ARKANSAS TEACHER RETIREMENT SYSTEM

Annual Financial Report

June 30, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS TEACHER RETIREMENT SYSTEM
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Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair

Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Arkansas Teacher Retirement System
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Arkansas Teacher Retirement System, an office of Arkansas state government, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Arkansas Teacher Retirement System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Arkansas Teacher Retirement System as of June 30, 2024, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the office, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As indicated above, the financial statements of the Arkansas Teacher Retirement System are intended to present the financial position and the changes in financial position of only that portion of the State that is attributable to the transactions of the Arkansas Teacher Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2024, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Arkansas Teacher Retirement System are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Arkansas Teacher Retirement System individually. Our opinion on the basic financial statements is not affected by the omission of this information.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Selected Information but does not include the basic financial statements, required supplementary information, and our auditor's reports thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2025, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the office's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
January 14, 2025
SA1037524

Arkansas

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Arkansas Teacher Retirement System
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Arkansas Teacher Retirement System (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Arkansas Teacher Retirement System's basic financial statements, and have issued our report thereon dated January 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 14, 2025

ARKANSAS TEACHER RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

Exhibit A

	Arkansas Teacher Retirement Pension Trust Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	$ 382,291,377
Receivables:	
Member contributions	11,440,916
Employer contributions	27,147,042
Investment trades pending	24,089,275
Accrued investment income	28,237,558
Due from other state agencies	4,278,604
Other receivables	5,271,495
Total Receivables	100,464,890
Investments:	
Public equities	4,294,178,731
Fixed income	1,842,669,015
Real estate	167,593,445
Pooled investments	5,654,476,103
Alternative investments	9,851,978,884
State recycling tax credits	203,200,000
Investment derivatives	14,174
Total Investments	22,014,110,352
Securities lending collateral	427,158,820
Capital assets, net of accumulated depreciation	60,740
Other assets	134,684
Total Assets	22,924,220,863
Deferred outflows of resources - related to other post employment benefits	262,602
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	22,924,483,465
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities:	
Accrued expenses and other liabilities	489,298
Compensated absences	607,116
Post-employment benefit liability	3,028,728
Investment trades pending payable	115,302,262
Accrued investment expenses	14,946,956
Securities lending liability	427,105,534
Due to other state agencies	2,296,649
Total Liabilities	563,776,543
Deferred inflows of resources - related to other post employment benefits	1,475,538
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	565,252,081
NET POSITION RESTRICTED FOR PENSIONS	$ 22,359,231,384

The accompanying notes are an integral part of these financial statements.

ARKANSAS TEACHER RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit B

	Arkansas Teacher Retirement Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 554,738,036
Member	211,036,048
Total Contributions	765,774,084
Investment income:	
From investing activities:	
Net increase (decrease) in the fair value of investments	2,276,418,789
Interest and dividends	185,055,402
Real estate operating income (loss)	6,369,111
Total Investment Income (Loss)	2,467,843,302
Less investment expense	57,645,258
Net Investment Income (Loss)	2,410,198,044
From securities lending activities:	
Securities lending income	23,019,193
Less securities lending expense	20,517,401
Net Securities Lending Income	2,501,792
Other additions	120,741
TOTAL ADDITIONS (LOSSES)	3,178,594,661
DEDUCTIONS	
Benefits	1,473,871,266
Refunds of contributions	12,116,533
Administrative expenses	8,427,396
TOTAL DEDUCTIONS	1,494,415,195
NET INCREASE (DECREASE) IN NET POSITION	1,684,179,466
NET POSITION - BEGINNING OF YEAR	20,675,051,918
NET POSITION - END OF YEAR	$ 22,359,231,384

The accompanying notes are an integral part of these financial statements.

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 266 of 1937, as amended, established the Arkansas Teacher Retirement System (ATRS) as an office of Arkansas state government for the purpose of providing retirement benefits for public school and other public education employees. Act 427 of 1973, as amended, provided that the general administration of ATRS, responsibility for its proper operation, and responsibility for making effective the provisions of the Teacher Retirement law are vested in a 15-member Board of Trustees. The State Bank Commissioner, Treasurer of State, Auditor of State, and Commissioner of Elementary and Secondary Education are ex-officio trustees. The remaining 11 trustees are elected and consist of seven active members with at least five years of actual service, three retired members receiving an annuity, and one active or retired member from a minority racial ethnic group. The seven active trustees consist of one member from each of the four congressional districts; two employed in positions requiring an administrator's license, of which one must be a superintendent or an educational cooperative director; and one member employed in a position that does not require state licensure. The trustees are elected in accordance with rules adopted by the Board. Board members serve without compensation but may receive reimbursement for reasonable expenses incurred while performing their duties as trustee.

B. Plan Description

The teacher retirement plan (the "plan"),is a cost-sharing, multiple-employer defined benefit pension plan that covers employees of public schools and education-related agencies, including Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Division, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations licensed and regulated by Division of Developmental Disabilities Services of the Department of Human Services.

On June 30, 2024, the number of employers participating in the plan was as follows:

Public schools	257
State colleges and universities	37
State agencies	15
Other/privatized	26
Total	335

Members are eligible for full retirement benefits at age 60 with five or more years of actual and reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual and reciprocal service who have not attained age 60 may receive an annuity reduced by 10/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary (FAS) (effective July 1, 2018, computed using the average of the annual salaries paid during the period of 5 years of credited service producing the highest annual average) and (2) the number of years of service. For active members as of June 30, 2018, a benchmark 3-year FAS was established as a minimum FAS.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 907 of 1999, effective July 1, 1999, requires all new members under contract for 181 or more days to be contributory. Act 443 of 2021, effective July 1, 2021, increased the required number of contract days to 185 or more days. Act 385 of 2005 allows noncontributory members to make an irrevocable election to become contributory on July 1 of each fiscal year.

