

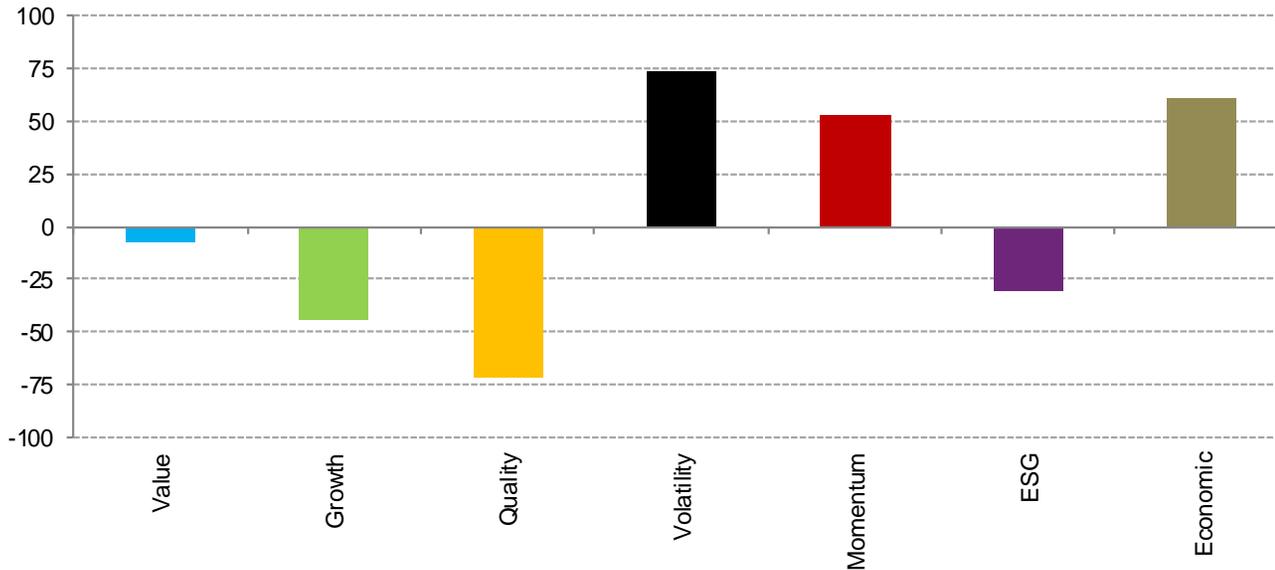
Geographical Allocation As of 03/31/2021



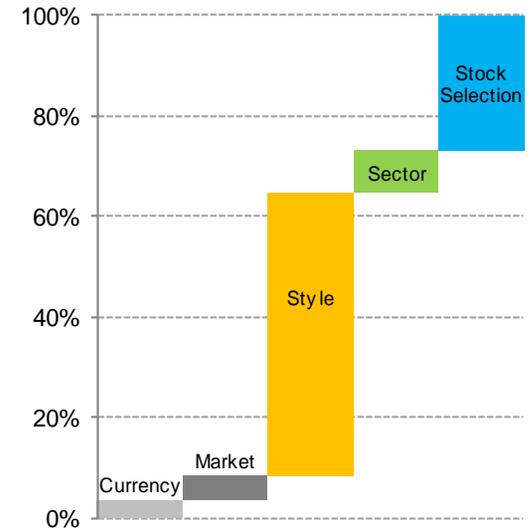
Annualized Returns As of 3/31/2021	1- Year	3-Years	5-Years
U.S. Markets	11.3%	9.5%	9.1%
Int'l Developed	-3.4%	-0.2%	0.8%
Emerging Markets	-4.4%	-0.2%	0.9%

ATRS Total Equity Skyline Snapshot: As of 12/31/2020

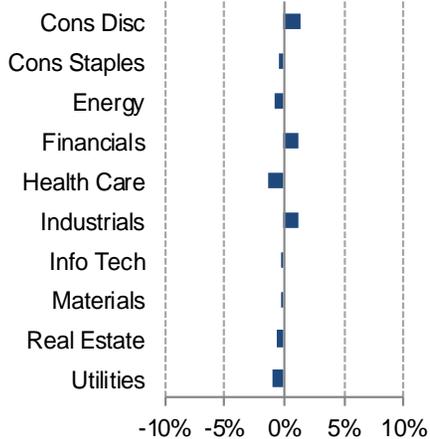
Master Skyline Tilts *



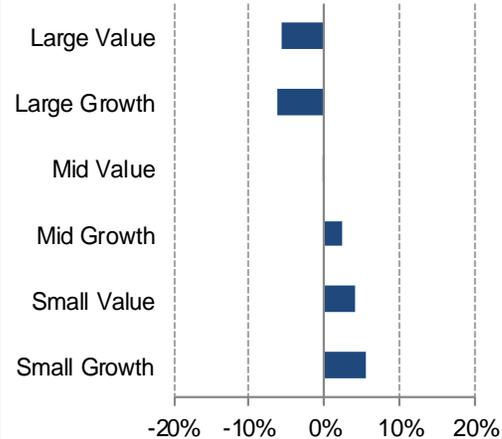
Decomposition of Active Risk



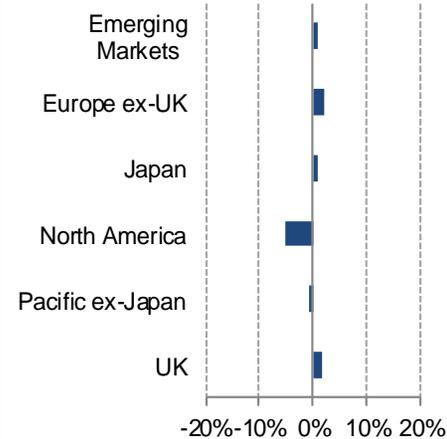
Relative Sector Distribution



Relative Style Distribution



Relative Region Distribution



Benchmark Overlap	60.6%
Active Share	39.4%
Tracking Error	1.38%
Number of Stocks	11,344

Source: Aon, Style Research

Portfolio Skyline, Distribution and Data as of 12/31/2020. Benchmark is Custom Benchmark (30% Dow Jones US Total Stock Market, 70% MSCI ACWI IMI)

*Please see Appendix for factor definitions

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Total Equity: Performance

- Absolute performance has been strong over all trailing time periods
- FYTD returns have been exceptional, as both value and small cap have bounced back
- Longer-term relative returns primarily impacted by Allianz Structured Alpha fallout (has since been terminated) – relative performance impact will dampen over time

As of 5/31/2021	FYTD	1-Year	3-Year	5-Year
Total Equity	46.8%	51.9%	12.6%	14.3%
Benchmark	39.7	43.8	14.9	15.1
<i>Excess Return</i>	<i>+7.1</i>	<i>+8.1</i>	<i>-2.3</i>	<i>-0.8</i>

Total Equity Summary Conclusions

- Total Equity portfolio is well-structured and appropriately positioned to meet its long-term investment objectives
 - Well-diversified among manager, geographic, style, size and active/passive exposures
 - Active risk levels appropriate for desired return potential

- Key Attributes that promote long-term investment objectives:
 - Diversified across investment strategies
 - Continue to reduce U.S. equity bias
 - Focus on high conviction investment strategies
 - Monitor and evaluate small cap bias
 - Monitor and replenish liquidity source

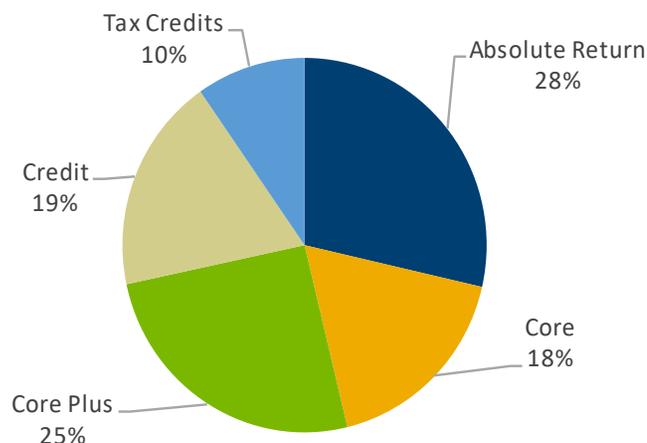
Fixed Income: Current Structure

As of 3/31/2021	Fixed Income
Role	<ul style="list-style-type: none"> Diversification, Downside Protection, Liquidity (esp. in times of market stress), Alpha
Long-Term Target	<ul style="list-style-type: none"> 15%
Current Alloc. (\$B / % of total fund)*	<ul style="list-style-type: none"> \$2.6 / 12.9%
Benchmark	<ul style="list-style-type: none"> Bloomberg Barclays U.S. Universal Index
Active / Passive (%)	<ul style="list-style-type: none"> 90% / 10%
Active / Passive Mandates	<ul style="list-style-type: none"> 5 / 1

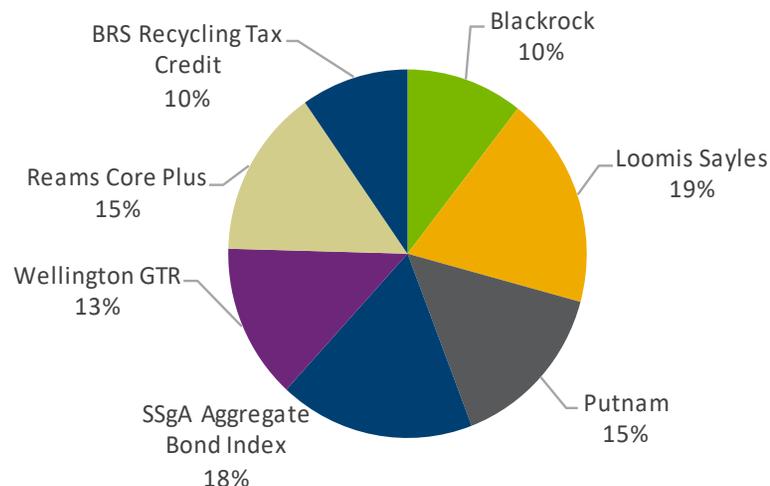
74 Includes BRS Recycling Tax Credit market value

Fixed Income: Manager and Strategy Allocation

Strategy Allocation As of 3/31/2021



Manager Allocation As of 3/31/2021



Core

- High quality bond funds designed to modestly outperform the broad U.S. bond market
- Large allocation to U.S. Treasury and Agency Securities
- Lower tracking error objective

Core Plus

- Designed to outperform the broad U.S. bond market via out-of-benchmark positions
- Higher allocation to “spread sectors” than core
- Higher tracking error budgets than Core strategies
- Generally outperform index funds during periods of spread tightening
- Duration, yield curve, currency, and sector perspective deviations from benchmark.

