

**ARKANSAS TEACHER RETIREMENT SYSTEM
RULES OF ORGANIZATION AND OPERATION ADOPTED PURSUANT TO
A.C.A. § 25-15-203**

I. INFORMATION FOR PUBLIC GUIDANCE

The Arkansas Teacher Retirement System (“ATRS”) is located at 1400 West Third Street, Little Rock, AR 72201. Questions about ATRS may be addressed by visiting the ATRS website (<http://www.atrs.state.ar.us>); e-mailing ATRS at info@atrs.state.ar.us; phoning ATRS at 1-800-666-2877 or 501-682-1517; or sending a fax to ATRS at 1-800-682-2663. Visits may be made to the ATRS office between 8:00 a.m. and 4:30 p.m. Monday through Friday, except on holidays. Appointments are not required but are suggested.

ATRS makes available a list of persons holding certain responsibilities for handling FOIA requests and requests by the public so that the public may obtain information about ATRS or make submissions or requests. The names, mailing addresses, telephone numbers, and electronic addresses can be obtained from the ATRS office or website.

The ATRS policies, rules and regulations, and official forms may be obtained from the ATRS office or from the ATRS website.

II. DESCRIPTION OF THE ARKANSAS TEACHER RETIREMENT SYSTEM

The Arkansas Teacher Retirement System (“ATRS”) is a cost-sharing multiple-employer, defined benefit pension plan established on March 17, 1937 by authority of the Arkansas General Assembly under Act 266 of 1937 (Ark. Code Ann. § 24-7-101 et. seq). ATRS is operated as a “qualified trust” under section 401(a) of the Internal Revenue Code. ATRS is a component unit of the State of Arkansas.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions.

Ultimate authority, general administration and responsibility for the proper operation of ATRS and for making effective the provisions of A.C.A. §§ 24-7-201 et seq. are vested in a fifteen-member board of trustees. Eleven members are elected, and four members serve as ex officio members by virtue of their positions in state government. The board appoints the executive director of ATRS who serves as its chief executive officer. From time to time, the board promulgates rules and regulations.

For administrative purposes, the agency is comprised of several divisions: Administration, Membership Services, Data Processing, Investments, and Fiscal Affairs.

III. ORGANIZATION AND OPERATION OF THE ATRS BOARD OF TRUSTEES

The officers of the ATRS board of trustees are a Chair and Vice Chair. Election of officers is held in the odd numbered years at the first regular meeting after the beginning of the fiscal year. These officers perform the duties prescribed by applicable law, this rule, and Robert's Rules of Order.

The business of ATRS is conducted in public meeting pursuant to Robert's Rules of Order. All meetings are conducted in conformity with the Arkansas Freedom of Information Act. Regular meetings are held at least quarterly. Special meetings may be held on the call of the chair or as scheduled by action of the Board in a regular meeting.

A quorum for the transaction of business is a majority of the number of voting members of the board.

The ATRS board of trustees may create standing and ad hoc committees whose membership is determined by the chair of the board. A quorum for the transaction of committee business is a majority of the number of voting members of the committee.

The Executive Director prepares the agenda for regular and special meetings. The agenda is distributed to Board members and made available to the public in advance of the meeting. The agenda may be amended by appropriate motion.

Trustees, members, and other individuals wishing to have additional items considered for the agenda should submit a request to the Executive Director prior to a regularly scheduled meeting.

IV. RULEMAKING

The ATRS board has been authorized by the Legislature to promulgate rules. ATRS follows the procedural requirements of the Arkansas Administrative Procedure Act, in particular A.C.A. § 25-15-203 and § 25-15-204. Additionally, ATRS is required to abide by the provisions of A.C.A. §10-3-309.

The process of adopting a new rule or amending or repealing an existing rule (hereinafter referred to as "rulemaking") may be initiated by request of the board or the ATRS staff. Additionally, persons outside the agency may petition for the issuance, amendment, or repeal of any rule.

ATRS will give public notice of proposed rulemaking to be published pursuant to A.C.A. § 25-15-204. The notice will set any written comment period and will specify the time, date, and place of any public hearing, if any.

Before finalizing language of a proposed new rule or an amendment to, or repeal of, an existing rule, ATRS will receive public input through written comments and/or oral submissions. ATRS will designate in the public notice the format and timing of public comment.

A public hearing may be held; if so, it will provide affected persons and other members of the public a reasonable opportunity for presentation of evidence, arguments, and oral statements within reasonable conditions and limitations imposed by the agency to avoid duplication, irrelevant comments, unnecessary delay, or disruption of the proceedings.

