

Arkansas Teacher Retirement System

Annual Actuarial Valuation of
Active and Inactive Members
June 30, 2023



Report of the June 30, 2023 Actuarial Valuation

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November 28, 2023

Board of Trustees
Arkansas Teacher Retirement System
Little Rock, Arkansas

Dear Board Members:

Presented in this report are the results of the ***Annual Actuarial Valuation of active and inactive members as of June 30, 2023***. The June 30th annual valuation of retired lives receiving monthly benefits indicates the liabilities for future benefit payments to existing retirees. These liabilities are covered in detail in a separate report. They are also covered briefly in this report on page B-4.

The purposes of the valuation are to measure the System's funding progress and to determine the amortization period that results from the statutory employer and employee rates and the actuarial assumptions that the Board has adopted. This report should not be relied on for any purpose other than the purposes described herein. Financial results associated with the benefits described in this report that are developed for purposes other than those identified above may be significantly different than those in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the Retirement System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

This valuation was based upon census data and financial information provided by the System's administrative staff. Preparation of this data requires considerable staff time. The helpful cooperation of the Arkansas Teacher Retirement System (ATRS) staff in furnishing the data is acknowledged with appreciation. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of any data provided by ATRS.

This report was prepared using certain assumptions approved by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. The combined effect of the assumptions is expected to have no significant bias (i.e. not significantly optimistic or pessimistic). All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice. The actuarial assumptions used for valuation purposes are summarized in Section G. These assumptions reflect expectations of future experience under the plan. They were developed in connection with an experience study covering the period July 1, 2015 to June 30, 2020.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. The scope of an actuarial valuation does not contain an analysis of the potential range of such future measurements.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Arkansas Teacher Retirement System as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions used for the valuation produce results which, individually and in the aggregate, are reasonable. The combined effect of the assumptions, excluding prescribed assumptions or methods set by law, is expected to have no significant bias (i.e., not significantly optimistic or pessimistic).

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. Judith A. Kermans, Heidi G. Barry and Derek Henning are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The actuaries submitting this report are independent of the plan sponsor.

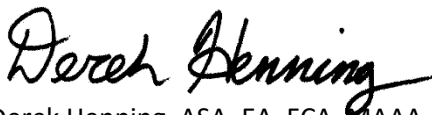
Respectfully submitted,
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, FCA, MAAA



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JAK/HGB/DH:ah

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SECTION A

EXECUTIVE SUMMARY

Executive Summary

General Financial Objective. Section 24-7-401 (a) of the Arkansas Code provides as follows (emphasis added):

- (1) The financial objective of the Arkansas Teacher Retirement System is to establish and receive contributions that expressed as percentages of active member payroll will **remain approximately level from generation to generation of Arkansas citizens.**
- (2) Contributions received each year shall be sufficient:
 - (A) To **fully cover the costs of benefit commitments** being made to members for their service being rendered **in that year**; and
 - (B) To **make a level payment** that if paid annually over a reasonable period of future years will **fully cover the unfunded costs** of benefit commitments for service previously rendered.

Arkansas Teacher Retirement System Status: Based upon the results of the June 30, 2023 actuarial valuations, **ATRS is satisfying the financial objective of level-contribution-percent financing.**

This report contains the results of the June 30, 2023 valuation. The table below shows a summary of the data used in the valuation. This data was the basis for determining valuation results.

	Number	Average	Type of Average
Active not in T-DROP	68,249	\$45,897	Pay
Active in T-DROP	3,138	70,134	Pay
Deferred Vested	14,355	6,063	Annual Projected Benefit
Retired	54,646	24,643	Annual Current Benefit
Total Members	140,388		

Included in the 2023 valuation were 4,108 reemployed retirees (included in the Retired data file) with total earnings of \$139.5 million. ATRS receives full employer contributions on these individuals per Arkansas Code Section 24-7-708. The actuarial valuation assumes the number of working members will remain constant at the current level. In some recent years, the total number of working members has decreased. A decreasing population means less contribution income for the retirement system than expected and can lead to funding difficulty in extreme cases. ATRS receives employer contributions on behalf of all working members.

Actuarial Assumptions and Methods: There were no assumption or method changes in the June 30, 2023 valuation. In our judgement the actuarial assumptions in use, and in particular the 7.25% investment return assumption, are reasonable for the purposes described in this report.

The actuarial valuation reflects a minimum base salary for teachers of \$50,000, and a minimum salary increase of \$2,000 for teachers earning more than \$50,000 during the 2023-2024 school year due to ACT 237, also known as the LEARNS Act. The LEARNS Act was effective as of August 1, 2023. The increases in pays, as a result of the LEARNS Act, were not reflected in the data submitted for the actuarial valuation. Our model reflects an estimate of those increases.



Executive Summary (Continued)

Benefit Changes: There were no benefit provision changes reflected in the June 30, 2023 valuation.

Results of the Valuation

The amortization period this year is 26 years, unchanged from last year's period of 26 years. On a market value basis, the amortization period is 30 years. While an amortization period of 26 years meets statutory requirements, the ATRS has targeted 18 years in its financial objectives in order to eliminate negative amortization. The contribution rate based upon the target amortization period (18 years) would be approximately 17.2% of payroll.

The statutory employer contribution rate is 15%. The statutory employer contribution rate is a reasonable actuarially determined contribution rate based on the results of the June 30, 2023 valuation.

The Arkansas Teacher Retirement System remains stable with an 82.1% funded position as of June 30, 2023. If experience is reasonably in line with expectations in Fiscal Year 2024, the amortization period is likely to decrease in the next valuation due to the scheduled phase-in of net investment gains in FY 2024. (Please refer to page D-3 for details.)

The rate of investment return on a market value basis was 8.71%[#] this year. As of June 30, 2023, the actuarial value of assets exceeded the market value of assets by approximately \$340 million. (Please refer to page D-3 for details.) Investment gains and losses that occur each year are smoothed in over a 4-year period. After considering smoothing, the recognized return this year was 6.88%, compared to an assumed 7.25% return for Fiscal Year 2023. A phase-in of net investment gains is scheduled for the Fiscal Years 2024 and 2026, while a phase-in of net investment losses is scheduled for the Fiscal Year 2025.

[#] *The actuary calculated this return figure which may not exactly match the investment consultant's figure.*

Executive Summary (Continued)

Other Observations

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.25% on the funding value of assets), it is expected that:

- 1) The unfunded actuarial accrued liabilities will be fully amortized after 26 years;
- 2) The funded status of the plan will increase gradually towards a 100% funded ratio; and
- 3) The unfunded accrued liability will increase for several years before beginning to decline.

Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the funding value of assets. Unless otherwise indicated, with regard to any funded status measurements presented in this report:

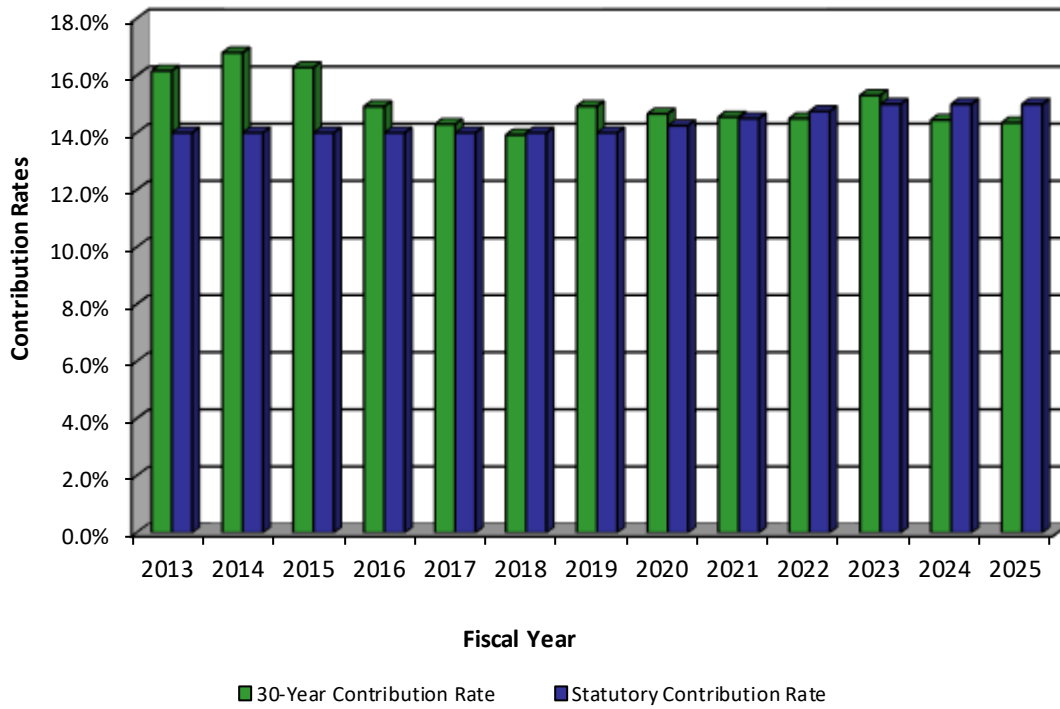
- 1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations; in other words, of transferring the obligations to an unrelated third party in an arm's length market value type transaction;
- 2) The measurement is dependent upon the actuarial cost method which, in combination with the plan's amortization policy, affects the timing and amounts of future contributions. A funded status measurement in this report of 100% is not synonymous with no required future contributions. If the funded status were 100%, the plan would still require future normal cost contributions (i.e., contributions to cover the cost of the active membership accruing an additional year of service credit); and
- 3) The measurement would produce a different result if the market value of assets were used instead of the funding value of assets, unless the market value of assets is used in the measurement.

Limitations of Project Scope

Actuarial standards do not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make required contributions to the plan when due. Such an evaluation was not within the scope of this project and is not within the actuary's domain of expertise. Consequently, the actuary performed no such evaluation.

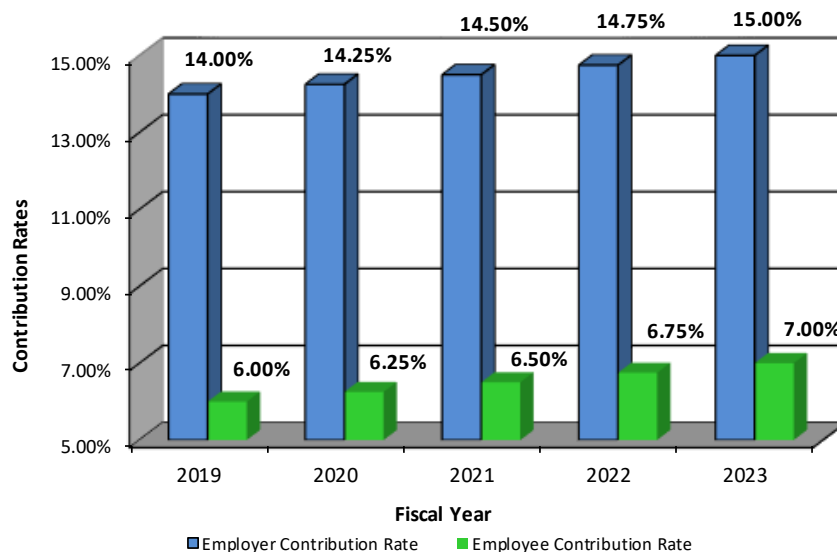
Executive Summary (Concluded)

The following graph shows a history of the amounts contributed vs. the employer contributions based on a maximum amortization period of 30 years. The results would look different if the Employer Contribution were calculated according to the Board's target of 18 years.



The amount contributed is less than the 30-year contribution in FY 2013-2017, FY 2019-2021 and FY 2023. In FY 2018 and FY 2022, the amount contributed exceeded the 30-year contribution.

The following graph also shows a recent history of the employer and employee amounts contributed.



SECTION B

VALUATION RESULTS

Determination of Amortization Period

Computed as of June 30, 2023 and June 30, 2022

Computed Contributions for	Percents of Active Member Payroll			
	June 30, 2023			June 30, 2022
	Teachers	Support	Combined	Combined
Normal Cost				
Age & Service Annuities	11.24%	7.54%	10.24%	10.20%
Deferred Annuities	1.49%	2.31%	1.71%	1.73%
Survivor Benefits	0.27%	0.19%	0.25%	0.25%
Disability Benefits	0.41%	0.39%	0.40%	0.40%
Refunds of Member Contributions	0.48%	1.22%	0.68%	0.68%
Total	13.89%	11.65%	13.28%	13.26%
Average Member Contributions	6.62%	5.16%	6.23%	6.21%
Net Employer Normal Cost	7.27%	6.49%	7.05%	7.05%
Unfunded Actuarial Accrued Liabilities			7.95%	7.95%
Employer Contribution Rate			15.00%	15.00%
Amortization Years			26	26

The calculated amortization period of 26 years is based on employer and member contribution rates of 15.00% and 7.00%, respectively. See page A-4 for a recent history of employer and employee contribution rates.

The amortization period is the number of years it will take to pay off the unfunded liability of \$4.6 billion, assuming contributions remain at the Fiscal 2024 level. Since 2000, the period has varied from a low of 19 years to a high of over 100 years. If experience in FY 2024 is reasonably in line with expectations, the amortization period is likely to decrease in the next valuation due to the phase-in of net investment gains. Please see additional comments regarding the amortization period on page A-2.

Employer Contribution Rates 10-Year Comparative Statement

Valuation Date June 30	Active Members in Valuation **		Average Annual Pay		Consumer Price (Inflation) Index % Change	Employer Contributions	
	Number	Annual Payroll (\$ Millions)				Computed Financing Period (Years)	Total Employer Rate
			Amount	% Change			
2014	74,352	\$ 2,758	\$ 37,092	1.9 %	2.1 %	39	14.00 %
2015	72,919	2,777	38,088	2.7 %	0.1 %	33	14.00 %
2016	72,232	2,785	38,557	1.2 %	1.0 %	29	14.00 %
2017#*	72,148	2,814	38,997	1.1 %	1.6 %	29	14.00 %
2018#	72,341	2,872	39,702	1.8 %	2.9 %	28	14.00 %
2019#	72,164	2,907	40,285	1.5 %	1.6 %	28	14.00 %
2020#	70,539	2,954	41,884	4.0 %	0.6 %	27	14.25 %
2021#*	70,098	3,086	44,030	5.1 %	5.4 %	32	14.50 %
2022#	71,378	3,199	44,811	1.8 %	9.1 %	26	14.75 %
2023#	71,387	3,353	46,963	4.8 %	3.0 %	26	15.00 %

* Revised assumptions.

Legislated benefit or contribution rate changes.

** Includes T-DROP members and payroll. ATRS also receives contributions on return to work retirees, but they are not included on this schedule.