Absolute Return

- Returns independent of traditional market betas
- Seek consistently positive results
- Utilize techniques to profit from up & down markets
- Low correlations to traditional assets classes
- Typically only constrained by the overall risk budget and redemption terms
- Symmetrical discretion to be long or short credit, interest rate duration or currencies (mainly through use of derivatives)

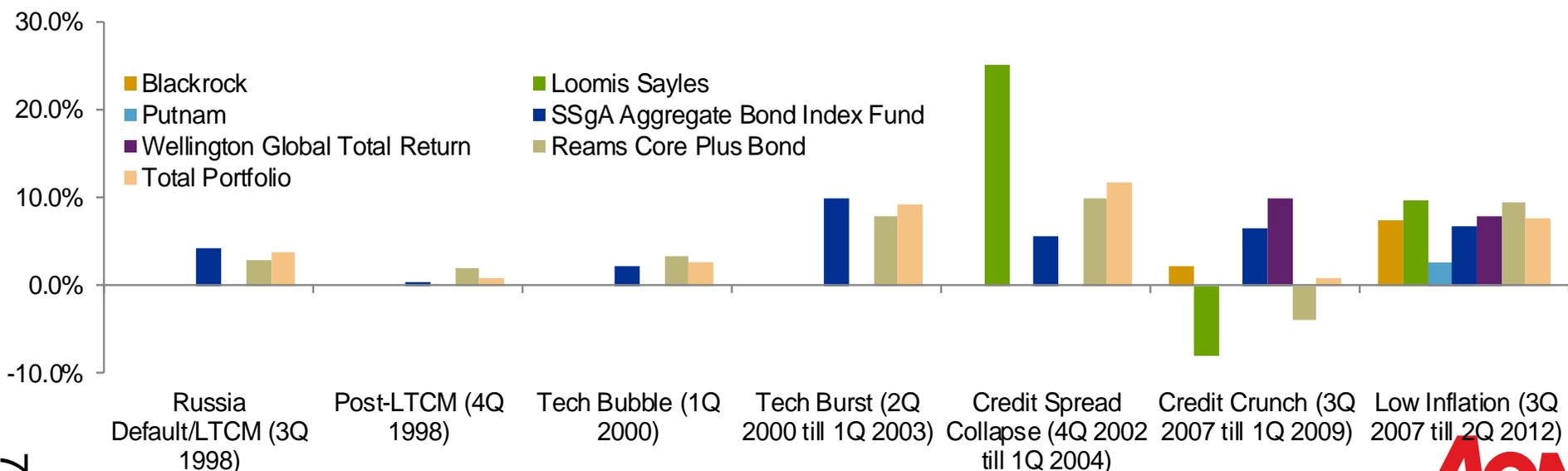
Tax Credits

- Purchased state income tax credits for recycling equipment from Big River Steel (BRS)
- Enables ATRS to sell credits to state and earn revenue stream
- Provides steady interest income
- Returns uncorrelated to bond markets
- Expect an approx. 6% annualized rate of return life of investment (14 years)

Fixed Income: Performance and Stress Test

As of 5/31/2021	FYTD	1-Year	3-Year	5-Year
Total Fixed Income	2.7%	3.7%	5.2%	4.6%
Benchmark	0.4	1.2	5.3	3.7
<i>Excess Return</i>	+2.3	+2.5	-0.1	+0.9

- Value-add FYTD has been strong
 - Credit and absolute return strategies have driven performance
- ATRS's fixed income managers illustrate ability to provide protection during periods of market stress



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***Historical analysis represents composite returns and not actual ATRS performance
 Investment advice and consulting services provided by Aon Investments, Inc., an Aon Company.

Fixed Income Observations and Conclusions

Role of Fixed Income

- Downside protection (low correlation with equity markets)
- Minimize volatility – consider risk / reward tradeoffs
- Maintain adequate liquidity – particularly in periods of market stress

Key Observations

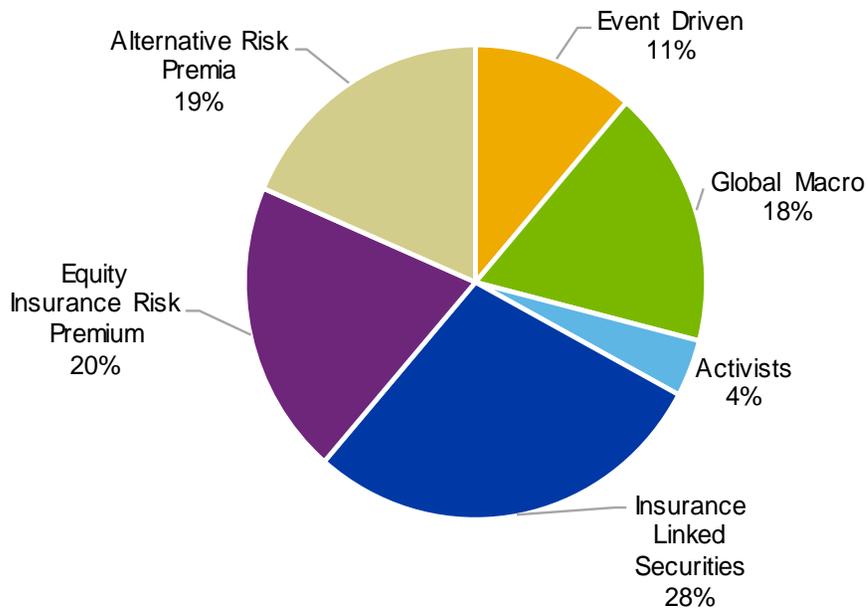
- Modest underweight to duration: Absolute return strategies able to diversify interest rate exposure
- Greater yield: Core plus and absolute return strategies provide exposure to higher yielding, plus sectors within fixed income
- Low passive allocation: Approximately 15% currently invested passively
- Overall, the fixed income portfolio is well positioned to provide diversification to the Total ATRS portfolio with the potential to add alpha
 - Diversified by strategy, quality, sector, and maturity and duration exposure
 - Streamlined portfolio with exposure to high conviction managers
 - Low allocation to passive management

ATRS Opportunistic/Alternatives: Portfolio Snapshot

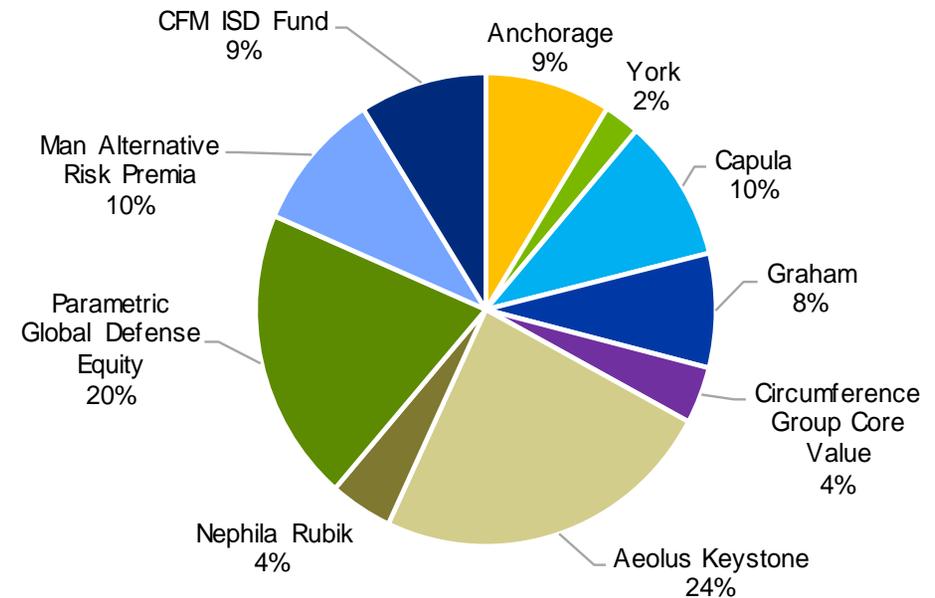
As of 3/31/2021	Opportunistic / Alternatives
Role	<ul style="list-style-type: none"> • Offer compelling return enhancement and/or diversification benefits to Total Fund • House investments not closely correlated or related to traditional asset classes • And/or unique opportunities that do not fit neatly within traditional asset class lines
Long-Term Target	<ul style="list-style-type: none"> • 5%
Current Alloc. (\$M / % of total fund)*	<ul style="list-style-type: none"> • \$930 / 4.6%
Benchmark	<ul style="list-style-type: none"> • Weighted Average of underlying strategy benchmarks
Active / Passive (%)	<ul style="list-style-type: none"> • 100% Active
# of Managers	<ul style="list-style-type: none"> • 10
Strategies	<ul style="list-style-type: none"> • Event Driven Hedge Funds • Global Macro Hedge Funds • Activists • Equity Insurance Risk Premium • Insurance Linked Securities • Alternative Risk Premia

ATRS Opportunistic/Alternatives: Portfolio Allocation

Strategy Allocation
March 31, 2021



Manager Allocation
March 31, 2021



- Well-diversified across strategies with no or low correlation to traditional assets and attractive risk/return profiles
- High quality managers and strategies that are complementary with the broader Total Fund