Thirty days before the public comment period ends, ATRS will file with the Bureau of Legislative Research the text of the proposed rule or amendment as well as a financial impact statement and a Bureau of Legislative Research questionnaire as provided by §10-3-309. In addition, a copy of the public notice, the text of the proposed rule or amendment, and a summary will be filed with the Secretary of State. Also, a copy of the public notice and the text of the proposed rule or amendment will be published on the ATRS website, if available.

Generally, proposed rules or amendments will be reviewed by the appropriate committee of the ATRS Board of Trustees for recommendation prior to submission to the full Board for consideration and final action.

ATRS will not finalize language of the rule or decide whether to adopt a rule until the period for public comment has expired.

After the ATRS board formally adopts a new rule or amends a current rule or repeals an existing rule, and after the rule change has been reviewed by the Legislative Council, ATRS staff will file final copies of the rule with the Secretary of State, the Arkansas State Library, and the Bureau of Legislative Research, or as otherwise provided by A.C.A. § 25-15-204(d).

Proof of filing a copy of the rule, amendment, or repeal with the Secretary of State, the Arkansas State Library, and the Bureau of Legislative Research will be kept in a file maintained by the Executive Director's Office.

Notice of the rule change will be posted on the agency website, if available, and rules will be made available to interested persons.

V. EMERGENCY RULEMAKING

Upon receipt of a written statement requesting emergency rulemaking or other evidence to support an assertion that an emergency exists, ATRS will make an independent judgment whether the circumstances and facts constitute an imminent peril to the public health, safety, or welfare requiring adoption of the rule with fewer than 30 days notice. If it is determined that the circumstances

warrant emergency rulemaking, a written determination setting out the reasons for the finding that an emergency exists will be made. Upon making this finding, the ATRS board may proceed to adopt the rule without any prior notice or hearing, or it may determine to provide an abbreviated notice and hearing.

The emergency rule will be effective immediately upon filing, or at a stated time less than ten (10) days thereafter, if ATRS finds that this effective date is necessary because of imminent peril to the public health, safety, or welfare. ATRS will file with the rule its written findings justifying the determination that emergency rulemaking is appropriate and, if applicable, the basis for the effective date of the emergency rule being less than ten days after the filing of the rule pursuant to A.C.A. § 25-15-204(e).

VI. APPEALS

An ATRS member, beneficiary, survivor, retiree or employer may request a review of an administrative decision made by the Executive Director or an ATRS staff member concerning membership, benefits, service, contributions or refunds. A description of the appeals process may be obtained by contacting ATRS or from the ATRS website.

NOTE: These are general rules for the organization and operation of the system. Additional and more specific information is provided in the Policies, Rules and Regulations of ATRS, which may be found on the ATRS website (www.atrs.state.ar.us under "Publications") or which may be obtained by contacting the Executive Director's office at 501-682-1517 or 1-800-666-2877).

POLICY TYPE: Governance Process

POLICY TITLE: Authority, Function, and Style

The authority and responsibility for the administration, management, and control of the Retirement System, and for the construing and carrying out the provisions of the plan is vested in the Board of Trustees (hereinafter the “Board”). The Board is responsible for the governance of the System. It is accountable for establishing policies and for supervising the implementation of those policies in compliance with all applicable legal mandates.

The function of the Board is to make certain contributions that lead the Retirement System toward the desired performance and ensure that it occurs. The Board’s specific contributions are *unique* to its trusteeship role and *necessary* for appropriate governance and management. Board decisions are to be based on facts and expert opinions.

The Board will approach its task with a style that emphasizes outward vision rather than an internal preoccupation; encouragement of diversity of viewpoints; strategic leadership more than administrative detail; clear distinction of Board and staff roles; future rather than past or present; and proactive rather than reactive.

Consequently, the contributions of the Board shall be:

1. The link between the Retirement System and its members.¹
2. Written governing policies that, at the broadest levels, address:
 - A. **Governance Process:** Specification of how the Board conceives, carries out, and monitors its own task.
 - B. **Board-Staff Relationship:** How authority is delegated and its appropriate use is monitored.
 - C. **Ends:** Retirement system products, impacts, benefits, and outcomes (what good for which needs at what cost).
 - D. **Limitations:** Constraints on executive authority that establish the prudence and ethics boundaries within which executive activity, decisions, and organizational matters shall be carried out.