Computed Actuarial Liabilities as of June 30, 2023

Actuarial Present Value of	(1) Total Present Value	Entry Age Actuarial Cost Method	
		(2) Portion Covered by Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1)-(2)
Age and service retirement allowances based on total service likely to be rendered by present active members.	\$ 10,997,036,288	\$ 2,892,841,180	\$ 8,104,195,108
Age and service retirement allowances based on total service likely to be rendered by present T-DROP members.	1,901,631,818	39,016,167	1,862,615,651
Vested deferred benefits likely to be paid present active and inactive members.	1,531,547,444	487,889,511	1,043,657,933
Survivor benefits expected to be paid on behalf of present active members.	187,006,996	71,372,302	115,634,694
Disability benefits expected to be paid on behalf of present active members.	222,460,200	111,729,654	110,730,546
Refunds of member contributions expected to be paid on behalf of present active members.	27,682,895	183,329,469	(155,646,574)
Benefits payable to present retirees and beneficiaries.	14,510,824,580	-	14,510,824,580
Total	\$ 29,378,190,221	\$ 3,786,178,283	\$ 25,592,011,938
Funding Value of Assets.	21,014,908,823	-	21,014,908,823
Liabilities to be covered by future contributions.	\$ 8,363,281,398	\$ 3,786,178,283	\$ 4,577,103,115

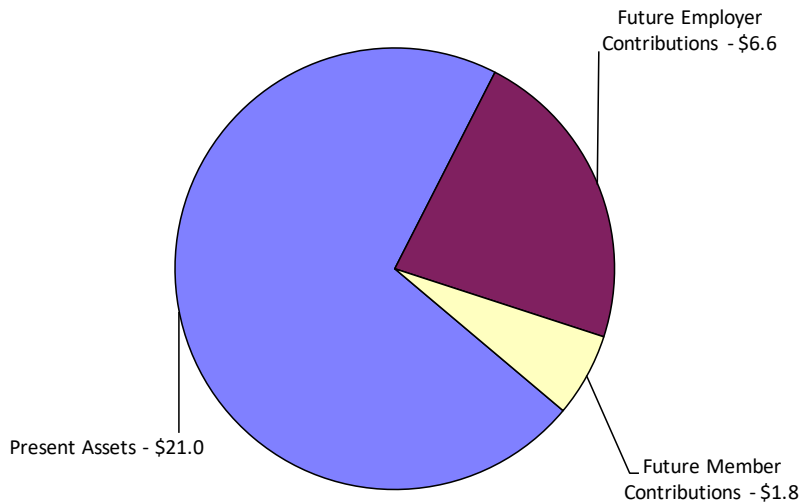
Liabilities for Retirees July 1, 2023

Tabulated by Type of Benefit Being Paid

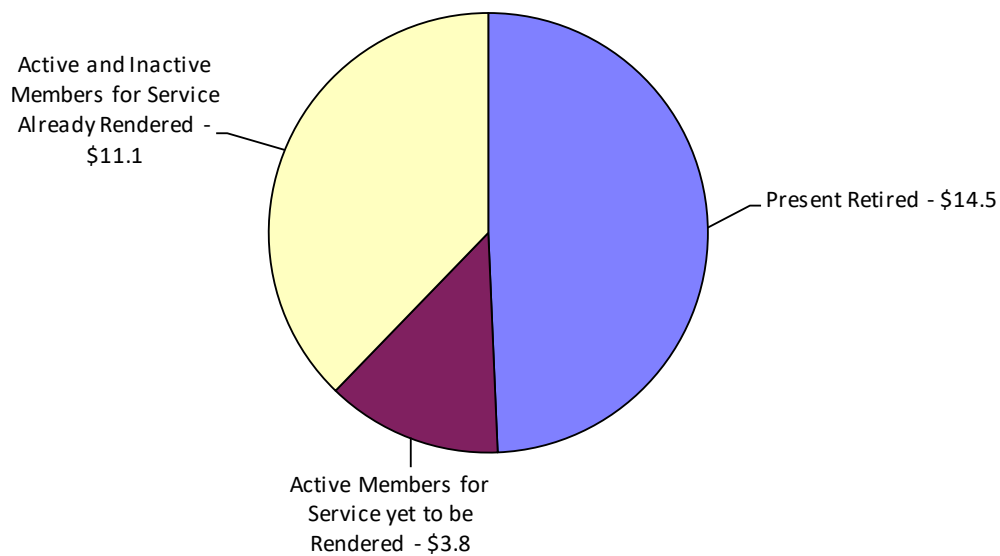
Type of Annuity	Liabilities July 1, 2023		
	Men	Women	Totals
RETIREMENT RESERVE ACCOUNT			
Age and Service Annuities			
Option 1 (Straight Life)	\$ 1,689,414,444	\$ 8,297,371,626	\$ 9,986,786,070
Option A (100% Joint & Survivor)	873,027,296	1,002,061,590	1,875,088,886
Option B (50% Joint & Survivor)	424,790,992	709,644,492	1,134,435,484
Option C (10 Years Certain & Life)	49,130,959	174,265,413	223,396,372
Beneficiaries	79,661,361	218,926,252	298,587,613
Total Age and Service	3,116,025,052	10,402,269,373	13,518,294,425
Disability Annuities			
Option 1	51,727,061	290,258,569	341,985,630
Option A	25,650,567	48,545,604	74,196,171
Option B	7,427,623	12,651,982	20,079,605
Option C	-	-	-
Beneficiaries	21,825,654	25,300,416	47,126,070
Total Disability	106,630,905	376,756,571	483,387,476
Act 793	7,172,197	4,650,082	11,822,279
Retirement Reserve Account	3,229,828,154	10,783,676,026	14,013,504,180
Act 808 Retirement Reserve Account	4,977,143	1,252,213	6,229,356
Total Retirement Reserve Account	3,234,805,297	10,784,928,239	14,019,733,536
SURVIVORS' BENEFIT ACCOUNT			
Beneficiaries of Deceased Members	\$ 57,386,933	\$ 62,567,136	\$ 119,954,069
RETIREMENT SYSTEM TOTALS			
Total Annuity Liabilities	\$ 3,292,192,230	\$ 10,847,495,375	\$ 14,139,687,605
Cash Benefit Account Liabilities			226,279,957
Liabilities for Lump Sum Death Benefits			144,857,018
Total			\$ 14,510,824,580

Financing \$29.4 Billion of Benefit Promises for Present Active and Retired Members June 30, 2023

**Sources of Funds
(\$ Billions)**



Uses of Funds



Short Condition Test

ATRS' funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will **pay all promised benefits when due -- the ultimate test of financial soundness**. Testing for level contribution rates is the long-term test.

A short condition test is one means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: 1) Member contributions on deposit; 2) The liabilities for future benefits to present retired lives; and 3) The liabilities for service already rendered by members. In a system that has been following the discipline of level percent-of-payroll financing, the liabilities for member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system. Liability 3 being fully funded is unusual, but highly desired.

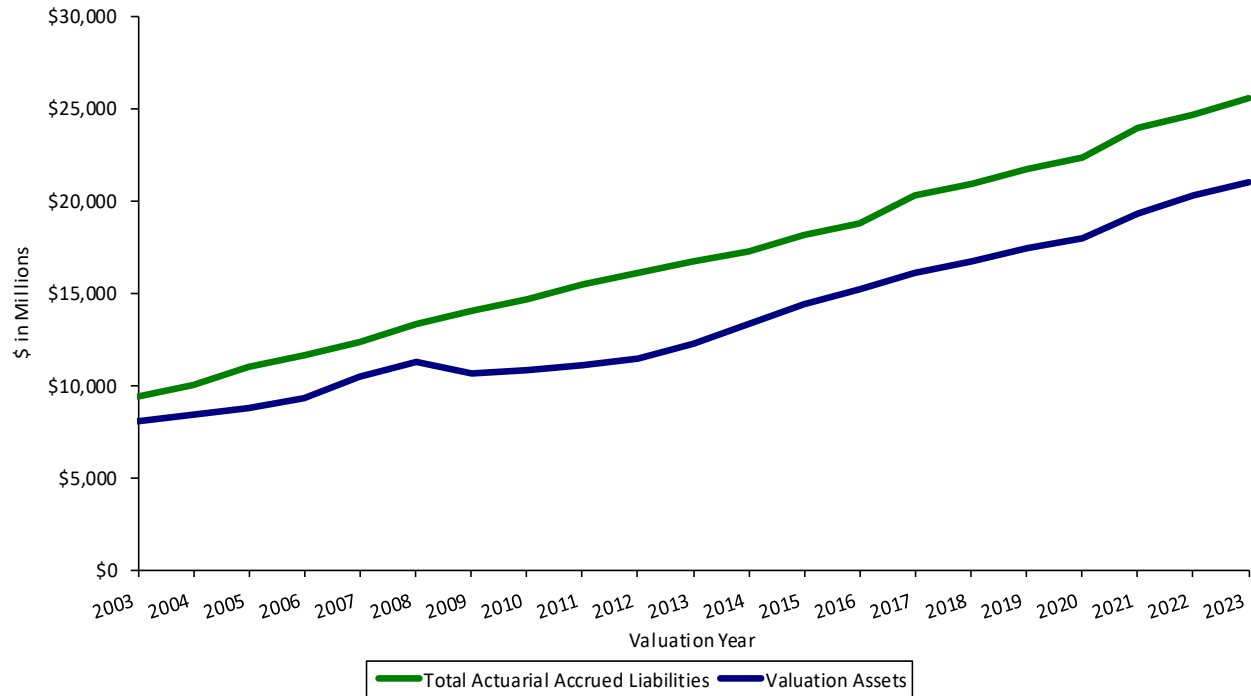
The schedule below illustrates the history of Liability 3 of the System and is indicative of the ATRS' objective of following the discipline of level percent-of-payroll financing.

Val. Date June 30	(1) Member Contrib.	(2) Retirees and Benef.	(3) Active and Inactive Members (Employer Financed Portion)	Present Valuation Assets	Portion of Present Values Covered by Present Assets			
					(1)	(2)	(3)	Total
	-----\$ Millions-----							
2014	\$ 1,077	\$ 8,777	\$ 7,456	\$ 13,375	100%	100%	47%	77%
2015	1,128	9,778	7,230	14,434	100%	100%	49%	80%
2016	1,184	10,430	7,198	15,239	100%	100%	50%	81%
2017#*	1,254	11,337	7,707	16,131	100%	100%	46%	79%
2018#	1,312	11,851	7,772	16,756	100%	100%	46%	80%
2019#	1,377	12,460	7,872	17,413	100%	100%	45%	80%
2020#	1,455	12,890	8,007	18,007	100%	100%	46%	81%
2021#*	1,544	13,596	8,847	19,343	100%	100%	48%	81%
2022#	1,648	14,044	9,005	20,328	100%	100%	51%	82%
2023#	1,751	14,511	9,330	21,015	100%	100%	51%	82%

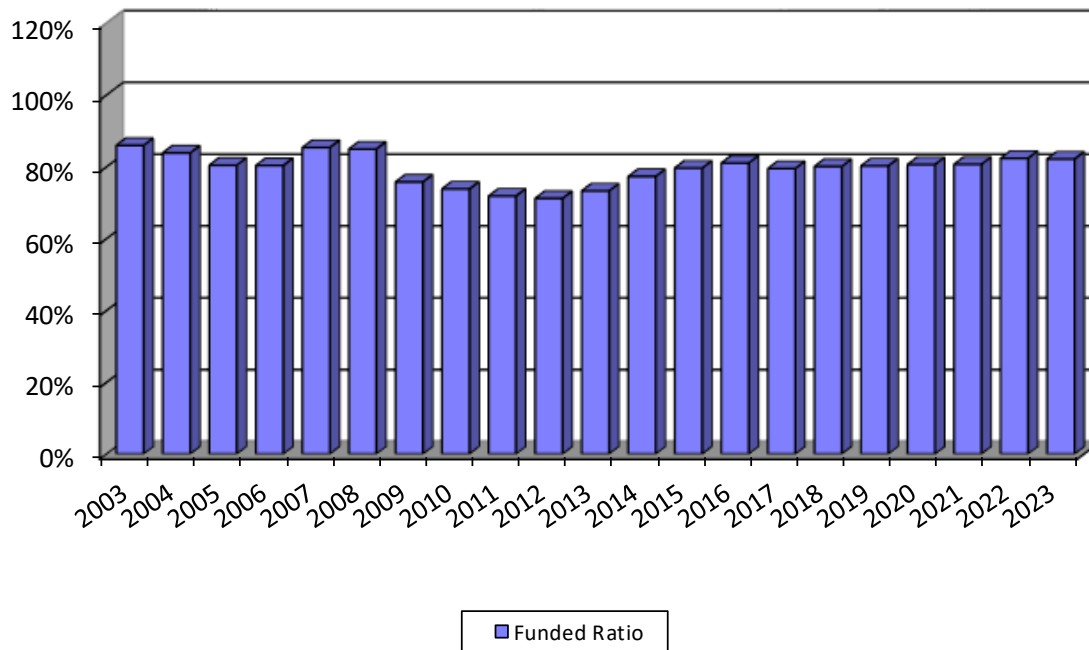
* Revised actuarial assumptions or methods.

Legislated benefit or contribution rate changes.

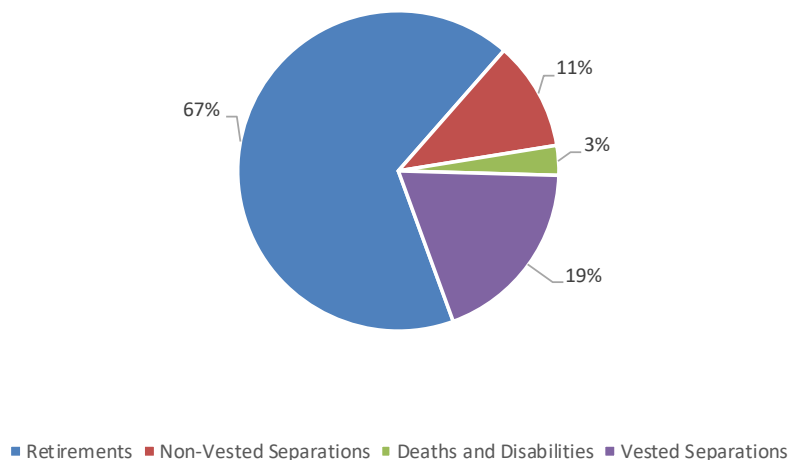
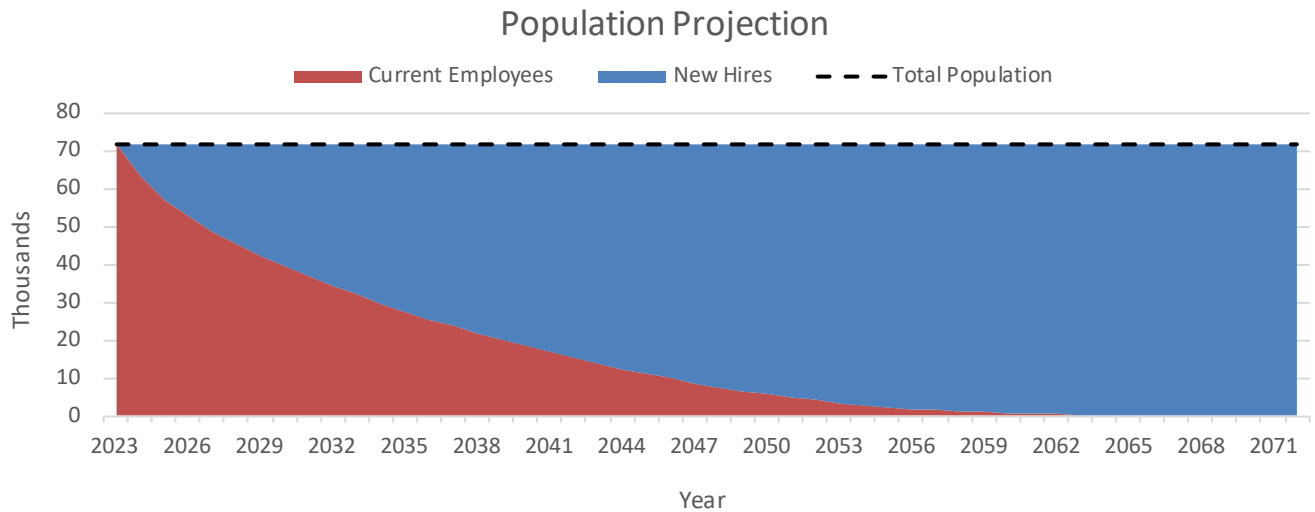
Actuarial Accrued Liabilities and Valuation Assets



Valuation Assets as a Percent of Accrued Liabilities (Funded Ratio)



Expected Development of Present Active Population June 30, 2023 (Excludes Rehired Retirees)



The charts show the expected future development of the present population in simplified terms. The Retirement System presently covers 71,387 active members (includes T-DROP). Eventually, 11% of the population is expected to terminate covered employment prior to retirement and forfeit eligibility for an employer provided benefit. Approximately 86% of the present population is expected to receive monthly retirement benefits. Approximately 3% of the present population is expected to become eligible for death-in-service or disability benefits. Within nine years, over half of the covered active membership is expected to consist of new hires.

SECTION C

SUMMARY OF BENEFITS

Summary of Benefit Provisions

June 30, 2023

1. **Voluntary Retirement – A.C.A. § 24-7-701.** A member may retire at age 60 with 5 or more years of credited service, or after 28 years of credited service regardless of age.
2. **Early Retirement – A.C.A. § 24-7-702.** A member who has more than 25 but less than 28 years of credited service and has not attained age 60 years may retire and receive an immediate early retirement annuity. The early annuity is an age & service annuity reduced by the lesser of (i) and (ii) below:
 - (i) 10/12 of 1% multiplied by the number of months by which early retirement precedes completion of 28 years of service, or
 - (ii) 10/12 of 1% multiplied by the number of months by which early retirement precedes the attainment of age 60 years.

The ATRS Board is allowed to set by resolution the early annuity reduction at a rate between 5% and 15% per year, to be prorated monthly if the System's actuary certifies that the amortization period to pay the unfunded liabilities exceeds 18 years. The Board adjusted the reduction to 10% per year beginning August 1, 2017 by Resolution 2017-14 on April 17, 2017.

3. **Deferred Retirement – A.C.A. § 24-7-707.** An inactive member who has 5 or more years of credited ATRS service will be entitled to an age & service annuity beginning at age 60, provided accumulated contributions are on deposit with the retirement system.
4. **Disability Retirement – A.C.A. § 24-7-704.** An active member with 5 or more years of actual and reciprocal service, who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age & service annuity. In order to qualify for disability retirement, the member must exhibit symptoms of physical or mental incapacitation while the member is an active member. A member who is eligible for age and service retirement (age 60 and 5 years of service or 28 years of service at any age) is no longer eligible to apply for disability retirement.

An ATRS disability retiree is required to obtain a Social Security Administration determination letter finding that the retiree is disabled within 36 months of the effective date of disability retirement. If a member cannot provide the SSA determination letter within the 36-month period, benefits will be terminated, the member will be returned to active service, and all member history will be restored. The requirement to qualify for SSA disability shall not apply to a disability retiree who was age 57 or older before July 1, 2015, because that member would qualify for age & service benefits prior to requiring the SSA determination of disability. The retiree may apply for an extension of the 36-month deadline if the retiree can demonstrate the SSA determination is in progress. There is a rebuttable presumption that if a Teacher Retirement member is qualified for Social Security Administration disability benefits then they would also qualify for ATRS disability retirement benefits.