ATRS Opportunistic/Alternatives: Performance

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Month	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Opportunistic/Alternatives	943,831,822	100.0	2.1	5.5	10.1	10.4	1.2	2.3	3.4	05/01/2011
<i>Custom Alternatives Benchmark</i>			<i>0.9</i>	<i>5.4</i>	<i>11.2</i>	<i>11.7</i>	<i>3.5</i>	<i>3.4</i>	<i>2.2</i>	
Anchorage	90,692,566	9.6	9.0	17.4	23.8	23.5	6.0	5.9	6.1	05/01/2011
<i>Credit Suisse Event Driven</i>			<i>1.1</i>	<i>9.5</i>	<i>24.3</i>	<i>27.2</i>	<i>5.9</i>	<i>5.9</i>	<i>3.3</i>	
<i>HFRI ED: Distressed/Restructuring Index</i>			<i>2.1</i>	<i>12.9</i>	<i>30.4</i>	<i>35.6</i>	<i>7.9</i>	<i>8.7</i>	<i>5.1</i>	
York	16,280,264	1.7	-1.0	3.3	-10.6	-9.0	-22.9	-10.4	-3.8	05/01/2011
<i>Credit Suisse Event Driven</i>			<i>1.1</i>	<i>9.5</i>	<i>24.3</i>	<i>27.2</i>	<i>5.9</i>	<i>5.9</i>	<i>3.3</i>	
<i>HFRI ED: Distressed/Restructuring Index</i>			<i>2.1</i>	<i>12.9</i>	<i>30.4</i>	<i>35.6</i>	<i>7.9</i>	<i>8.7</i>	<i>5.1</i>	
Capula	80,438,243	8.5	0.3	1.3	2.7	3.3	6.2	6.1	6.1	05/01/2011
<i>HFRI Macro (Total) Index</i>			<i>2.1</i>	<i>8.9</i>	<i>15.6</i>	<i>15.4</i>	<i>6.0</i>	<i>3.8</i>	<i>1.7</i>	
Graham	74,935,590	7.9	1.5	12.3	31.3	32.7	8.0	6.2	3.9	05/01/2011
<i>HFRI Macro (Total) Index</i>			<i>2.1</i>	<i>8.9</i>	<i>15.6</i>	<i>15.4</i>	<i>6.0</i>	<i>3.8</i>	<i>1.7</i>	
Circumference Group Core Value	37,181,740	3.9	1.2	12.4	24.9	24.4	11.6	12.3	11.0	08/01/2015
<i>Russell 2000 Index</i>			<i>0.2</i>	<i>15.3</i>	<i>58.9</i>	<i>64.6</i>	<i>13.1</i>	<i>16.0</i>	<i>12.5</i>	
Aeolus Keystone Fund	228,095,240	24.2	0.5	-3.6	-0.3	0.2	-0.3	-2.0	-1.2	12/01/2015
<i>FTSE 3 Month T-Bill</i>			<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>1.4</i>	<i>1.1</i>	<i>1.1</i>	
<i>Eurekahedge ILS Advisers Index</i>			<i>0.2</i>	<i>0.3</i>	<i>2.9</i>	<i>3.5</i>	<i>0.1</i>	<i>-0.3</i>	<i>0.0</i>	
Nephila Rubik Holdings	40,641,106	4.3	-0.3	-3.2	-10.3	-10.0	-4.8	-4.1	-4.1	06/01/2016
<i>FTSE 3 Month T-Bill</i>			<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>1.4</i>	<i>1.1</i>	<i>1.1</i>	
<i>Eurekahedge ILS Advisers Index</i>			<i>0.2</i>	<i>0.3</i>	<i>2.9</i>	<i>3.5</i>	<i>0.1</i>	<i>-0.3</i>	<i>-0.3</i>	
Parametric Global Defensive Equity Fund	192,840,075	20.4	1.2	7.4	21.4	23.2	6.5		6.5	06/01/2017
<i>Performance Benchmark</i>			<i>0.8</i>	<i>5.3</i>	<i>17.7</i>	<i>19.6</i>	<i>7.9</i>		<i>7.5</i>	
<i>MSCI AC World Index</i>			<i>1.6</i>	<i>11.1</i>	<i>38.0</i>	<i>42.5</i>	<i>14.4</i>		<i>13.9</i>	
Man Alternative Risk Premia	94,055,501	10.0	4.2	6.5	3.3	1.5	-1.8		-1.8	06/01/2018
<i>SG Multi Alternative Risk Premia Index</i>			<i>1.7</i>	<i>6.1</i>	<i>3.4</i>	<i>1.8</i>	<i>-3.0</i>		<i>-3.0</i>	
CFM ISD Fund 1.5x	88,671,497	9.4	3.8	16.7	18.5	17.3			-3.6	07/01/2018
<i>SG Multi Alternative Risk Premia Index</i>			<i>1.7</i>	<i>6.1</i>	<i>3.4</i>	<i>1.8</i>			<i>-2.9</i>	

- Performance mixed over various time periods on an absolute and relative basis
- Young portfolio; aside from hedge funds, remaining strategies have under 6 years of history

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Strategy and Manager Round-up

Strategy and Managers	Strategy Snapshot	Comments
<p>Event Driven/Credit</p> <ul style="list-style-type: none"> Anchorage York 	<ul style="list-style-type: none"> Investments based on events or market dislocations Challenged to add value since post-GFC, as central banks and gov's continually intervened to support markets; COVID has presented opportunities 	<ul style="list-style-type: none"> York continues to return capital Anchorage has underwhelmed Consider other strategies as the investment environment has evolved
<p>Global Macro</p> <ul style="list-style-type: none"> Capula Graham 	<ul style="list-style-type: none"> Takes positions based on macro-economic or top-down views on markets Among the strongest HF strategies lately 	<ul style="list-style-type: none"> Performance has been strong Perhaps most impactful source of diversification A more optimal structure with lower fees may be possible
<p>Equity Insurance Risk Premium (EIRP)</p> <ul style="list-style-type: none"> Parametric 	<ul style="list-style-type: none"> EIRP bounced back following the COVID crash of March 2020 Option premium remains above average even with equity markets at all-time highs 	<ul style="list-style-type: none"> Parametric performance has rebounded strongly In good standing

Strategy and Manager Round-up (cont'd)

Strategy and Managers	Strategy Snapshot	Comments
<p>Insurance Linked Securities</p> <ul style="list-style-type: none"> • Aeolus • Nephila 	<ul style="list-style-type: none"> • Fundamentally uncorrelated to financial markets • ILS market reacted to series of loss events in recent years by hardening with successive price increases • Expected returns have risen in each of the past 4 years 	<ul style="list-style-type: none"> • Manager performance has been disappointing since ATRS inception • Continue to believe current market conditions present attractive opportunities • Believe there may be more compelling funds to consider
<p>Alternative Risk Premia</p> <ul style="list-style-type: none"> • Man Group • CFM 	<ul style="list-style-type: none"> • Offer many forms of risk premia across asset classes • Value had been extremely challenged, but recently led a comeback for ARP 	<ul style="list-style-type: none"> • Short-lived strategy thus far (ATRS inception of 6/2018) • CFM: PM and organizational changes trigger review
<p>Activists</p> <ul style="list-style-type: none"> • Circumference • Trian • Pershing Square 	<ul style="list-style-type: none"> • Target turnaround situations in established companies at attractive valuations • Activity has picked up since COVID 	<ul style="list-style-type: none"> • ATRS has outperformed a peer activist index • Managers in good standing
<p>Portable Alpha</p> <ul style="list-style-type: none"> • Voya 	<ul style="list-style-type: none"> • Combines beta exposure with alpha component (underlying Voya funds) 	<ul style="list-style-type: none"> • Performance has been benchmark-like over long-term • Certain attractive characteristics (team, fees) suggest a review is prudent

Opportunity Fund Observations and Next Steps

Key Observations

- Diversified portfolio across a variety of investment strategies
- 100% actively managed
- Elements of downside protection, particularly against equity risk
- Mostly low to zero correlation to public equity markets
- Strategies expected to generate strong risk-adjusted returns
- Ability to be opportunistic

Next Steps

- Based on 2021 review, Aon will be coming to the Board with manager recommendations at upcoming meetings
 - Consider restructuring event/driven portfolio
 - Consider replacement ILS manager(s)
 - Consider one replacement ARP manager
 - Ensure optimal terms within global macro portfolio and across the entire portfolio
 - Consider a policy increase to Opportunistic / Alternatives to be vetted through upcoming AL study



ATRS Real Assets Portfolio Snapshot (as of 12/31/2020)

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)		10 Year (%)		Net IRR	Equity Multiple
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET		
ATRS Total Portfolio	2.7	2.2	2.8	1.8	6.0	4.6	7.5	6.0	9.1	7.8	7.0	1.5
Total Real Assets Benchmark		1.0		1.5		4.0		5.0		7.8		

As of December 31, 2020	ATRS' Portfolio \$ in Millions
Number of Investments	69
Total Commitments	2,946.6
Unfunded Commitments	542.2
Total Paid-In Capital	2,589.9
Total Distributions	1,821.4
Net Asset Value	2,138.8
Gross Asset Value	3,106.8
DPI	0.7x
TVPI	1.5x
Since Inception IRR	7.0%
<i>*Active and Liquidated</i>	

PORTFOLIO COMPOSITION TO TARGETS (As of 12/31/2020)		
	Target	Actual Funded
Target Real Asset Allocation	15%	11.0%
Portfolio Style Composition		
Real Estate	10%	6.8%
Core*	50%-70%	69.7%
Non-Core	30%-50%	30.3%
Value-Added**	N/A	17.7%
Opportunistic**	N/A	13.9%
Agriculture	1%	1.1%
Timber	2%	1.6%
Infrastructure	2%	1.4%
Leverage	50%	31.2%

* Includes Arkansas Investments

** No stated targets

Agenda Items

Section 1

Setting Strategic Asset Allocation

- Pension Plan Basics and Policy Setting Process
- 2018 Asset / Liability Study Review
- Asset Allocation Study Process
- Capital Market Assumptions Update

Section 2

Portfolio Structure / Implementation

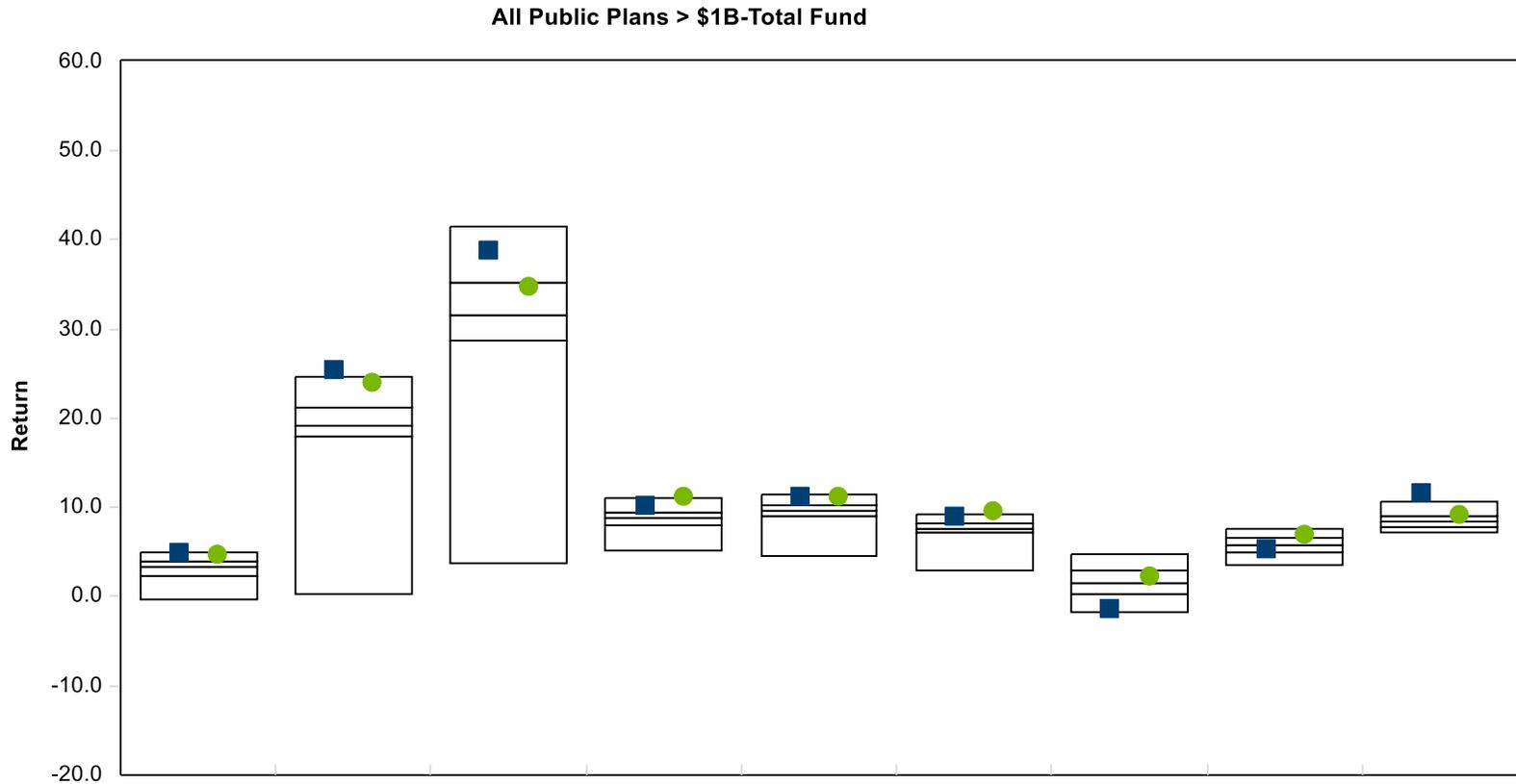
- Core Beliefs
- Total Equity Structure Review
- Fixed Income Structure Review
- Opportunistic/Alternatives Structure Review
- Real Assets