NOTE 1: Summary of Significant Accounting Policies

B. Plan Description (Continued)

A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors, and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is calculated by multiplying 100% of the member's base retirement annuity times 3%. Act 780 of 2017 allows the Board of Trustees to evaluate any future COLA adjustments on an annual basis to determine if a simple or compound COLA increase will be given based on the financial condition of the system.

Act 1096 of 1995 created a teacher deferred retirement option plan (T-DROP) for members with 30 or more years of service credit. Effective September 1, 2003, Act 992 of 2003 requires employers to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees. Member contributions and accumulation of service credit will cease once a member enters T-DROP. During participation in T-DROP, ATRS will credit the member account with plan deposits and interest. The plan deposits will be calculated beginning with the member's plan benefit reduced by 1% for each year of credited service. The Board of Trustees may authorize early participation in T-DROP for members with at least 28 years but less than 30 years of credited service. The plan deposit for early participation will be calculated the same as the regular T-DROP deposit with a further reduction of at least .5% but not more than 1% for each month of credited service under 30 years. The T-DROP account accrues interest at a variable rate that is set annually by the ATRS Board of Trustees. T-DROP deposits into member accounts cease at the completion of 10 years of participation in the program; however, a member may continue employment and will continue to receive interest on the account balance at the 10-year plus interest rate that is also set annually by the Board of Trustees. When T-DROP participation ceases, the member may receive a distribution as a lump-sum cash payment or monthly annuity, roll it into another tax-deferred account, or defer the distribution into a T-DROP cash balance account held by ATRS.

Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 or more years of actual service. The minimum benefit amount is $6,667, and an additional amount is provided based on the member's retirement date and years of contributory service up to a $10,000 maximum.

On June 30, 2024, membership in the plan consisted of the following:

Retirees or beneficiaries currently receiving benefits	56,177
T-DROP participants	2,981
Inactive plan members (not receiving benefits)	14,775
Active members	68,265
Total	142,198

C. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds, if applicable to this Agency, are recognized in the accompanying financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation – Fund Accounting (Continued)

Fiduciary Funds

Trust and Custodial Funds – Trust and custodial funds are used to report resources held by the Agency in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Pension Trust Funds, Employee Health Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds. The specific activity accounted for at this Agency includes the following:

Arkansas Teacher Retirement Pension Trust Fund

D. Basis of Accounting

Basis of accounting refers to when additions and deductions are recognized and reported in the financial statements. The economic resources measurement focus and accrual basis of accounting are used in all Fiduciary Fund financial statements. Under the accrual basis, additions are recognized when earned, and deductions are recorded when incurred.

E. Federal Income Tax Status

During the year ended June 30, 2024, the plan qualified under 26 USC § 401(a) and was exempt from federal income taxes under 26 USC § 501(a).

F. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash in State Treasury, cash on deposit with investment managers, and short-term investment funds (STIF). The STIF accounts are created through daily sweeps of excess cash by the custodial bank into bank-sponsored commingled funds that are invested in U.S. Government and agency securities and other short-term investments. The STIF accounts have an average weighted maturity of 90 days or less and the holdings are stated at fair value.

G. Deposits and Investments

Exhibit A presents all highly liquid investments with maturity of three months or less when purchased as cash equivalents. As such, the amounts presented in the exhibit may not agree with amounts shown in this note. Below is a reconciliation from this note to the amounts presented in the exhibit:

	Cash and Cash Equivalents	Securities Lending Collateral	Investments	Total
Note 1G:				
Deposits:				
Cash in bank	$ 28,154,105			$ 28,154,105
Foreign currency held in non-U.S. bank		$ 20,347,478		20,347,478
Cash in State Treasury	4,481,561			4,481,561
Cash on deposit with investment managers	5,209,292			5,209,292
Investments:				
Investments measured at fair value			$ 6,507,655,365	6,507,655,365
Investments measured at NAV	344,446,344	406,811,342	15,506,454,987	16,257,712,673
Petty cash	75			75
Total Exhibit A	$ 382,291,377	$ 427,158,820	$ 22,014,110,352	$ 22,823,560,549

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Deposits

Deposits are carried at cost and consist of cash in bank; cash in foreign currency held as securities lending collateral, cash in State Treasury, and cash on deposit with investment managers totaling $28,154,105, $20,347,478, $4,481,561, and $5,209,292, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned.

As of June 30, 2024, none of the Agency's bank balance of $28,173,368 was exposed to custodial credit risk as it was fully insured by the Federal Deposit Insurance Corporation. However, $25,556,769, consisting of cash in foreign currency held as securities lending collateral and cash on deposit with investment managers was exposed to custodial credit risk as it was uninsured and uncollateralized.

Investments

Ark. Code Ann. §§ 24-2-601 — 24-2-619 authorizes the plan's Board of Trustees to have full power to invest and reinvest monies of ATRS and to hold, purchase, sell, assign, transfer or dispose of any of the investments or investment proceeds in accordance with the prudent investor rule.