A disability retiree may be employed with a covered employer for less than (80) days of actual service during a fiscal year. The covered employer who employs a disability retiree under this subsection shall remit contributions on all salary paid to the disability retiree in an amount equal



Summary of Benefit Provisions

June 30, 2023

4. **Disability Retirement – A.C.A. § 24-7-704 (Cont.)** to the employer contributions rate. The retiree will continue receiving their annuity from the system and shall not accrue additional service credit. If a retiree tries to return to full time employment, and fails, the suspended disability benefit will be restored to what it would have been had they not tried to return to work, or a recomputed benefit using the additional service, whichever is higher.
5. **Final Average Salary (FAS) – A.C.A. § 24-7-736 and A.C.A. § 24-7-601.** The ATRS Board made changes to the final average salary (FAS) by Resolution 2017-33 on November 13, 2017. Effective July 1, 2018, a member's final average salary is the average of the five (5) highest service year salaries (5-year FAS).

Members active in ATRS or a reciprocal system as of June 30, 2018 and with at least 3 full years of service in ATRS can use a benchmark 3-year FAS, which is the average of the three (3) highest service year salaries as of June 30, 2018. The three (3) highest service year salaries are adjusted for anti-spiking before being used in the calculation of the benchmark 3-year FAS.

In calculating the 5-year FAS, if a member has less five (5) years of credited service, the final average salary of the member shall be the total salary paid to the member for his or her years of credited service divided by the member's total credited years of service.

The Board may adjust the final average salary anti-spiking parameters by board resolution provided that the anti-spiking percentage range is no lower than 105% nor higher than 120% per year; and the anti-spiking amount is no lower than \$1,250 nor higher than \$5,000. The ATRS Board set the anti-spiking percentage to 110% and the anti-spiking amount to \$5,000 by Resolution 2017-13 on April 17, 2017.

If a member has at least five (5) years of credited service the five (5) highest service year salaries shall be adjusted for anti-spiking and the final average salary will be calculated as follows:

- a. The service year salaries are ranked from lowest to highest.
- b. The lowest service year salary in the ranking shall be the base salary.
- c. The next-highest-ranked service year salary shall be compared to the base salary.
- d. The next-highest service year salary in the calculation of final average salary that is less than eight (8) years from the base salary year, shall not exceed the base salary value plus \$5,000 unless the next-highest year's value is less than or equal to 110% of the base salary.
- e. After comparison of the base salary to the next-highest service year salary, a reduction to the next-highest service year salary is made if required to satisfy the conditions of the prior step.
- f. The next-highest service year salary, with any required reduction, becomes the new base salary to compare to the next succeeding highest service year salary in the ranking until all service year salaries in the ranking have been compared.
- g. The total value of the base salaries shall then be divided by the applicable number of years to be used in computing final average salary.

Summary of Benefit Provisions

June 30, 2023

Final Average Salary (FAS) – A.C.A. § 24-7-736 and A.C.A. § 24-7-601 (Cont.) ATRS members with reciprocal service credit will also have a reciprocal FAS calculated. The reciprocal FAS is generally a value calculated by the non-ATRS reciprocal system. Effective March 2, 2021, ATRS will use the value calculated by the non-ATRS reciprocal system only if the member has at least two (2) years of service credit in that system.

The highest of the 5-year FAS, benchmark 3-year FAS, or reciprocal FAS will be used to calculate retirement benefits for the member.

6. **Age & Service Annuity and Disability Annuity – A.C.A. §§ 24-7-705, 24-7-727 (stipend).** The annuity payable will not be less than the total of: years of contributory service times 2.15% of FAS; plus years of noncontributory service times 1.39% of FAS (1.25% for service earned after 2019); plus a stipend for all members with 10 or more years of ATRS actual service. The ATRS Board is allowed to set the contributory multiplier for service credit earned after June 30, 2013, within a range of 1.75% to 2.15%. Also, the noncontributory multiplier for service credit earned after June 30, 2013, may be set within a range of 0.5% and 1.39%. In addition, the Board is allowed to set special multiplier rates for the first 10 years of ATRS service earned after June 30, 2013, for both contributory and noncontributory service. By Board Resolution 2017-31 on November 13, 2017, the noncontributory multiplier was set to 1.25% beginning in FY 2020. By Board Resolution 2017-32 on November 13, 2017, the contributory multiplier and noncontributory multiplier for the first 10 years of service was set to 1.75% and 1.0% respectively beginning July 1, 2018. Once a member accrues 10 years of service, all service including the first 10 years is then credited at the standard multiplier rate in place at the time the service was earned.
7. **T-DROP – A.C.A. §§ 24-7-1301–1316.** A member with 28 or more years of service may participate in the Teacher Deferred Retirement Option Plan (T-DROP). T-DROP participants do not make member contributions. A T-DROP deposit is made monthly to the participant's T-DROP account. The T-DROP deposit is the amount that would have been paid had the member retired, reduced by 1% for each year of contributory, noncontributory, and reciprocal service. Members who enter T-DROP with less than 30 years of service are subject to an additional 6% reduction for each year less than 30 years. T-DROP deposits are increased each year by 3% of the member's initial T-DROP deposit. T-DROP Deposits cease at the earlier of 10 years of T-DROP participation or separation from service. T-DROP participants may continue in covered employment after 10 years of T-DROP participation, but do not accumulate additional T-DROP deposits.

T-DROP participants receive interest annually on the balance of the T-DROP account. Regular T-DROP interest is credited for 10 or less years of participation. Post 10-year T-DROP interest is credited for more than 10 years of participation.

Regular T-DROP interest is a combination of a fixed interest rate and an incentive interest rate. An incentive rate may be approved by the Board to encourage continued participation in T-DROP, if the estimated ATRS rate of return is 2% greater than the ATRS actuarial assumed rate of return in the preceding calendar year. Beginning in fiscal year 2019, the Board has set the Regular T-DROP fixed interest rate at 3% and the maximum incentive rate at 3% by Resolution 2017-35 on November 13, 2017.

Summary of Benefit Provisions

June 30, 2023

T-DROP – A.C.A. §§ 24-7-1301–1316 (Cont.) The fixed and incentive interest rates may be adopted by board resolution before the first quarter of the fiscal year and would apply to subsequent fiscal years unless modified by the Board. For fiscal year 2022, the Board set the Regular T-DROP fixed interest rate at 3% and the incentive interest rate at 3%, resulting in a total interest rate of 6%, by Resolution 2021-33 on September 27, 2021.

Post 10-year T-DROP interest has been in effect since July 1, 2010. The Post 10-year T-DROP interest rate can be determined as appropriate by the Board and adopted by the resolution prior to the first quarter of the fiscal year in which the interest rate shall apply. Post 10-year T-DROP interest is a combination of a variable interest rate and an incentive interest rate, to encourage continued participation in T-DROP. The Post 10-year T-DROP variable interest rate formula is based on investment returns and other factors. On November 13, 2017, the ATRS Board by Resolution 2017-36 set the formula for the variable interest rate and the maximum combined variable and incentive interest rate for fiscal year 2019 and beyond. The Post 10-year T-DROP variable interest rate is calculated as 2% less than the system's rate of return, but not less than 4%, nor greater than 6%. The maximum Post 10-year T-DROP combined interest rate including the incentive interest rate is 7.5%. The Post 10-year T-DROP incentive interest rate can be awarded if the estimated ATRS rate of T-DROP – A.C.A. § 24-7-1301-1316 return is 2% greater than the ATRS actuarial assumed rate of return in the preceding calendar year. For fiscal year 2022, the Board set the Post 10-year T-DROP variable interest rate at 6% and the incentive interest rate at 1.5%, resulting in a combined interest rate of 7.5%, by Resolution 2021-35 on September 27, 2021.

Upon actual retirement, the member may receive the T-DROP account balance in the form of a lump sum, a Cash Balance Account (CBA), or as an additional annuity. The T-DROP distribution may be a combination of lump sum, CBA, and additional annuity.

8. **Post-Retirement Increases – A.C.A. §§ 24-7-713, 24-7-727 (compound COLA).** Each July 1, annuities are adjusted to be equal to the base annuity times 100% plus 3% for each full year in the period from the effective date of the base annuity to the current July 1. The base annuity is the amount of the member's annuity on the later of July 1, 2001 or the effective date of retirement. The July 1, 2009 cost of living adjustment for retirees was compounded. The annuity was set to 103% of the June 30, 2009 retirement benefit amount. After it was calculated on July 1, 2009, the base amount was reset to be the July 1, 2009 benefit amount. Future cost of living raises will be established by the new updated base amount. Future cost of living adjustments will be evaluated on an annual basis to determine if a simple or compound cost of living increase will be given, depending on the financial condition of the System.
9. **Survivor Benefits – A.C.A. § 24-7-710.** Upon the death of an active member, who has 5 or more years of actual and reciprocal service, the following annuities are payable:
 - (a) The surviving spouse receives an annuity computed in the same manner as if the member had (i) retired the date of his death with entitlement to an annuity, (ii) elected Option A - 100% Survivor Annuity, and (iii) nominated the spouse as joint beneficiary. If the member has attained age 60 and has acquired 5 years of credited service or has acquired 25 years of

Summary of Benefit Provisions

June 30, 2023

Survivor Benefits – A.C.A. § 24-7-710. Cont.

- (a) credited service regardless of age, the annuity begins immediately; otherwise the annuity begins the month following the date the member would have attained age 60. Under certain circumstances, a lump sum distribution may be made to the beneficiary(ies) of the deceased member.
- (b) A surviving child's benefit is prorated to an amount equal to 1% of the member's highest salary year for each quarter of a year credited as actual service in the system, up to 20% or up to a maximum of \$20,000 per year. If there is more than 1 surviving dependent, the benefits are capped to the lesser of 60% of the member highest salary or \$60,000 per year to be divided equally among the dependents. A child is dependent until the child's death, marriage, or attainment of age 18 (age 23 if the child is a full-time student).

A child of a deceased member is considered a dependent child and is eligible for the dependent child annuity to eighteen years of age or older, but no older than twenty-three years of age if the dependent child stays continuously enrolled as a full-time student at an accredited school, college, university or vocational-technical school.

- 10. **Lump Sum Death Benefit – A.C.A. § 24-7-720.** Beneficiaries of deceased active members or retirees with 10 or more years of ATRS credited service are eligible to receive a lump sum death benefit of up to \$10,000. Resolution 2020-27 on September 28, 2021 set the minimum amount of the lump sum death benefit for all eligible members to six thousand six hundred sixty-seven dollars (\$6,667); retired members who retired on or before July 1, 2007 will receive an additional six hundred sixty-six dollars and sixty cents (\$666.60) for each contributory year of service credit up to the maximum amount of ten thousand dollars (\$10,000); and all other members will receive an additional three hundred thirty-three dollars and thirty cents (\$333.30) for each contributory year of service credit up to the maximum amount of ten thousand dollars (\$10,000).
- 11. **Member Contributions – A.C.A. § 24-7-406.** Contributory members pay 7% of their salaries. Through FY 2019, contributory members contributed 6% of their salaries. Members that are participating in the T-DROP program or are working retirees do not make member contributions. If a member leaves service prior to becoming eligible to retire, the accumulated member contributions are returned upon request. No interest is credited to a member's contributions for the first year of membership; after 1 year, interest is credited. The ATRS Board set the interest rate on refunded contributions to 0.08% for fiscal year 2017 and beyond by Resolution 2017-17 on April 17, 2017. By Resolution 2017-30 on November 13, 2017, the Board set the member contribution rate to 6.25%, 6.50%, 6.75%, and 7.00% for FY 2020, FY 2021, FY 2022, and FY 2023 respectively and 7.00% thereafter. Effective July 1, 1986, a noncontributory plan was created. Effective July 1, 1999 the default choice for new members is contributory. Effective July 1, 1997, all future member contributions are tax deferred in accordance with §414(h) of the Internal Revenue Code of the United States. Each July 1, members who previously elected to be noncontributory may elect to change to contributory status. The election is irrevocable.

A member, who was reported as non-contributory and should have been contributory, may remain in a non-contributory status for the current fiscal year and will be pending for the next fiscal year as

Summary of Benefit Provisions

June 30, 2023

11. **Member Contributions – A.C.A. § 24-7-406 (Cont.)** contributory. If the member owes contributions, he or she may have the system convert the contributory service to noncontributory service rather than pay the balance due.

Members who are contracted for 181 days or more in a fiscal year must be contributory. Effective July 1, 2021 the number of contracted days increased to 185.

12. **Act 808 Retirement – A.C.A. § 24-4-732.** Any employee of a state agency who was an active member of the Arkansas Teacher Retirement System on April 8, 1987, and who qualified for retirement before January 1, 1988, could become a member of the Arkansas Public Employees Retirement System and retire from that system. All credited service was transferred to that system but the member's contributions were retained by the Arkansas Teacher Retirement System and the benefit amount is transferred monthly to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).
13. **Act 793 Retirement – A.C.A. § 24-4-522.** Any employee who was a member of the rehabilitation services in 1977 was permitted to become a member of the Arkansas Public Employees Retirement System. Liabilities associated with prior service earned through June 30, 1978 remain in the Arkansas Teacher Retirement System. Future service is allocated to the Arkansas Public Employees Retirement System. Each July 1, annuities are adjusted by 3% (compound escalator).
14. **Retiree Benefit Stipend – A.C.A. § 24-7-713.** The current stipend amount is \$50 per month. Each retired member as of June 30, 2008, with 5 or more years of ATRS credited service receives a \$75 per month stipend. Members in T-DROP do not receive the \$75 per month stipend until actual retirement. For all members retiring on or after July 1, 2008, a minimum of 10 years of ATRS credited service is required to receive the \$75 per month stipend. The ATRS Board is allowed to set the stipend to a minimum of \$1 per month and a maximum of \$75 per month. By Board Resolution 2017-34 on November 13, 2017 the benefit stipend is removed from the base amount for all retirees and beneficiaries beginning in fiscal year 2019 and the benefit stipend will be reduced to \$50.00 for fiscal year 2020 and beyond. The Resolution contains a "hold harmless" provision that prevents the lowering of the stipend if it would actually reduce the total monthly benefit. This would only affect retirees when the COLA is less than \$25 per month.
15. **Optional Forms of Benefits – A.C.A. § 24-7-706:**
- Option 1 (Straight Life Annuity)**
- A member will receive the maximum monthly benefit for which he/she qualifies, throughout his/her lifetime. No monthly benefits will be paid to his/her beneficiary after the member's death. Should a member die before he/she has drawn in benefits an amount equal to his/her contributions plus earned interest, the balance will be paid to a designated beneficiary. The designated beneficiary may be anyone chosen by the member.

Summary of Benefit Provisions

June 30, 2023

Option A (100% Survivor Annuity)

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary(ies) will receive (equal shares of) the same annuity for the balance of his/her lifetime.

Option B (50% Survivor Annuity)

Under this option a member will receive a reduced annuity throughout his/her lifetime. Upon the member's death, the designated beneficiary(ies) will receive (equal shares of) one-half (1/2) of this annuity for the balance of his/her lifetime.

Option C (Annuity for Ten Years Certain and Life Thereafter)

A reduced monthly benefit payable for 120 months. After that time, a member's monthly allowance will revert to the amount he/she would have received under the regular plan and continue for life. If the member dies before receiving 120 payments, the designated beneficiary will receive a monthly benefit in the same amount until monthly benefits to both the member and the beneficiary equal 120 monthly payments. No further benefits are then payable to the beneficiary.

Pop-Up Election

Following the death of or a divorce from the member's designated beneficiary, his or her benefit reverts (pops-up) to the straight life annuity amount from the elected optional annuity amount. The member may then elect new beneficiaries in accordance with Arkansas Code and rules adopted by the ATRS board.

Option Factors are based upon a 5.0% interest rate and the PUB-2010 General Healthy Retiree/MP-2020 tables (generational projections using retirement year 2025) adjusted with a 50% unisex mix.

16. **Refund of Member Contributions – A.C.A. § 24-7-711.** Any termination refund made to a member or a lump sum payout made to a surviving spouse after July 1, 2011, cancels all service credit, including noncontributory service credit; any repurchase of refunded service will be as contributory years at actuarial cost. All membership rights (including noncontributory service credit) and beneficiary designations to the ATRS are cancelled when a member gets a refund of his or her contributions.
17. **Contract Buyout – A.C.A. § 24-7-735.** During periods of contract buyout/litigation/termination, members will not receive service credit if no on-call service or on-site work is performed. ATRS will not allow the purchase of the time between actual work and the settlement unless the settlement was made to resolve a claim of wrongful termination.
18. **Actuarial Cost of Service – A.C.A. §§ 24-1-107, 24-2-502, 24-7-202, 24-7-406, 24-7-501, 24-7-502, 24-7-612, 24-7-602, 24-7-603, 24-7-604, 24-7-606, 24-7-607, 24-7-610, 24-7-611.** Effective July 1, 2011, all service purchases will be at actuarial cost. Act 279 of 2021 allows inactive members to purchase service at actuarial cost before monthly retirement benefits or T-DROP deposits begin.
19. **Deceased Member Refund of Contributions – § 24-7-711.** Effective July 1, 2011, if a beneficiary is not eligible for survivor benefits, or if a surviving spouse is eligible and chooses a contribution refund, the interest on the refund stops the July 1 following the member's death.