Appendix

ATRS Total Fund Performance (1Q 2021)

	Allocation			Performance(%)							
	Market Value (\$)	%	Policy(%)	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Fund	20,232,207,027	100.0	100.0	5.0	25.4	38.8	10.3	11.4	9.1	8.7	04/01/1986
<i>Performance Benchmark</i>				4.8	24.0	34.8	11.2	11.3	9.6	8.9	
Total Equity	11,922,641,763	58.9	57.4	6.3	39.2	70.7	11.6	13.7	10.0	10.6	07/01/2015
<i>Total Equity Performance Benchmark</i>				5.5	32.0	59.2	13.5	14.3	11.0	11.7	
Fixed Income	2,610,943,425	12.9	15.0	-1.4	2.0	6.8	5.0	4.7	4.2	5.4	07/01/1992
<i>Performance Benchmark</i>				-3.1	-0.8	3.0	4.9	3.6	3.8	5.5	
Opportunistic/Alternatives	929,859,296	4.6	4.7	2.3	6.8	8.3	0.6	1.9		3.1	05/01/2011
<i>Custom Alternatives Benchmark</i>				3.1	8.8	12.2	2.9	3.1		2.0	
Real Assets	2,104,325,094	10.4	10.9	2.2	2.2	1.8	4.5	6.1		7.6	07/01/2013
<i>Total Real Assets Benchmark</i>				1.0	0.6	1.4	4.1	5.0		7.2	
Real Estate	1,327,713,112	6.6		1.5	-0.8	-1.2	3.0	5.3	8.6	8.4	12/01/1998
<i>NFI-ODCE (Net)</i>				1.1	-0.4	0.3	4.0	5.3	8.9	8.6	
Timber	296,419,634	1.5		3.3	2.8	3.5	5.0	4.9	3.1	7.0	06/01/1998
<i>Timberland Property Benchmark</i>				0.6	0.8	1.3	1.6	2.1	3.5		
Agriculture	206,748,267	1.0		0.5	2.9	2.2	3.2	3.4		5.2	09/01/2011
<i>Agriculture Benchmark</i>				1.6	3.2	3.6	4.3	4.4			
Infrastructure	273,444,080	1.4		5.9	16.2	15.3				13.8	07/01/2018
<i>CPI + 5%</i>				2.9	6.6	7.7				6.9	
Private Equity	2,537,573,361	12.5	12.0	7.5	24.9	19.3	18.4	16.3	15.3	12.7	03/01/1997
<i>Private Equity Policy</i>				15.3	55.1	23.2	16.7	17.7	16.0	11.3	
Cash	126,864,089	0.6	0.0								

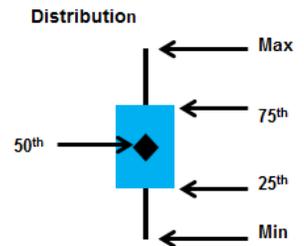
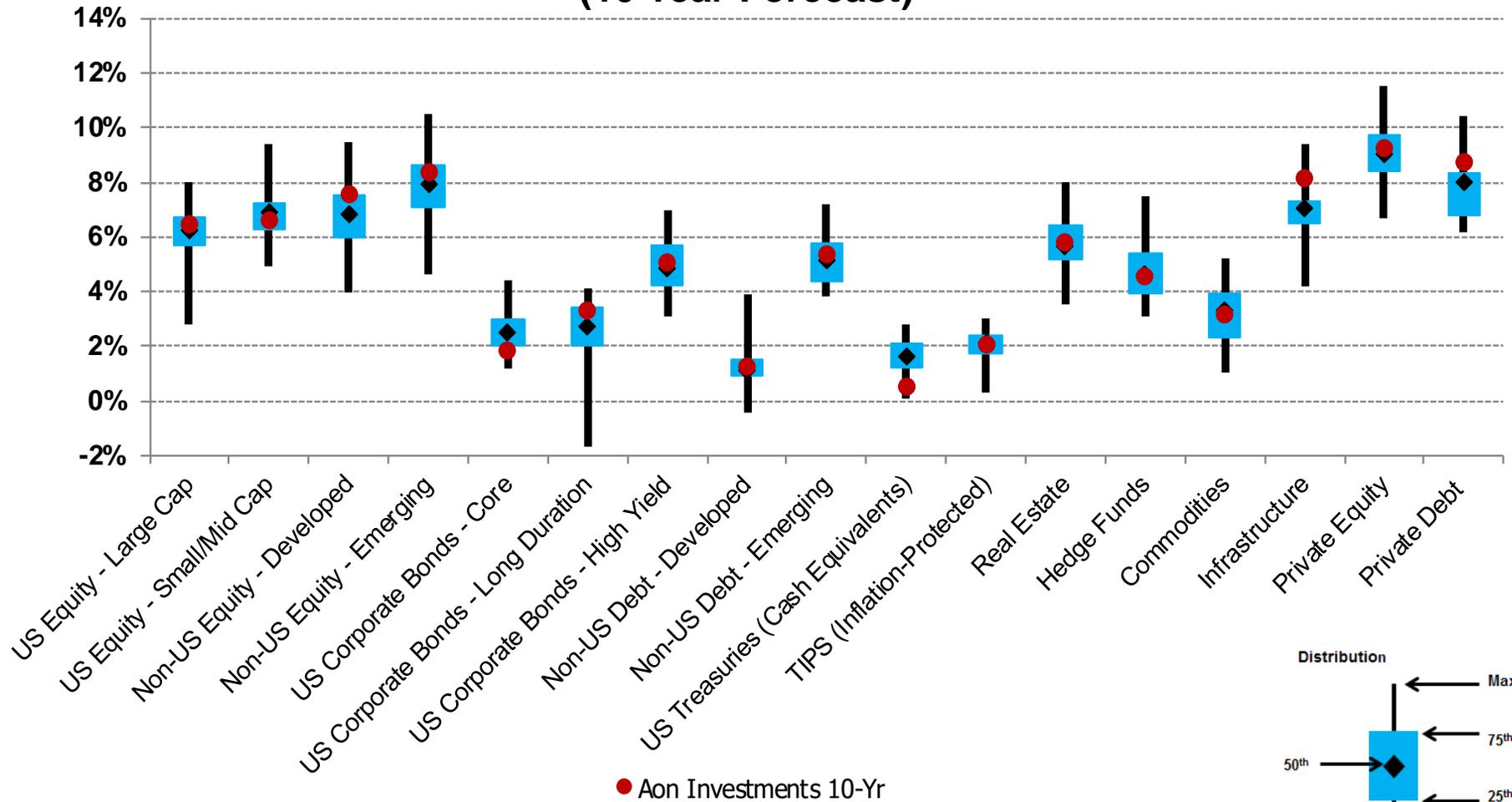
ATRS Total Fund Ranks (1Q 2021)



	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
■ Total Fund	5.0 (5)	25.4 (1)	38.8 (13)	10.3 (14)	11.4 (6)	9.1 (6)	-1.4 (94)	5.3 (64)	11.7 (4)
● Performance Benchmark	4.8 (8)	24.0 (11)	34.8 (30)	11.2 (5)	11.3 (6)	9.6 (3)	2.3 (37)	7.0 (10)	9.2 (23)
5th Percentile	4.9	24.7	41.6	11.1	11.5	9.2	4.7	7.7	10.7
1st Quartile	3.9	21.1	35.3	9.4	10.2	8.3	3.0	6.5	9.1
Median	3.3	19.2	31.5	8.8	9.7	7.7	1.5	5.7	8.3
3rd Quartile	2.4	17.9	28.8	7.9	8.9	7.1	0.3	5.0	7.8
95th Percentile	-0.3	0.2	3.7	5.2	4.7	3.0	-1.7	3.5	7.2
Population	72	72	72	68	68	60	100	60	35

Aon Investments' Capital Market Assumptions vs. Horizon Survey

Expected Geometric Returns of 39 Investment Advisors (10 Year Forecast)



SOURCE: Horizon Actuarial Solutions, LLC survey of 2020 capital market assumptions from 39 independent investment advisors. Expected returns of the survey are annualized over 10-years (geometric).

Aon Investments' expected returns are annualized over 10-years as of 2Q 2020 (3/31/2020)



Aon Investments vs. Peers (2020 Horizon Survey)—10-Year Forecast

Asset Class	Horizon Survey		Aon Investments		Difference Aon Investments- Horizon Survey
	10 Year Horizon		10 Year Forecasts		
	Expected Return	Expected Risk	Expected Return	Expected Risk	
US Equity - Large Cap	6.2%	16.2%	6.4%	17.0%	0.2%
US Equity - Small/Mid Cap	6.9%	20.2%	6.6%	23.0%	-0.3%
Non-US Equity - Developed	6.8%	18.1%	7.5%	20.0%	0.7%
Non-US Equity - Emerging	7.9%	24.2%	8.3%	27.0%	0.4%
US Fixed Income - Core	2.5%	5.5%	1.8%	4.0%	-0.7%
US Fixed Income - Long Duration Corp	2.7%	10.2%	3.3%	11.5%	0.6%
US Fixed Income - High Yield	4.8%	9.8%	5.0%	12.0%	0.2%
Non-US Fixed Income - Developed	1.1%	7.0%	1.2%	5.5%	0.1%
Non-US Fixed Income - Emerging	5.1%	11.0%	5.3%	13.0%	0.2%
Treasuries (Cash Equivalents)	1.6%	1.8%	0.5%	1.0%	-1.1%
TIPS (Inflation-Protected)	2.1%	6.1%	2.0%	4.5%	-0.1%
Real Estate	5.6%	16.8%	5.8%	15.0%	0.2%
Hedge Funds	4.6%	8.0%	4.5%	9.0%	-0.1%
Commodities	3.3%	17.6%	3.1%	17.0%	-0.2%
Infrastructure	7.0%	14.6%	8.1%	14.5%	1.1%
Private Equity	9.0%	22.0%	9.2%	25.0%	0.2%
Private Debt	8.0%	12.1%	8.7%	16.0%	0.7%
Inflation	2.0%	1.7%	2.1%	1.0%	0.1%

Notes (Horizon Survey):

Source: Horizon Actuarial survey of 2020 capital market assumptions from 39 independent investment advisors

Expected returns are median annualized (geometric).