Each investment manager is required to invest within the specific guidelines and parameters set by the Board of Trustees. Asset allocation guidelines have been established as follows:

Asset Allocation	Minimum	Target	Maximum
Total equity	43.0%	48.0%	53.0%**
Fixed income	17.0%	20.0%	23.0%
Opportunistic/Alternatives	N/A*	5.0%	N/A*
Real assets***	N/A*	15.0%	N/A*
Private equity	N/A*	12.0%	N/A*
Cash equivalents	0.0%	0.0%	5.0%

*Due to the illiquid nature of opportunistic/alternatives, real assets, and private equity, it is not prudent to set rebalancing ranges for these asset classes.
**Additional allocations to total equity may be made beyond the maximum range to serve as a placeholder for unfunded and uncommitted alternatives, real assets, and private equity.
***Real assets include real estate, timber, agriculture, and infrastructure.

The fair value measurement of investments is categorized within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. In instances where inputs used to measure fair value fall into different levels, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The hierarchy of inputs is defined as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Assets classified in Level 1 are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3 are valued using an internal fair value as provided by the investment manager due to lack of an independent pricing source. Investments that are valued using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument(s) and should not be perceived as the particular investment's risk. The fair value measurement of plan investments and securities lending collateral as of June 30, 2024, was as follows:

	Total	Level 1	Level 2	Level 3
Investments Measured at Fair Value:				
Public equity investments:				
Domestic equities	$ 3,058,323,991	$ 3,058,323,991		
International equities	1,119,977,193	1,119,977,193		
Preferred equities	115,877,547	106,924,132		$ 8,953,415
Fixed income investments:				
U.S. Government obligations	63,752,318		$ 63,752,318	
Corporate obligations	1,361,437,265		1,361,437,265	
Term loans	15,921,706		15,921,706	
Asset- and mortgage-backed securities	47,296,381		47,296,381	
Fixed income funds	54,676,137		54,676,137	
Promissory notes	299,585,208			299,585,208
Real estate investments:				
Real estate	77,677,205			77,677,205
Real estate investment trusts	89,916,240	89,916,240		
State recycling tax credits	203,200,000		203,200,000	
Derivative investments:				
Forward contracts	14,174		14,174	
Total Measured at Fair Value	$ 6,507,655,365	$ 4,375,141,556	$ 1,746,297,981	$ 386,215,828
Investments Measured at Net Asset Value or Equivalent (NAV):				
Pooled investments:				
Collective investment trusts	$ 4,607,501,683			
Closed end funds	1,015,539,061			
Exchange traded funds	31,435,359			
Alternative investments:				
Private equity funds	3,229,358,249			
Real estate funds	2,037,106,413			
Hedge funds	1,327,175,832			
Other private investments	3,258,338,390			
Securities lending collateral - compass fund*	406,811,342			
Short-term investment fund	344,446,344			
Total Measured at NAV	$ 16,257,712,673			

*Cash collateral received and invested in the compass fund totaled $406,758,056. The amount reported above is the market value of this collateral at June 30, 2024.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Investments Classified as Level 1 – Level 1 investments in the preceding table are exchange-traded securities whose values are based on published market prices and quotations from either national security exchanges or active markets for those securities.

Investments Classified as Level 2 – Level 2 investments in the preceding table include publicly-traded debt securities and other investments in inactive markets. Investments in this category are sourced from reputable pricing vendors using pricing matrix models and techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

Investments Classified as Level 3 – Level 3 investments in the preceding table are unobservable, meaning the assets lack an independent pricing source. Values for the preferred equities are provided by the investment manager using cash flow or market comparable techniques. The promissory notes are made directly with the other entities and valued using expected cash flow. Real estate investments are comprised of ATRS owned properties leased to commercial enterprises. The properties are valued using professional valuations or appraisals, net of debt borrowed against the related assets. Appraisals and valuations are updated every 3 years.

Investments Measured at the Net Asset Value or Equivalent (NAV) – Investments measured at NAV have no readily ascertainable fair value. The value is determined by using the net asset value per share or its equivalent. Pooled or commingled fund values are based on each investor's proportionate share of the total underlying assets in the fund, less any liabilities for client withdrawals, investment purchases, or other accrued expenses. Limited partnership values are based on the capital account balance the general partner reports at the end of each reporting period, adjusted by subsequent contributions, distributions, management fees, and changes in values of assets held in the partnership. There are inherent uncertainties in estimating fair values for these types of investments, and it is possible that the estimates will change in the near-term, or the subsequent sale of assets will be different from the reported net asset value. These investments come with redemption restrictions and rely on the liquidation of the underlying assets or net operating cash flows for distributions. The redemption terms and unfunded commitments are presented in the following table:

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments:				
Collective investment trusts	$ 4,607,501,683		Daily	1 - 30 days
Closed end funds	1,015,539,061		Daily	Daily
Exchange traded funds	31,435,359		Daily	Daily
Alternative investments:				
Private equity funds:				
Buyout funds	1,486,255,661	$ 1,813,241,493	N/A	N/A
Distressed debt funds	16,344,994	37,207,326	N/A	N/A
Growth equity funds	33,975,543	39,457,033	N/A	N/A
Hard assets	44,826,362	14,770,786	N/A	N/A
Infrastructure funds	495,413,205	90,523,445	Quarterly - Annually	90 days
Mezzanine funds	61,539,274	22,833,764	N/A	N/A
Multi-strategy funds	477,029,060	285,310,197	N/A	N/A
Structured capital funds	67,714,397	44,494,464	N/A	N/A
Turnaround funds	137,374,539	87,250,755	N/A	N/A
Value added funds		50,000,000	N/A	N/A
Venture capital funds	408,885,214	174,756,310	N/A	N/A
Real estate funds:				
Core funds	733,084,046		Quarterly	30-90 days
Debt funds	133,789,791	56,050,809	Quarterly	90 days
Farmland funds	249,525,748	14,240,587	Quarterly	60 days
Opportunistic funds	212,526,613	415,683,239	N/A	N/A
Timberland funds	363,943,337		Quarterly	90 days
Value added funds	344,236,878	310,022,313	N/A	N/A
Hedge funds:				
Co-investment funds	91,456,393	22,036,074	Quarterly	65 days
Credit funds	231,716,297		Quarterly - Annually	90 days
Equity funds	42,398,038		Quarterly	60 days
Event driven funds	93,890,484		Annually	90 days
Global macro funds	212,285,791		Monthly	3-15 days
Mortgage servicing funds	48,059,441		Semi-annually	90 days
Reinsurance funds	139,050,680		Semi-annually - Annually	60-90 days
Relative value funds	103,575,614		Quarterly	45 days
Risk premia funds	364,743,094		Weekly - Monthly	3-5 days
Value added funds		50,000,000	N/A	N/A
Other:				
Private investments	3,258,338,390		Semi-monthly - Monthly	3-7 days
Securities lending collateral - compass fund	406,811,342		Daily	Daily
Short-term investment fund	344,446,344		Daily	Daily
Totals	$ 16,257,712,673	$ 3,527,878,595		

Pooled Investments Funds – Pooled investment fund include 7 collective investment trusts, 5 closed end funds, and 3 exchange traded or mutual funds. The value of the investments in this type have been determined using the NAV per share (or its equivalent) calculated as assets less liabilities divided by the number of units owned.

Private Equity Funds – Private equity funds include 69 buyout funds, 3 distressed debt funds, 4 growth equity funds, 14 hard asset funds, 12 infrastructure funds, 5 mezzanine funds, 5 multi-strategy funds, 5 structured capital funds, 10 turnaround funds, 1 value added fund, and 16 venture capital funds that invest mostly in private companies across a variety of industries. The value of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 2 to 10 years.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Real Estate Funds – Real estate funds include 7 core funds, 9 debt funds, 2 farmland funds, 23 opportunistic funds, 2 timberland funds, and 24 value added funds that invest primarily in the United States, Europe, and Asia. Fund investments can be made in the debt, equity, or a combination of both in real estate property ventures. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets in the real estate funds is 2 to 10 years.

Hedge Funds – Hedge funds consist of 1 co-investment fund, 5 credit funds, 1 equity fund, 1 event driven fund, 2 global macro funds, 1 mortgage servicing fund, 9 re-insurance funds, 1 relative value fund, 2 risk premia funds, and 1 value added fund. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Redemption ranges from monthly to annually depending on the manager, except for the value added fund which has a 5-year lockup until the end of the initial fund raising period. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Other Private Investments – Consist of three funds each with a different strategy or objective including fixed income, U.S. equities, and global equities. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The redemption frequency is once or twice per month depending on the manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Securities Lending Collateral – Cash collateral received from borrowers in the securities lending program is invested in a collective investment fund comprised of a liquidity pool. The value of this fund has been determined by the fund administrator using the NAV per share (or its equivalent).

Short-term Investment Fund – The net cash activity is swept into the STIF account daily with the fund maintaining an average dollar-weighted portfolio maturity of 90 days or less. The value of this fund has been determined by the custodial bank, the fund administrator, using the NAV per share (or its equivalent) based on the plan's proportionate share of the units of participation.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.92%.

Concentration of Investments – Generally accepted accounting principles require each pension plan to disclose investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represent 5% or more of the pension plan's fiduciary net position. As of June 30, 2024, no investments in any one organization represented 5% or more of the pension plan's fiduciary net position.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary shown below indicates that 81% of the Agency's investment maturities are one year or longer.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 - 5	More than 5 - 10	More than 10
Collective investment trusts	$ 1,385,957,216		$ 412,956,402	$ 973,000,814	
Corporate obligations	1,361,437,265	$ 126,273,005	836,073,157	314,502,669	$ 84,588,434
Private investments	578,356,405			578,356,405	
Short-term investment fund	344,446,344	344,446,344			
Promissory notes	299,585,208		45,976,617	171,488,825	82,119,766
State recycling tax credits	203,200,000	24,800,000	99,200,000	76,000,000	3,200,000
U.S. Government obligations	63,752,318				63,752,318
Convertible preferred equities	63,671,783	1,852,694	31,501,052		30,318,037
Fixed income funds	54,676,137		54,676,137		
Asset- and mortgage-backed securitie	47,296,381		4,784,505	11,114,767	31,397,109
Term loans	15,921,706		844,817	15,076,889	
Totals	$ 4,418,300,763	$ 497,372,043	$ 1,486,012,687	$ 2,139,540,369	$ 295,375,664
Securities Lending Collateral					
Compass fund	$ 406,811,342	$ 406,811,342			

Asset-Backed Securities – As of June 30, 2024, asset-backed securities had a fair value of $38,186,848. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. ATRS's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Mortgage-Backed Securities – As of June 30, 2024, mortgage-backed securities had a fair value of $9,109,533. The yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost.

Corporate Bonds – As of June 30, 2024, corporate bonds had a fair value of $459,122,612. Corporate bonds are debt instruments that are issued by private corporations. These bonds have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates.

Convertible Corporate Bonds – As of June 30, 2024, convertible bonds had a fair value of $902,314,653. Convertible bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds generally offer lower coupon rates and promised yields to maturity in exchange for the value of the option to exchange the bond into stock. Interest rates can be fixed or variable.