Summary of Benefit Provisions

June 30, 2023

20. **Look-back Period – A.C.A. §§ 24-7-202, 24-7-205.** Effective July 1, 2011, absent intentional nondisclosure, fraud, misrepresentation, criminal act, or obvious/documentated error by an employer of ATRS members can no longer establish old service previously unreported unless such service is acquired by purchase at actuarial cost. ATRS is allowed to correct an understated service credit error upon which all required contributions have been paid or when understated service credit is well documented and undisputed, even if beyond the 5-year look-back period.
21. **Service Credit Requirements – A.C.A. §§ 24-7-501, 24-7-502, 24-7-601, 24-7-603, 24-7-604, 24-7-606, 24-7-607, 24-7-611.** Effective July 1, 2011, members must receive 160 days of service to be credited with a year of service credit.
22. **T-DROP Cash Balance Account.** Effective July 1, 2012, a T-DROP cash balance account was established that allows members exiting (retiring) from T-DROP to place all or a portion of their T-DROP proceeds into a Cash Balance Account (CBA) at ATRS. On November 13, 2017, by Resolution 2017-38 the Board set the CBA interest rate schedule based on years of participation as follows: 2.50% for year one, 2.75% for year two, 3.00% for year three, 3.25% for year four, 3.50% for year five, and 4.00% for year six and beyond. Each fiscal year, the Board can grant an incentive interest rate to encourage continued participation in the CBA program. For fiscal year 2022, the Board granted CBA participants an incentive rate of 1.0%, by Resolution 2021-36 on September 27, 2021.
23. **Purchase of “Air Time” as a Result of Wrongful Termination – A.C.A. §§ 24-7-702, 24-7-735, 6-17-413.** A member is allowed to purchase service credit under a settlement agreement or court order to resolve a claim of wrong termination if the service credit is purchased from the date of termination by an ATRS employer to the date of the resolution of the dispute. This service credit would be purchased at actuarial cost.
24. **Buyout of Inactive Members – A.C.A. § 24-7-505.** The ATRS Board created a voluntary “buyout plan” for inactive vested members. The System will make a one-time lump sum payment to a member, a surviving spouse, or an alternate payee in exchange for a member, surviving spouse, or alternate payee's cancellation of membership and retirement benefit rights. The buyout plan will be established by Board rules. Rule 16 Cash and Savings Help Program for Members (CASH) defines the terms of the “buyout plan”. Depending upon the success of the plan, it may be extended by the Board. The ATRS Board expanded the CASH program to include all inactive vested members, regardless of service type by Resolution 2017-18 on May 10, 2017. The ATRS Board offered the FY 2022 CASH program for all inactive vested members to end on June 30, 2022 by Resolution 2021-37 on September 27, 2021.
25. **Private School Service – A.C.A. § 24-7-607.** Prior to 2015, private school service had to be recognized by the Arkansas Department of Education as positions that required the issuance of teaching licenses. The certification of this service credit was performed by one employee of the Arkansas Department of Education, and that one employee retired. Upon that employee's retirement, the Arkansas Department of Education no longer certified private school service credit. No certifications occurred for approximately a year until legislation could be passed to allow ATRS to make this determination. In addition, a distinction was made between certified and noncertified private school service credit. Certified private school service (basically administrative and teaching) could be purchased at actuarial cost, up to 15 years. Noncertified private school service could be purchased at actuarial cost, up to 5 years.

Summary of Benefit Provisions

June 30, 2023

26. **Military Service Credit – A.C.A. § 24-7-602.** Act 301 of 2015 made technical corrections to the ATRS laws. In the military service credit section, ATRS was not in compliance with a state law that was passed in 2009, Act 295, which repealed the requirement for free military service credit to be granted only if the service was not credited under any other plan except Social Security and the requirement that receipt of a pension from the federal military retirement system paid solely for disability shall not be considered as having service with another retirement plan. The military technical corrections bill raised questions by some of the legislators, and Act 558 of 2015 was passed to further clarify military service credit. Compulsory military service was changed throughout the law to read: "federal military draft". The word "honorable" was inserted before discharge in order for the member to obtain free military service credit throughout the law.
27. **Pension Advance Prohibition – A.C.A. § 24-7-715.** Prohibits a pension advance company from obtaining a retiree's benefit to repay a loan.
28. **Accrued Sick Leave – A.C.A. § 24-7-601.** Unused accrued sick leave, whether paid or unpaid, is allowed to count as service credit to determine retirement eligibility for survivor benefits and lump sum death benefits. One day of service shall be added to the service credit for the fiscal year of the member's death for each day of unused sick leave. This does not include catastrophic leave and other unused donated leave.
29. **Spousal Survivor Benefit – A.C.A. § 24-7-710.** Members may direct an alternative residual beneficiary to receive a lump sum payment of the member's residue amount or T-DROP balance. No spousal survivor benefits will be payable if an alternative beneficiary who is not the surviving spouse is designated by the member.
30. **Settlement Agreements – A.C.A. § 24-7-202, § 24-7-735.** Salary or service credit may be purchased as part of a settlement agreement between a member and their employer. Salary will be added to the salary at the time of purchase and will be determined using the same factors used to calculate an additional monthly benefit in the annuitization of a T-DROP distribution. It is assumed the member would have retired immediately at the time of the purchase.
31. **Outsourcing – A.C.A. § 24-7-506.** Outsourcing is defined to mean employment for an ATRS covered employer through a third party, private employer, independent contractor, or other contractual relationship. A person who performs services that are necessary for the normal daily operation for an ATRS covered employer is considered an Embedded Employee. The ATRS covered employer has a one-time decision to choose between two options for handling their Embedded Employees. The first option for the ATRS covered employer is to become a participating employer and make embedded employees participating members of ATRS. The second option for the ATRS covered employer is to become a Surcharge Employer and opt to pay a surcharge on the Embedded Employee's salary to ATRS to help cover the actuarial cost. The surcharge starts at ½% the first year and slowly rises to 3% over 4 years with a hard cap of 4%. The Embedded Employees of a Surcharge Employer will not be members of ATRS. The services necessary for normal daily operations include: substitute teaching, teacher's aides, food service, transportation service, custodial service, security services, and school nursing. Only those working on the premises are subject to the surcharge. The surcharge is ONLY on

Summary of Benefit Provisions

June 30, 2023

Outsourcing – A.C.A. § 24-7-506 (Cont.) SALARY of embedded employees. All salary is reported in the aggregate with the contractor's salary amount being the final word unless it is clearly in error. The Division of Youth Services shall be a participating Employer and may designate any or all Embedded Employees as members of ATRS. The law does not apply to post-secondary higher education institutions.

32. **Concurrent Reciprocal Service Credit – A.C.A. § 24-7-601.** ATRS members have the option of waiving their ATRS service in the event the member had concurrent service in two (2) state supported retirement systems. The member has the option to surrender either ATRS service or the reciprocal plan service. If a member worked full-time under a reciprocal retirement system and only part-time under ATRS, the member can to waive the ATRS service to obtain a higher benefit based upon the full-time service in the other system. Concurrent reciprocal members have the option to voluntarily elect to waive service in ATRS.
33. **Employer Contribution Rate – A.C.A. § 24-7-401.** Employer contributions are collected on active members, T-DROP participants (even those who work beyond the 10-year participation period), and working retirees. Through fiscal year 2019, the employer contribution rate is 14%. For the fiscal year beginning July 1, 2018, the Board may modify the employer contribution rate for future fiscal years above 14% in increments of 0.25% per fiscal year provided the system has a greater than 18-year amortization period to pay unfunded liabilities without an employer contribution rate of more than 14% limited to a maximum employer contribution rate of 15%. By Resolution 2017-40 on November 13, 2017, the Board set the employer contribution rate to 14.25%, 14.50%, 14.75%, and 15.00% for FY 2020, FY 2021, FY 2022, and FY 2023 respectively and 15.00% thereafter.
34. **Forfeiture of Benefits by Certain Persons – A.C.A. §§ 24-1-301, 302, 303, 304, 305.** A beneficiary's benefits under a public retirement system can be forfeited when the beneficiary unlawfully kills a member or retiree.
35. **Socially responsible investments – A.C.A. § 24-7-105.** A decision on whether to invest, not invest, or withdraw from investment the funds of the Arkansas Teacher Retirement System or an alternate retirement plan of the system shall not be based on a consideration that the location of the investment, fund, company, or any other type of investment vehicle is in the State of Israel.
36. **Normal Retirement Age & Separation Period – A.C.A. §§ 24-7-202, 24-7-502.** In order for a member to start drawing retirement benefits the IRS requires them to have a bona fide termination of employment or have attained the “normal retirement age”. ATRS ensures the bona fide termination of employment by requiring a member stay separated from covered employment for six (6) months before returning to work for an ATRS covered employer. The ATRS “normal retirement age” is defined as age 65 with 5 years of actual service OR at least age 60 years of age or older if the member's age and the member's combined years of actual service, T-DROP service and reciprocal service total 98. A member who has attained the normal retirement age may draw full retirement benefits and remain employed without separating from employment.

Sample Benefit Calculations for a Member Retiring June 30, 2023

The data for the Example member is shown below:

A.	<u>\$35,000</u>	Final Average Compensation
B.	<u>32</u>	Total Service Credit
C.	<u>27</u>	Contributory Service Credit
D.	<u>60</u>	Age of Retiree
E.	<u>55</u>	Age of Spouse
F.	<u>100%</u>	Percentage of Retirement Allowance to Continue to Spouse after Retiree's Death (Retiree Chooses this Percentage)

The computations that would be made for this case are:

	<u>Annual</u>
G. Non-Contributory Base: $1.39\% \times A \times B$	\$15,568
H. Extra for Contributory: $0.76\% \times A \times C$	<u>7,182</u>
I. Subtotal Benefit: G + H	22,750
J. Health Stipend	<u>600</u>
K. Total Benefit: I + J	23,350
L. Adjustment for Line F election: $(1 - 0.78571) \times I$	<u>4,875</u>
M. Annual Amount Payable	\$18,475

Projected Benefits, taking into account increases after retirement would be:

<u>Year Ended June 30</u>	<u>Annual Amount</u>
2024	\$18,475
2025	19,011
2026	19,547
2027	20,083
2028	20,619

Thereafter, the amount would increase by \$536 annually for life.

Sample T-DROP Benefit Calculations for a Member Entering T-DROP June 30, 2023

The data for the Example member is shown below:

A.	\$35,000	Final Average Compensation
B.	28	Total Service Credit
C.	28	Contributory Service Credit
D.	55	Age of Retiree

The computations that would be made for this case are:

	<u>Annual Amount</u>
E. Non-Contributory Base: $1.39\% \times A \times B$	\$13,622
F. Extra for Contributory: $0.76\% \times A \times C$	7,448
G. Reduction for T-DROP Plan: (1% for each year of service) $0.28 \times (E+F)$	5,900
H. Reduction for Entering T-DROP with less than 30 years of service (6% for each year less than 30): $0.12 \times (E + F - G)$	<u>1,820</u>
I. Annual Deposit $E + F - G - H$	\$13,350

Projected Deposits, taking into account increases after DROP, and 5 years duration would be:

<u>Year Ended June 30</u>	<u>Amount Deposited</u>
2024	\$13,350
2025	13,751
2026	14,151
2027	14,552
2028	<u>14,952</u>
Total	\$70,756

The amount deposited, plus credited interest, can be paid as a lump sum or as an annuity. A portion of the deposits can also be placed into a Cash Balance account.



SECTION D

FINANCIAL INFORMATION

This information is presented in draft form for review by the System's auditor. Please let us know if there are any items the auditor changes so that we may maintain consistency with the System's financial statements.

Asset Valuation Method

An essential step in the valuation process is comparing valuation assets with computed liabilities. Valuation assets are those assets that are recognized for funding purposes.

Asset valuation methods are distinguished by the timing of the recognition of investment income. Total investment income is the sum of ordinary income and capital value changes. Under a pure market value approach, ordinary investment income and all capital value changes would be recognized immediately. Because of market volatility, use of pure market values in retirement funding can result in volatile contribution rates and unstable financial ratios, contrary to ATRS' objectives.

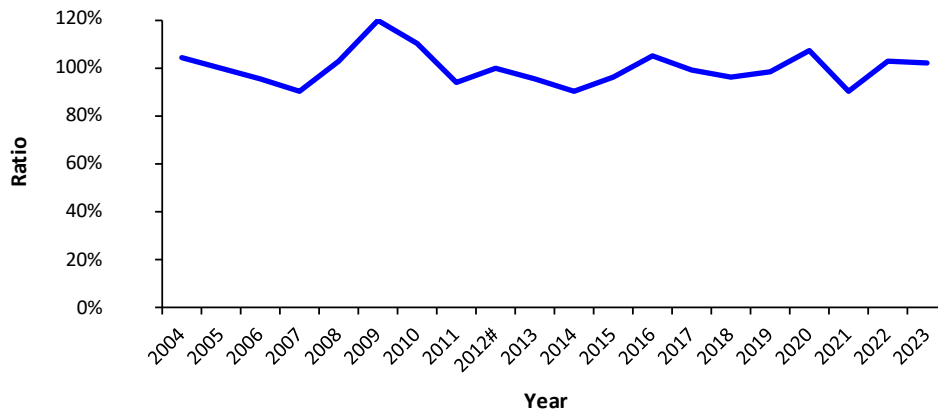
Under the ATRS asset valuation method (see page D-3), assumed investment return is recognized fully each year. Differences between actual and assumed investment return are phased-in over a closed four-year period. During periods when investment performance exceeds the assumed rate, the funding value will tend to be less than the market value. Conversely, during periods when investment performance is less than the assumed rate, funding value will tend to be greater than market value. If assumed rates are exactly realized for three consecutive years, funding value will become equal to market value.

A multi-year comparison of market value to funding (actuarial) value is on the following pages.

Asset Valuation Method

Valuation Date June 30	Market Value of Assets (1)	Funding Value of Assets (2)	Ratio of FV to MV (2) / (1)
2004	\$ 8,122	\$ 8,424	104%
2005	8,811	8,817	100%
2006	9,868	9,332	95%
2007	11,637	10,519	90%
2008	11,018	11,319	103%
2009	8,847	10,617	120%
2010	9,884	10,845	110%
2011	11,895	11,146	94%
2012#	11,484	11,484	100%
2013	12,830	12,247	95%
2014	14,856	13,375	90%
2015	15,036	14,434	96%
2016	14,559	15,239	105%
2017	16,285	16,131	99%
2018	17,493	16,756	96%
2019	17,742	17,413	98%
2020	16,902	18,007	107%
2021	21,469	19,343	90%
2022	19,679	20,328	103%
2023	20,675	21,015	102%

Ratio of Funding Value to Market Value



Funding Value set equal to Market Value.

This year the market value of assets is less than the funding value (see page A-2 for a more detailed explanation). To prevent unreasonably large differences between market value and funding value, there is a requirement that the recognized assets must always be between 80% and 120% of the market value (see page D-3).

Development of Funding Value of Assets

Year Ended June 30:	2020	2021	2022	2023	2024	2025	2026
A. Funding Value Beginning of Year	\$ 17,412,534,651	\$ 18,007,255,143	\$ 19,342,870,512	\$ 20,328,281,484			
B. Market Value End of Year	16,902,076,224	21,468,772,872	19,679,467,252	20,675,051,918			
C. Market Value Beginning of Year	17,741,621,773	16,902,076,224	21,468,772,872	19,679,467,252			
D. Non-Investment Net Cash Flow	(665,324,622)	(676,930,006)	(192,363,759) *	(688,831,775)			
E. Investment Return							
E1. Market Total: B - C - D	(174,220,927)	5,243,626,654	(1,596,941,861)	1,684,416,441			
E2. Assumed Rate	7.50%	7.50%	7.25%	7.25%	7.25%	7.25%	7.25%
E3. Amount for Immediate Recognition	\$ 1,280,990,426	\$ 1,325,159,261	\$ 1,395,384,926	\$ 1,448,830,256			
E4. Amount for Phased-In Recognition: E1-E3	(1,455,211,353)	3,918,467,393	(2,992,326,787)	235,586,185			
F. Phased-In Recognition of Investment Return							
F1. Current Year: 0.25 x E4	(363,802,838)	979,616,848	(748,081,697)	58,896,546	Unknown	Unknown	Unknown
F2. First Prior Year	(85,342,509)	(363,802,838)	979,616,848	(748,081,697) \$	58,896,546	Unknown	Unknown
F3. Second Prior Year	156,914,612	(85,342,509)	(363,802,838)	979,616,848	(748,081,697) \$	58,896,546	Unknown
F4. Third Prior Year	271,285,423	156,914,613	(85,342,508)	(363,802,839)	979,616,849	(748,081,696) \$	58,896,547
F5. Total Recognized Investment Gain	(20,945,312)	687,386,114	(217,610,195)	(73,371,142)	290,431,698	(689,185,150)	58,896,547
G. Funding Value End of Year:							
G1. Preliminary Funding Value End of Year: A+D+E3+F5	18,007,255,143	19,342,870,512	20,328,281,484	21,014,908,823			
G2. Upper Corridor Limit: 120% x B	20,282,491,469	25,762,527,446	23,615,360,702	24,810,062,302			
G3. Lower Corridor Limit: 80% x B	13,521,660,979	17,175,018,297	15,743,573,802	16,540,041,535			
G4. Funding Value End of Year	18,007,255,143	19,342,870,512	20,328,281,484	21,014,908,823			
H. Actual/Projected Difference between Market and Funding Value	(1,105,178,919)	2,125,902,360	(648,814,232)	(339,856,905)	(630,288,603)	58,896,547	-
I. Market Rate of Return	(1.00)%	31.66 %	(7.47)%	8.71 %			
J. Funding Rate of Return	7.38 %	11.39 %	6.12 %	6.88 %			
K. Ratio of Funding Value to Market Value	106.54 %	90.10 %	103.30 %	101.64 %			

* Includes \$507.4 million from the settlement of a lawsuit.

