



## Arkansas Judicial Retirement System

Quarterly Board Meeting

Thursday, December 5, 2024, 1:30 p.m.

124 West Capitol Avenue, Suite 400, Little Rock 72201

*The meeting will be held in the APERS conference room located on the 4<sup>th</sup> floor. The meeting will be a hybrid and can be attended via Zoom via the link on our website, [www.apers.org](http://www.apers.org).*

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### AGENDA

1. Call to Order
2. Recognition of notification of meeting to news media pursuant to Act 93 of 1967 (AR Code 25-19-101) - Freedom of Information Act
3. Recognition of the Presence of a Quorum
4. **Action Item:** Approval of Minutes
  - a. Meeting of August 22, 2024 **(Page 3)**
  - b. Meeting of November 6, 2024 **(Page 6)**
5. Administrative Expense Reports for the quarter ending September 30, 2024 **(Page 7)**
6. **Investments** – Ms. Brianne Weymouth and Mr. John Jackson from Callan LLC and Mr. Carlos Borrromeo, Deputy Director of Investments and Finance
  - a. CIO Report **(Page 8)**
  - b. Quarterly Report for the Period Ending September 30, 2024 **(Page 17)**
7. **Finance** – Finance: Mr. Mita Drazilov and Ms. Heidi Barry, GRS, and Mr. Jason Willett, Chief Financial Officer
  - a. June 30, 2024 Actuarial Valuation Results **(Page 42)**
  - b. **Action Item:** Approve the annual reserve transfers
  - c. Financial Statements for the Quarter Ending September 30, 2024 **(Page 61)**
8. **Legal** – Ms. Laura Gilson, General Counselor
  - a. Legal Report **(Page 63)**
  - b. Draft Legislation **(Page 65)**
9. **Benefits** – Ms. Allison Woods, Deputy Director of Benefits
  - a. Benefits Summary **(Page 73)**

10. **Executive Report** – Ms. Amy Fecher, Executive Director
  - a. Executive Report Review (**Page 83**)
11. Next Calendar Year Quarterly Board Meetings:
  - March 13, 2025, at 1:30 p.m.
  - June 12, 2025, at 1:30 p.m.
  - September 11, 2025, at 1:30 p.m.
  - December 4, 2025, at 1:30 p.m.
12. Adjournment

**Arkansas Judicial Retirement System  
Board of Trustees Meeting  
August 22, 2024**

The regular meeting of the Arkansas Judicial Retirement System Board of Trustees was held on Thursday, August 22, 2024, at 1:30 p.m. in the 4th floor conference room, 124 West Capitol, Little Rock, Arkansas. This hybrid meeting was held via ZOOM remote conferencing in the conference room. Judge Yeargan presided.

Judge Yeargan recognized the presence of a quorum.

**Board Members Present**

Hon. Charles Yeargan (Retired Circuit Judge), Chair, Glenwood  
Hon. Raymond Abramson (AR Court of Appeals), Holly Grove  
Hon. Herbert Wright (Circuit Judge), North Little Rock  
Hon. Marcia Hearnberger (Circuit Judge), Hot Springs\*  
Hon. John Scott (Circuit Judge), Bentonville

**Visitors Present**

Mr. John Jackson, Callan LLC  
Ms. Brianne Weymouth, Callan LLC  
Mr. Logan Surdam, Legislative Auditor, ALA  
Mr. David Jones\*

**APERS Staff Present**

Ms. Amy Fecher, Executive Director, Arkansas Judicial Retirement System  
Ms. Allison Woods, Deputy Director of Benefits  
Mr. Carlos Borromeo, Deputy Director of Investments & Finance  
Ms. Ashley Golleher, Deputy Director of Operations  
Ms. Laura Gilson, General Counsel  
Mr. Richmond Giles, Staff Attorney  
Mr. Jason Willett, Chief Financial Officer  
Ms. Patty Shipp, Assurance Officer  
Ms. Jennifer Taylor, APERS Director of Benefits Administration\*  
Mr. Phillip Norton, Director of IT  
Ms. Jacobia Bates, Director of Public Affairs  
Ms. Kristi Brown, Retirement Coordinator\*  
Ms. Cheryl Wilburn, APERS Benefits Operations Manager\*  
Ms. Usha Doolabh, Investments Manager\*  
Ms. Stacie Jackson, Administrative Specialist III\*  
Ms. Meredith Kittler, Administrative Specialist III

\*Denotes Remote Attendees

### **Notification of News Media**

An e-mail with notification of the Arkansas Public Employees' Retirement System Board meeting was sent to the Arkansas Democrat-Gazette, the Associated Press, and various news outlets. It was also posted on Arkansas.gov. This notification is pursuant to A.C.A. §25-19-101 (Act 93 of 1967), as amended, *a.k.a.* the Arkansas Freedom of Information Act.

### **Minutes**

Prior to the Board meeting, a copy of the minutes from the May 16, 2024, meeting was emailed to each AJRS Board member for review. Judge Wright made a motion to accept the minutes as presented. The motion was seconded by Judge Abramson. Without objection the motion carried.

### **Administrative Expense Reports for the Quarter**

Mr. Carlos Borromeo stated there was a mistake on the budget side to amend. Judge Wright made a motion to accept the expense reports for April - June 2024, as amended. With no objection the report was approved.

### **Investments**

#### **CIO Report**

Mr. Carlos Borromeo presented the Chief Investment Officer (CIO) Report for the quarter ending June 30, 2024. He expressed a lack of optimism during the Board's last meeting in April and May, noting that the April returns revealed several areas of concern. However, May brought encouraging economic data, leading the markets to adopt a more favorable outlook. The fiscal year-to-date return stands at 11.23%, surpassing the benchmark of AJRS, which outperformed APERS at 10.42%. The positive trends in domestic equity markets have persisted into the second quarter of 2024, with U.S. Large Cap stocks continuing to outperform their small and mid-cap counterparts. Additionally, growth stocks have shown stronger performance compared to value stocks, and U.S. equities have outshined international equities. Notably, among the S&P 500's year-to-date performance, the Communication Services and Information Technology sectors have distinguished themselves. In contrast to the U.S. Markets, where growth stocks are leading, international markets have seen value stocks outperforming growth. Mr. Borromeo concluded that AJRS is performing exceptionally well.

### **Quarterly Report for the Period Ending March 31, 2024 (Callan)**

#### **Callan Report**

The Gross Domestic Product (GDP) has increased by 2.8%, surpassing the 1.4% growth observed in the first quarter. Contrary to expectations of a slowdown, consumer spending and growth remain robust. Interest rates have also risen during this quarter. The most significant decline has been noted in the office space market, particularly in the context of hybrid work arrangements. While real estate income has shown positive trends overall, returns have unfortunately been negative. As of August 21, the value of funds stands at approximately \$351 million, outperforming the benchmark by 1%.

### **Update on New Manager Search**

Mr. Borromeo mentioned that it has been some time since a manager search for AJRS was conducted. Callan ran a search and referred to the schematics within the report. The search process incorporates insights from both the firms and AJRS investment staff. The search is to replace Bailey Gifford. The candidates discussed included Acadian, Connor Clark & Lunn, as well as Earnest Partners. The top choice is Connor Clark & Lunn (CC&L). Ms. Weymouth indicated that the downside risk is lower, which is advantageous for the board and enhances the risk profile. CC&L is viewed as a strong strategy, with Acadian also considered a viable option. Regarding style, CC&L is identified as a core manager, generally

opting for slightly smaller investments than the benchmark, while Acadian tends to focus on a smaller market capitalization, giving CC&L an edge. Mr. Abramson inquired whether CC&L's location in Vancouver posed any challenges. Ms. Weymouth responded that it does not, emphasizing the global equity portfolio's growth in the U.S. market, coupled with a robust offering. Mr. Abramson made a motion to hire CC&L, Mr. Scott seconded the motion and without objection the motion passed. Mr. Abramson concluded by expressing that this was the most thorough analysis he has encountered and thanked the team for their efforts.

#### **Financial Statements for the Quarter Ending June 30, 2024**

Mr. Jason Willett, CFO, shared the quarterly financial statements with the board. AJSR Fiduciary Net Position as of June 30, 2024, was \$334,690,053. Investment assets have increased \$26 million over last year.

#### **Legal**

Ms. Laura Gilson shared a litigation update with the Board. She also shared legislative initiatives will be discussed in detail at the upcoming board meeting.

#### **Benefits Report**

Ms. Allison Woods provided a benefits summary that included membership information, eligibility for benefits, retirement benefits and new retiree information. She informed the board of and expressed appreciation to GRS for their detailed analysis of changes to demographic and benefit data during their annual actuary review, which the results will be provided at the upcoming board meeting.

#### **Executive Report**

Director Fecher shared highlights from the executive report. She invited board members to join the staff at the upcoming strategic planning workshop in October. The biennial budget was submitted and will be presented at the Oct. 9<sup>th</sup> budget hearings.

With no other business, the meeting was adjourned.

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Hon. Charles Yeargan, Ret. Circuit Judge  
Chair Arkansas Judicial Retirement System

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Amy Fecher  
APERS Executive Director

**Arkansas Judicial Retirement System  
Board of Trustees Meeting  
November 6, 2024**

The regular meeting of the Arkansas Judicial Retirement System Board of Trustees was held on Thursday, November 6, 2024, at 1:00 p.m. via ZOOM remote. Judge Yeargan presided.