Promissory Notes – As of June 30, 2024, promissory notes had a fair value of $299,585,208. Promissory notes are a form of debt that companies use to raise money in exchange for payment of a fixed amount of periodic income at a specified date or on demand. One unsecured promissory note was issued to Big River Steel Holdings, LLC and two secured notes were issued to Highland LP.

Term Loans – As of June 30, 2024, term loans had a fair value of $15,921,706. Term loans are debt financing similar to a mortgage where the borrower pays in regular installments, which include principal and interest over the agreed upon term. Rates can be fixed or floating and is often based on the borrower's credit. Floating rate term loans have adjustments that are made periodically and vary directly with movements in interest rates.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the credit quality of investments in debt securities as described by nationally recognized statistical rating organizations. A formal investment policy that limits investment in debt based on their statistical rating as a means of managing exposure to credit risk has not been adopted by the Board of Trustees. The Agency's exposure to credit risk as of June 30, 2024, as rated by Standard and Poor's and Moody's Investors Service is as follows:

Standard and Poor's		Moody's Investors Service	
Rating	Fair Value	Rating	Fair Value
AAA	$ 4,012,984	Aaa	$ 6,753,581
AA	261,697,991	Aa	270,969,055
A	31,370,649	A	49,229,041
BBB	353,886,281	Baa	317,187,921
BB	172,590,383	Ba	156,667,077
B	26,096,758	B	35,869,260
CCC or below	25,599,429	Caa or below	29,992,115
Not rated	3,479,293,969	Not rated	3,487,880,394
Total	$ 4,354,548,444	Total	$ 4,354,548,444
Securities lending collateral			
Not rated	$ 406,811,342	Not rated	$ 406,811,342

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Agency, and are held by either the counterparty or the counterparty's trust department or agent but not in the Agency's name. A formal investment policy for custodial credit risk has not been adopted by the Board of Trustees. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that investments may not be returned. As of June 30, 2024, none of the Agency's investments were exposed to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer (not including investments issued or explicitly guaranteed by the U.S. Government, investments in mutual funds, external investment pools, or other pooled investments). A formal investment policy to limit the amount it may invest in any one issuer to manage the concentration of credit risk has not been adopted by the Board of Trustees. As of June 30, 2024, no investments in any one issuer represent more than 5% of total plan investments.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. A formal investment policy that limits investment in foreign currency has not been adopted the Board of Trustees. As of June 30,2024, the Agency's exposure to foreign currency risk in U.S. dollars is as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Currency		Total Exposure	Cash Deposits	Equities	Fixed Income	Pooled/Alternatives and Real Estate Measured at NAV	Foreign Currency Contracts	Investment Principal Receivable	Investment Principal Payable	Accrued Income
Brazilian Real	BRL	$ 13,064,444	$ 82,131	$ 9,087,696	$ 3,894,617					
British Pound Sterling	GBP	468,300,907	72,990	130,699,520	4,821,687	$ 330,047,638	$ (27,853)			$ 2,686,925
Canadian Dollar	CAD	23,148,042	139	19,358,070		3,780,372				9,461
Chilean Peso	CLP	4,778,611		4,778,611						
Chinese Yuan Renminbi	CNY	5,222,773	32,277	5,190,496						
Danish Krone	DKK	58,618,493	21	58,549,717			590,048		$ (590,048)	68,755
Euro	EUR	539,018,881	207,266	415,607,807	$ 5,604,195	110,272,035	(1,639,074)	$ 512,641	(468,893)	8,922,904
Hong Kong Dollar	HKD	53,335,199		45,613,422		7,196,792				524,985
Indian Rupee	INR	390,183	390,183							
Indonesian Rupiah	IDR	28,247,250		24,908,628	3,295,613					43,009
Japanese Yen	JPY	247,895,106	21,345,392	226,101,019			2,453,961		(2,453,961)	448,695
Mexican Peso	MXN	7,532,183		4,939,097	2,577,487					15,599
New Taiwan Dollar	TWD	55,595,651		55,458,721						136,930
New Zealand Dollar	NZD	3,397,307			3,369,945					27,362
Norwegian Krone	NOK	3,323,660			3,305,900					17,760
Polish Zloty	PLN	6,447								6,447
South African Rand	ZAR	13,825,284	67	11,491,488	2,253,242					80,487
South Korean Won	KRW	58,126,557		58,126,541						16
Swedish Krona	SEK	20,849,329	25	20,849,304						
Swiss Franc	CHF	73,925,808	293	72,469,407			912,546		(912,546)	1,456,108
Uruguayan Peso	UYU	1,552,000			1,536,837					15,163
Totals		$ 1,680,154,115	$ 22,130,784	$ 1,163,229,544	$ 30,659,523	$ 451,296,837	$ 2,289,628	$ 512,641	$ (4,425,448)	$ 14,460,606

For foreign currency contracts in the schedule above, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number, therefore, represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

Derivatives – Derivative instruments are financial contracts or agreements whose value is derived from one or more underlying assets, reference rates, and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts, forward foreign currency exchange and rights. Investment guidelines state that derivatives may be used to reduce the risk in a portfolio but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines. There is a risk that the counterparties to the contracts will not be able to meet the contract terms. The external investment managers seek to control this risk through counterparty credit evaluations and approvals, credit limits, and exposure monitoring procedures.