The Funding Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased-in over a closed four-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. **The Funding Value of Assets is unbiased with respect to Market Value.** At any time, it may be either greater or less than Market Value. If assumed rates (applied to the funding value of assets) are exactly realized for three consecutive years, it will become equal to Market Value.



The assets of the Retirement System, as of June 30, 2023, were reported to your actuary to be \$20,675,051,918. This amount, increased by a funding value adjustment of \$339,856,905 this year, is used to finance the Retirement System liability.

Accounts	Assets as of June 30	
	2023	2022
Regular Accounts		
Members' Deposit Accounts		
Contributions	\$ 1,718,903,627	\$ 1,619,234,265
Interest	11,599,922,370	10,879,135,880
Total	13,318,825,997	12,498,370,145
T-DROP Member Deposit Accounts		
Contributions	32,472,783	28,418,105
Interest	18,548,379	19,012,373
Total	51,021,162	47,430,478
Cash Balance Account	226,279,957	207,565,576
Employer's Accumulation Account	(7,256,480,855)	(7,008,787,923)
Retirement Reserve Account	13,886,819,183	13,468,111,609
Act 808 Retirement Reserve Account	6,235,877	6,840,591
T-Lump Sum Payable	320,171,587	339,803,043
Survivors Benefit Account	112,186,981	110,412,603
Total Regular Accounts	20,665,059,889	19,669,746,122
Other Accounts		
Income Expense Account	9,992,029	9,721,130
Other Special Reserves	-	-
Miscellaneous	-	-
Total Other Accounts	9,992,029	9,721,130
Total Accounting Value of Assets	20,675,051,918	19,679,467,252
Funding Value Adjustment	339,856,905	648,814,232
Funding Value of Assets	\$ 21,014,908,823	\$ 20,328,281,484

Market Value of Assets

The net market value of assets at year-end was \$20,675,051,918 and was invested as shown below:

	Market Value at June 30	
	2023	2022
Cash	\$ 349,165,471	\$ 367,097,595
Receivables		
Unsettled Trades and Accrued Return	58,090,474	50,990,481
Member Contributions	11,023,509	10,473,412
Employer Contributions	33,734,466	32,672,388
Other	669,443	668,209
Total Receivables	103,517,892	94,804,490
Investments		
Public Equity	3,715,263,524	3,653,122,876
Fixed Income	1,686,126,493	1,385,176,472
Real Estate	175,694,289	203,361,821
Pooled	5,555,585,690	5,411,394,612
State Recycling Tax Credits	129,552,000	144,000,000
Derivative	(17,623)	10,632
Alternative	9,005,490,511	8,472,390,498
Other	(133,457)	(580,788)
Total Investments	20,267,561,427	19,268,876,123
Invested Securities Lending	457,448,502	770,276,668
Net Equipment	210,730	191,687
Deferred Outflows Related to OPEB	493,831	685,899
Total Assets	21,178,397,853	20,501,932,462
Liabilities		
Survivor Benefits for Minors	14,148	14,149
Other Payables	6,576,235	6,838,994
Securities Related Payables	37,647,135	43,265,338
Securities Lending Collateral	457,448,502	770,276,667
Deferred Inflows Related to OPEB	1,659,915	2,070,062
Total Liabilities	503,345,935	822,465,210
Net Market Value	\$ 20,675,051,918	\$ 19,679,467,252
Change from Prior Year	995,584,666	(1,789,305,620)

Market Value Reconciliation

Assets developed during the year as follows:

	Year Ended June 30	
	2023	2022
Net Market Value July 1	\$ 19,679,467,252	\$ 21,468,772,872
Additions		
Employer Contributions	536,619,031	501,522,604
Employee Contributions	200,610,721	183,315,252
Other (Including Settlement)	-	507,446,092
Appreciation	1,550,226,801	(1,729,497,003)
Interest	66,655,648	30,361,656
Dividends	128,765,267	151,306,900
Real Estate	6,437,924	6,387,875
Other	1,244,319	1,308,741
Securities Lending Activity	3,789,883	3,527,825
Total Additions	2,494,349,594	(344,320,058)
Deductions		
Age and Service Benefits	1,183,189,280	1,135,131,535
Disability Benefits	40,457,469	40,631,115
Option Benefits	39,659,615	36,681,111
Survivor Benefits	12,949,173	12,527,408
Reciprocal Service	67,375,786	64,615,316
Act 808	1,605,876	1,953,045
Refunds	12,583,767	10,426,792
Active Member Death	396,423	681,421
T-DROP Benefits	47,464,578	64,370,804
CBA Benefits	17,726,519	15,630,112
CASH Benefit Program	2,653,041	1,999,048
Investment Expense	64,810,579	53,687,251
Administrative Expense	7,892,822	6,650,604
Total Deductions	1,498,764,928	1,444,985,562
Miscellaneous	-	-
Net Market Value June 30	\$ 20,675,051,918	\$ 19,679,467,252

Schedule of Funding Progress (Dollar Amounts in Millions)

Valuation Date June 30	(1) Funding Value of Assets	(2) Entry Age AAL	(3) UAAL (2)-(1)	(4) Funding Ratio (1)/(2)	(5) Annual Payroll	Liabilities as a % of Payroll		
						Unfunded (3)/(5)	Funded (1)/(5)	Total (2)/(5)
2004	\$ 8,424	\$ 10,050	\$ 1,626	83.8%	\$ 1,748	93.0%	481.9%	574.9%
2005	8,817	10,973	2,156	80.4%	1,962	109.9%	449.4%	559.3%
2006	9,332	11,623	2,291	80.3%	2,080	110.1%	448.7%	558.8%
2007+	10,519	12,329	1,810	85.3%	2,191	82.6%	480.1%	562.7%
2008+	11,319	13,334	2,015	84.9%	2,268	88.8%	499.1%	587.9%
2009	10,617	14,019	3,402	75.7%	2,318	146.8%	458.0%	604.8%
2010+	10,845	14,697	3,852	73.8%	2,381	161.8%	455.5%	617.3%
2011+*	11,146	15,521	4,375	71.8%	2,728	160.4%	408.6%	569.0%
2012	11,484	16,139	4,655	71.2%	2,714	171.5%	423.2%	594.7%
2013+*	12,247	16,718	4,471	73.3%	2,727	164.0%	449.1%	613.1%
2014	13,375	17,310	3,935	77.3%	2,758	142.7%	484.9%	627.6%
2015	14,434	18,136	3,702	79.6%	2,777	133.3%	519.8%	653.1%
2016	15,239	18,812	3,573	81.0%	2,785	128.3%	547.2%	675.5%
2017+*	16,131	20,298	4,167	79.5%	2,814	148.1%	573.2%	721.3%
2018+*	16,756	20,935	4,179	80.0%	2,872	145.5%	583.4%	728.9%
2019+	17,413	21,709	4,296	80.2%	2,907	147.8%	599.0%	746.8%
2020+	18,007	22,352	4,345	80.6%	2,954	147.1%	609.6%	756.7%
2021+*	19,343	23,987	4,644	80.6%	3,086	150.5%	626.8%	777.3%
2022+	20,328	24,697	4,369	82.3%	3,199	136.6%	635.4%	772.0%
2023+	21,015	25,592	4,577	82.1%	3,353	136.5%	626.8%	763.3%

+ Legislated benefit or contribution rate changes.

* Revised actuarial assumptions.

A system with a high ratio of assets or liabilities to payroll will tend to experience more volatility than a system with a lesser ratio, assuming a similar asset allocation.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. **Investment Risk** – actual investment returns may differ from the expected returns;
2. **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. **Contribution Risk** – actual contributions may differ from expected future contributions. For example, material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base. In a fixed rate plan with unfunded liabilities, a reduction in covered payroll can have a negative effect on the system as actual employer contributions are based on a lower than expected payroll;
4. **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
6. **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected. Teacher shortages and reductions in school age populations may have an effect on the System other than expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures are discussed below and on the following pages. An additional historical summary of plan maturity measures can be found on page D-11.

	2023	2022	2021	2020	2019
Ratio of the Market Value of Assets to Total Payroll	5.9	5.9	6.7	5.7	6.1
Ratio of Actuarial Accrued Liability to Payroll	7.3	7.4	7.5	7.6	7.5
Ratio of Actives to Retirees and Beneficiaries	1.3	1.4	1.4	1.4	1.5
Ratio of Net Cash Flow to Market Value of Assets	-3.3%	-1.0%	-3.2%	-3.9%	-3.6%
Duration of the Present Value of Future Benefits	14.16	14.03	14.02	13.83	13.82

Ratio of the Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. The market value of assets is currently 5.9 times the payroll indicating that a return on assets 2% different from assumed would equal approximately 12% of payroll. Such a change could affect the amortization period by approximately five years based on 2023 results. While asset smoothing would reduce the effect, asset gains and losses much larger than 2% are common. An increasing level of this maturity measure generally indicates an increasing volatility in the amortization period.

Ratio of Actuarial Accrued Liability to Payroll

As the ratio of actuarial accrued liability to payroll increases, the amortization period becomes increasingly sensitive to the effects of demographic gains and losses, and assumption changes. For example, a 1% demographic gain or loss would correspond to 7.3% of payroll and would affect the amortization period by three years based on the 2023 results.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefits and expenses exceed contributions, and existing funds may be used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.



Plan Maturity Measures

Duration of Present Value of Future Benefits

The modified duration of the present value of future benefits may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, the current duration of 14.2 (which is based on a 7.25% discount rate) indicates that the present value of future benefits would increase approximately 14.2% if the assumed rate of return were lowered 1%. Such a change could affect the amortization period by 20 years or more.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Plan Maturity Measures (Based on Market Value of Assets)

Valuation Date June 30	(1) Accrued Liabilities (AAL)	(2) Market Value of Assets	(3) Unfunded AAL (1)-(2)	(4) Valuation Payroll	(5) % Change in Payroll	(6) Funded Ratio (2)/(1)	(7) Annuitant Liabilities (AnnLiab)	(8) AnnLiab/ AAL (7)/(1)	(9) Liability/ Payroll (1)/(4)	(10) Assets/ Payroll (2)/(4)	(11) Est. Portfolio Std. Dev.	(12) Std. Dev. % of Pay (10)x(11)	(13) Unfunded/ Payroll (3)/(4)	(14) Net External Cash Flow (NECF)	(15) NECF/ Assets (14)/(2)	(16) Portfolio Rate of Return	(17) 10-year Trailing Average
2012	\$ 16,139	\$ 11,484	\$ 4,655	\$ 2,803		71.2%	\$ 7,649	47.4%	575.8%	409.7%			166.1%	\$ (285)	-2.5%	-1.1%	6.6%
2013#	16,718	12,830	3,888	2,819	0.6%	76.7%	8,181	48.9%	593.0%	455.1%			137.9%	(337)	-2.6%	14.9%	8.0%
2014	17,310	14,856	2,454	2,851	1.1%	85.8%	8,777	50.7%	607.2%	521.1%			86.1%	(395)	-2.7%	19.2%	8.2%
2015	18,136	15,036	3,100	2,874	0.8%	82.9%	9,778	53.9%	631.0%	523.1%			107.9%	(445)	-3.0%	4.3%	7.7%
2016	18,812	14,559	4,253	2,888	0.5%	77.4%	10,430	55.4%	651.3%	504.0%			147.3%	(505)	-3.5%	0.2%	6.3%
2017#*	20,298	16,285	4,013	2,922	1.2%	80.2%	11,337	55.9%	694.7%	557.4%			137.3%	(556)	-3.4%	16.0%	6.0%
2018	20,935	17,493	3,442	2,986	2.2%	83.6%	11,851	56.6%	701.1%	585.8%	12.7%	77.3%	115.3%	(607)	-3.5%	11.4%	7.6%
2019	21,709	17,742	3,967	3,027	1.4%	81.7%	12,460	57.4%	717.2%	586.1%	12.5%	76.3%	131.1%	(642)	-3.6%	5.2%	10.4%
2020	22,352	16,902	5,450	3,078	1.7%	75.6%	12,890	57.7%	726.2%	549.1%	12.5%	71.5%	177.1%	(665)	-3.9%	-1.0%	8.8%
2021*	23,987	21,469	2,518	3,205	4.1%	89.5%	13,596	56.7%	748.4%	669.8%	13.8%	92.1%	78.6%	(677)	-3.2%	31.7%	9.6%
2022	24,697	19,679	5,018	3,320	3.6%	79.7%	14,044	56.9%	743.8%	592.7%	13.7%	81.1%	151.1%	(192)	-1.0%	-7.5%	8.9%
2023	25,592	20,675	4,917	3,492	5.2%	80.8%	14,511	56.7%	732.9%	592.1%	13.9%	82.3%	140.8%	(689)	-3.3%	8.7%	8.3%

(*) ATRS had experience studies in these years leading to a change or "true up" in actuarial assumptions. A pattern of periodic studies is a sign of a well-run system and suggests the extent to which the liability measures the actuary provides are likely to be realistic.

(#) ATRS had benefit changes in these years. Benefit increases cause liabilities to rise; benefit decreases cause liabilities to fall. In either case benefit changes affect the year by year comparability of the measures on this page.

(6). The Funded ratio is the most widely known measure of a plan's financial strength, but the trend in the funded ratio is much more important than the absolute ratio. The funded ratio should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.

(9) and (10) The ratios of liabilities and assets to payroll gives an indication of both maturity and volatility. Many systems have values between 500% and 700%. Values significantly above that range may indicate difficulty in supporting the benefit level as a level % of payroll or an increased level of volatility in results.

(13) The ratio of unfunded liability to payroll gives an indication of the plan sponsor's ability to actually pay off the unfunded liability. A value above approximately 300% or 400% may indicate difficulty in discharging the unfunded liability within a reasonable time frame.

(14) and (15) The ratio of Net External Cash Flow to assets is an important measure of sustainability. Negative ratios are common and expected for a maturing system. In the longer term, this ratio should be on the order of approximately -4%. A ratio that is significantly more negative than that for an extended period could be a leading indicator of potential exhaustion of assets.

(16) and (17) Investment return is probably the largest single risk that most systems face. The year by year return and the 10-year geometric average give an indicator of the past performance of the investment program. Of course, past performance is not a guarantee of future results. Some of the trailing averaged are distorted by the extraordinary events of 2008 and 2021.



Low-Default-Risk Obligation Measure

Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The rationale that the ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the “right” liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.”

Comparing the Accrued Liabilities and the LDROM

One of the fundamental financial objectives of ATRS is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of ATRS is set equal to the expected return on the System’s diversified portfolio of assets (referred to sometimes as the investment return assumption). For ATRS, the investment return assumption is 7.25%.

The LDROM is meant to approximately represent the lump sum cost to secure benefits by purchasing low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the projected unit credit actuarial cost method and discount rates based upon the June 2023 Treasury Yield Curve Spot Rates (monthly average). The 1-, 5-, 10- and 30-year rates follow: 5.29%, 3.99%, 3.61% and 3.84%.

Presented below are the actuarial accrued liability and the LDROM as of June 30, 2023 for ATRS.

Type of Member	Valuation Accrued Liabilities	LDROM
Retirees	\$14,510,824,580	\$19,425,406,435
Deferreds	697,814,529	1,299,446,005
Actives	10,383,372,829	16,684,907,712
Totals	\$25,592,011,938	\$37,409,760,152

Low-Default-Risk Obligation Measure

Commentary Regarding the LDRM

Some ways in which the LDRM can assist the ATRS Board of Trustees in a decision-making process include:

- (1) It provides information to potentially allow for better risk management for ATRS.
- (2) It places the appropriateness of potential employer contribution rate reductions or benefit enhancements in a better context.
- (3) It provides more complete information regarding the benefit security of the membership's benefits earned as of the measurement date.