Judge Yeargan recognized the presence of a quorum.

**Board Members Present**

Hon. Charles Yeargan (Retired Circuit Judge), Chair, Glenwood  
Hon. Raymond Abramson (AR Court of Appeals), Holly Grove  
Hon. Herbert Wright (Circuit Judge), North Little Rock  
Hon. Marcia Hearnberger (Circuit Judge), Hot Springs  
Hon. John Scott (Circuit Judge), Bentonville

**APERS Staff Present**

Ms. Amy Fecher, Executive Director, Arkansas Judicial Retirement System  
Ms. Allison Woods, Deputy Director of Benefits  
Mr. Carlos Borromeo, Deputy Director of Investments & Finance  
Ms. Ashley Golleher, Deputy Director of Operations  
Ms. Laura Gilson, General Counsel  
Mr. Richmond Giles, Staff Attorney  
Ms. Jacobia Bates, Director of Public Affairs  
Ms. Brooke Holloway, Director of Communications

**Election of New Chair**

Judge Charles Yeargan opened the floor for nominations. Judge John Scott nominated Judge Herb Wright for the position of Chair, with Judge Marcia Hearnberger seconding the nomination. The vote passed with a unanimous "yes." There was no new or old business to be discussed, and the next meeting is scheduled for December 5<sup>th</sup>.

With no other business, the meeting was adjourned.

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Hon. Charles Yeargan, Ret. Circuit Judge  
Chair Arkansas Judicial Retirement System

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Amy Fecher  
APERS Executive Director

ARKANSAS JUDICIAL RETIREMENT SYSTEM  
STATEMENT OF ADMINISTRATIVE EXPENSES

Description	FY 24 Expenses	FY 25 Budget	Jul-24	Aug-24	Sep-24	Total YTD	Remaining Budget
<u>M &amp; O Expenses</u>							
Office Supplies/Printing	988.49	3,000.00	-	-	-	-	3,000.00
Board Member Expense Reimbursement	1,126.33	4,000.00	-	401.44	-	401.44	3,598.56
Bank Charges	3,763.20	5,000.00	324.24	330.11	302.05	956.40	4,043.60
Total M & O Expenses	5,878.02	12,000.00	324.24	731.55	302.05	1,357.84	10,642.16
<u>Professional Fees</u>							
Veritext (1)	311.60	1,000.00				-	1,000.00
Gabriel Roeder Smith (1)	28,400.00	30,000.00				-	30,000.00
Aristotle Capital (2)	148,259.41	170,000.00	41,674.45			41,674.45	128,325.55
Baillie Gifford (2)	130,437.04	150,000.00	33,075.06			33,075.06	116,924.94
Callan Associates (2)	78,235.40	85,000.00	-	20,341.21		20,341.21	64,658.79
Invesco Real Estate (2)	109,342.07	140,000.00	28,160.37			28,160.37	111,839.63
MacKay Shields (2)	374,363.57	425,000.00	103,165.31			103,165.31	321,834.69
Robeco (Boston Partners) (2)	313,473.26	360,000.00	88,505.35			88,505.35	271,494.65
BNY Mellon (2)	22,523.82	32,000.00	-	7,860.29		7,860.29	24,139.71
Mellon Capital Management (2)	18,878.22	25,000.00	5,579.86			5,579.86	19,420.14
Total Professional Fees	1,224,224.39	1,418,000.00	300,160.40	28,201.50	-	328,361.90	1,089,638.10
Transfers To APERS	115,000.00	115,000.00	115,000.00	-	-	115,000.00	-
Total Administrative Expenses	1,345,102.41	1,545,000.00	415,484.64	28,933.05	302.05	444,719.74	1,100,280.26

Notes:

- (1) Administrative Expense
- (2) Investment Expense



DELIVERING SECURE RETIREMENT BENEFITS  
AND EXCEPTIONAL SERVICE TO OUR MEMBERS.

# Chief Investment Officer Report

*For the Quarter Ending September 30, 2024*



# Third Quarter 2024 - Summary

Since June 30, there have been a few major headlines of note

- There were two separate assassination attempts on former President Trump
- President Biden stepped out of the election; V.P. Harris got the nomination.
- The Middle East conflict escalated.
- The Yen carry trade blew up and sent global markets into a brief tailspin
- Investors switched from questioning the duration of the A.I. enthusiasm to being incredibly bullish on A.I.
- Economic data indicated large negative revisions to the jobs data, but slowing inflation.
- The previous two bullet points provided the Fed enough reason to cut interest rates by 50 basis points, and the markets were overjoyed.

# Third Quarter 2024 – AJRS Portfolio

Benchmarks		AJRS Portfolio			
U.S. Equity		Q3 2024		Q3 2024	30-Sep-24
S&P 500	5.89%	Domestic Equity	5.17%	\$ 147,713,251	41.53%
Russell 2000 Index	9.27%	International Equity	8.92%	\$ 39,097,991	10.99%
Russell 3000	6.23%	Fixed Income	5.56%	\$ 138,394,402	38.91%
Russell 1000 Growth	3.19%	Real Estate	0.00%	\$ 26,666,057	7.50%
Russell 1000 Value	9.43%	AJRS Total Portfolio	5.26%	\$ 351,871,701	
International Equity				\$ 3,820,123	Cash
MSCI EAFE	7.26%			\$ 355,691,824	
MSCI ACWI xUS	8.06%				
Fixed Income					
Bloomberg Agg	5.20%				

# Third Quarter 2024 – Domestic Equities

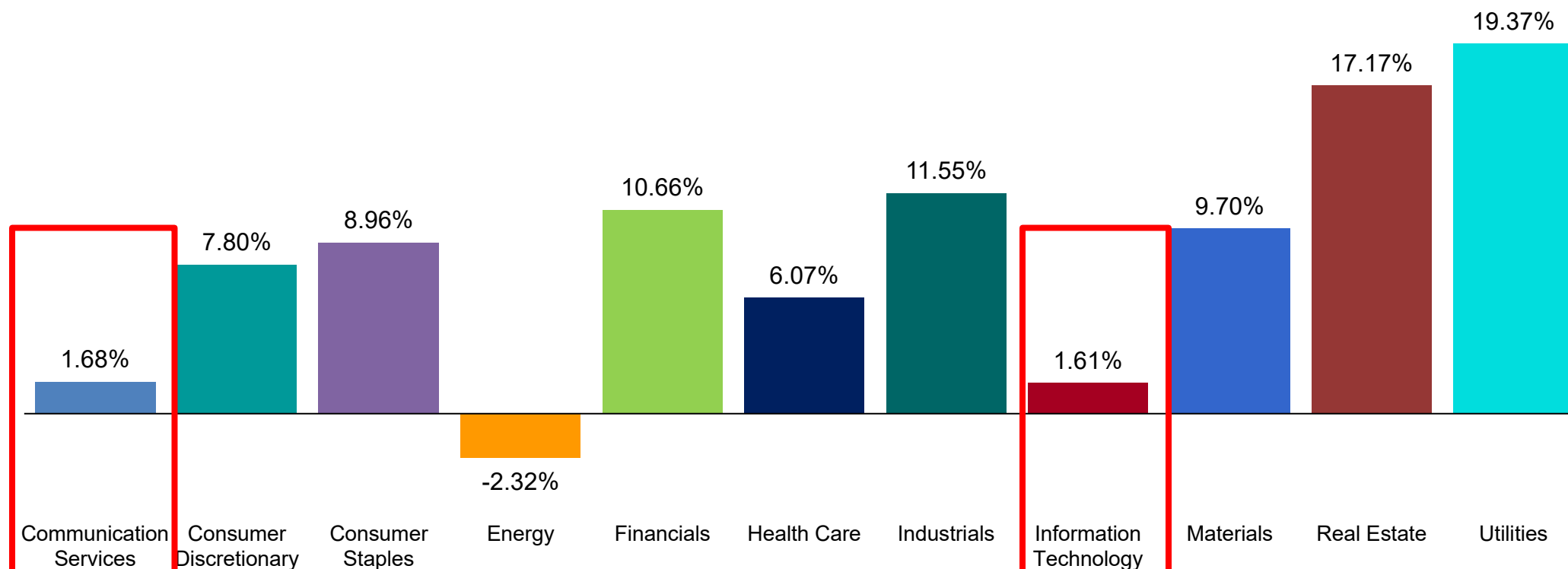
- The markets broadened from the mega cap dominant performance.
- Investor sentiment shifted away from the mega cap names in favor of smaller companies with more attractive valuations. The small cap RU2000 index was up 9.27%
- Value outperformed Growth
- Moderate economic growth as U.S. GDP growth continued to hold in a 2% to 3% range. The consumer remains resilient.
- U.S. industrial production remained weak except for some strength in technology.
- Roughly 50% of the S&P 500 reported earnings, with the results being in-line or better than expected.
- The market risk continued to be the U.S. elections.