¹ “Members” as used in the Board Policies document means members of the Arkansas Teacher Retirement System, benefit recipients, and their beneficiaries when the sense requires it.

3. The assurance of Executive Director performance against policies in Nos. 2C and 2D above.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Guiding Principles

1. The Board of Trustees is dedicated to the proposition that its paramount purpose is that of providing an adequate and equitable retirement plan for the members of the teaching profession; to protect this group in the event total and permanent disability causes them to be unable to continue employment in their profession; and to provide in part for their dependents in case of death.
2. The Board is responsible for the prudent investment of System funds. The two paramount considerations in fund investment are safety and yield, with yield being of first importance, provided such investments comply with legally mandated safeguards.
3. The Board should be fully informed of its financial liabilities, not only to the retirants and beneficiaries, but also to active members of the teaching profession, and to make those liabilities known to members of the state legislature, to other state officials, and to education-related organizations.
4. The Board should provide all interested citizens with information regarding the System's procedures for investing system funds, as well as the budgeting, control, and disbursement of those funds.
5. The Board will actively promote the enactment of state and federal legislation that may improve the economic welfare of ATRS members.
6. The Board endorses programs of counseling and information designed to assist members who are approaching retirement.
7. The Board should be knowledgeable of the most current information regarding effective, efficient governance and operation of state retirement systems that could augment prudent decisions for the benefit of members. To this end, Board members are encouraged to actively participate in regional and national retirement organization programs that offer such information and training.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Remove from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Code of Conduct

The Board expects of itself and its members ethical and business-like conduct.

1. Board members, as fiduciaries, shall discharge their duties solely in the best interest of the system members for the exclusive purpose of providing optimum benefits.
2. Board members must avoid any conflict of interest with respect to their fiduciary responsibility. Board members must not use their positions to obtain favorable treatment for themselves, family members, or close employees.
3. Board members who desire specific information from firms employed by the System should make the request through the Executive Director.
4. Board members shall not, directly or indirectly, solicit or accept any gift of value as defined by the Arkansas Ethics Commission.
5. Board members shall decline any offer and shall not have any contact with anyone associated with a firm that the Board is considering employing after requests for proposals (RFP's) have been sent.
6. Board members shall not attempt to exercise individual authority over the operation of the retirement system or staff members except as explicitly set forth in Board policies. Board members' interaction with the staff, public, press, or other entities must recognize the inability of any Board member or Board members to speak for the Board.
7. Board members shall report violations of any of these policies of conduct in writing to the Board Chair.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Board Member Development

The Retirement Board is responsible for its own readiness for Board work and the performance of that work.

1. The Board determines appropriate issues for Board work and appropriate issues to be addressed, as well as the education and data required to address those issues wisely.
2. The Board determines the need and mechanisms for Board development.
 - A. Among the mechanisms will be membership in the National Council on Teacher Retirement, Board-approved consultants, and seminars provided by employees of the Retirement System.
 - B. The Board's annual plan will include expected outcomes, costs, and scheduling of the Board development effort.
 - C. The Board will set forth the educational experiences it determines appropriate for a new Board member.
3. One or more members appointed by the Board Chair will conduct new member orientation. The Board Chair will designate one member of the Board to be a mentor for a new Board member for a period of one year.
4. The Board may enlist assistance from the Executive Director in any phase of its own development.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Board Meetings

The Board shall hold regular meetings at least quarterly. Additional meetings may be called by the Chair or scheduled by action of the Board in a regular meeting. The Board shall adopt its own rules of procedure, which shall be subject to the following:

1. The Board shall elect a Chair and Vice Chair from its own membership. The election will be in the odd numbered years at the first regular meeting after the beginning of the fiscal year. The Chair and Vice Chair shall be elected for a term of two years and may be reelected for one additional two-year term. The Chair and Vice Chair shall be either an active member or retirant trustee. A Board member must have served at least one full year as a member of the Board to be eligible for election to the position of Chair or Vice Chair.
2. In the event a vacancy of the Chair or Vice Chair occurs for any reason other than completion of a term, the Board shall fill said vacancy by election from the existing Board members for the remainder of the unexpired term at its next regular meeting. A trustee elected to fill an unexpired term of the Chair or Vice Chair shall be eligible for two additional two-year terms.
3. **Quorum:** Eight trustees shall constitute a quorum at any meeting of the Board.
4. Each trustee shall be entitled to one vote on each question before the Board, and at least eight affirmative votes shall be required for a decision by the Board at any meeting.
5. **Roberts Rules of Order** shall be followed in the conduct of all meetings except when a departure from *Roberts* is authorized by action of the Board.
6. **Agenda:** The Board shall adopt an agenda at the beginning of each meeting. By a majority vote of the Board, items may be added to the agenda before it is adopted.
 - A. The Executive Director shall prepare a tentative agenda and submit it to all trustees at least 30 days prior to a regularly scheduled meeting. The meeting brochure and agenda will be mailed to trustees not later than five days before the regularly scheduled meeting.