Notes (Aon Investments' Forecasts):

Aon Investments' Forecasts are for Q2 2020

- US Equity - Small/Mid Cap forecasts represents Aon Investments' forecasts for US Small Cap
- US Fixed Income - Long Duration forecasts represents Aon Investments' forecasts for Long Duration Credit
- Non-US Fixed Income - Developed forecasts represents Aon Investments' forecasts for Non-US Fixed Income - Developed (50% Hedged)
- Non-US Fixed Income - Emerging forecasts represents Aon Investments' forecasts for Emerging Market Bonds - Sovereign USD
- Real Estate forecasts represents Aon Investments' forecasts for Core Real Estate
- Hedge Funds forecasts represents Aon Investments' forecasts for Direct Hedge Funds (Universe)



Arkansas Teacher Retirement System

July 2021

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I	INTRODUCTION
II	PRIVATE EQUITY OVERVIEW
III	PORTFOLIO CONSTRUCTION & MANAGER SELECTION



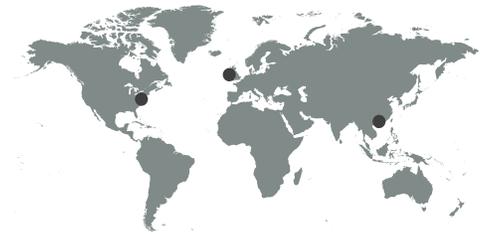


Introduction



Franklin Park

Founded in 2003, Franklin Park is a provider of advisory and investment management services for institutional investors in the private markets. Our primary purpose is to uncover and access best-in-class fund managers for our client portfolios. We seek managers capable of generating high absolute and excess returns over the long term. At Franklin Park, we are proactive in our manager research and travel the world seeking funds and co-investments in which to invest.



Private Markets Expertise

Private equity, private debt, real assets & venture capital funds and co-investments

\$18.5 Billion¹

Assets under management and advisement

39 Funds

Commingled & separate account funds

18 Years

Firm history and proven record

25 Institutional Clients

Public and private pensions, endowments, foundations, health systems and labor unions

3 Offices

Global presence

28 Professionals

Stable and seasoned team



FRANKLIN PARK



¹ As of December 31, 2020.

Team Overview

Senior team averages 18 years of private equity experience and 17 years working together

INVESTMENT TEAM



Bradley Atkins, CFA
CEO



Michael Bacine
Managing Director



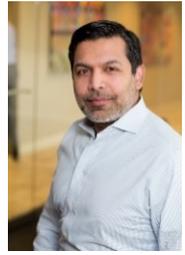
James McGovern, CFA
Managing Director



Katherine Carlson, CFA
Managing Director



Matt Castaldo, CFA
Managing Director



Narayan Chowdhury, CFA
Managing Director



Melanie Fraind, CFA
Managing Director



Raymond Jackson, CFA
Managing Director



Shane Kokitus, CFA
Associate



Ryan Mann
Associate



Dan O'Donnell, CFA
Associate



Andrew Sy
Analyst

Economically-aligned

- 100% employee-owned & independent
- Broad equity ownership

Experienced & stable leadership team

- 6 founders have worked together for over two decades
- Senior team together on average for 17 years
- No senior departures since 2008

SENIOR OPERATIONS TEAM



Laure Brasch, CPA
Managing Director



Karl Hartmann, Esq.
COO, CCO



John Mahony
Managing Director



Neil Mowery
Managing Director



Kristine O'Connor, CPA
CFO

+ 11
associates
& admin
support

Select Client/Investor List

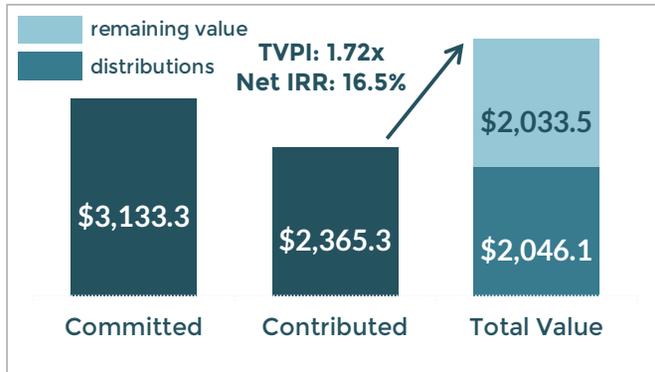
Diverse mix of high quality institutional investors



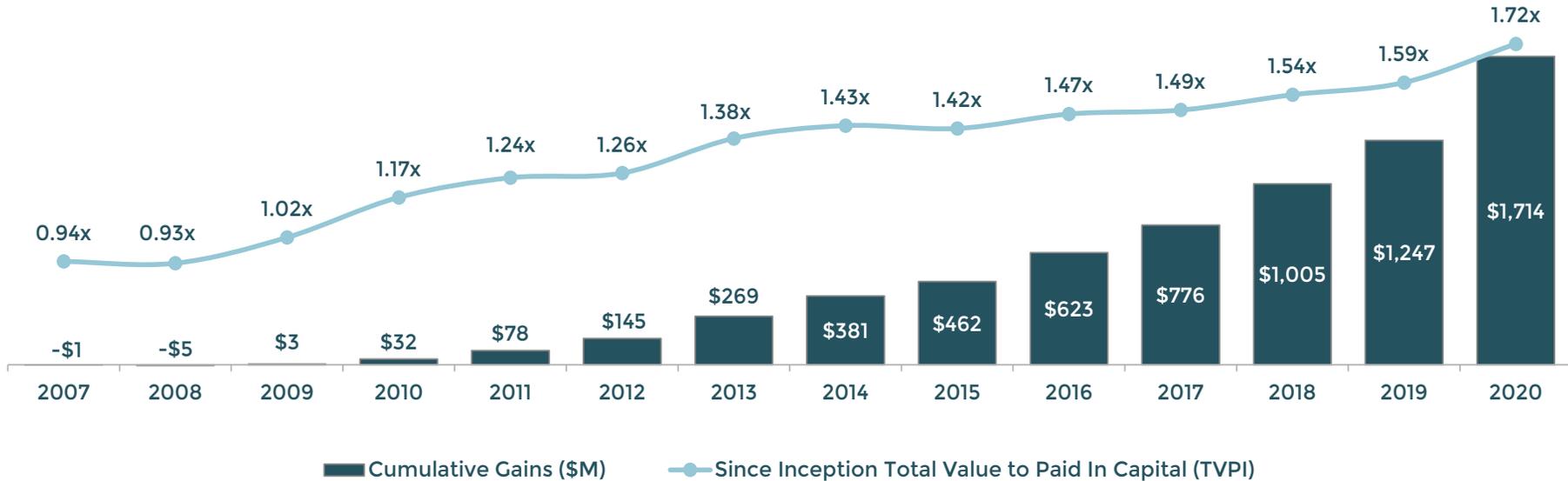
The identification of the clients/investors listed does not constitute an endorsement or approval of Franklin Park's products or services. This is a representative list of clients/investors. It includes investors in commingled funds, but excludes certain clients due to confidentiality restrictions.

ATRS Private Equity Portfolio (since Franklin Park was hired)

This portfolio has produced a net IRR of 16.5% and has generated cumulative gains of \$1.7 billion since 2007



- Since Franklin Park was hired in 2007, ATRS has made \$3.1 billion in commitments to 99 funds (as of 12/31/20)
- 75% of these commitments have been drawn with 87% of paid-in capital distributed back to ATRS (as of 12/31/20)
- This portfolio has generated a net multiple of 1.7x and a net IRR of 16.5% (as of 12/31/20)