	Qtr
<b>S&amp;P 500</b>	5.89%
<b>Russell 1000 Growth</b>	3.19%
<b>Russell 1000 Value</b>	9.43%
<b>Russell 2000 Index</b>	9.27%
<b>Russell 2000 Growth</b>	8.41%
<b>Russell 2000 Value</b>	10.15%
<b>Russell 3000 Index</b>	6.23%
<b>MSCI EAFE</b>	7.26%
<b>MSCI ACWI xUS</b>	8.06%
<b>Bloomberg Agg</b>	5.20%
<b>Bloomberg High Yield</b>	5.28%

# Third Quarter 2024 – S&P Quarter Performance

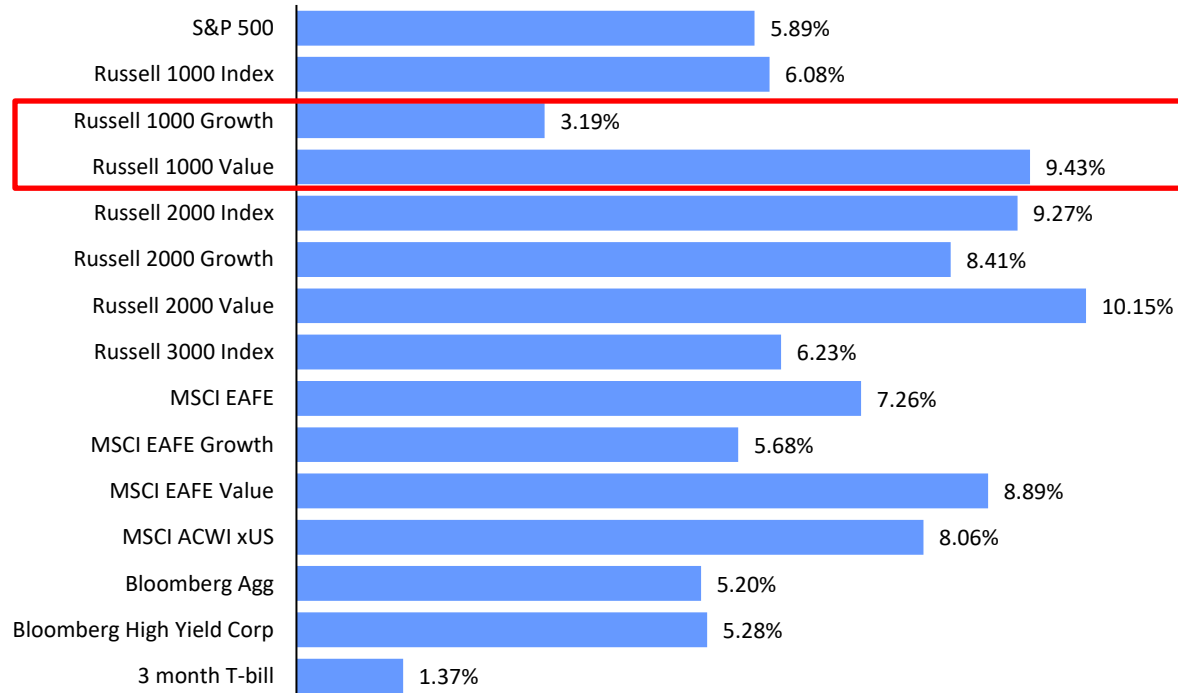
- The S&P 500 returned 5.9%, outperforming the tech heavy RU1000 Growth index which returned 3.2%

Industry Sector Quarterly Performance (S&P 500) as of 9/30/2024

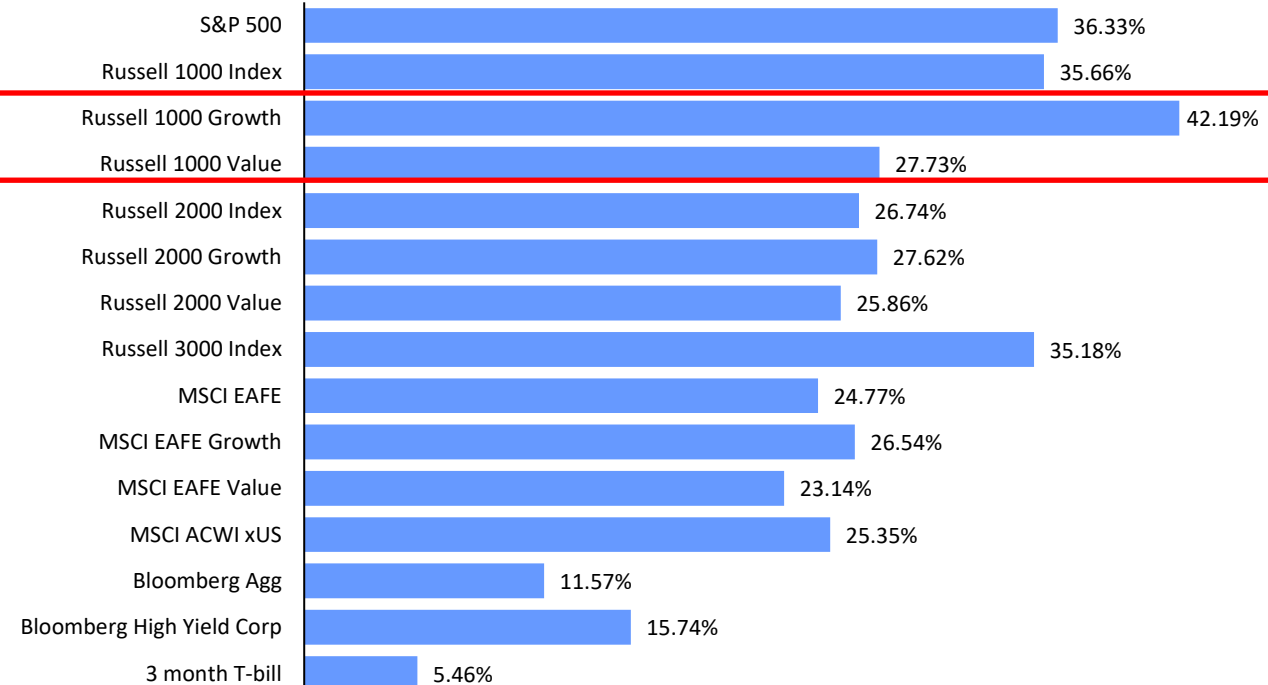


# Third Quarter 2024 – Domestic Equity Indices

Performance by Asset Class: Quarter Ended 9/30/24

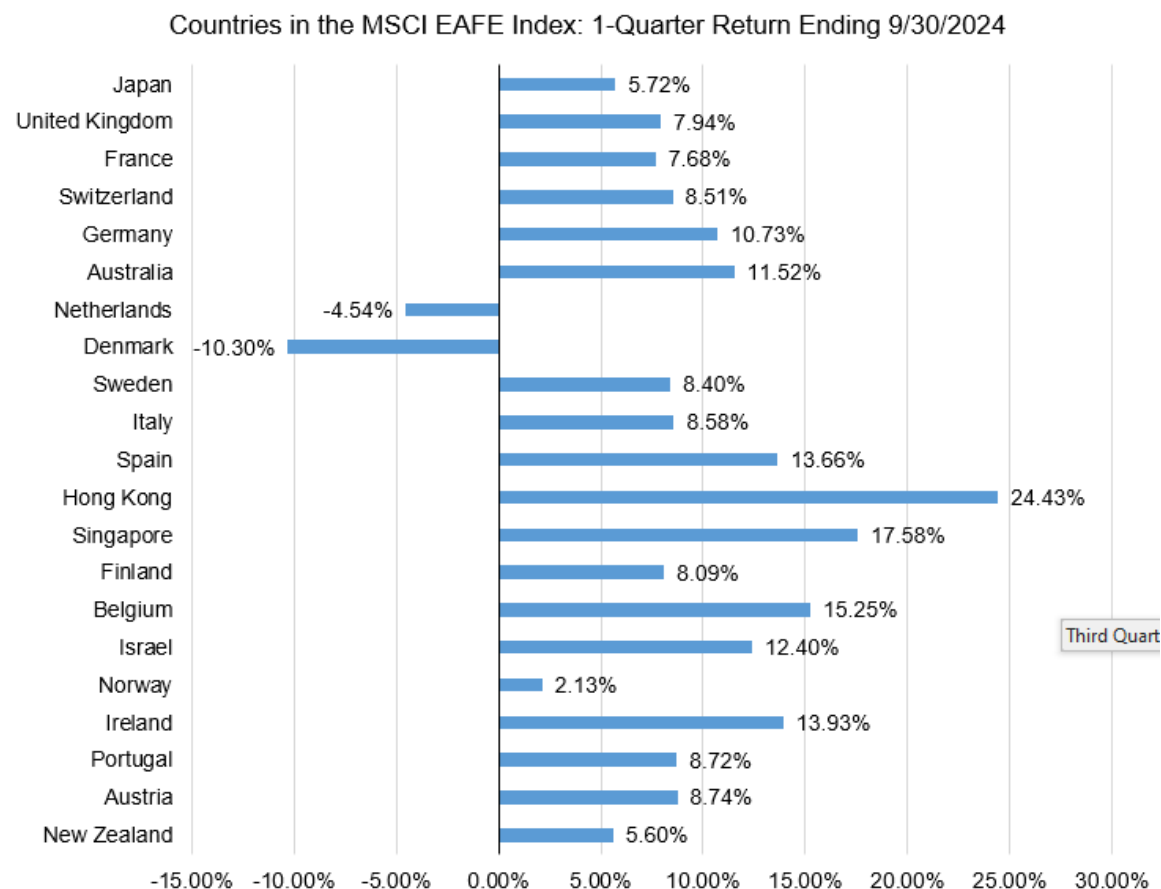
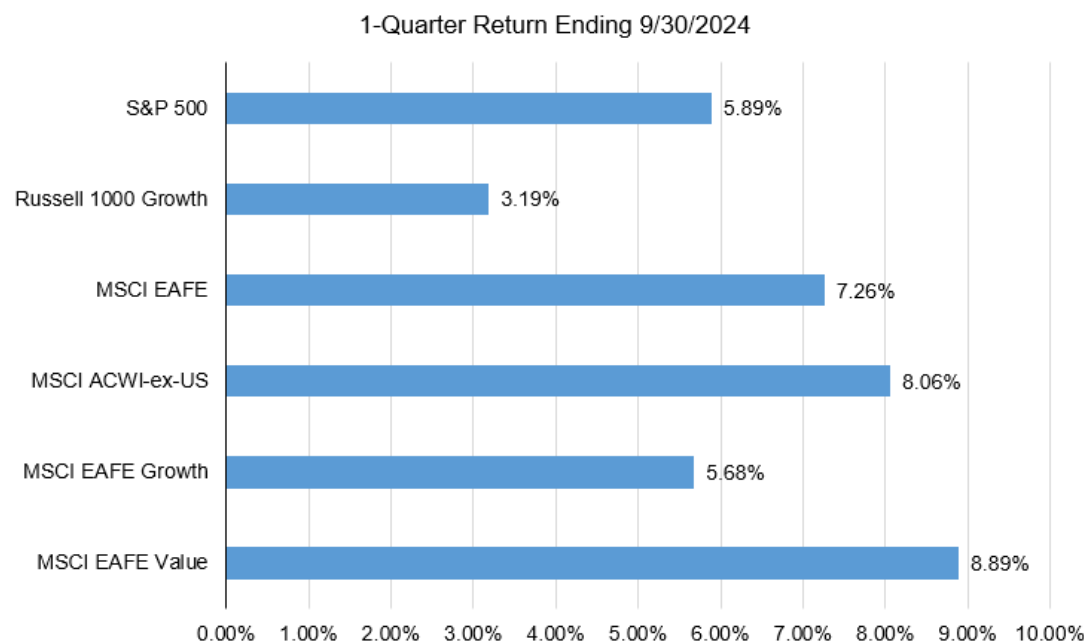