- B. Trustees who want item(s) to be considered for the agenda should notify the Executive Director no later than 20 days prior to a regularly scheduled meeting.
 - C. Members or individuals who wish to have an item placed on the agenda at a regularly scheduled Board meeting should submit their request in writing to the Executive Director no later than 20 days prior to the meeting.
 - D. Members or individuals who wish to make comments during a regularly scheduled Board meeting should indicate—on forms provided—the subject on which they intend to speak.
 - E. A time limit of five minutes will be allowed members and individuals for presentation, unless extended by majority vote of the Board.
7. **Minutes:** The Board shall keep an official record of the proceedings of each meeting, the final draft of which must be approved by the Board and signed by the Chair and the Executive Director. The Board minutes are to contain only the action of the Board, information required by case law, and the vote thereon.
8. **Public Meetings:** All meetings of the Board shall be public and in compliance with the Freedom of Information Act. Representatives of the Little Rock news media shall be notified of each meeting.

Authority: Amended by Act 418 of 1997
Adopted: June 12, 2002
Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Duties of Chair and Vice Chair

The duty of the Chair is to ensure the integrity of the Board's process and to represent the Board to outside parties.

1. The duty of the Chair is to see that the Board operates consistent with its own rules and those legitimately imposed on it from outside the retirement system.
 - A. Meeting discussion content will be only those issues that, according to Board policy, clearly belong to the Board to decide.
 - B. Deliberation will be timely, fair, orderly, and thorough; but also efficient, limited in time, and kept to the point.
2. The authority of the Chair consists only in making decisions on behalf of the Board that fall within and are consistent with Board policies.
 - A. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.).
 - B. The Chair may also:
 - i. Convene meetings of the Board, or committees thereof, as prescribed by law.
 - ii. Certify actions taken by the Board.
 - iii. Serve as the official spokesperson for the Board.
 - iv. Name Board members to committees.
 - v. Perform other duties specifically requested by the Board that are deemed necessary and appropriate for the Board to fulfill its duties and responsibilities under law.

Duties of the Vice Chair

The duties of the Vice Chair are to act as temporary Chair in the absence of the regular Chair.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Reimbursement of Expenses

The Board, by majority vote of the total membership cast at the first regularly scheduled meeting of each calendar year, may authorize expense reimbursement for each trustee for performing official Board duties. Official Board duties are defined as follows:

1. Attending regular and called Board meetings.
2. Attending committee meetings of the Board or any specially appointed committee comprised in whole or in part of Board members.
3. Attending conferences approved by the Board of Trustees.
4. Attending legislative committee meetings when acting as spokesperson for the Board.
5. Attending legislative sessions at the request of the Board or Executive Director.

Board members are subject to the same reimbursable expenses as state employees.

Board officers are authorized payment for personal expenses, not otherwise reimbursed, incurred in the performance of their ATRS-related duties. Such reimbursement is to cover (1) any losses in salary or compensation that would otherwise result from their attendance at Board or committee meetings, and will be paid to the officer's employer; and (2) the costs of communication (long-distance telephone calls, postage, etc.) with other trustees or staff members.

Authority: Act 1211 of 1995

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Procurement of Services

ATRS shall utilize an equitable and open system of awarding contracts to providers of all contractual, management, and consultant services, including, but not limited to: (1) construction architects, engineers, and contractors; (2) building managers; (3) real estate, legal, and investment consultants; and (4) actuaries and auditors.

The system of awarding contracts will assure that all bona fide providers of such services will have equal opportunity to submit competitive bids or competitive proposals for consideration.

The Executive Director shall develop procurement procedures and a plan for implementing the process of awarding contracts.

The Board of Trustees shall approve all procedures and contracts related to the procurement of services.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Committee Principles

The Board may establish committees to help carry out its responsibilities.