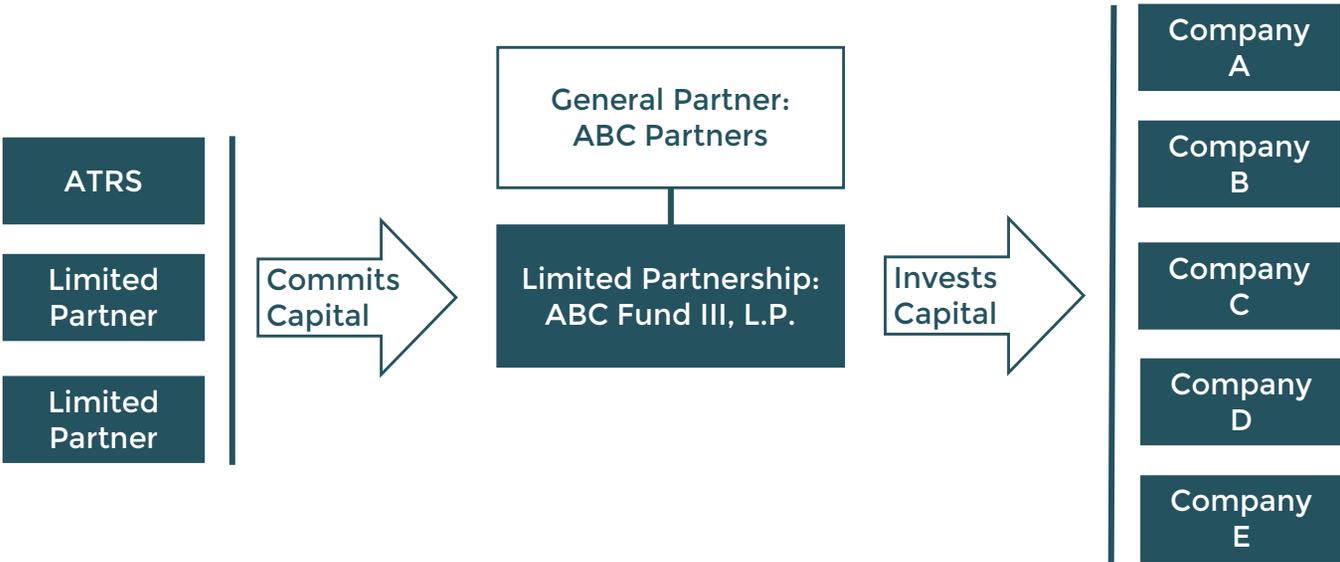




Private Equity Overview

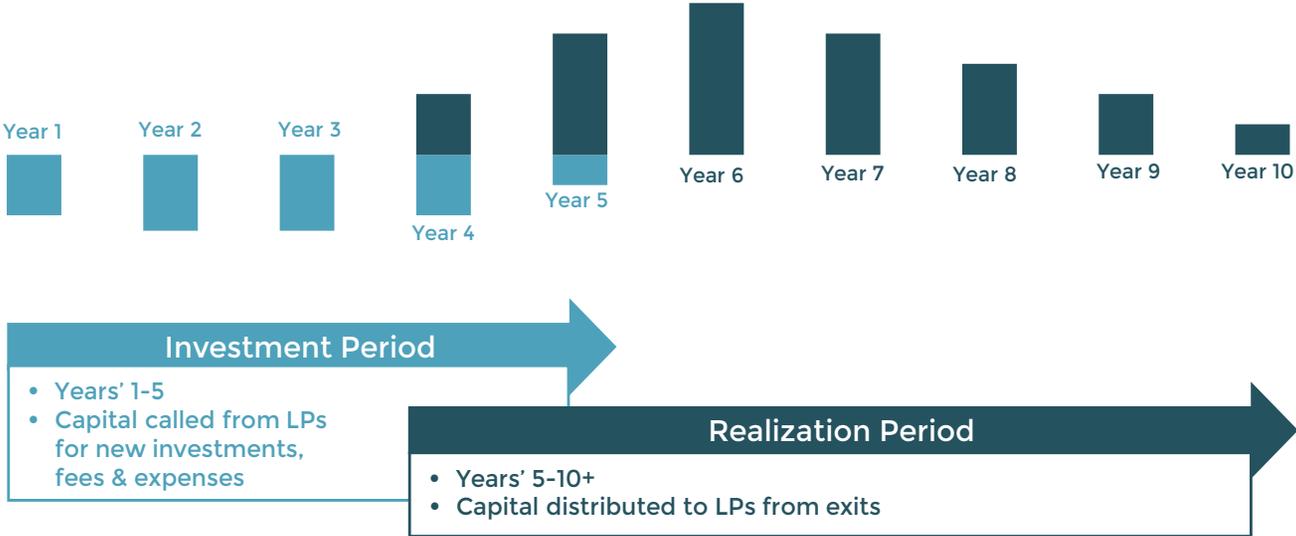
Structure

Investors (LPs) commit capital to limited partnerships (Funds) managed by private equity managers (GPs)



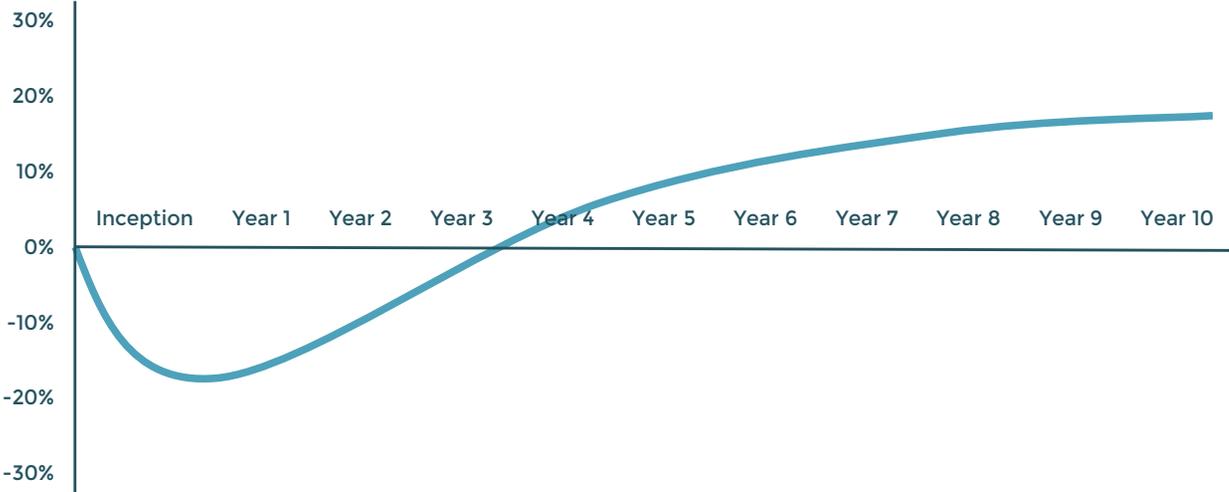
Lifecycle

Private equity is a long term asset class with a lifespan of 10+ years



J-Curve

IRR is typically negative in early years due to the impact of fees when investments are generally held at cost



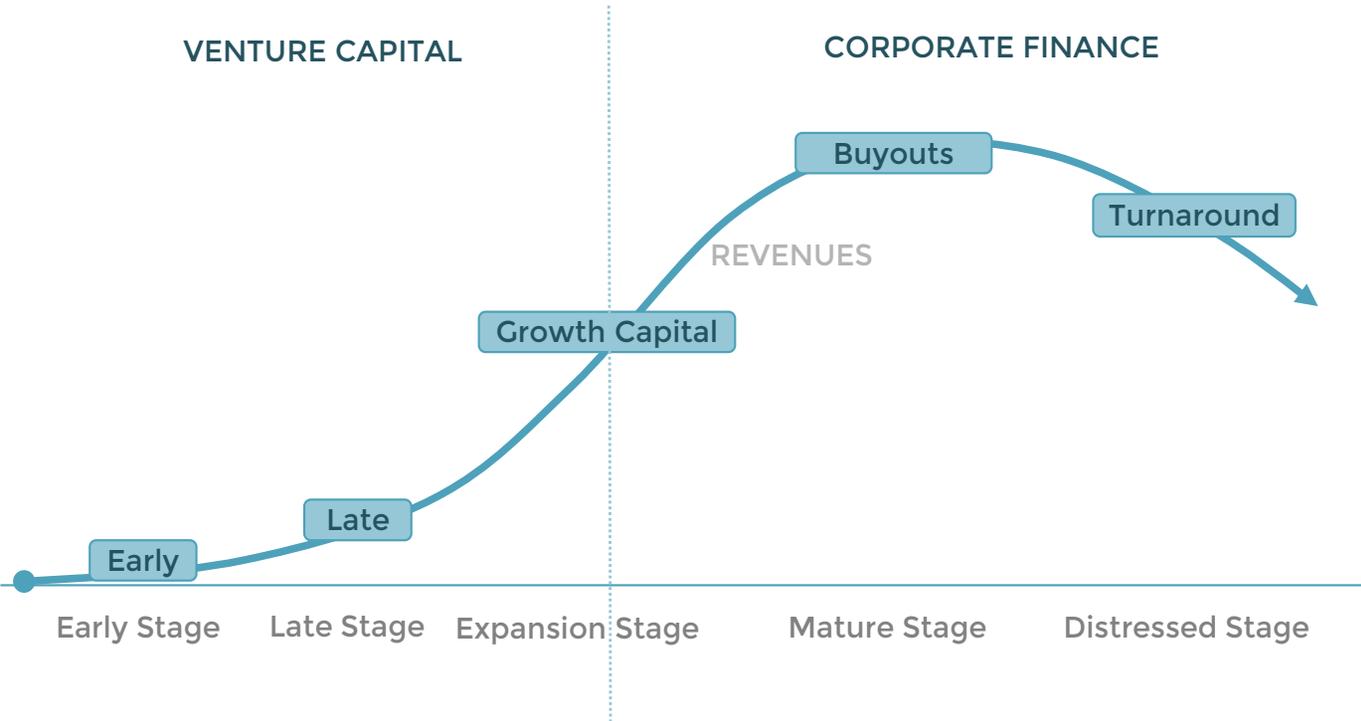
Role of General Partner

Managers focus on buying, creating value, and selling companies



Overview of Private Equity Strategies

Strategies span across the company business lifecycle

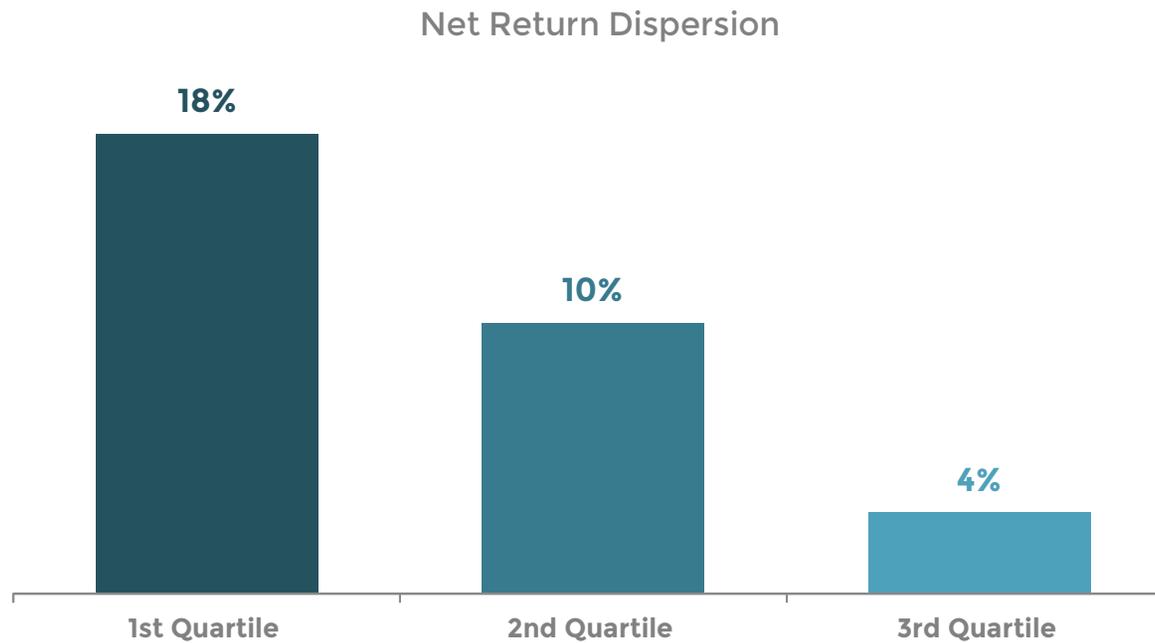




Portfolio Construction & Manager Selection

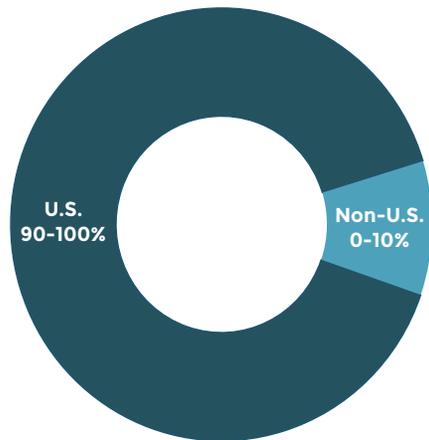
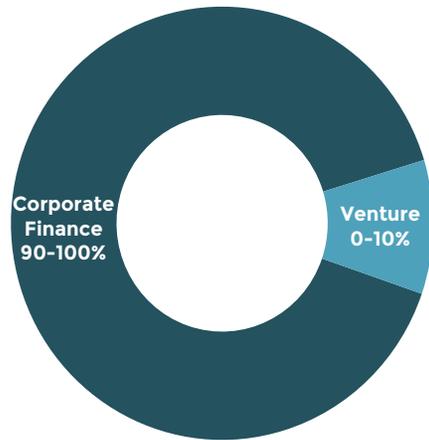
Manager Selection is Key to Success in Private Equity