Performance by Asset Class: One Year Ended 9/30/24



# Third Quarter 2024 – Global Equities

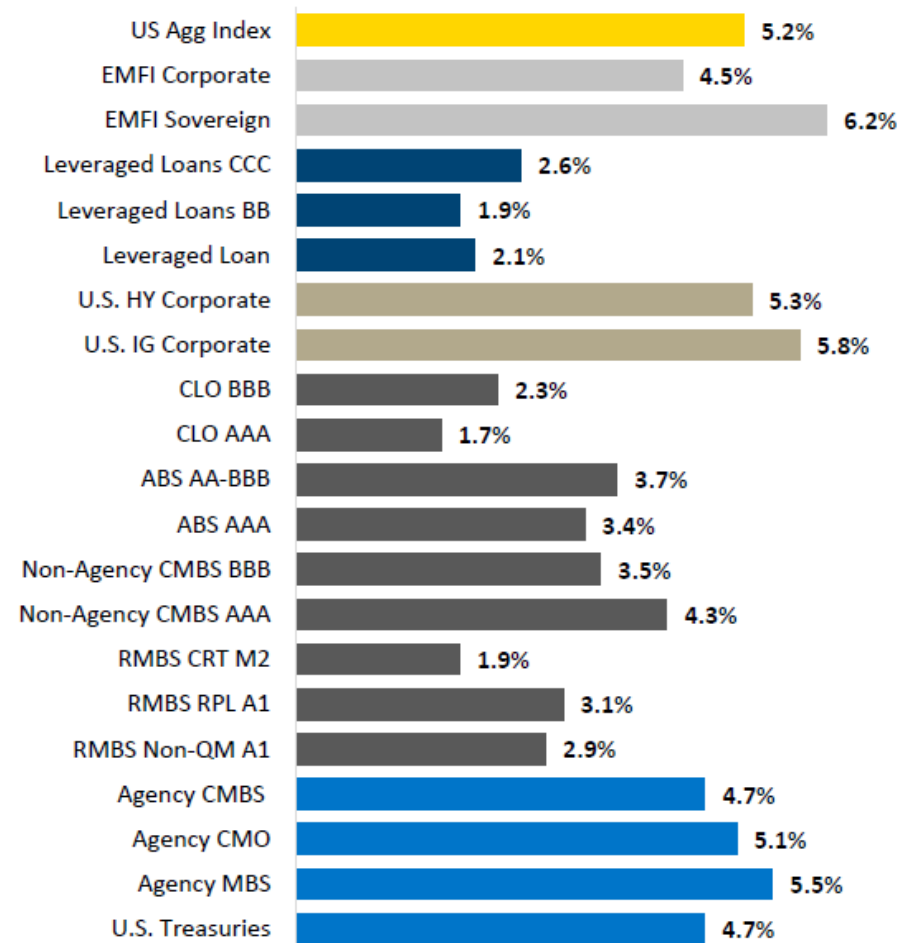
- Global short rates moved lower with interest rate cuts from the US Fed, the European Central Bank (ECB), and the Bank of China



# Third Quarter 2024 – Fixed Income

- The Fed did cut rates as expected.
- The data continues to suggest a relatively soft landing with GDP growth still healthy and labor markets stabilizing. The risks of a near term recession abated.

3Q2024 Fixed Income Index Performance | As of Sept. 30, 2024



# Glossary of Terminology

The Super 6 = “MANMAT” = Microsoft, Apple, NVIDIA, Meta (Facebook), Amazon, Tesla.

Magnificent 7 = “MANMAT” + Alphabet (Google) = MANMAAT

Fed = The U.S. Federal Reserve Bank

S&P 500 = Standard and Poor’s 500

Q2 = Second Quarter

YTD = Year to Date; FYD = Fiscal Year to Date

Bloomberg Agg = Bloomberg Aggregate Index

U.S. T-bill = United States Treasury Bill

Value = Value Stocks

Growth = Growth Stocks

EAFE = Europe Asia Far East

ACWI = All Country World Index

IG = Investment Grade



December 5, 2024



## **Executive Summary Third Quarter 2024**

Arkansas Judicial Retirement  
System

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**Brianne Weymouth, CAIA**  
Senior Vice President

**John Jackson, CFA**  
Senior Vice President

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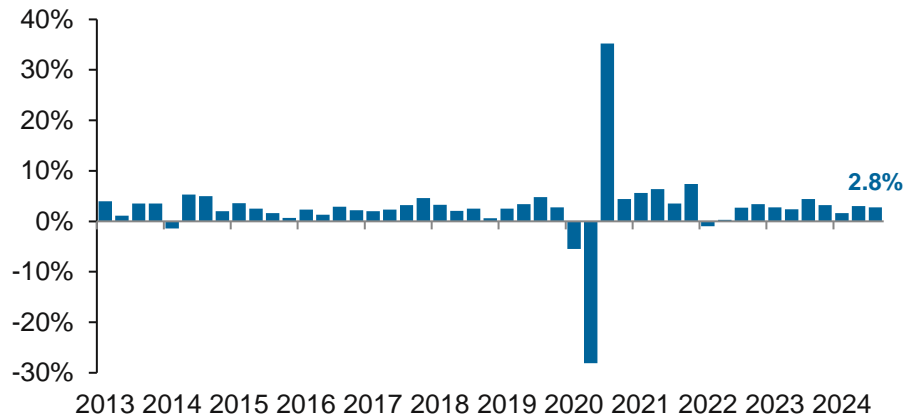