1. Board committees may not speak or act for the Board except when formally given such authority.
2. Committees ordinarily will assist the Board by preparing policy alternatives and implications for Board deliberation.
3. Board committees may not exercise authority over staff.
4. All members of the Retirement Board shall be notified as to the time and place of all committee meetings. Any Retirement Board member may attend any committee meeting, but only committee members may vote on committee matters.
5. Appointments to committees shall be for four-year terms unless otherwise noted. Initial appointments for less than four years may be reappointed to one full four-year term.
6. A quorum of each committee and the number of affirmative votes needed for a motion to carry shall be a majority of the designated size of the committee.
7. Board committees shall elect their own chair and vice chair unless otherwise indicated by Board policy.
8. The Executive Director shall serve as secretary and an ex officio nonvoting member of Board committees or shall delegate another member of the staff to serve in this capacity.
9. Committees shall report to the Board following each of their meetings.

Authority: A.C.A §§24-7-301-305

Adopted: June 12, 2002

Amended: October 7, 2003

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Investment Committee Charter

1. There shall be an Investment Committee composed of six members of the Board. The Chair of the Board will appoint four members. The Chair and Vice Chair of the Board shall serve as ex officio voting members of the committee.
2. The committee shall meet on call by the Committee Chair and/or the Executive Director, but not less than on a quarterly basis.
3. The purposes of the committee shall be:
 - A. To consider investment policies and procedures for recommendation to the Board for adoption.
 - B. To consider asset allocations for recommendation to the Board for adoption.
 - C. To consider all investment proposals for approval or rejection, unless they are assigned to other committees by the Board.
 - D. To monitor all phases of the investment program and to recommend any changes that need to be made to the full Board.

Authority: A.C.A §§24-7-301-305

Adopted: June 12, 2002

Amended: October 7, 2003

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Legislative Committee Charter

1. There shall be a Legislative Committee composed of five members of the Board appointed by the Board Chair. The Board Chair may serve as a voting member of the committee.
2. The committee shall meet twice monthly, or more often if needed, during the three-month prelegislative fall season and during the General Assembly sessions. At other times, the committee will meet on call by either the Committee Chair or the Executive Director.
3. The committee shall recommend to the Board for approval a spokesperson to present and support the Board's defined and adopted positions on legislative issues.
4. The purposes of the Legislative Committee shall be:
 - A. To preview legislative proposals that will impact the Retirement System and its members.
 - B. To suggest and develop legislative proposals for the benefit of the Retirement System and its members.
 - C. To make recommendations to the Board for initiating or supporting legislative proposals or for opposing proposed legislation.
 - D. To review and monitor enacted legislation relating to the Retirement System and its members. It shall be the ongoing responsibility of the Legislative Committee:
 - i. To see that such legislation is properly incorporated into Retirement System policies and procedures, and
 - ii. To monitor the effect of such legislation as it relates to current and future retirees.
 - E. To monitor meetings of the Legislative Council and the Committee on Social Security and Retirement.

Authority: A.C.A §§24-7-301-305

Adopted: June 12, 2002

Amended: October 7, 2003

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Policies Committee Charter

1. There shall be a Policies Committee composed of five members of the Board. The Board Chair will appoint four trustees to the committee and will serve as an ex officio voting member of the committee.
2. The committee shall meet bimonthly, or on call by either the Chair or the Executive Director.
3. The primary purpose of the Policies Committee is to receive and consider proposals for the adoption of new policy, except investment policy, which is to be considered by the Investment Committee, and the revision or deletion of existing policy. The committee is responsible for recommending the adoption or rejection of any such policy proposals to the Board.
4. Recommendations or suggestions for initiating or changing Board policy must be submitted in writing to the Board Chair, the Chair of the Policies Committee, and the Executive Director seven days prior to the next meeting of the Policies Committee.

Authority: A.C.A §§24-7-301-305

Adopted: June 12, 2002

Amended: October 7, 2003

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Real Estate Committee Charter

Authority: Act 427 of 1973

Adopted: June 12, 2002

Repealed: October 7, 2003

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Real Estate Screening Committee Charter

Authority: Act 427 of 1973

Adopted: June 12, 2002

Repealed: October 7, 2003

Removed from APA: December 6, 2005

POLICY TYPE: Governance Process

POLICY TITLE: Board Self-Evaluation

The Board will regularly evaluate its own performance, taking whatever action is necessary to govern with excellence. The Board will review these policies of conduct at least annually and discuss the degree to which it complies.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 1005