Potentially Allows for Better Risk Management: A very useful risk metric to exhibit potential contribution rate volatility (or amortization period volatility for fixed rate plans) is the ratio of assets to payroll or AAL to payroll. How could we reduce that potential contribution rate volatility (or amortization period volatility for fixed rate plans)? The LDRM and Liability Driven Investing (LDI) are closely related concepts.

Other than reducing benefits, all other things being equal, the only way to reduce that volatility is to immunize (i.e., LDI) a portion of the System's liability. This does not mean that the System needs to immunize all of the liability. For example, if it could immunize half of it, it could reduce the contribution rate volatility in half. This would require the actuary to use a cash flow matching method to value that portion of the liabilities. This means that the actuary would not use the System's investment return assumption for this portion of the liability, but the yield curve resulting from the fixed income portfolio that is being used to immunize the liability. The value of the assets (i.e., fixed income portfolio) and the value of the immunized liability would move in tandem with any changes (up or down) in future interest rates. The result being that the immunized portion of the System's liability would reduce the potential of producing new unfunded actuarial accrued liabilities. However, the fixed income portfolio would still have the potential for credit default risk.

Places the Appropriateness of Potential Employer Contribution Rate Reductions or Benefit Enhancements in a Better Context: Many Public Employees Retirement System have adopted a funding policy. Many funding policies already take into account the System's funded ratio (based upon the AAL) when considering whether to allow for benefit enhancements or contribution rate reductions. For example, a System may not allow for a benefit enhancement if the funded ratio does not exceed a certain threshold. Similarly, a System may not allow for an employer contribution rate reduction in some circumstances. For example, a reduction to the employer normal cost contribution may not be allowed until the System reaches a funded ratio of 120%. Given the fact that most criteria are based upon the expectation of earning the investment return assumption, a System may want to also consider information based upon the LDRM criteria.

Provides more Complete Information Regarding the Benefit Security of the Membership's Benefits Earned as of the Measurement Date: Too often a high funded ratio (e.g., 100% funded) on an AAL basis is interpreted as benefit security for the participants. The fact that this funded ratio is based upon an expected measure is many times overlooked. If the AAL and LDRM measures are relatively close, then the System could consider securing benefits by investing in a low default risk ladder bond portfolio.

SECTION E

COVERED MEMBER DATA

Active Members in Valuation June 30, 2023
by Attained Age and Years of Service
(Excludes T-DROP and Rehired Retirees)

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	720							720	\$ 2,250,399
20-24	2,353	18						2,371	62,564,059
25-29	4,804	1,344	4					6,152	253,894,513
30-34	3,255	3,457	816	4				7,532	329,886,799
35-39	2,800	2,365	2,577	738	7			8,487	393,835,409
40-44	2,507	2,105	1,737	2,627	613	5		9,594	476,967,042
45-49	1,794	1,676	1,493	1,756	2,136	539		9,394	499,109,439
50-54	1,633	1,400	1,340	1,644	1,625	1,813	65	9,520	504,506,622
55-59	1,242	1,079	908	1,335	1,268	1,102	103	7,037	329,180,355
60	254	190	163	225	240	200	15	1,287	56,261,607
61	251	205	145	222	227	151	15	1,216	52,805,606
62	214	183	126	175	165	143	19	1,025	42,806,861
63	198	153	100	118	112	109	14	804	32,098,018
64	183	111	106	105	91	97	12	705	27,327,459
65	156	106	74	95	72	61	14	578	21,926,290
66	127	105	32	28	22	23	14	351	11,635,105
67	122	63	29	15	21	14	4	268	8,030,441
68	109	56	22	10	8	6	2	213	5,520,497
69	92	41	15	5	2	4	4	163	3,872,859
70 & Up	473	247	65	23	7	7	10	832	17,974,047
Totals	23,287	14,904	9,752	9,125	6,616	4,274	291	68,249	\$3,132,453,427

Group Averages:

Age: 44.0 years

Service: 10.2 years



FEMALE Active Members in Valuation June 30, 2023
by Attained Age and Years of Service
(Excludes T-DROP and Rehired Retirees)

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	291							291	\$ 1,055,354
20-24	1,809	11						1,820	49,553,843
25-29	3,585	1,058	1					4,644	187,342,629
30-34	2,610	2,641	617	2				5,870	245,157,690
35-39	2,316	1,867	1,944	597	3			6,727	296,920,220
40-44	2,027	1,753	1,365	2,037	475	4		7,661	364,726,456
45-49	1,409	1,373	1,195	1,399	1,678	408		7,462	378,601,609
50-54	1,212	1,077	1,090	1,373	1,324	1,397	51	7,524	382,159,687
55-59	854	786	680	1,121	1,083	883	74	5,481	246,982,632
60	175	133	120	174	209	169	11	991	42,569,511
61	170	144	98	177	196	124	11	920	39,742,093
62	131	134	87	130	142	119	14	757	30,637,023
63	147	87	71	85	90	97	10	587	22,187,431
64	102	76	75	83	77	83	11	507	19,304,223
65	77	67	49	72	53	53	13	384	14,539,535
66	79	64	23	22	21	21	10	240	7,770,099
67	70	30	21	13	18	9	4	165	4,944,847
68	64	30	12	7	7	6	1	127	3,169,167
69	72	19	9	3	2	3	3	111	2,481,014
70 & Up	268	106	35	18	4	4	6	441	9,266,050
Totals	17,468	11,456	7,492	7,313	5,382	3,380	219	52,710	\$ 2,349,111,113

Group Averages:

Age: 44.0 years

Service: 10.4 years



MALE Active Members in Valuation June 30, 2023
by Attained Age and Years of Service
(Excludes T-DROP and Rehired Retirees)

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20	429							429	\$ 1,195,045
20-24	544	7						551	13,010,216
25-29	1,219	286	3					1,508	66,551,884
30-34	645	816	199	2				1,662	84,729,109
35-39	484	498	633	141	4			1,760	96,915,189
40-44	480	352	372	590	138	1		1,933	112,240,586
45-49	385	303	298	357	458	131		1,932	120,507,830
50-54	421	323	250	271	301	416	14	1,996	122,346,935
55-59	388	293	228	214	185	219	29	1,556	82,197,723
60	79	57	43	51	31	31	4	296	13,692,096
61	81	61	47	45	31	27	4	296	13,063,513
62	83	49	39	45	23	24	5	268	12,169,838
63	51	66	29	33	22	12	4	217	9,910,587
64	81	35	31	22	14	14	1	198	8,023,236
65	79	39	25	23	19	8	1	194	7,386,755
66	48	41	9	6	1	2	4	111	3,865,006
67	52	33	8	2	3	5		103	3,085,594
68	45	26	10	3	1		1	86	2,351,330
69	20	22	6	2		1	1	52	1,391,845
70 & Up	205	141	30	5	3	3	4	391	8,707,997
Totals	5,819	3,448	2,260	1,812	1,234	894	72	15,539	\$ 783,342,314

Group Averages:

Age: 44.2 years

Service: 9.4 years



Summary of Active Members (Excludes T-DROP and Rehired Retirees)

	Educational		Support		Total Active Members	
	No.	Valuation Payroll	No.	Valuation Payroll	No.	Valuation Payroll
Female	29,167	\$ 1,667,034,058	23,543	\$ 682,077,055	52,710	\$ 2,349,111,113
Male	8,323	539,276,152	7,216	244,066,162	15,539	783,342,314
All	37,490	\$ 2,206,310,210	30,759	\$ 926,143,217	68,249	\$ 3,132,453,427

	Educational	Support	Total
Members Contributing Now	35,778	18,342	54,120
Members Not Contributing	1,712	12,417	14,129
All	37,490	30,759	68,249

June 30	Number	Group Averages			Active Member Payroll (\$ Millions)
		Age	Years of Service	Annual Earnings	
2005	65,793	44.2	9.4	\$29,826	\$1,962
2006	67,710	44.3	9.3	30,714	2,080
2007	69,226	44.4	9.3	31,645	2,191
2008	70,172	44.5	9.4	32,319	2,268
2009	70,655	44.7	9.5	32,804	2,318
2010	72,208	44.7	9.7	32,980	2,381
2011	72,293	44.8	9.9	33,995	2,458
2012	71,195	45.0	10.1	34,362	2,446
2013	70,660	45.0	10.2	34,920	2,467
2014	70,225	44.7	10.2	35,673	2,505
2015	68,945	44.6	10.3	36,717	2,531
2016	68,368	44.4	10.2	37,235	2,546
2017	68,337	44.3	10.2	37,707	2,577
2018	68,645	44.2	10.2	38,477	2,641
2019	68,457	44.1	10.1	39,065	2,674
2020	66,900	44.3	10.3	40,709	2,723
2021	66,633	44.2	10.5	42,901	2,859
2022	68,127	44.1	10.2	43,758	2,981
2023	68,249	44.0	10.2	45,897	3,132

Deferred Vested Members at June 30, 2023 by Attained Age

Age	Number	Estimated Annual Benefits	Contribution Balance
Below 40	2,107	\$ 11,831,565	\$ 30,161,483
40	298	2,076,514	5,064,887
41	328	2,340,528	5,724,708
42	355	2,734,030	6,502,533
43	375	3,074,889	7,315,134
44	408	2,949,550	6,949,626
45	347	2,622,166	6,138,269
46	390	2,987,368	7,221,672
47	397	2,871,478	6,507,495
48	397	3,202,128	7,297,425
49	470	3,420,143	7,696,007
50	432	3,190,442	6,800,123
51	475	3,408,588	7,287,490
52	536	3,659,660	7,129,678
53	530	3,551,306	6,862,977
54	501	3,502,779	7,089,374
55	534	3,701,980	7,346,686
56	558	3,539,983	6,541,403
57	545	3,559,380	6,796,800
58	598	3,821,963	7,268,395
59	666	3,945,260	7,101,847
60 & Up	3,058	10,745,852	17,576,625
Future Beneficiaries #	50	303,391	0
Totals	14,355	\$ 87,040,943	\$ 184,380,637

These are beneficiaries of deceased active members who are eligible for a pension at age 62.

An inactive member is no longer actively working in a position covered by ATRS but has sufficient service credit to qualify for a monthly benefit at retirement age.

All Members Participating in T-DROP at June 30, 2023 by Attained Age

Age	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
48	2	\$ 31,889	\$ 30,960	\$ 31,463	\$ 103,794
49	3	47,972	46,280	58,106	174,711
50	2	47,003	44,899	72,719	122,906
51	33	685,442	662,438	759,636	2,128,725
52	97	2,382,934	2,286,783	3,276,522	7,173,213
53	146	3,480,462	3,320,505	5,836,210	10,845,789
54	196	4,583,636	4,288,336	10,711,499	14,242,710
55	244	5,914,173	5,464,382	17,224,292	17,892,178
56	260	6,066,403	5,516,426	21,333,448	18,787,287
57	273	6,265,767	5,612,565	25,156,909	19,092,577
58	267	6,382,333	5,624,252	30,002,257	19,549,272
59	283	6,538,218	5,809,761	34,904,837	19,903,559
60	322	6,974,918	6,423,177	41,688,650	22,602,145
61	258	5,458,830	5,068,366	36,520,275	17,535,931
62	226	4,163,261	4,343,223	31,814,787	15,734,689
63	168	3,239,762	3,073,800	21,883,880	11,266,451
64	149	2,703,534	2,722,506	20,056,872	10,163,792
65	111	1,843,476	1,856,100	12,791,123	6,830,920
66	36	483,605	502,146	3,614,768	2,033,910
67	32	543,433	570,462	4,760,101	2,011,740
68	12	124,890	168,331	1,450,848	652,189
69	5	64,808	100,434	1,041,341	371,818
70	4	68,594	79,191	829,761	270,502
71	3	50,207	41,166	361,451	180,442
72	2	35,078	31,095	346,726	128,355
73	1	-	9,665	177,611	42,630
74	1	18,024	14,536	150,839	36,220
76	2	37,819	50,179	695,807	202,878
Totals	3,138	\$ 68,236,471	\$ 63,761,964	\$ 327,552,738	\$ 220,081,333

A T-DROP member continues to work, but does not accrue additional retirement benefits and does not make member contributions. A reduced benefit is paid into the T-DROP account (see pages C-3 and C-4) during T-DROP participation. Deposits to T-DROP cease at 10 years of T-DROP participation. ATRS receives full employer contributions on behalf of T-DROP participants.

All Members Participating in T-DROP at June 30, 2023 by Years in T-DROP

Years in T-DROP	Number	Current T-DROP Contribution	Original T-DROP Contribution	T-DROP Account Balance	Pay
1	570	\$ 12,567,373	\$ 12,228,050	\$ 12,422,901	\$ 39,482,222
2	453	9,874,571	9,322,048	19,664,154	30,949,492
3	402	8,617,753	7,904,772	25,916,304	27,458,489
4	386	8,213,399	7,333,093	33,150,374	26,351,212
5	360	8,734,468	7,608,151	44,481,462	26,350,468
6	266	6,379,146	5,411,954	39,363,488	18,645,393
7	237	5,799,094	4,797,487	42,118,768	17,068,495
8	189	4,556,782	3,699,720	38,393,533	13,652,358
9	142	3,493,885	2,769,411	33,490,235	10,501,180
10	100	-	2,034,427	28,351,138	7,441,198
11	14	-	309,015	4,544,191	1,021,905
12	10	-	197,445	3,076,964	616,846
13	5	-	90,094	1,482,554	314,224
14	1	-	14,652	254,845	73,317
15	1	-	9,665	177,611	42,630
16	1	-	18,793	364,306	61,793
18	1	-	13,187	299,910	50,111
Totals	3,138	\$ 68,236,471	\$ 63,761,964	\$ 327,552,738	\$ 220,081,333

A T-DROP member continues to work, but does not accrue additional retirement benefits and does not make member contributions. A reduced benefit is paid into the T-DROP account (see pages C-3 and C-4) during T-DROP participation. Deposits to T-DROP cease at 10 years of T-DROP participation. ATRS receives full employer contributions on behalf of T-DROP participants.

Active, T-DROP and Return to Work Members as of June 30, 2023

June 30	Number				Total Payroll
	Active	T-DROP	RTW	Total	\$ Millions
2014	70,225	4,127	3,845	78,197	\$ 2,851
2015	68,945	3,974	3,741	76,660	2,874
2016	68,368	3,864	3,829	76,061	2,888
2017	68,337	3,811	3,881	76,029	2,922
2018	68,645	3,696	4,029	76,370	2,986
2019	68,457	3,707	4,077	76,241	3,027
2020	66,900	3,639	4,019	74,558	3,078
2021	66,633	3,465	3,575	73,673	3,205
2022	68,127	3,251	3,643	75,021	3,320
2023	68,249	3,138	4,108	75,495	3,492

The actuarial valuation assumes the number of working members will remain constant at the current level. In some recent years the total number of working members has decreased. A decreasing population means less contribution income for the Retirement System than expected and can lead to funding difficulties in extreme cases.

Annuities Being Paid Retirees and Beneficiaries July 1, 2023 by Type of Annuity Being Paid

Type of Annuity	No.	Annual Amounts		
		Original Annuities	Base Annuities	Current Annuities
RETIREMENT RESERVE ACCOUNT				
Age and Service				
Option 1 (Basic single life)	40,060	\$ 645,738,331	\$ 726,676,861	\$ 982,437,433
Option A (Joint & 100% Survivor)	5,595	95,988,271	107,765,649	147,170,803
Option B (Joint & 50% Survivor)	2,783	63,486,737	73,460,832	100,348,785
Option C (10-year certain)	774	13,739,084	13,755,337	16,992,558
Beneficiaries	1,519	29,199,569	25,668,859	36,535,227
Totals	50,731	848,151,992	947,327,538	1,283,484,806
Disability				
Option 1	2,202	23,971,617	25,491,149	34,783,736
Option A	356	3,990,596	4,001,425	5,373,331
Option B	80	1,246,966	1,313,808	1,764,040
Option C	-	-	-	-
Beneficiaries	282	3,503,010	3,394,184	4,899,609
Totals	2,920	32,712,189	34,200,566	46,820,716
Act 793	131	750,736	1,616,848	1,616,848
Retirement Reserve Account	53,782	881,614,917	983,144,952	1,331,922,370
Act 808 Retirement Reserve Account	27	503,922	1,572,478	1,572,478
Total Retirement Reserve Account	53,809	882,118,839	984,717,430	1,333,494,848
SURVIVOR'S BENEFIT ACCOUNT				
Beneficiaries of Deceased Members				
Age 0 - 17	143	\$ 1,274,975	\$ 1,273,464	\$ 1,409,056
Age 18 - 23	68	656,668	654,960	743,071
Other	626	7,310,354	8,089,863	10,968,739
Totals	837	9,241,997	10,018,287	13,120,866
RETIREMENT SYSTEM TOTALS				
Total Annuities Being Paid	54,646	\$ 891,360,836	\$ 994,735,717	\$ 1,346,615,714

The Original Annuity is the annuity at the date of retirement.