Top quartile performance is necessary to justify investment in the asset class



Portfolio Construction

Opportunistic manager selection with prudent risk management



Opportunistic Approach

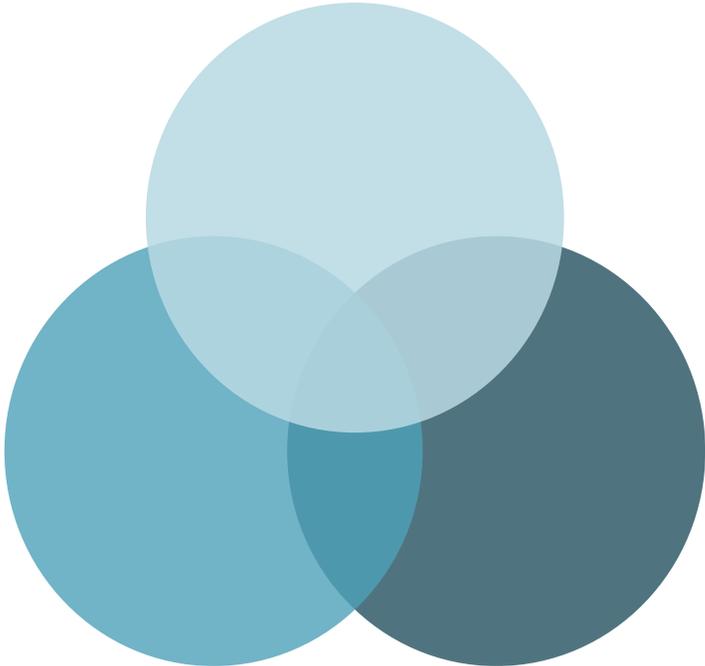
- We believe opportunistic manager selection is the optimal approach for private equity portfolio construction

Risk Management

- We believe selecting a manager that fails to generate top quartile performance is the greatest risk in private equity
- Equal weight vintage years and fund commitments
- Portfolio constraints to limit exposures to certain strategies and geographies

Manager Selection Criteria

Consistently applied investment characteristics



We seek managers that possess an edge, expertise in their domain and create equity value through operating improvement rather than financial leverage.

- Attractive Strategy**
Market inefficiency, Value-add
- Sustainable Competitive Advantages**
Deal sourcing advantages, Domain expertise
- Exceptional & Driven Team**
Proven skill, Motivated & economically aligned

Due Diligence Activity (2020)

Broad market coverage with highly selective decision making



A number of site visits were conducted in 2019 for funds approved in 2020



Due Diligence Process

Proven and consistent fund selection process



Franklin Park Associates, LLC

251 St. Asaphs Road
Three Bala Plaza, Suite 500 West
Bala Cynwyd, PA 19004

For more information, please contact us at info@franklinparkllc.com

Franklin Park Associates, LLC is an SEC registered investment advisor pursuant to the Investment Advisors Act of 1940

Fiduciary Responsibility, Pension Plan Administration, and FOIA

HEARTSILL RAGON III AND DYLAN POTTS

GILL RAGON OWEN, P.A.

425 WEST CAPITOL AVENUE
SUITE 3800
LITTLE ROCK, ARKANSAS 72201

Introduction

- Fiduciary considerations should be the guiding principle behind actions, both individually and collectively.
- The primary duty of a pension fund lawyer is to ensure that the trustees fulfill their fiduciary responsibilities and obligations to the members, retirees, and beneficiaries of the retirement system.

Who is a Pension Fund Fiduciary?

- A pension fund fiduciary exercises any discretionary authority or discretionary control respecting management or disposition of its assets.
- Additionally, a pension fund fiduciary has any discretionary authority or discretionary responsibility in the administration of such a plan.

Fiduciary Duties

- Fiduciary duties fall into two broad categories:
 - The duty of loyalty
 - This duty requires trustees to act:
 - Solely in the best interests of the members, retirees, and beneficiaries of the retirement system
 - For the exclusive purpose of providing benefits
 - Impartially, avoiding conflicts of interest and self-dealing
 - The duty of care
 - This duty requires trustees to act:
 - With the care, skill, and prudence exercised by similar fiduciaries in investment related matters, including diversification of investments
 - To perform due diligence in matters related to investment of the system's assets
 - To incur only costs that are appropriate and reasonable
 - To act in accordance with applicable statutes and regulations

Areas of Fiduciary Responsibility



Fund Management and Administration

- One of the most important fiduciary responsibilities of Trustees is to ensure that the retirement system benefits are adequately funded.
- A system's funded status is determined by the ratio of the system's assets to its liabilities.
- According to the American Academy of Actuaries, pension plans should have, as part of the system's Investment Policy and Objectives, a strategy in place to attain and maintain a funded status of 100% or greater over a reasonable period of time, as opposed to a specific percentage, such as the so-called 80% rule.

Communications and Education

- Handbooks and Pamphlets
- Periodic Newsletters
- Annual Report
- Annual Benefit Statements
- Annual Meeting
- Website
- Education Workshops
- Pre-Retirement Seminars
- Text Messages, e-mail
- Social Media

Investment-Related Activities

- Activities include:
 - Statement of Investment Policy and Objectives
 - Selection of Investment Consultant
 - Selection of Investment Managers
 - Investment Management Agreements
 - Monitoring of Investment Performance
- Investment fiduciaries include:
 - Members of the Board of Trustees
 - Certain Staff Members
 - Actuaries
 - Legal Advisors
 - Money Managers
 - Investment Consultants

Investment-Related Activities (cont.)

- Standard of Care for Investment-Related Activities
 - Changes to the Restatement of Trusts resulted in a shift from the “prudent person” standard to the “prudent investor” standard, reflecting a recognition that, in accordance with Modern Portfolio Theory, prudence should be measured on an overall portfolio basis, rather than by consideration of specific investments.
 - Whether or not an investment-related decision is prudent is determined by the facts and circumstances when the decision is made, not based on the advantage of hindsight.
- Fiduciary Responsibility in Selecting Investment Managers
 - Evaluation/Selection Process
 - Due Diligence
 - Investment Management Agreement
 - Performance Monitoring
 - In a unanimous decision, the U.S. Supreme Court reiterated that the fiduciary responsibility of trustees, with respect to investments, encompasses a “continuing duty to monitor trust investments and remove imprudent ones. This continuing duty exists separate and apart from the trustees’ duty to exercise prudence in selecting investments at the outset.” Tibble v. Edison Int’l, 135 S. Ct. 1823, 1828 (2015).

Ark. Code Ann. 24-2-610. Prudent investor rule.

(a) Except as otherwise provided in subsection (b) of this section, trustees who invest and manage trust assets owe a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in §§ 24-2-610 — 24-2-619.

(b)

(1) The prudent investor rule, a default rule, may be expanded, restricted, eliminated, or otherwise altered by the provisions of a trust.

(2) Trustees are not liable to a beneficiary to the extent that the trustees acted in reasonable reliance on the provisions of the trust.

Ark. Code Ann. 24-2-611. Standard of care – Portfolio strategy – Risk and return objectives.

(a) Trustees shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustees shall exercise reasonable care, skill, and caution.

(b) The trustees' investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

Ark. Code Ann. 24-2-611. Standard of care – Portfolio strategy – Risk and return objectives. (cont.)

(c) Among circumstances that trustees shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:

- (1) General economic conditions;
- (2) The possible effect of inflation or deflation;
- (3) The expected tax consequences of investment decisions or strategies;
- (4) The role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interests in closely held enterprises, tangible and intangible personal property, and real property;
- (5) The expected total return from income and the appreciation of capital;
- (6) Other resources of the beneficiaries;
- (7) Needs for liquidity, regularity of income, and preservation or appreciation of capital; and
- (8) An asset's special relationship or special value, if any, to the purposes of the trust or to one (1) or more of the beneficiaries.

Ark. Code Ann. 24-2-611. Standard of care – Portfolio strategy – Risk and return objectives. (cont.)

- (d)** Trustees shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.
- (e)** Trustees may invest in any kind of property or type of investment consistent with the standards of this subchapter.
- (f)** Trustees who have special skills or expertise, or who are named trustees in reliance upon the trustees' representation that the trustees have special skills or expertise, have a duty to use their special skills or expertise.

Ark. Code Ann. 24-2-612. Diversification.

Trustees shall diversify the investments of the trust unless the trustees reasonably determine that, because of special circumstances, the purposes of the trust are better served without diversifying.

Selection of Consultants/Advisors

- Trustees and staff must exercise fiduciary responsibility in selecting the following consultants and advisors:
 - Actuaries
 - Auditors
 - Custodian
 - Outside Legal Counsel
 - IT Consultants
 - Medical Advisors

Ark. Code Ann. 24-2-613(b). Duties at inception of trusteeship.

(b)

(1) Trustees shall develop an investment policy. This policy shall be a written statement of goals for the fund and rules to be followed to achieve those goals.

(2) Trustees shall measure performance of the fund and shall measure each manager's performance against benchmarks jointly agreed upon by the trustees and managers.

Ark. Code Ann. 24-2-617. Reviewing compliance.

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of the trustees' decisions or actions and is not determined by hindsight.

Ark. Code Ann. 24-2-618. Delegation of investment and management functions.

(a) Trustees may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustees shall exercise reasonable care, skill, and caution in:

(1) Selecting an agent;

(2) Establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and

(3) Reviewing periodically the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

(b) In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.

(c) Trustees who complied with the requirements of subsection (a) of this section are not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.

Breach of Fiduciary Duty

- In order to maintain a claim for breach of fiduciary duty, a plaintiff must establish the following:
 - Existence of a fiduciary relationship
 - Breach of the fiduciary duty
 - Causation
 - Harm (i.e., damages)
- A breach of fiduciary duty claim can be filed against individual trustees, as well as the Board itself.
- Vast difference in standards of care for negligence and breach of fiduciary duty claims.

How Can Fiduciaries Breach Their Duty?

- Self-dealing (i.e., conflict of interest, personal gain).
- Misappropriation of fund assets or property.
- Failure to administer fund assets in a prudent manner.
- Failure to perform due diligence in selecting investment managers and consultants/advisors.
- Failure to properly diversify investments.
- Failure to monitor plan investments.
- Misrepresentation/omission as to a statement of fact.
- Failure to provide accurate information.
- Misuse of confidential information.

Best Fiduciary Practices

- Thorough knowledge of your state's statutes and applicable local ordinances/regulations pertaining to fiduciary duties of your retirement system's trustees
- Adopt Board Governance Policy, including Conflict of Interest guidelines
- Written statement of investment policy and objectives
- Annual financial and management audits
- Periodic review of administrative policies/procedures
- Criminal records check of prospective employees
- Establish trustee education program
- Staff education and training

Best Fiduciary Practices (cont.)