POLICY TYPE: Ends

POLICY TITLE: Financial Perspective

1. Sustain actuarial soundness. The goals are for:
 - A. The funded ratio to increase and the funding period to decrease unless knowingly modified by Board action or as a result of events over which the Board has no control.
 - B. The actuarial methodology and economic assumptions to be comparable to other teacher retirement systems.¹
2. Manage contributions effectively. The goals are for:
 - A. Employer contributions to be collected and invested in a timely manner.
 - B. Receivables of more than 30, 60, and 90 days to be reported to the Board.
3. Maximize investment returns within the bounds of prudence.
 - A. Asset Allocation

Investments shall be within the minimum and maximum ranges established by the Board and will approximate the targeted levels unless the Board is advised as to reasons for a deviation.
 - B. Investment Return

Total Fund—The overall goal is to achieve, over a period of years, the actuarial interest assumption rate with due consideration being given to preservation of capital and its purchasing power and to maintaining the element of risk at a prudent investor level.
4. Ensure budget credibility. The goals are for:
 - A. Total operating expenses (excluding investment expenses) of existing programs and services to be maintained or reduced in relation to the five-year rolling average of increases in members and inflation.
 - B. Investment related expenses to be maintained or reduced in relation to investment assets once each asset category reaches its target allocation.

¹ “Other teacher retirement systems” as used here includes those statewide retirement systems in the United States whose: (a) membership is predominately teachers, (b) members contribute to Social Security, (c) membership is within $\pm 50\%$ of ATRS, and (d) assets are within $\pm 50\%$ of ATRS.

- C. Proposed programs or services to have a “business plan” that includes:
- i. A description of the need to be met.
 - ii. The method by which the need will be met.
 - iii. The method by which members will learn about the program or services.
 - iv. Staffing requirements.
 - v. Other resources that are needed.
 - vi. The method by which the programs or services will be evaluated.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Ends

POLICY TITLE: Customer Perspective

1. Promote contribution rates, benefits, and services comparable to other teacher retirement systems.¹ The goals are for:
 - A. Employer contribution rates to be comparable to other teacher retirement systems.
 - B. Total benefits paid to be comparable to other teacher retirement systems.
 - i. Average regular benefits paid to be comparable to other teacher retirement systems.
 - ii. Average disability benefits paid to be comparable to other teacher retirement systems.
 - iii. Average survivor benefits paid to be comparable to other teacher retirement systems.
 - C. Age and length of service requirements for unreduced retirement benefits to be comparable to other teacher retirement systems.
 - D. Plan of payment options for regular benefits to be comparable to other teacher retirement systems.
2. Increase awareness of trust fund stewardship. The goals are for:
 - A. The System to receive the “Certificate of Achievement for Excellence in Financial Reporting” each year as presented by the Government Finance Officers Association of the United States and Canada.
 - B. The system to receive the Public Pension Coordinating Council’s “Public Pension Principles Achievement Award” each year it is available.
 - C. A comprehensive annual financial report, or abstract thereof, to be provided to each member of the System, the Legislative Council, and the Governor [A.C.A. §§24-2-702 and 24-7-305(d)].
3. Promote retirement education and communications. The goals are for:
 - A. Special programming for new ATRS members (those with less than five years of service) to be developed and disseminated to increase awareness of ATRS and its benefits.

¹ See Footnote 1, page 2-1-1 (Financial Perspective Policy).

- B. The number and percentage of members participating in retirement education events sponsored by the ATRS to increase or remain the same from one year to the next.
 - C. Printed communications from the ATRS to be judged as well-written, attractively formatted, and helpful by a sample of the members targeted by the communication.
4. Improve overall service level. The goals are for:
- A. The overall service level of ATRS to be above the median for its peer group² and at a cost that is comparable to its peer group.³
 - B. The overall service level to include the following functions within ATRS:
 - i. Paying pensions
 - ii. Pension inceptions
 - iii. Pension estimates
 - iv. Counseling
 - v. Member telephone calls
 - vi. Communication
 - (1) Group presentations
 - (2) Website and E-mail
 - (3) Newsletters
 - (4) Other written material
 - vii. Collections
 - (1) Annual member statements
 - (2) Employer services

² "Peer group" as used here refers to a number of retirement systems selected by Cost Effective Measurement, Inc., that are most like ATRS.

³ It is understood that the first time data will be collected for this and the following goal will be in 2003 for the 2002-2003 fiscal year.