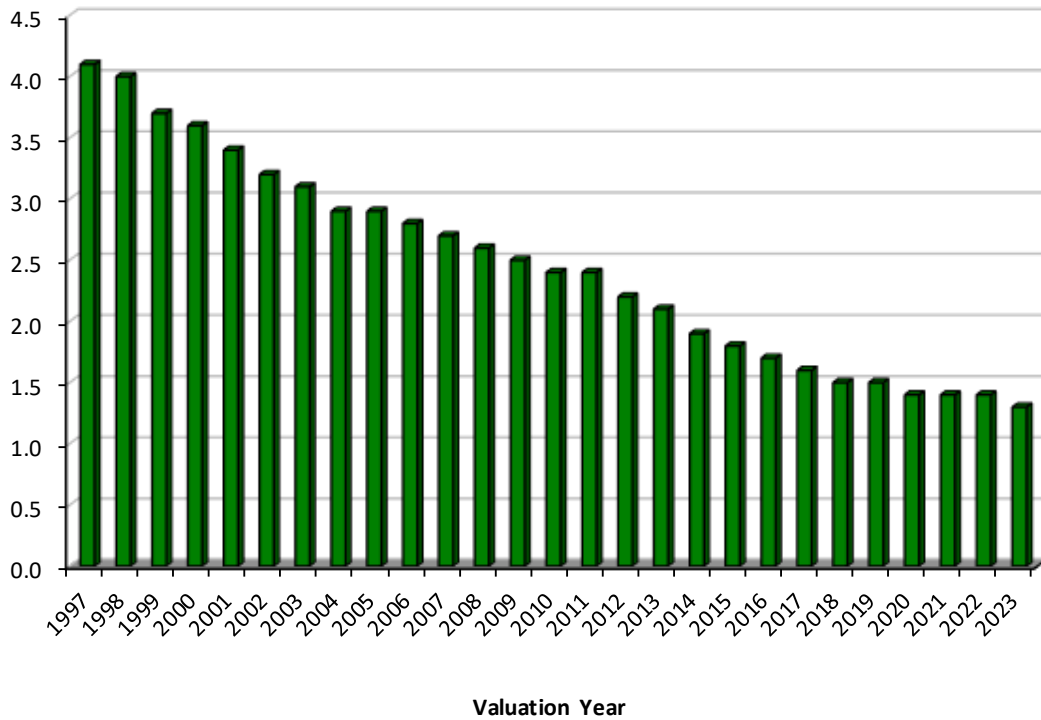
The Base Annuity is the amount from which the 3.0% COLA is calculated.

The Current Annuity is the annuity payable at July 1, 2023 (Includes July 1 COLA).

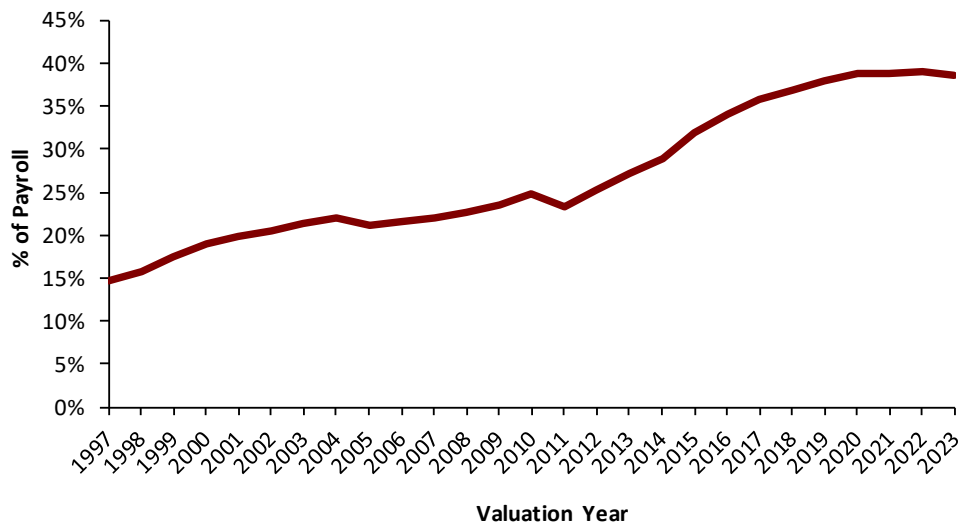


Historical Graphs

Active Members Per Retired Life *



**Retirement Benefits Being Paid
as a Percent of Member Payroll ***



* Beginning with the June 30, 2011 valuation, active members include T-DROP participants in payroll.

Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (1990 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				1990 \$	% of 1990
1990	\$ - - - -	\$ 11,000	- - - -	\$ 11,000	100%
1991	330	11,330	(4.7)%	10,822	98%
1992	1,005	12,335	(3.1)%	11,429	104%
1993	1,045	13,380	(3.0)%	12,036	109%
1994	1,082	14,462	(2.5)%	12,693	115%
1995	400	14,862	(3.0)%	12,660	115%
1996	400	15,262	(2.8)%	12,652	115%
1997	772	16,034	(2.3)%	12,993	118%
1998	481	16,515	(1.7)%	13,161	120%
1999	1,383	17,898	(2.0)%	13,989	127%
2000	1,129	19,027	(3.7)%	14,336	130%
2001	1,406	20,433	(3.2)%	14,911	136%
2002	807	21,240	(1.1)%	15,337	139%
2003	562	21,802	(2.1)%	15,417	140%
2004	562	22,364	(3.3)%	15,314	139%
2005	562	22,926	(2.5)%	15,312	139%
2006	562	23,488	(4.3)%	15,037	137%
2007	562	24,050	(2.7)%	14,994	136%
2008	562	24,612	(5.0)%	14,611	133%
2009	562	25,174	1.4 %	15,161	138%
2010	755	25,929	(1.1)%	15,453	140%
2011	778	26,707	(3.6)%	15,370	140%
2012	778	27,485	(1.7)%	15,558	141%
2013	778	28,263	(1.8)%	15,723	143%
2014	778	29,041	(2.1)%	15,828	144%
2015	778	29,819	(0.1)%	16,232	148%
2016	778	30,597	(1.0)%	16,491	150%
2017	778	31,375	(1.6)%	16,638	151%
2018	778	32,153	(2.9)%	16,575	151%
2019	751	32,904	(1.6)%	16,687	152%
2020	451	33,355	(0.6)%	16,807	153%
2021	751	34,106	(5.4)%	16,306	148%
2022	751	34,857	(9.1)%	15,281	139%
2023	751	35,608	(3.0)%	15,160	138%
2024	751	36,359			

* The \$11,000 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount could show a smaller purchasing power loss in percent loss.

Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (2000 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				2000 \$	% of 2000
2000	\$ - - - -	\$ 11,600	- - - -	\$ 11,600	100%
2001	1,003	12,603	(3.2)%	12,207	105%
2002	523	13,126	(1.1)%	12,579	108%
2003	372	13,498	(2.1)%	12,668	109%
2004	372	13,870	(3.3)%	12,605	109%
2005	372	14,242	(2.5)%	12,624	109%
2006	372	14,614	(4.3)%	12,417	107%
2007	372	14,986	(2.7)%	12,400	107%
2008	372	15,358	(5.0)%	12,100	104%
2009	372	15,730	1.4 %	12,573	108%
2010	472	16,202	(1.1)%	12,815	110%
2011	486	16,688	(3.6)%	12,746	110%
2012	486	17,174	(1.7)%	12,902	111%
2013	486	17,660	(1.8)%	13,039	112%
2014	486	18,146	(2.1)%	13,125	113%
2015	486	18,632	(0.1)%	13,460	116%
2016	486	19,118	(1.0)%	13,675	118%
2017	486	19,604	(1.6)%	13,797	119%
2018	486	20,090	(2.9)%	13,745	118%
2019	459	20,549	(1.6)%	13,831	119%
2020	159	20,708	(0.6)%	13,848	119%
2021	459	21,167	(5.4)%	13,431	116%
2022	459	21,626	(9.1)%	12,582	108%
2023	459	22,085	(3.0)%	12,479	108%
2024	459	22,544			

* The \$11,600 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount could show a smaller purchasing power loss in percent loss.

Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

Benefit Changes During Recent Years of Retirement and Related Changes in Purchasing Power (2010 \$)

Year Ended June 30	Increase Beginning of Year	Benefit Dollars in Year*	Inflation (Loss) in Year#	Purchasing Power at Year End	
				2010 \$	% of 2010
2010	\$ - - - -	\$ 11,900	- - - -	\$ 11,900	100%
2011	357	12,257	(3.6)%	11,836	99%
2012	357	12,614	(1.7)%	11,981	101%
2013	357	12,971	(1.8)%	12,108	102%
2014	357	13,328	(2.1)%	12,188	102%
2015	357	13,685	(0.1)%	12,499	105%
2016	357	14,042	(1.0)%	12,699	107%
2017	357	14,399	(1.6)%	12,812	108%
2018	357	14,756	(2.9)%	12,764	107%
2019	330	15,086	(1.6)%	12,837	108%
2020	30	15,116	(0.6)%	12,780	107%
2021	330	15,446	(5.4)%	12,391	104%
2022	330	15,776	(9.1)%	11,605	98%
2023	330	16,106	(3.0)%	11,506	97%
2024	330	16,436			

* The \$11,900 benefit used to begin this schedule is an arbitrary amount. A smaller beginning amount could show a smaller purchasing power loss in percent loss.

Based on Consumer Price Index, All Urban Consumers, United States City Average (June values).

SECTION F

FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES

Financial Principles and Operational Techniques

Promises Made and to Be Paid For. As each year is completed, the System, in effect, hands an “IOU” to each member then acquiring a year of service credit. The “IOU” says: “The Arkansas Teacher Retirement System owes you one year’s worth of retirement benefits, payments in cash commencing when you qualify for retirement.”

The related **key financial questions** are:

Which generation of taxpayers contributes the money to cover the IOU?

The present taxpayers, who receive the benefit of the member’s present year of service?

Or the future taxpayers, who happen to be in Arkansas at the time the IOU becomes a cash demand?

The financial objective of the ATRS is that this year’s taxpayers contribute the money to cover the IOUs being handed out this year so that **the employer contribution rate will remain approximately level from generation to generation** -- our children and our grandchildren will not have to contribute greater percents of pay than we contribute now. This objective was set forth in Act 793 of 1977.

(There are systems which have **a design for deferring contributions to future taxpayers**, lured by a lower contribution rate now and putting aside the fact that the contribution rate must then relentlessly grow much greater over decades of time -- consume now, and let your children face higher contribution rates after you retire.)

An inevitable byproduct of the level-cost design is the accumulation of reserve assets for decades and the income produced when the assets are invested. **Investment income** becomes the **third and largest contributor** for benefits to employees, and is interlocked with the contribution amounts required from employees and employers.

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

Normal Cost (the cost of members’ service being rendered this year)

... plus ...

Interest on Unfunded Actuarial Accrued Liabilities (unfunded accrued liabilities are the difference between (i) liabilities for service already rendered and (ii) the accrued assets of the plan).

Computing Contributions to Support System Benefits. From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of **an actuarial valuation**. An actuarial valuation has a number of ingredients such as: the rate of investment income which plan assets will earn; the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit; the rates of mortality; the rates of disability; the rates of pay increases; and the assumed age or ages at actual retirement. In an actuarial valuation, assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the System can indicate the degree of accuracy of the assumptions.

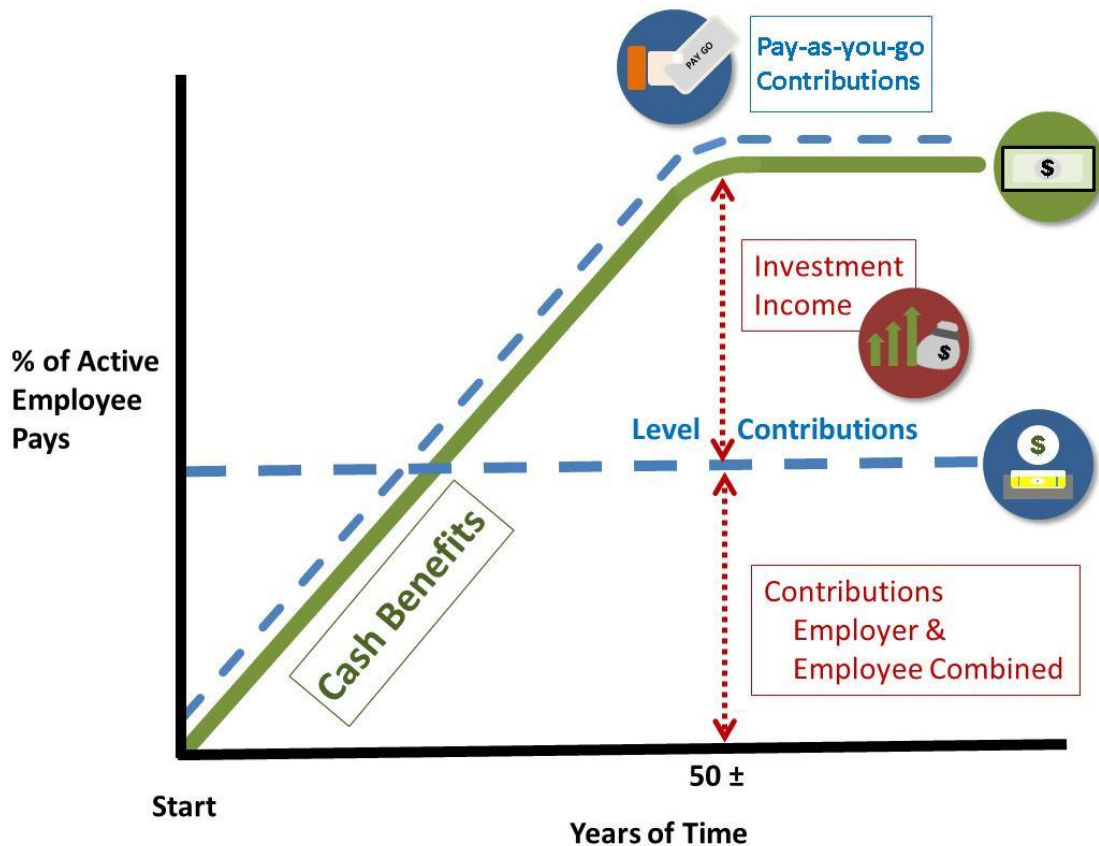
Reconciling Differences Between Assumed Experience and Actual Experience. Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the accuracy of the various financial assumptions or the skill of the actuary and the precision of the calculations made. The System copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in financial position.

Actuarial Valuation Process

The financing diagram on the next page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program), and is thus an **increasing contribution method**; and the **level contribution method** which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

- A. **Census Data**, furnished by plan administrator
 - Retired lives now receiving benefits
 - Former employees with vested benefits not yet payable
 - Active employees
- B. + **Asset data** (cash & investments), furnished by plan administrator
- C. + **Benefit provisions** that establish eligibility and amounts of payments to members
- D. + **Assumptions concerning future financial experiences in various risk areas**, which assumptions are established by the Board of Trustees after consulting with the actuary
- E. + **The funding method** for employer contributions (the long-term planned pattern for employer contributions)
- F. + **Mathematically combining the assumptions, the funding method, and the data**
- G. = Determination of:
 - Plan financial position**, and/or
 - New Employer Contribution Rate**



CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- **Economic Risk Areas**
 - Rates of investment return
 - Rates of pay increase
 - Changes in active member group size
- **Non-Economic Risk Areas**
 - Ages at actual retirement
 - Rates of mortality
 - Rates of withdrawal of active members (turnover)
 - Rates of disability

SECTION G

ACTUARIAL ASSUMPTIONS

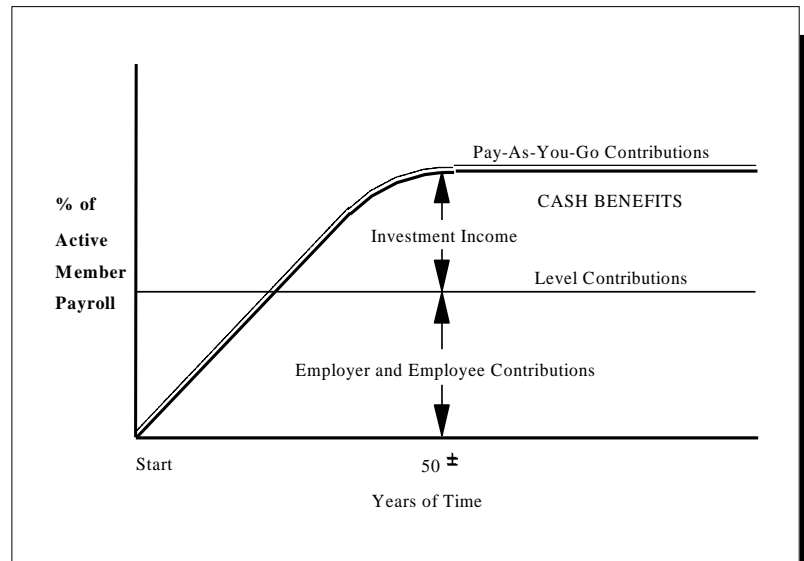
Selection of Assumptions Used in Actuarial Valuations

Economic Assumptions

Investment return
Pay increases to individual employees
Active member group size and
total payroll growth

Demographic Assumptions

Actual ages at service retirement
Disability while actively employed
Separations before retirement
Mortality after retirement
Mortality before retirement



Relationship Between Plan Governing Body and the Actuary

The actuary should have the primary responsibility for choosing the **demographic** assumptions used in the actuarial valuation, making use of specialized training and experience.