## Economic Overview

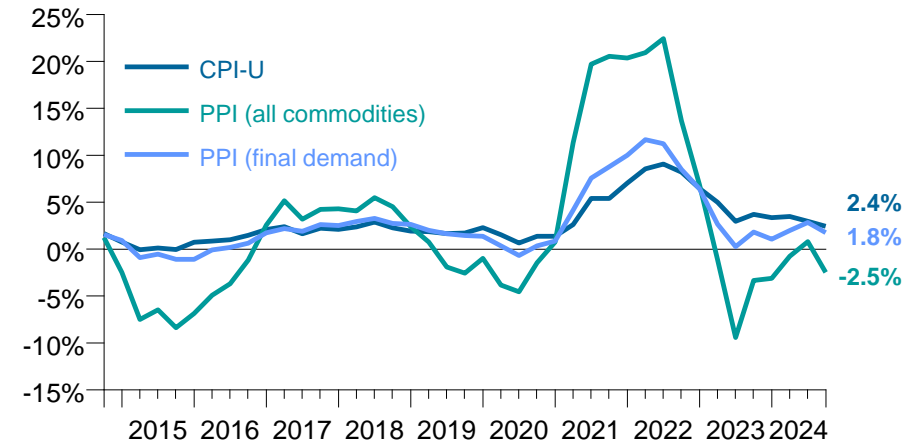
# U.S. Economy—Summary

For periods ended 9/30/24

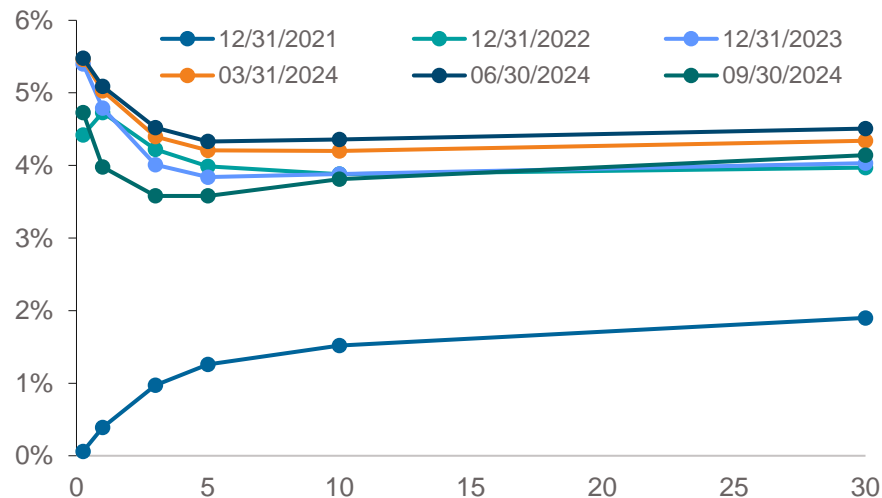
Quarterly Real GDP Growth



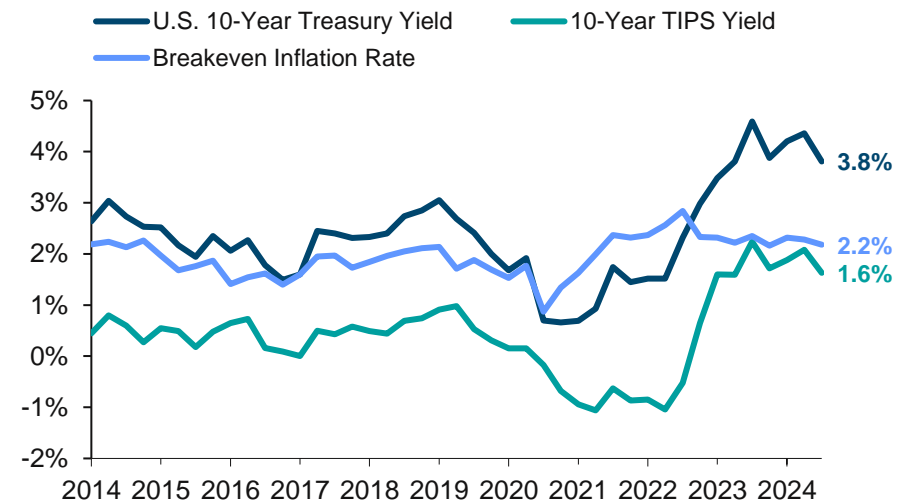
Inflation Year-Over-Year



U.S. Treasury Yield Curves



Historical 10-Year Yields



Sources: Bureau of Labor Statistics, Callan, Federal Reserve



## Global Markets Snapshot

# Global Markets Snapshot

## Returns for Periods ended 9/30/24

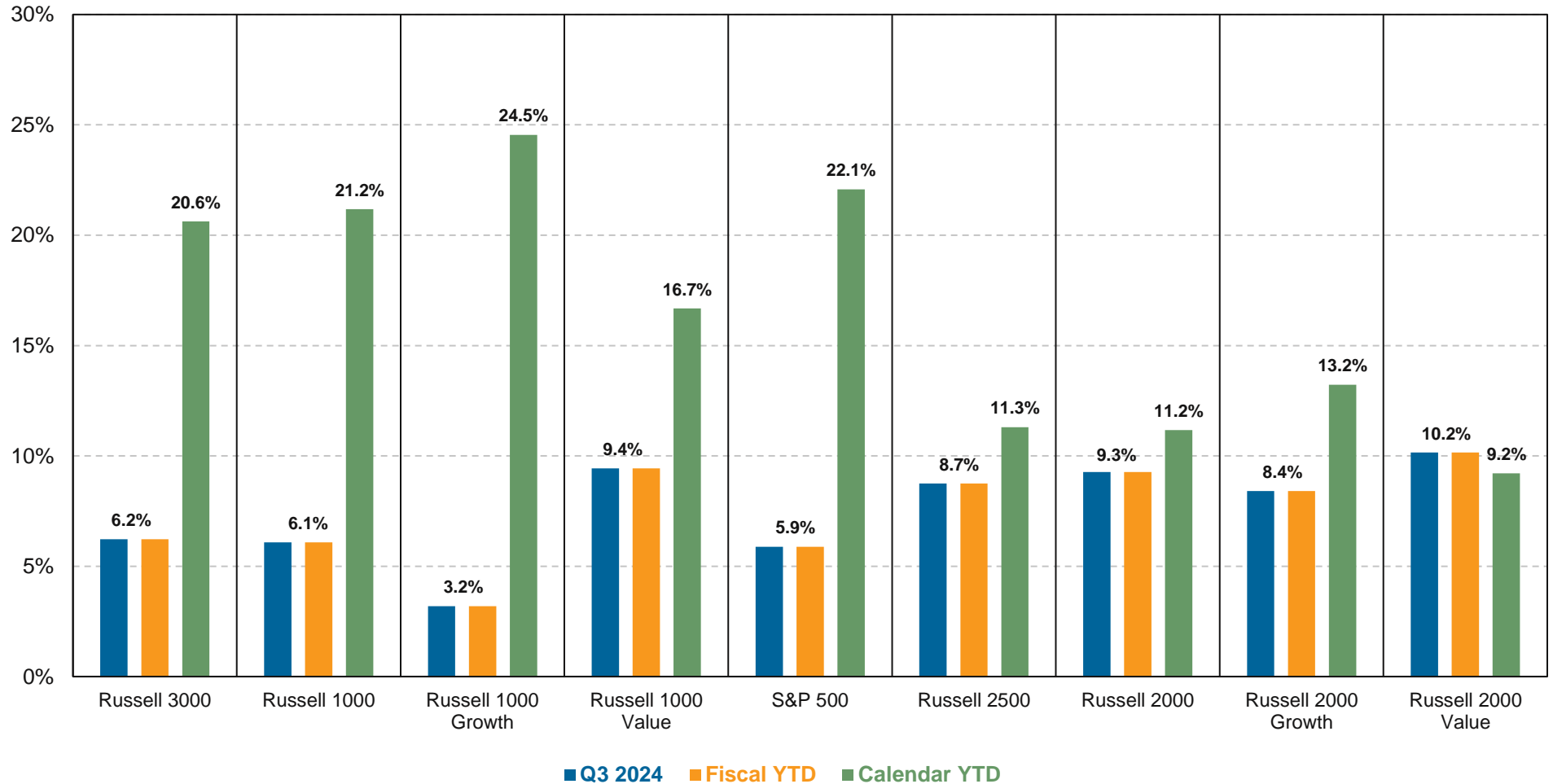
	Q3 2024	FYTD	1 Year	5 Years	10 Years	25 Years
<b>U.S. Equity</b>						
S&P 500	5.89	5.89	36.35	15.98	13.38	8.20
Russell 1000 Growth	3.19	3.19	42.19	19.74	16.52	8.48
Russell 1000 Value	9.43	9.43	27.76	10.69	9.23	7.68
Russell 2000	9.27	9.27	26.76	9.39	8.78	8.27
Russell 2000 Growth	8.41	8.41	27.66	8.82	8.95	6.98
Russell 2000 Value	10.15	10.15	25.88	9.29	8.22	9.10
Russell 3000	6.23	6.23	35.19	15.26	12.83	8.38
<b>Global ex-U.S. Equity</b>						
MSCI World ex USA	7.76	7.76	24.98	8.36	5.68	4.77
MSCI:EAFE	7.26	7.26	24.77	8.20	5.71	4.60
MSCI Emerging Markets	8.72	8.72	26.05	5.75	4.03	--
MSCI ACWI ex USA Small Cap	8.90	8.90	23.25	8.21	6.08	6.79
<b>Fixed Income</b>						
Bloomberg Aggregate	5.20	5.20	11.57	0.33	1.84	4.06
90-day T-Bill	1.37	1.37	5.46	2.32	1.65	1.92
Bloomberg Long Gov/Credit	7.96	7.96	17.24	-1.97	2.32	5.62
Bloomberg Global Agg ex-US	8.52	8.52	12.28	-1.86	-0.50	2.62
<b>Real Estate</b>						
NCREIF Property	-0.26	-0.26	-4.47	3.05	5.77	7.62
NCREIF NFI ODCE Eq Wt Net	-0.06	-0.06	-8.43	2.33	5.46	6.12
FTSE Nareit Equity	16.09	16.09	34.74	5.46	7.83	10.08
<b>Alternatives</b>						
HFRI Fund Weighted	2.84	2.84	12.64	7.41	5.12	6.09
Cambridge Private Equity*	1.00	1.00	4.62	13.84	13.10	12.73
<b>Inflation - CPI-U</b>						
	0.36	0.36	2.44	4.19	2.85	2.55

\*Cambridge PE data as of 06/30/24

Sources: Bloomberg, Callan, Cambridge, FTSE Russell, HFRI, MSCI, NCREIF, S&P Dow Jones Indices