- viii. Refunds, terminating payments
- ix. Service credit purchases
- x. Disability pensions
- xi. Financial control & governance
 - (1) The Annual Report

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Ends

POLICY TITLE: Internal-Business-Process Perspective

1. Administer retirement laws in a timely, accurate, and consistent manner. The goals are for:
 - A. The average turn-around time for processing retirement to improve or remain the same from the previous year.
 - B. Retirement benefits to be calculated accurately and consistently.
2. Provide member benefits and services (1) at a level that promotes member satisfaction and (2) in a cost effective manner. The goals are for:
 - A. The satisfaction level of members regarding benefits and services to increase from one year to the next.
 - B. See also No. 4 in the Customer Perspective Policy (Policy No. 2-2).
3. Process improvement. The goals are for:
 - A. "Business critical" processes to be identified.
 - B. "Business critical" processes to be analyzed and redesigned as needed.
 - C. Processes to be continually reevaluated
4. Effectively manage new projects and initiatives. The goals are for:
 - A. New projects and initiatives to be undertaken with a detailed plan, including projected completion dates and resource requirements.
 - B. Periodic progress reports to be made to the Board on major projects or initiatives.
5. Promote effective communication. The goal is for:

Communications with the Board, members, and employees that are clear, concise, and timely.
6. Promote knowledge-based decision-making. The goal is for:

Management decisions based on facts and expert opinions.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Ends

POLICY TITLE: Learning and Growth Perspective

1. Foster a positive, innovative work environment. The goal is for:

Professional and support staff responses to an organizational climate survey to indicate a stable or more positive and innovative work environment from one year to the next.

2. Employ and retain highly capable employees. The goals are for:

- A. The average educational level of the professional and support staffs to increase or at least remain the same from one year to the next.

- B. The net turnover rate¹ of the professional and support staffs to decrease or at least remain the same from one year to the next.

3. Recruit and retain a diverse work force. The goal is for:

The gender, race, and age of the professional and support staffs to show progress toward approximating the respective work forces in the Little Rock Metropolitan Statistical Area from one year to the next.

4. Enhance training and development opportunities. The goals are for:

- A. The average number of days spent in training by the professional and support staffs to increase or at least remain the same from one year to the next.

- B. The number and percentage of professional and support staff having recognized job-specific or job-related credentials to increase or at least remain the same from one year to the next.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

¹ The net turnover rate is the total separations—less retirements, disabilities, and deaths--divided by the average number of employees during the year.

POLICY TYPE: Executive Director Limitations

POLICY TITLE: General Executive Constraints

The Executive Director shall not cause or allow any acts, decisions, activities, or circumstances that are imprudent, in violation of commonly accepted business and professional ethics, or a breach of fiduciary responsibility.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Communication and Counsel to the Board

With respect to providing information and counsel to the Board, the Executive Director may not permit the Board to be uninformed. Accordingly, the Executive Director may not:

1. Let the Board be unaware of relevant trends, anticipated adverse media coverage, and material external or internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
2. Fail to submit the required monitoring data in a timely, accurate, and understandable fashion, directly addressing provisions of the Board policies being monitored. See Policy No. 3-10 (Monitoring Executive Performance).
3. Fail to marshal as many alternatives as needed for fully informed Board choices.
4. Fail to provide requested information that would assist the Actuary, Investment Consultant, and Real Estate Manager from in their efforts to make reports and recommendations directly to the Board without modification.
5. Present information in unnecessarily complex or lengthy form.
6. Fail to provide a mechanism for official Board, officer, or committee communications.
7. Fail to deal with the Board as a whole, except for fulfilling individual requests for information.
8. Fail to report actual or anticipated noncompliance with any policy of the Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Code of Ethics

The Executive Director may not fail to require employees of the Retirement System to adhere to an appropriate code of ethics that will assure:

1. Confidentiality of member records.
2. No conflict of interest, or appearance thereof, with respect to their fiduciary responsibilities.
3. Adherence to applicable professional codes of ethics and standards of professional conduct.
4. No solicitation or acceptance of gifts, favors, or other items of value as defined by the Arkansas Ethics Commission.
5. No ATRS associate shall participate in any activities regarding the candidacy of any person for a position as a Board member or officer of the Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Board-Executive Director Relationship

POLICY TITLE: Employment of Executive Director

Employment of the Executive Director will be by the Board.