The fair value balances of derivative instruments outstanding at June 30, 2024, classified by type, and the changes in fair value for the year then ended, are as follows:

	Changes in Fair Value		Fair Value at June 30, 2024	
Type	Classification	Amount	Classification	Amount
Forwards	Net increase (decrease) in the fair value of investments	$ 31,797	Investment derivatives	$ 14,174

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Deposits and Investments (Continued)

Investments (Continued)

Foreign Currency Forwards – A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as net increase (decrease) in fair value of investments, a component of net investment income (loss), in the statement of changes in plan net position. The realized gain or loss on closed forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in net increase (decrease) in fair value of investments, a component of net investment income (loss), in the statement of changes in plan net position. As of June 30, 2024, outstanding forward exchange currency contracts to purchase foreign currencies with contract amounts of $4,429,033 and market values of $4,425,448, resulting in a net loss of $3,585. Outstanding forward exchange currency contracts to sell foreign currencies with contract amounts of $2,153,580 had market values of $2,135,821, resulting in a net gain of $17,759.

The net fair value and net notional amounts of foreign currency forwards as of June 30, 2024, were as follows:

Foreign Currency Forwards	Fair Value	Net Notional	
British Pound Sterling	$ (18)	GBP	22,034
Euro	17,777	EUR	1,961,321
United States Dollar	(3,585)	USD	4,429,033
Total	$ 14,174		

Securities Lending Transactions – Arkansas Code Annotated and Board policy permit ATRS to participate in a securities lending program, whereby securities are lent to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The securities lending program is administered by State Street Bank and Trust (the “Custodian”). The contractual authorization for the securities lending program is contained in the Securities Lending Authorization Agreement between the Agency and the Custodian. There were no restrictions on the dollar amount of securities loaned, and for the year-ended June 30, 2024, there were no violations of the Securities Lending Authorization Agreement. Brokers who borrow the securities must provide collateral in the form of cash, other securities, or irrevocable bank letters of credit of at least 100% of the market value of the underlying securities. Securities on loan (underlying securities) at year-end include U.S. Government securities, corporate securities, and international securities. ATRS cannot pledge or sell collateral securities received unless the borrower defaults. The cash collateral received on each loan is invested in a collective investment fund comprised of a liquidity pool.

As of June 30, 2024, the liquidity pool had an average duration of 15.86 days and an average weighted final maturity of 103.88 days for USD collateral. Because the loans are terminable at will, their duration generally will not match the duration of the investments made with cash collateral.

At year-end, there was no credit risk exposure to borrowers as due to the custodian’s indemnification agreement to purchase replacement securities or return cash collateral in the event a borrower fails to return a loaned security or fails to pay the Agency for income of the securities while on loan. No borrowers failed to return loaned securities or pay distributions during the year. Investments made with cash collateral appear as an asset on the Statement of Fiduciary Net Position. Corresponding liabilities are recorded, as the cash collateral must be returned to the borrower upon expiration of the loan.

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Capital Assets

Capital assets purchased (or leased) with costs exceeding $5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the Agency would have purchased the item. Depreciation is reported based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

Assets:	Years
Equipment	5-20

Capital assets activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Fiduciary activities:				
Equipment	$ 921,936	$ 12,374	$ 63,681	$ 870,629
Less accumulated depreciation	848,440	15,460	54,011	809,889
Fiduciary activities, net	$ 73,496	$ (3,086)	$ 9,670	$ 60,740

I. Compensated Absences – Employee Leave

Annual leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for their unused accrued annual leave up to 30 days. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

Sick leave is earned by all full-time employees and may be accrued up to 120 days. Compensation up to a maximum of $7,500 for unused sick leave is payable to employees upon retirement.

Compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2024 and 2023, amounted to $607,116 and $554,664, respectively. The net changes to compensated absences payable during the year ended June 30, 2024, amounted to $52,452.

J. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State Board of Finance (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Arkansas State Employee Health Insurance Plan (Plan) (Continued)

The Agency contributes to the Plan, a single employer defined benefit OPEB plan administered by DTSS-EBD, on a monthly basis. The Board establishes medical and prescription drug benefits for three classes of covered individuals: active employees, terminated employees with accumulated benefits, and retirees and beneficiaries. The Plan is established on the basis of a pay-as-you-go financing requirement, and no assets are accumulated in a trust, as defined by Governmental Accounting Standards Board (GASB) Statement No. 75. The State's annual OPEB cost for the Plan is based on an actuarially-determined calculated amount made in accordance with GASB Statement No. 75.

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414 and may not exceed $550 per budgeted position. Employees, retirees, and beneficiaries contribute varying amounts based on the type of coverage and inclusion of family members. Benefits for Medicare-eligible retirees are coordinated with Medicare Parts A and B, and the Plan is the secondary payer. The portion of the State's annual OPEB liability attributable to ATRS as of June 30, 2024, is $3,028,728.

K. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (a deduction) until a future period.

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (addition) until a future period.

L. Contributions

The contribution rate for participating employers, subject to a statutory ceiling of 15%, is established by the Board of Trustees based on an independent actuary's determination of the rate required to adequately fund the plan. For the fiscal year ended June 30, 2024, the employer contribution rate was 15% of active member payroll.

The contribution rate for contributory members (employee contributions), subject to a statutory floor of 6%, is established by the Board of Trustees and may be amended to maintain actuarial soundness of the plan. For the fiscal year ended June 30, 2024, the employee contribution rate was 7%. Employee contributions are refundable if covered employment terminates before a monthly benefit is payable, and any contributions remaining on deposit for a period of one or more years earn interest credits, which are included in the refund amount.

M. Reserves

The reserve accounts are an allocation of the net position restricted for pensions and do not limit the availability of assets to be used for existing pensions or pension administration. They are made to comply with the provisions of Ark. Code Ann. § 24-7-405. At June 30, 2024, the reserve accounts were funded at a level that complied with the Code provisions.