# U.S. Equity Market Snapshot: Q3 2024

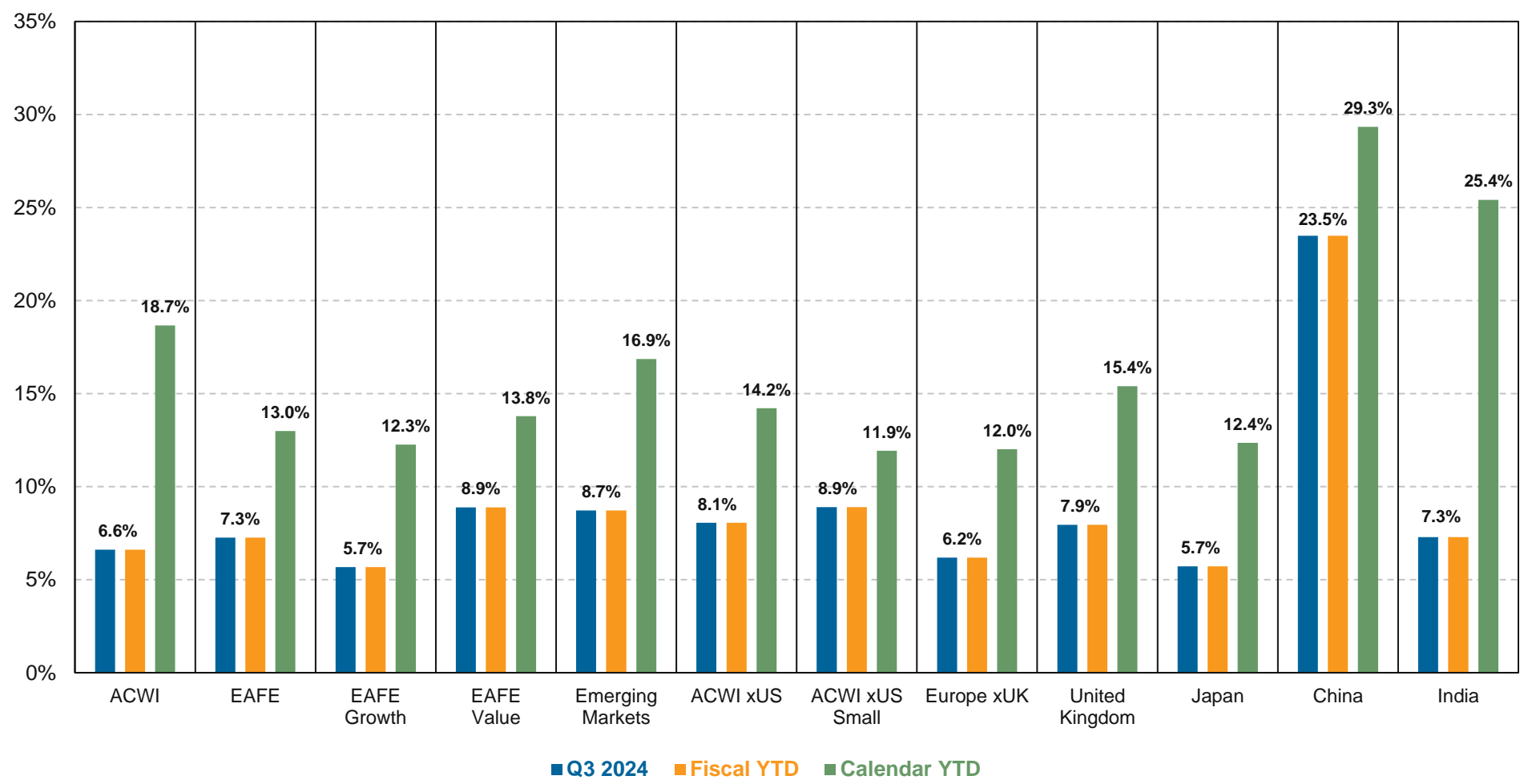
Returns for Periods Ended September 30, 2024



Sources: FTSE Russell, S&P Dow Jones Indices

# Global Equity Market Snapshot: Q3 2024

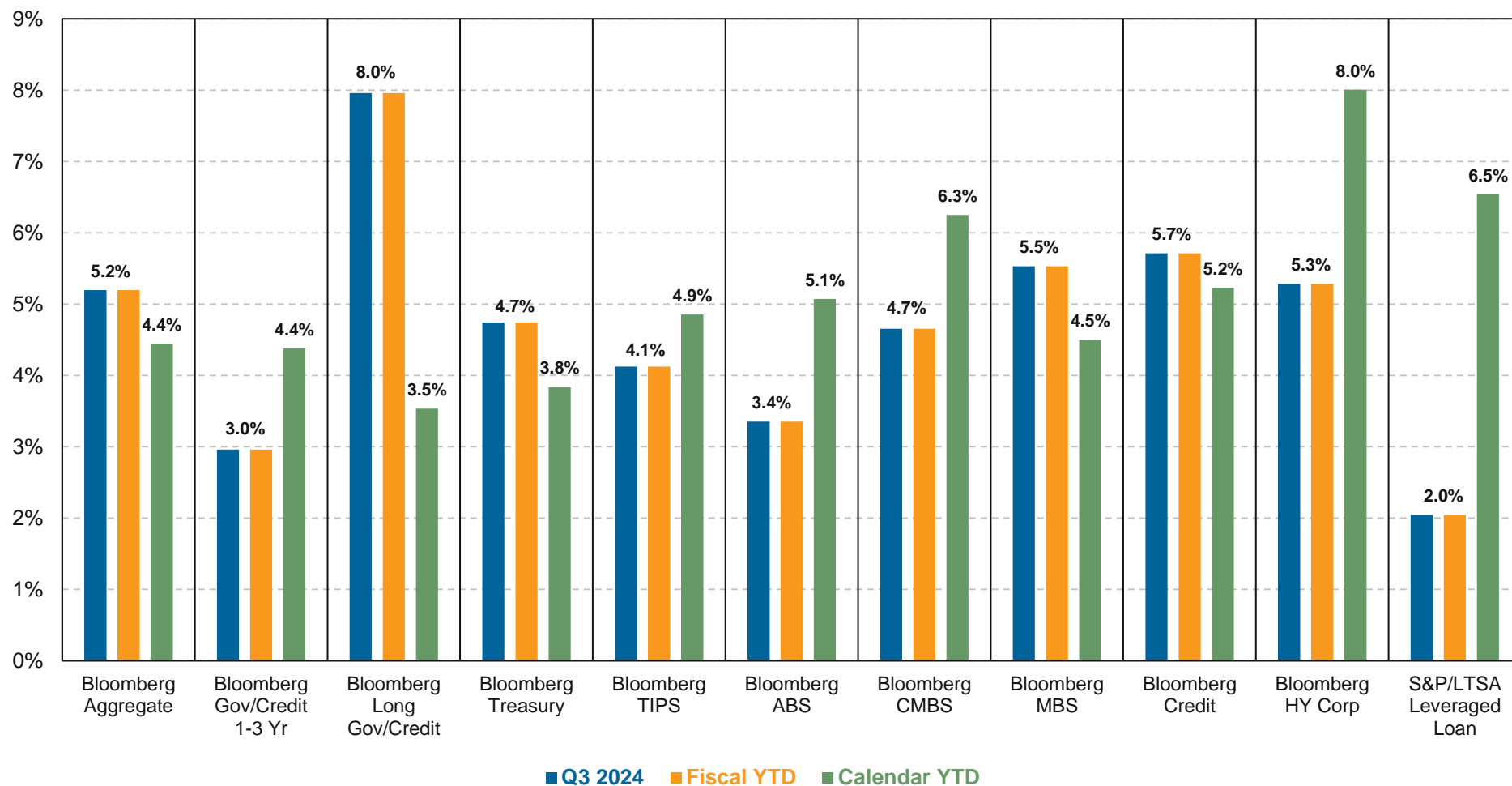
Returns for Periods Ended September 30, 2024