1. Employment will be based on the Board's judgment that a candidate's knowledge, skill, and character would indicate reasonable assurance of excellent performance.
2. Criteria will be based on:
 - A. General characteristics set forth by the Board to predict successful Executive Director performance, and
 - B. Specific characteristics set forth by the Board to predict successful Executive Director performance in view of the Retirement System's strategic challenges in the future.
3. Prior to selecting an Executive Director, the Board will make explicit provisions for:
 - A. Providing notice of the vacancy,
 - B. Screening nominations or applications, and
 - C. The selection process.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Board-Executive Director's Relationship

POLICY TITLE: Executive Director's Job Description

The Executive Director is the Board's official link to the operation of the Retirement System. The Executive Director is accountable for all organizational performance and entitled to exercise all authority delegated by official Board action.

The Executive Director's job description may be stated as performance in these areas:

1. Organizational accomplishment of the provisions of Board policies on *Ends*.
2. Organizational operation within the boundaries of prudence and ethics established in Board policies on *Executive Director Limitations*.
3. Serving as secretary to the Retirement Board and an ex officio nonvoting member of its committees and maintaining an accurate record of the proceedings.
4. Serving as liaison between the (a) Actuary, (b) Investment Consultant, and (c) Real Estate Manager and the Retirement Board, helping to interpret the intent of the Board to the consultants, and coordinating their reports and recommendations to the Board.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Compensation and Benefits

With respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, the Executive Director may not cause or allow jeopardy to fiscal integrity or public image.

Accordingly, the Executive Director may not:

1. Change his or her compensation and benefits.
2. Promise or imply permanent or guaranteed employment.
3. Establish current compensation or benefits that are not within state-approved salary schedules or benefit provisions.
4. Change the assignment of personnel in Grade 23 and above without notification to the Board at a Board meeting.
5. Fail to:
 - A. Involve the Board in determining the qualifications and expectations for Grade 23 and above positions, and
 - B. Submit at least three candidates to the Board for interview or review of credentials.

The Board may remove one or more candidates from consideration. The Executive Director will make the employment decision.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Operations

Budgeting for any fiscal period shall not deviate materially from Board *Ends* priorities, risk fiscal jeopardy, or fail to show a generally acceptable level of foresight. The proposed biennial budget shall be presented to the Board for review and approval prior to its submission to the General Assembly for adoption.

Accordingly, the Executive Director may not cause or allow budgeting that:

1. Contains too little detail to enable accurate projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions.
2. Does not provide for Board prerogatives and Board development.
3. With respect to the actual, ongoing condition of the Retirement System's operating budget, the Executive Director may not cause or allow the development of financial jeopardy.

Accordingly, the Executive Director may not:

1. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
2. Allow actual operating budget allocations to deviate materially from Board priorities in *Ends* policies.
3. Fail to promulgate procedures to assure an equitable and open system of awarding contracts to providers of contractual and consultant services.
4. Fail to establish and maintain a System of internal controls designed to assure that the policies and procedures of the Retirement System are being followed and that assets belonging to ATRS are properly received, are protected while in the custody of ATRS, are used only for appropriate purposes, and reduce the opportunity for errors and dishonesty. A qualified auditor will conduct an examination of the effectiveness of the System's internal controls at least every five years. The external auditor responsible for auditing the adequacy of the annual financial statement shall not be eligible for this examination.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Executive Director Limitations

POLICY TITLE: Staff Treatment

The Executive Director may not cause or allow conditions that are inhumane, unfair, or undignified. Accordingly, the Executive Director may not:

1. Discriminate among employees on other than clearly job-related individual performance or qualifications.
2. Employ or promote a family member.
3. Adversely affect the stability of the staff or terminate senior executives without previous discussion with the Board.
4. Fail to take reasonable steps to protect employees from unsafe or unhealthy conditions.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005

POLICY TYPE: Board-Executive Director Relationship

POLICY TITLE: Delegation to the Executive Director

Authority for implementing policy and the development of supporting procedures is delegated to the Executive Director.

1. All Board authority delegated to staff is delegated through the Executive Director, so that all authority and accountability of staff is considered to be within the authority and accountability of the Executive Director.
2. *Ends* policies direct the Executive Director to achieve certain results; *Executive Director Limitations* policies constrain the Executive Director to act within Board adopted policies, legal requirements, and acceptable boundaries of prudence and ethics. With respect to *Ends* and *Executive Director Limitations*, the Executive Director is authorized to establish further procedures, make decisions, and take actions provided they are consistent with Board policies.
3. The Board may change its policies, thereby shifting the boundary between the Board and the Executive Director domains. The Board and Executive Director will respect and support the parameters of delegation as they exist and as they may be changed in the future.

Authority: Act 427 of 1973

Adopted: June 12, 2002

Removed from APA: December 6, 2005