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Reserves (Continued)

	Arkansas Teacher Retirement Pension Trust Fund Reserves
Members' deposit account reserve	$ 15,084,287,261
Employers' accumulation account reserve	(7,498,703,380)
Retirement reserve	14,294,170,799
Teacher deferred retirement option plan account reserve	349,812,712
Survivor benefit account reserve	119,259,431
Income - expense account reserve	10,404,561
Total	$ 22,359,231,384

NOTE 2: Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2024, were as follows:

Total pension liability	$ 26,639,296,570
Less: plan net position	22,359,231,384
Employers' net pension liability	$ 4,280,065,186
Plan net position as a percentage of the total pension liability	83.93%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Wage inflation rate:	2.75%; inclues 2.50% price inflation and 0.25% general economic improvement.
Salary increases:	2.75 - 5.75%
Investment rate of return:	7.25%
Mortality table:	Pub-2010 General Healthy Retired, General Disabled Retiree, and General Employee Mortality amount weighted tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

	Scaling Factor	
Table	Males	Females
Healthy Retirees	105%	105%
Disabled Retirees	104%	104%
Active Members	100%	100%

The actuarial assumptions used in the June 30, 2024, valuation was based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

NOTE 2: Net Pension Liability of Participating Employers (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Global equity	48.0%	4.7%
Fixed income	20.0%	2.4%
Alternatives	5.0%	4.5%
Real assets	15.0%	4.6%
Private equity	12.0%	6.9%
Cash equivalents	0.0%	1.8%
	100.00%	

Single Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments or 7.25%. Although not all members contribute, the fiscal year 2024 employer and member contribution rates are 15.00% and 7.00%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will follow this schedule. This includes payroll for current T-DROP participants and return to work retirees. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability – Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the participating employers' net pension liability, calculated using the current discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Lower than Current Rate	Current Rate 7.25%	1% Higher than Current Rate
Net pension liability	$ 7,611,770,086	$ 4,280,065,186	$ 1,518,115,441

NOTE 3: Required Supplementary Schedules

Detailed historical information about the pension liabilities for which the pension plan's assets are being held and managed and the significant assumptions used to measure these liabilities are required supplementary information. This required supplementary information, prepared in accordance with the parameters of GASB Statement No. 67, as amended, is included immediately following the notes to the financial statements.

ARKANSAS TEACHER RETIREMENT SYSTEM

Schedule 1

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	$ 426,391,125	$ 395,700,338	$ 379,267,685	$ 340,401,007	$ 331,035,218	$ 325,464,537	$ 315,864,318	$ 307,786,503	$ 305,086,337	$ 298,134,477
Interest	1,836,744,684	1,772,097,027	1,720,782,101	1,655,575,883	1,608,463,162	1,551,511,422	1,504,613,059	1,485,759,965	1,433,768,167	1,371,168,271
Changes in benefit terms								(469,205,711)		
Differences between actual and expected experience	(2,059,205)	164,573,721	4,880,583	108,860,237	(24,869,157)	119,427,343	(7,365,993)	(76,812,667)	(15,341,738)	123,519,055
Changes in assumptions				887,447,380				1,374,950,899		
Benefit payments	(1,473,871,266)	(1,413,477,760)	(1,374,220,915)	(1,308,163,750)	(1,255,065,793)	(1,205,326,555)	(1,160,738,238)	(1,092,952,357)	(1,035,958,950)	(970,719,484)
Refunds of contributions	(12,116,533)	(12,583,767)	(10,426,792)	(9,463,375)	(9,592,091)	(9,679,783)	(9,455,405)	(10,874,003)	(10,145,471)	(10,774,122)
NET CHANGE IN TOTAL PENSION LIABILITY	775,088,805	906,309,559	720,282,662	1,674,657,382	649,971,339	781,396,964	642,917,741	1,518,652,629	677,408,345	811,328,197
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	25,864,207,765	24,957,898,206	24,237,615,544	22,562,958,162	21,912,986,823	21,131,589,859	20,488,672,118	18,970,019,489	18,292,611,144	17,481,282,947
TOTAL PENSION LIABILITY - END OF YEAR (A)	$26,639,296,570	$25,864,207,765	$24,957,898,206	$24,237,615,544	$22,562,958,162	$21,912,986,823	$21,131,589,859	$20,488,672,118	$18,970,019,489	$18,292,611,144
PLAN NET POSITION										
Contributions - employer	$ 554,738,036	$ 536,619,031	$ 501,522,604	$ 472,567,147	$ 446,228,128	$ 430,864,656	$ 424,488,126	$ 414,954,939	$ 410,358,229	$ 408,230,472
Contributions - member	211,036,048	200,610,721	183,315,252	168,129,972	153,105,134	141,885,632	138,766,747	133,109,939	131,100,983	128,555,684
Net investment income, including securities lending activity	2,412,699,836	1,692,309,263	(1,590,291,257)	5,250,953,451	(165,766,491)	898,384,867	1,824,094,695	2,289,818,591	35,579,657	632,166,951
Benefit payments	(1,473,871,266)	(1,413,477,760)	(1,374,220,915)	(1,308,163,750)	(1,255,065,793)	(1,205,326,555)	(1,160,738,237)	(1,092,952,357)	(1,035,958,950)	(970,719,484)
Refunds of contributions	(12,116,533)	(12,583,767)	(10,426,792)	(9,463,375)	(9,592,091)	(9,679,783)	(9,455,405)	(10,874,003)	(10,145,471)	(10,774,122)
Administrative expense	(8,427,396)	(7,892,822)	(6,650,604)	(7,326,797)	(8,454,436)	(7,134,784)	(9,336,430)	(7,825,595)	(8,059,030)	(8,034,857)
Other	120,741		507,446,092							
NET CHANGE IN PLAN NET POSITION	1,684,179,466	995,584,666	(1,789,305,620)	4,566,696,648	(839,545,549)	248,994,033	1,207,819,496	1,726,231,514	(477,124,582)	179,424,644
PLAN NET POSITION - BEGINNING OF YEAR	20,675,051,918	19,679,467,252	21,468,772,872	16,902,076,224	17,741,621,773	17,492,627,740	16,284,808,244	14,558,576,730	15,035,701,312	14,856,276,668
PLAN NET POSITION - END OF YEAR (B)	$22,359,231,384	$20,675,051,918	$19,679,467,252	$21,468,772,872	$16,902,076,224	$17,741,621,773	$17,492,627,740	$16,284,808,244	$14,558,576,730	$15,035,701,312
PARTICIPATING EMPLOYERS' NET PENSION LIABILITY (ASSET) END OF YEAR (A) - (B)	$ 4,280,065,186	$ 5,189,155,847	$ 5,278,430,954	$ 2,768,842,672	$ 5,660,881,938	$ 4,171,365,050	$ 3,638,962,119	$ 4,203,863,874	$ 4,411,442,759	$ 3,256,909,832
Plan net position as a percentage of total pension liability	83.93%	79.94%	78.85%	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%
Covered employee payroll	$ 3,611,533,918	$ 3,492,029,158	$ 3,320,346,417	$ 3,204,720,806	$ 3,077,558,814	$ 3,027,154,131	$ 2,986,026,715	$ 2,921,965,125	$ 2,888,392,668	$ 2,873,988,053
Participating employers' net pension liability (asset) as a percentage of covered employee payroll	118.51%	148.60%	158.97%	86.40%	183.94%	137.80%	121.87%	143.87%	152.73%	113.32%