Source: MSCI

# U.S. Fixed Income Market Snapshot: Q3 2024

Returns for Periods Ended September 30, 2024



Sources: Bloomberg, Callan, S&P Dow Jones Indices

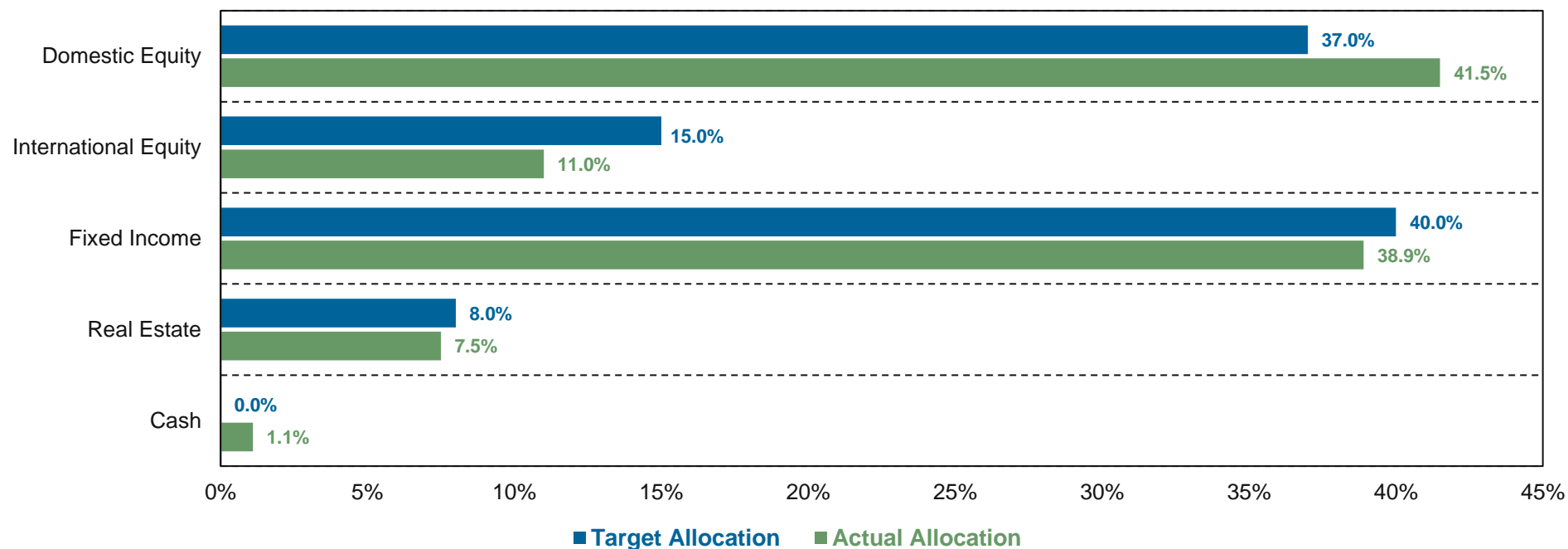




## AJRS Portfolio Review

# Actual vs. Target Asset Allocation

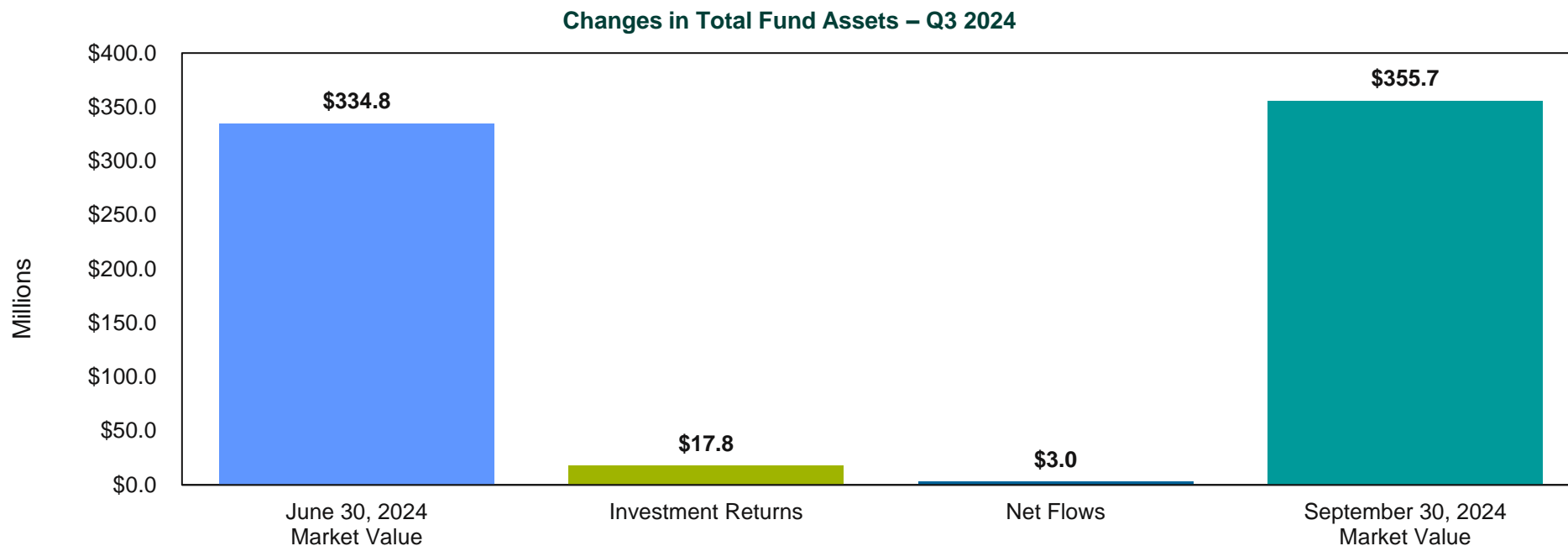
September 30, 2024



Asset Class	\$000s Actual	Weight Actual	Min. Target	Target	Max. Target
Domestic Equity	147,713	41.5%	32.0%	37.0%	42.0%
International Equity	39,098	11.0%	10.0%	15.0%	20.0%
Fixed Income	138,394	38.9%	35.0%	40.0%	45.0%
Real Estate	26,666	7.5%	3.0%	8.0%	13.0%
Cash	3,820	1.1%	0.0%	0.0%	5.0%
Total	355,692	100.0%		100.0%	

AJRS' target asset allocation was approved at the February 2024 Board meeting.

## Total Fund Asset Summary



	Beginning Market Value	+	Investment Gain/(Loss)	+	Net Flows	=	Ending Market Value
<b>Q3 2024 / Fiscal YTD</b>							
(6/30/24 - 9/30/24)	\$334,827,022	+	\$17,826,007	+	\$3,038,795	=	\$355,691,824

# Total Fund Performance

September 30, 2024

Returns for Periods Ended September 30, 2024

Group: Callan Public Fd Mid DB

	Q3 2024	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	5.91%	23.86%	6.26%	9.58%	8.46%	7.92%
25th Percentile	5.46%	21.70%	5.41%	9.05%	7.93%	7.60%
Median	4.94%	20.00%	4.53%	8.45%	7.52%	7.37%
75th Percentile	4.11%	18.04%	3.53%	7.57%	7.05%	6.95%
90th Percentile	3.88%	16.47%	2.92%	6.91%	6.48%	6.69%
Peer Universe Constituents	125	125	122	122	115	77
<b>Total Fund</b>	<b>5.26% (42)</b>	<b>20.74% (41)</b>	<b>3.18% (85)</b>	<b>7.82% (70)</b>	<b>7.35% (60)</b>	<b>7.25% (59)</b>
Benchmark	5.60 (20)	20.37 (46)	4.07 (64)	7.57 (75)	7.07 (72)	6.97 (74)

Peer group ranking in parentheses.  
Benchmark definitions included in the Appendix

# Asset Class Performance and Market Values

September 30, 2024

	Market Value \$(Dollars)	Ending Weight	3Q 2024	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Domestic Equity</b> Russell:3000 Index	\$147,713,251	42.0%	5.17% 6.23%	5.17% 6.23%	32.56% 35.19%	10.57% 10.29%	15.47% 15.26%	12.64% 12.83%
<b>International Equity</b> Intl Equity Benchmark*	\$39,097,991	10.7%	8.92% 8.17%	8.92% 8.17%	25.29% 25.96%	(4.90%) 4.67%	5.44% 8.10%	4.98% 5.76%
<b>Fixed Income</b> Blmbg:Aggregate	\$138,394,402	39.2%	5.56% 5.20%	5.56% 5.20%	15.71% 11.57%	(0.14%) (1.39%)	2.07% 0.33%	3.04% 1.84%
<b>Real Estate</b> NCREIF:NFI-ODCE Eq Wt Net	\$26,666,057	8.0%	0.00% (0.07%)	0.00% (0.07%)	(9.07%) (8.44%)	(1.52%) (1.06%)	1.92% 2.33%	5.82% 5.46%
<b>Cash &amp; Equivalents</b> 3 Month T-Bill	\$3,820,123	0.1%	1.32% 1.37%	1.32% 1.37%	5.42% 5.46%	3.52% 3.49%	2.30% 2.32%	1.66% 1.65%
<b>Total Fund</b> Total Fund Benchmark	\$355,691,824	100.0%	5.26% 5.60%	5.26% 5.60%	20.74% 20.37%	3.18% 4.07%	7.82% 7.57%	7.35% 7.07%

\* Benchmark definitions included in the Appendix.