Guidance regarding the selection of economic assumptions for measuring pension obligations is provided by Actuarial Standards of Practice (ASOP) No. 27. The standard requires that the selected economic assumptions be consistent with each other. That is, the selection of the investment return assumption should be consistent with the selection of the payroll growth and inflation assumptions.

ASOP No. 27 defines a reasonable economic assumption as an assumption that has the following characteristics: (a) It is appropriate for the purpose of the measurement; (b) It reflects the actuary's professional judgment; (c) It takes into account historical and current economic data that is relevant as of the valuation date; (d) It reflects the actuary's estimate of future experience, the actuary's observation of the estimates inherent in market data, or a combination thereof; and (e) It has no significant bias (i.e., it is not significantly optimistic or pessimistic), except when provisions for adverse deviation or plan provisions that are difficult to measure are included and disclosed under Section 3.5.1, or when alternative assumptions are used for the assessment of risk.

Summary of Assumptions Used in Actuarial Valuations for the Arkansas Teacher Retirement System Assumptions Adopted by the Board of Trustees After Consulting with Actuary

The actuarial assumptions used in the valuation are shown in this section. The rationale for the assumptions is provided in the Experience Study covering the period July 1, 2010 through June 30, 2015. The Board of Trustees adopts the actuarial assumptions used for actuarial valuation purposes after consulting with the actuary. The actuarial assumptions represent estimates of future experience.

Economic Assumptions

The **price inflation** assumption is 2.50%. It is assumed that the 3% COLA will always be paid.

The investment return rate used in the valuation was 7.25% per year, compounded annually (net after administrative expenses). This rate was first used for the **June 30, 2021** valuation. The assumed real rate of return over price inflation is 4.75%.

The **wage inflation** assumption is 2.75%. This consists of 2.50% related to pure price inflation and 0.25% related to general economic improvements. This assumption was first used for the **June 30, 2017** valuation.

Pay increase assumptions for individual active members are shown on page G-9. Part of the assumption for each service year is for a merit and/or seniority increase, and the other 2.75% recognizes wage inflation. These rates were first used for the **June 30, 2021** valuation.

The Active Member Group (Active, T-DROP, RTW) size is assumed to remain constant at its present level.

Total active member payroll is assumed to increase 2.75% per year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This rate was first used for the **June 30, 2017** valuation.

Non-Economic Assumptions

The mortality tables used were the Pub-2010 General Healthy Retired, General Disabled Retiree and General Employee Mortality amount weighted tables for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

A limited fluctuation credibility procedure was used to determine the appropriate scaling factor of each gender and each member classification (see the 2015-2020 Experience Study), and are shown below:

	Scaling Factor
Healthy Male Retirees	105%
Healthy Female Retirees	105%
Disabled Male Retirees	104%
Disabled Female Retirees	104%
Male Active Members	100%
Female Active Members	100%

Related values are shown on page G-4. These tables were first used for the **June 30, 2021** valuation.

The probabilities of retirement for members eligible to retire are shown on pages G-5 and G-6. The rates for full retirement and reduced retirement were first used in the **June 30, 2021** valuation.

The probabilities of withdrawal from service, death-in-service and disability are shown for sample ages on pages G-7 and G-8. These rates were first used in the **June 30, 2021** valuation.

The entry age actuarial cost method of valuation was used in determining accrued liabilities and normal cost. T-DROP members are treated as active members. Normal cost runs from the date of entry to the date of retirement.

Differences in the past between assumed experience and actual experience (“actuarial gains and losses”) become part of actuarial accrued liabilities.

Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (the total of principal & interest) which are level percents of payroll contributions.

These cost methods were first used in the June 30, 1986 valuation.

The Fiscal Year 2023 employer and member contribution rates were 15% and 7%, respectively.

Asset Valuation Method. A market value related asset method is used as described on page D-1. This method was first used in the June 30, 1995 valuation. It was modified following the 1997-2002 Experience Study to include an 80% - 120% market value corridor.

The data about persons now covered and about present assets was furnished by the System’s administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary. Members whose dates of birth were not supplied were assumed to be 40 years old on the valuation date. Members whose salaries were not supplied and that entered T-DROP were assumed to have the group average pay of those with salary data as of the valuation date that entered T-DROP.

Single Life Retirement Values*

Sample Attained Ages in 2023	Present Value of \$1.00 Monthly for Life		Present Value of \$1 Monthly for Life Increasing 3.0% Simple Annually		Future Life Expectancy (Years)		Percent Dying within Next Year	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$159.96	\$162.49	\$213.47	\$218.30	45.36	48.37	0.09 %	0.05 %
45	155.57	158.81	205.04	210.97	40.12	43.08	0.12 %	0.07 %
50	149.87	153.98	194.63	201.82	35.02	37.91	0.29 %	0.22 %
55	142.93	148.16	182.42	191.08	30.14	32.96	0.43 %	0.30 %
60	134.14	140.50	167.74	177.74	25.44	28.11	0.66 %	0.42 %
65	123.21	130.50	150.50	161.41	20.97	23.41	0.97 %	0.62 %
70	109.70	117.76	130.52	141.96	16.74	18.90	1.49 %	0.99 %
75	93.73	102.22	108.40	119.79	12.85	14.69	2.51 %	1.75 %
80	76.09	84.50	85.47	96.11	9.43	10.92	4.50 %	3.24 %
85	58.67	66.08	64.10	73.00	6.64	7.75	8.29 %	6.17 %
Base	2705 x 1.05	2706 x 1.05	2705 x 1.05	2706 x 1.05				
Projection	964	965	964	965				

* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

Age	Benefit Increasing 3.0% Simple Annually	Portion of Age 60 Lives Still Alive	
		Male	Female
60	\$100.00	100%	100%
65	115.00	96%	98%
70	130.00	91%	94%
75	145.00	84%	89%
80	160.00	73%	81%
Ref		2705 x 1.05	2706 x 1.05

Probabilities of Retirement for Members

Retirement Ages	% of Active Participants Retiring with Unreduced Benefits			
	Education		Support	
	Male	Female	Male	Female
48	8%	7%	8%	8%
49	8%	7%	8%	8%
50	8%	7%	8%	8%
51	8%	7%	8%	8%
52	8%	7%	8%	8%
53	8%	7%	8%	8%
54	8%	7%	8%	8%
55	8%	8%	8%	8%
56	10%	8%	8%	8%
57	10%	10%	8%	11%
58	10%	12%	8%	11%
59	14%	15%	8%	15%
60	17%	18%	13%	15%
61	24%	20%	13%	16%
62	27%	29%	28%	26%
63	27%	26%	25%	20%
64	27%	28%	25%	24%
65	60%	57%	57%	59%
66	60%	57%	47%	49%
67	50%	42%	44%	40%
68	45%	42%	44%	40%
69	45%	42%	44%	40%
70	45%	42%	44%	40%
71	45%	42%	44%	40%
72	45%	42%	44%	40%
73	45%	42%	44%	40%
74	45%	42%	44%	40%
75	100%	100%	100%	100%
Ref	3245	3246	3247	3248

These rates are based upon data presented in the 2015-2020 experience study and were first used in the 2021 valuation.

Probabilities of Reduced Retirement for Members

Retirement Ages	% of Active Participants Retiring with Reduced Benefits			
	Education		Support	
	Male	Female	Male	Female
45	1.0%	1.0%	2.0%	3.0%
46	1.0%	1.0%	2.0%	3.0%
47	1.0%	1.0%	2.0%	3.0%
48	1.0%	1.0%	2.0%	3.0%
49	1.0%	1.0%	2.0%	3.0%
50	2.0%	2.0%	3.0%	4.0%
51	3.0%	2.0%	3.0%	4.0%
52	3.0%	3.0%	4.0%	4.0%
53	4.0%	4.0%	4.0%	4.0%
54	5.0%	4.0%	5.0%	4.0%
55	6.0%	5.0%	6.0%	4.0%
56	6.0%	5.0%	7.0%	6.0%
57	8.0%	5.0%	7.0%	6.0%
58	9.0%	6.0%	7.0%	6.0%
59	6.0%	6.0%	7.0%	6.0%
Ref	3249	3250	3251	3252

These rates are based upon data presented in the 2015-2020 experience study and were first used in the 2021 valuation.

Duration of T-DROP for Members

Present T-DROP members are assumed to remain in T-DROP according to the following table:

Entry Age	Assumed Duration Years
50-56	7
57	6
58	5
59+	4

T-DROP Participation

It was assumed that active members will participate in the T-DROP at the time in which entering the T-DROP would provide the highest value of benefits.

Teachers

Separations from Active Employment Before Age and Service Retirement

Sample Ages in 2023	Years of Service	Percent of Active Members Separating within the Next Year					
		Death *		Disability		Other	
		Male	Female	Male	Female	Male	Female
	0					17.00%	13.00%
	1					13.80%	11.30%
	2					11.30%	10.50%
	3					8.90%	8.30%
	4					6.30%	6.50%
25	5 & Up	0.03%	0.01%	0.02%	0.02%	5.80%	6.50%
30		0.05%	0.02%	0.02%	0.02%	4.20%	4.80%
35		0.07%	0.03%	0.02%	0.03%	2.90%	3.20%
40		0.09%	0.04%	0.04%	0.07%	2.00%	2.10%
45		0.11%	0.06%	0.13%	0.17%	1.70%	1.70%
50		0.14%	0.08%	0.31%	0.37%	1.60%	1.70%
55		0.21%	0.12%	0.61%	0.63%	1.60%	1.70%
60		0.33%	0.19%	0.82%	0.89%	1.50%	1.60%
65		0.47%	0.28%	0.82%	0.89%	1.20%	1.30%
Ref:						1364	1365
		2723 x 1.00	2724 x 1.00	1217 x 1	1218 x 1	1574	1575

* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

Support Employees Separations from Active Employment Before Age and Service Retirement

Sample Ages in 2023	Percent of Active Members Separating within the Next Year						
	Years of Service	Death *		Disability		Other	
		Male	Female	Male	Female	Male	Female
	0					54.50%	48.50%
	1					29.90%	27.20%
	2					19.80%	19.00%
	3					15.50%	15.30%
	4					12.00%	12.80%
25	5 & Up	0.03%	0.01%	0.02%	0.01%	10.60%	9.90%
30		0.05%	0.02%	0.05%	0.03%	7.80%	7.00%
35		0.07%	0.03%	0.10%	0.04%	5.70%	5.10%
40		0.09%	0.04%	0.13%	0.08%	4.40%	4.30%
45		0.11%	0.06%	0.21%	0.16%	3.70%	4.00%
50		0.14%	0.08%	0.45%	0.33%	3.50%	3.90%
55		0.21%	0.12%	0.88%	0.61%	3.50%	3.70%
60		0.33%	0.19%	1.36%	0.79%	3.40%	3.20%
65		0.47%	0.28%	1.36%	0.79%	2.70%	2.50%
Ref:						1366	1367
		2723 x 1.00	2724 x 1.00	1219 x 1	1220 x 1	1576	1577

* Rates and life expectancies in future years are determined by the MP-2020 projection scale.

Individual Pay Increases

Education			
Years of Service	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
1	2.50%	2.75%	5.25%
2	2.20%	2.75%	4.95%
3	1.90%	2.75%	4.65%
4	1.80%	2.75%	4.55%
5	1.70%	2.75%	4.45%
6	1.60%	2.75%	4.35%
7	1.50%	2.75%	4.25%
8	1.40%	2.75%	4.15%
9	1.30%	2.75%	4.05%
10	1.25%	2.75%	4.00%
11	1.20%	2.75%	3.95%
12	1.15%	2.75%	3.90%
13	1.10%	2.75%	3.85%
14	1.05%	2.75%	3.80%
15	1.00%	2.75%	3.75%
16	0.95%	2.75%	3.70%
17	0.85%	2.75%	3.60%
18	0.75%	2.75%	3.50%
19	0.65%	2.75%	3.40%
20	0.55%	2.75%	3.30%
21	0.50%	2.75%	3.25%
22	0.45%	2.75%	3.20%
23	0.40%	2.75%	3.15%
24	0.30%	2.75%	3.05%
25	0.20%	2.75%	2.95%
26	0.15%	2.75%	2.90%
27	0.10%	2.75%	2.85%
28	0.25%	2.75%	3.00%
29+	0.00%	2.75%	2.75%
Ref:	931		

Support			
Years of Service	Pay Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economic)	Increase Next Year
1	3.00%	2.75%	5.75%
2	2.60%	2.75%	5.35%
3	1.60%	2.75%	4.35%
4	1.45%	2.75%	4.20%
5	1.35%	2.75%	4.10%
6	1.25%	2.75%	4.00%
7	1.20%	2.75%	3.95%
8	1.15%	2.75%	3.90%
9	1.10%	2.75%	3.85%
10	1.05%	2.75%	3.80%
11	1.00%	2.75%	3.75%
12	0.95%	2.75%	3.70%
13	0.90%	2.75%	3.65%
14	0.80%	2.75%	3.55%
15	0.75%	2.75%	3.50%
16	0.70%	2.75%	3.45%
17	0.65%	2.75%	3.40%
18	0.60%	2.75%	3.35%
19	0.50%	2.75%	3.25%
20	0.45%	2.75%	3.20%
21	0.40%	2.75%	3.15%
22	0.35%	2.75%	3.10%
23	0.30%	2.75%	3.05%
24	0.25%	2.75%	3.00%
25	0.25%	2.75%	3.00%
26	0.25%	2.75%	3.00%
27	0.25%	2.75%	3.00%
28	0.40%	2.75%	3.15%
29+	0.00%	2.75%	2.75%
Ref:	932		

Miscellaneous and Technical Assumptions

June 30, 2023

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male members are assumed to have a beneficiary three years younger and female members are assumed to have a beneficiary two years older.
Pay Increase Timing:	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
Decrement Timing:	Decrements are assumed to occur mid-year, with the exception of normal and early retirement, which are assumed to occur at the beginning of the year. This implies that people who worked the entire school year are reported as active members even if they retired at the end of the year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and the service nearest whole year on the date of the valuation.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability does not operate during the first 5 years of service. Disability and turnover do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. The payroll used for this purpose is payroll for all active members plus payroll for members in the T-DROP and retirees who returned to work.
Liability Adjustments:	The liability calculations assume that the non-contributory and contributory multipliers for the first ten years of service are at the standard rate at the time the service is earned.
Data Adjustments:	<p>Members whose dates of birth were not supplied were assumed to be 40 years old on the valuation date.</p> <p>Members whose salaries were not supplied and that entered the T-DROP were assumed to have the group average pay of those with salary data as of the valuation that entered the T-DROP.</p>

SECTION H

GLOSSARY

Glossary

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Accumulated Benefit Obligation. The actuarial present value of vested and non-vested benefits based on service to date and past and current salary levels.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Actuarial Present Value of Credited Projected Benefits or Pension Benefit Obligation. The present value of future benefits based on service to date and the effect projected salary increases.

Actuary. A person who is trained in the applications of probability and compound interest to solve problems in business and finance that involve payment of money in the future, contingent upon the occurrence of future events. Most actuaries in the United States are Members of the American Academy of Actuaries. The Society of Actuaries is an international research, education and membership organization for actuaries in the life and health insurance, employee benefits, and pension fields. It administers a series of examinations leading initially to Associateship and the designation A.S.A. and ultimately to Fellowship with the designation F.S.A. The federal government certifies actuaries to practice under ERISA with the designation of E.A.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Glossary

Experience Gain (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Immunize. Immunization is a risk-mitigation strategy that matches asset and liability duration so portfolio values are protected against interest rate changes.

LDROM. The Low-Default-Risk Obligation Measure (LDROM) is meant to approximately represent the lump sum cost to secure benefits by purchasing low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement. The lower the market interest rates, the higher the LDROM, and vice versa.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Plan Termination Liability. The actuarial present value of future plan benefits based on the assumption that there will be no further accruals for future service and salary. The termination liability will generally be less than the liabilities computed on a “going concern” basis and is not normally determined in a routine actuarial valuation.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

Valuation Assets. The value of current plan assets recognized for valuation purposes. Generally based on book value plus a portion of unrealized appreciation or depreciation.



November 28, 2023

Mr. Mark White
Executive Director
Arkansas Teacher Retirement System
1400 West Third
Little Rock, Arkansas 72201

Re: Report of June 30, 2023 Actuarial Valuation of Active and Inactive Members

Dear Mr. White:

Enclosed are 15 copies of the report. If you need anything else, please call.

Sincerely,
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink, reading "Judith A. Kermans". The signature is fluid and cursive, with the first name "Judith" being the most prominent.

Judith A. Kermans, EA, FCA, MAAA

JAK:ah
Enclosures