- Ensure that accurate information is provided to retirees, spouses, and beneficiaries
- Adhere to your system's rules, regulations, policies, and procedures
- Establish administrative appeal procedure
- Perform due diligence in selecting investment managers and professional consultants
- Monitor fund assets and investment manager performance
- Conduct legal review of consultant and investment management agreements
- Consider Fiduciary Liability Insurance

FOIA Overview – 3 Step Approach

1. Is the entity covered?

2. Is the record/meeting covered?

3. Are there any exemptions?

GILL
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OWEN
ATTORNEYS

Step 1: Is the entity covered?

All government entities are covered by the FOIA.

Step 2: Is the record covered?

- For a record to be subject to the FOIA, the record must be:
 - Possessed by an entity covered by the FOIA
 - Fall within the FOIA's definition of a "public record" and
 - Not be exempted by the FOIA or other statutes
 - Nabholz Constr. Corp. v. Contractors for Pub. Prot. Ass'n, 266 S.W.3d 89 (Ark. 2007).
- Public Record Definition
 - What is a public record?
 - Writings, sounds, electronic info, or videos that
 - Are kept
 - That constitute a record of the performance or lack of performance of official functions

Step 2: Is the record covered? (cont.)

- Public Records – How do you know?
 - The content (Pulaski Cnty. v. Ark. Democrat-Gazette, Inc., 260 S.W.3d 718 (Ark. 2007))
 - The presumption:
 - Maintained in public offices or by public employees
 - Within the scope of their employment
 - Rebutting the presumption
 - Record doesn't reflect the "performance or lack of performance of official functions."
- Public Records – Example
 - Emails and text messages
 - "Substantial nexus" test (Id.)
- Public Records – General Rule
 - All "public records" **must be disclosed** unless an exemption prevents their disclosure

Step 3: Are there any exemptions?

- Sources of exemptions:
 - FOIA
 - Other statutes (state and federal)
 - Constitutional
- Personnel records
 - Definition: Virtually all records pertaining to the individual employee that aren't evaluation records
 - Balancing Test:
 - Public interest prong – Degree to which disclosure would shed light on the workings of government. Stilley v. McBride, 965 S.W.2d 125 (Ark. 1998).
 - Privacy interest prong – Probably must be sufficiently intimate to give rise to a substantial privacy interest.
 - Balance tips in favor of disclosure. Record disclosable if privacy interest is *de minimis*.

Step 3: Are there any exemptions? (cont.)

- Personnel records – Commonly exempted items
 - Social Security numbers
 - Medical information
 - Insurance, pension, and benefit information
 - Tax information and withholdings
 - Personal contact information (home/cell numbers, home addresses, personal email addresses)
 - Date of birth
 - Marital status and information on dependents
- Personnel records – Items commonly open to inspection
 - Name
 - Salary information
 - Contracts
 - Employment applications
 - Resumes
 - Educational background
 - Work history
 - Leave records
 - Letters of recommendation

Step 3: Are there any exemptions? (cont.)

- Evaluation records

- Definition: Any record created by (or at the behest of) employer to evaluate an employee (Thomas v. Hall, 399 S.W.3d 387 (Ark. 2012))
- It must be withheld, unless
 - Suspended or fired (level of discipline);
 - Final administrative resolution (finality);
 - The records formed a basis for the decision (relevance); and
 - There's a compelling public interest in the disclosure (compelling public interest)
 - Factors to consider when determining that a compelling public interest is present:
 - The nature of the infraction that led to suspension or termination, with particular concern as to whether violations of the public trust or gross incompetence are involved;
 - The existence of a public controversy related to the agency and its employees;
 - The employee's position within the agency.

Who is making the FOIA request?

“Citizen” requirement (Ark. Code Ann. § 25-19-105(a)(1)(A); McBurney v. Young, 569 U.S. 221 (2013))

- Includes corporations doing business in the state. (Ark. Hwy. & Transp. Dept. v. Hope Brick Works, 744 S.W.2d 711 (Ark. 1988)).

Inmate exemption (Ark. Code Ann. § 25-19-105(a)(1)(B))

How to make a FOIA request

- Mode
 - Any method will do (in person, fax, email, phone).
- Specificity
 - Detailed enough for the custodian to locate the records with “reasonable effort.”
 - Who’s the custodian?
 - Person with “administrative control” (Ark. Code Ann. § 25-19-103(a))
 - If custodian doesn’t have physical possession, burden is on agency to acquire the records (Swaney v. Tilford, 898 S.W.2d 462 (Ark. 1995))
- Medium
 - Any medium in which the record exists or is “readily available.”
- Format
 - Any format in which the electronic information is “readily convertible.”

Evaluating the Request

- Public record?
- Exemptions?
- Redactions?
- Is it detailed enough?
 - Unclear/extremely broad request
 - Specificity requirement. Must be “sufficiently specific to enable the custodian to locate the records with reasonable effort.”
 - Voluminous request
 - Release records at certain intervals (by agreement). Possible charge if not using “existing agency personnel” (Ark. Code Ann. § 25-19-105(d)(3)(A)(i)).
 - Is it a personnel record or employee evaluation?
 - Remember special procedures.

Providing the Records

- When?
 - Three days if in active use or storage (but remember special procedures for personnel and evaluation records)
 - Otherwise: Immediately
- Open for inspection if requested
- Charging for copies?
 - Only “actual costs of reproduction” (includes mailing)
 - Not employee time
 - \$25 or more – may charge in advance
- Special requests for electronic records. Ark. Code Ann. § 25-19-109.

FOIA and Meetings

1. Is the entity covered by the FOIA?

2. Is the meeting covered?

What is a “public meeting”?

- “[A]ll meetings, formal or informal, special or regular, of the governing bodies of all municipalities, counties, . . . [and] school districts and all boards, bureaus, commissions, or organizations of the State of Arkansas . . . supported wholly or in part by public funds or expending public funds, shall be public meetings.” Ark. Code Ann. § 25-19-106(a).
 - In other words: “All meetings of governing bodies are public meetings.”
 - But what’s a “meeting”? At the end of the day, it depends on all of the facts of a given situation.
- And what is a governing body?
 - It’s a panel, board, etc., that can make decisions.

How many members make a meeting?

- A quorum of the body's membership does NOT have to be involved for a "meeting" to be found for FOIA purposes. El Dorado v. El Dorado Broad. Co., 544 S.W.2d 206 (Ark. 1976).
- But is there a particular number of members that have to be involved for it to be deemed a meeting? In the final analysis, yes – more than one.

Social Gatherings/Conferences?

Not a “meeting” if discussion of government business at the social gathering is incidental and intermittent. Op. Att’y Gen. 95-020.

Probably not a “meeting” if the governing body has no control over the conference, function, or proceeding. Op. Att’y Gen. 94-131.

“Virtual” meetings and the FOIA

- A virtual meeting is a meeting of a governing body that is held when the governing body is discussing public business but in a way where the members are not gathered together in one place (think online meeting, teleconferences, etc.).
- Remember, the FOIA was originally enacted in 1967, when face-to-face public meetings were the norm, and “virtual” public meetings likely weren’t contemplated. Prior to this year, these kinds of meetings would have still been considered beyond the norm.
- Under Act 56 of 2021, the General Assembly codified temporary legislation that allows a public entity to hold open public meetings via electronic means (telephone, video conference, or video broadcast) if the Governor declares a disaster emergency. Ark. Code Ann. § 25-19-106(e).
- The public may attend the meeting using electronic means, and notice must be given of the virtual meeting. The physical presence of the public is not required under this subsection. The virtual meetings must be recorded and kept for at least one year.

“Virtual” Meetings and the FOIA (cont.)

- Are teleconferences meetings?
 - Meetings by telephone conference calls are subject to the FOIA. Rehab Hosp. Servs. Corp. v. Delta Hills Health Sys. Agency, Inc., 687 S.W.2d 840 (Ark. 1985). The public’s right to hear or otherwise monitor the call must be safeguarded, e.g., by the use of speaker phones, etc. See generally Op. Att’y Gen. 2000-096.
 - Polling calls (talking to members individually to see how they’re going to vote on a matter), secret telephone conference calls, and the like are NOT allowed.
- Are emails meetings?
 - The FOIA’s open-meetings provisions do apply to email exchanges amongst members, but it’s always a question of fact whether particular email communications violate the FOIA. See City of Fort Smith v. Wade, 578 S.W.3d 276 (Ark. 2019).
 - So whether emails constitute a meeting depends on the facts of each case. See Op. Att’y Gen. 2005-166.
 - FOIA questions are usually very fact-dependent. Thus, they don’t often lead to easy “yes/no” answers.

What if the meeting is covered?

The public must be allowed to “attend,” not necessarily participate at meetings. But see Ark. Code Ann. § 14-14-109(b) (requiring county boards to afford citizens “a reasonable opportunity to participate prior to the final decision”).

Public must be able to see (or otherwise be able to know) how each individual member voted.

Meetings must now be recorded

- Act 1028 of 2019 requires that all meetings of public bodies be recorded in a manner that at least captures the sound of the meeting. Ark. Code Ann. § 25-19-106(d).
- The recordings have to be kept for at least one year and in a format that will allow for its reproduction upon a citizen's request.
- The recording requirement does NOT apply to:
 - Executive sessions
 - Meetings of volunteer fire departments

Enforcement

- Action is void if there's no public vote.
- Noncompliance in other respects renders action voidable by a court.
 - However, the court will only invalidate the action when:
 - Plaintiff has given the governing body a chance to hold a meeting that conforms to the law, but the body refuses;
 - Remedy is sought to vindicate public as opposed to private interest;
 - The FOIA violation was substantial; and
 - The defendant knowingly violated the FOIA.

Penalties and Enforcement

- Negligent violation is a Class C misdemeanor. Ark. Code Ann. § 25-19-104.
- Civil judicial enforcement – can appeal to circuit court. Ark. Code Ann. § 25-19-107(a).
- Attorney’s fees. Ark. Code Ann. § 25-19-107(d).
 - To be assessed against defendant if plaintiff “substantially prevailed” unless defendant’s position was “substantially justified.”
 - Expenses can be assessed against plaintiff if action found to be frivolous or dilatory.
 - Can file claim for fees and expenses with Arkansas State Claims Commission if one has “substantially prevail[ed]” against the State.

QUESTIONS?

References

- Bill Ackerman, Fiduciary Responsibility and Pension Plan Administration, Nat'l Ass'n of Pub. Pension Att'ys (last visited July 12, 2021), https://www.nappa.org/assets/docs/ArchivedConferenceMaterials/2015ConferenceAustin/nappa_2015%20tues_newmember_basics.pdf.
- FOIA Made Simple 2021 presentation, Ark. Att'y Gen.'s Off. (last visited July 12, 2021), https://arkansasag.gov/wp-content/uploads/foia_made_simple_-_2021.pdf.