ARKANSAS TEACHER RETIREMENT SYSTEM

Schedule 2

SCHEDULE OF CONTRIBTUIONS

FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2024

FY Ending June 30,	Actuarially Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a % of Covered Employee Payroll
2024	$ 534,397,641	$ 554,738,036	$ (20,340,395)	$ 3,611,533,918	15.36%
2023	547,709,158	536,619,031	11,090,127	3,492,029,158	15.37%
2022	493,022,221	501,522,604	(8,500,383)	3,320,346,417	15.10%
2021	474,196,689	472,567,147	1,629,542	3,204,720,806	14.75%
2020	450,612,124	446,228,128	4,383,996	3,077,558,814	14.50%
2019	447,791,482	430,864,656	16,926,826	3,027,154,131	14.23%
2018	422,365,685	424,488,126	(2,122,441)	2,986,026,715	14.22%
2017	423,846,831	414,954,939	8,891,892	2,921,965,125	14.20%
2016	437,434,470	410,358,229	27,076,241	2,888,392,668	14.21%
2015	474,773,530	408,230,472	66,543,058	2,873,988,053	14.20%

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2024

Schedule 3

FY Ending June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2024	11.92%
2023	8.78%
2022	-5.15%
2021	31.82%
2020	-0.96%
2019	5.25%
2018	11.46%
2017	16.09%
2016	0.24%
2015	4.34%

NOTE 1: Summary of Significant Information Related to Required Supplementary Schedules

A. Schedule of Contributions

1. Changes in Benefit Terms

There were no significant changes in benefit terms for the year ended June 30, 2024.

2. Changes in Assumptions

There were no significant changes in assumptions for the year ended June 30, 2024.

3. Methods and Assumptions Used in Calculations of Actuarially-Determined Contributions

Valuation date:	June 30, 2022
	Actuarially determined contribution rates are calculated as of June 30 in the year which is one year prior to the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial cost method:	Entry age normal; funding to retirement
Amortization method:	Level percentage of payroll
Amortization period:	30 years
Asset valuation method:	4-year smoothed market for funding purposes ; 20% corridor
Payroll growth:	2.75%
Salary increases:	2.75 to 5.75% including inflation
Investment rate of return:	7.25%
Mortality table:	Pub-2010 General Healthy Retiree, General Disabled Retiree, and General Employee Mortality tables were used for males and females. Mortality rates were adjusted for future mortality improvements using projection scale MP-2020 from 2010.

	Scaling Factor	
Table	Males	Females
Healthy Annuitant	105%	105%
Disabled Annuitant	104%	104%
Employee Mortality	100%	100%

ARKANSAS TEACHER RETIREMENT SYSTEM
SCHEDULE OF SELECTED INFORMATION
FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2024

Schedule 4

	For the Year Ended June 30,				
	2024	2023	2022	2021	2020
Total Assets	$ 22,924,220,863	$ 21,177,931,966	$ 20,501,229,577	$ 22,005,819,561	$ 17,272,901,062
Total Deferred Outflows of Resources	262,602	493,831	685,899	1,034,149	1,310,404
Total Liabilities	563,776,543	501,713,964	820,378,162	537,941,055	371,416,146
Total Deferred Inflows of Resources	1,475,538	1,659,915	2,070,062	139,784	719,096
Net Position Restricted for Pensions	22,359,231,384	20,675,051,918	19,679,467,252	21,468,772,871	16,902,076,224
Total Additions (Losses)	3,178,594,661	2,429,539,015	(398,007,308)	5,891,652,600	433,570,198
Total Deductions	1,494,415,195	1,433,954,349	1,391,298,311	1,324,955,953	1,273,115,747