# Investment Manager Returns and Peer Group Rankings

September 30, 2024

	Q3 2024	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Domestic Equity</b>	<b>5.17%</b>	<b>5.17%</b>	<b>32.56%</b>	<b>10.57%</b>	<b>15.47%</b>	<b>12.64%</b>
Russell 3000 Index	6.23%	6.23%	35.19%	10.29%	15.26%	12.83%
S&P 500 Index	5.89%	5.89%	36.35%	11.91%	15.98%	13.38%
Mellon Russell 1000 Growth Idx	3.19% (42)	3.19% (42)	42.37% (42)	11.91% (18)	19.59% (9)	--
Russell:1000 Growth	3.19% (42)	3.19% (42)	42.19% (43)	12.02% (17)	19.74% (9)	16.52% (14)
Callan Large Cap Growth	2.90%	2.90%	40.79%	9.35%	17.29%	15.37%
Boston Partners	6.09% (85)	6.09% (85)	28.32% (49)	12.44% (17)	13.68% (23)	10.82% (20)
Russell:1000 Value	9.43% (16)	9.43% (16)	27.76% (54)	9.03% (74)	10.69% (86)	9.23% (84)
Callan Large Cap Value	7.79%	7.79%	28.20%	10.61%	12.41%	10.08%
Aristotle Capital Boston	7.46% (78)	7.46% (78)	22.37% (79)	4.11% (67)	--	--
Russell:2000 Index	9.27% (20)	9.27% (20)	26.76% (31)	1.84% (83)	9.39% (41)	8.78% (7)
Callan Small Cap Core	8.90%	8.90%	26.47%	5.03%	11.26%	10.33%
<b>International Equity</b>	<b>8.92%</b>	<b>8.92%</b>	<b>25.29%</b>	<b>(4.90%)</b>	<b>5.44%</b>	<b>4.98%</b>
Intl Equity Benchmark	8.17%	8.17%	25.96%	4.67%	8.10%	5.76%
Baillie Gifford	9.60% (17)	9.60% (17)	26.07% (45)	(4.70%) (99)	5.57% (97)	--
MSCI:ACWI xUS GD	8.17% (36)	8.17% (36)	25.96% (47)	4.67% (55)	8.10% (72)	5.72% (80)
Callan NonUS Eq	7.32%	7.32%	25.64%	4.95%	8.93%	6.60%

Benchmark definitions included in the Appendix.  
Peer Group ranking in parentheses.

# Investment Manager Returns and Peer Group Rankings

September 30, 2024

	Q3 2024	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Fixed Income</b>	<b>5.56%</b>	<b>5.56%</b>	<b>15.71%</b>	<b>(0.14%)</b>	<b>2.07%</b>	<b>3.04%</b>
Blmbg:Aggregate	5.20%	5.20%	11.57%	(1.39%)	0.33%	1.84%
MacKay Shields LLC	5.56% (24)	5.56% (24)	15.71% (1)	(0.14%) (18)	2.07% (17)	3.04% (24)
Blmbg:Aggregate	5.20% (76)	5.20% (76)	11.57% (95)	(1.39%) (90)	0.33% (98)	1.84% (100)
Callan Core Plus FI	5.38%	5.38%	13.17%	(0.68%)	1.50%	2.78%
<b>Real Estate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>(9.07%)</b>	<b>(1.52%)</b>	<b>1.92%</b>	<b>5.82%</b>
NCREIF NFI ODCE Eq Wt Net	(0.07%) (100)	(0.07%) (100)	(8.44%) (100)	(1.06%) (100)	2.33% (100)	5.46% (100)
Invesco Core Real Estate	0.00% (73)	0.00% (73)	(9.07%) (78)	(1.52%) (69)	1.92% (69)	5.82% (47)
NCREIF NFI ODCE Eq Wt Net	(0.07%) (81)	(0.07%) (81)	(8.44%) (69)	(1.06%) (67)	2.33% (60)	5.46% (61)
Callan OE Core Cmngld RE	0.34%	0.34%	(6.32%)	0.20%	2.96%	5.75%
<b>Total Fund</b>	<b>5.26% (42)</b>	<b>5.26% (42)</b>	<b>20.74% (41)</b>	<b>3.18% (85)</b>	<b>7.82% (70)</b>	<b>7.35% (60)</b>
Total Fund Benchmark	5.60% (20)	5.60% (20)	20.37% (46)	4.07% (64)	7.57% (75)	7.07% (72)
Callan Public Fd Mid DB	4.94%	4.94%	20.00%	4.53%	8.45%	7.52%

Benchmark definitions included in the Appendix.  
Peer Group ranking in parentheses.

# Work Plan Update

## Annual Work Plan

Agenda Item	Frequency	Last Completed	Scheduled Review
Performance Measurement Reports	Quarterly	12/2024	02/2025
Quarterly Board Meetings	Quarterly	12/2024	02/2025
Customized Board Education Sessions	As Needed		
Investment Policy Statement Review	Annual	02/2024	02/2025

## Multi-Year Work Plan

Agenda Item	Frequency	Last Completed	Scheduled Review
Asset Allocation Analysis	3-5 years	02/2024	2027 - 2029
Domestic Equity Manager Search – Aristotle Hired	As Needed	05/2019	
Non-U.S. Equity Manager Search – TBD	As Needed	08/2024	
Fixed Income Manager Search – Mackay Shields Hired	As Needed	02/2010	
Real Estate Manager Search – Invesco Hired	As Needed	11/2011	





## Appendix

# Benchmark Definitions

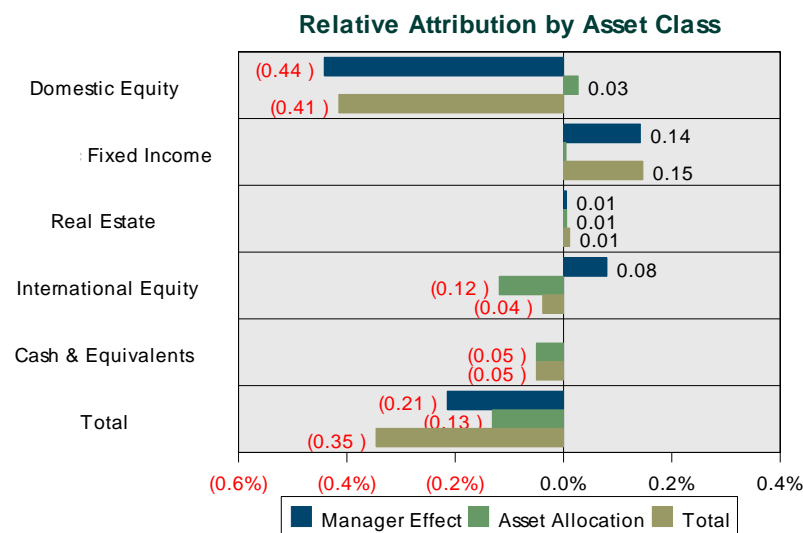
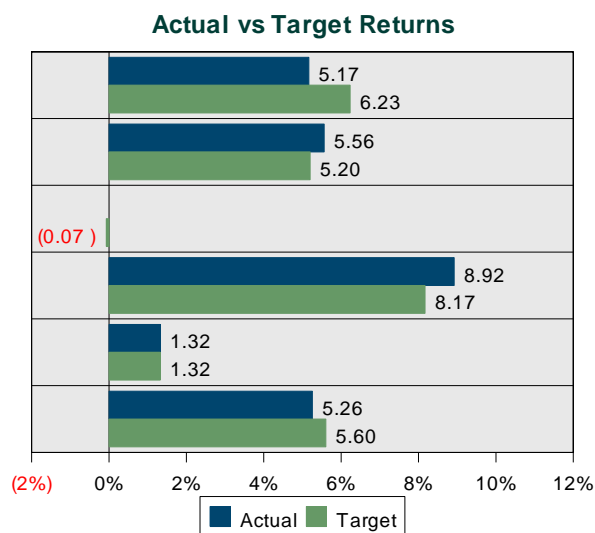
1. **Total Fund Benchmark (Target):** Blend of asset class benchmarks at policy weights.

	<u>Target</u>
Domestic Equity	37.0%
International Equity	15.0
Fixed Income	40.0
<u>Real Estate</u>	<u>8.0</u>
Total Target	100.0%

2. **Domestic Equity Benchmark:** Russell 3000 Index
3. **International Equity Benchmark:** MSCI EAFE prior to 7/1/17, MSCI ACWI xUS Gross thereafter
4. **Fixed Income Benchmark:** Bloomberg Aggregate Index
5. **Real Estate Benchmark:** NCREIF NFI-ODCE Eq Wt Net

# Total Fund Relative Attribution – Q3 2024

September 30, 2024



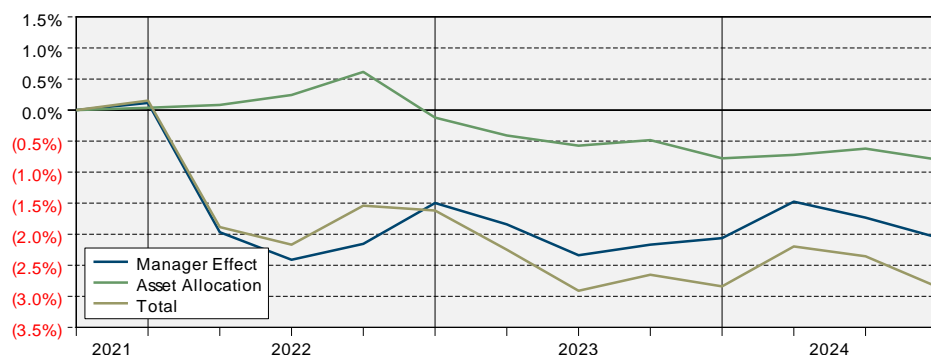
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	42%	37%	5.17%	6.23%	(0.44)%	0.03%	(0.41)%
Fixed Income	39%	40%	5.56%	5.20%	0.14%	0.00%	0.15%
Real Estate	8%	8%	0.00%	(0.07)%	0.01%	0.01%	0.01%
International Equity	11%	15%	8.92%	8.17%	0.08%	(0.12)%	(0.04)%
Cash & Equivalents	1%	0%	1.32%	1.32%	0.00%	(0.05)%	(0.05)%
<b>Total</b>			<b>5.26%</b>	<b>5.60%</b>	<b>+</b>	<b>(0.21%) + (0.13%)</b>	<b>(0.35%)</b>

Benchmark definitions included in the Appendix.

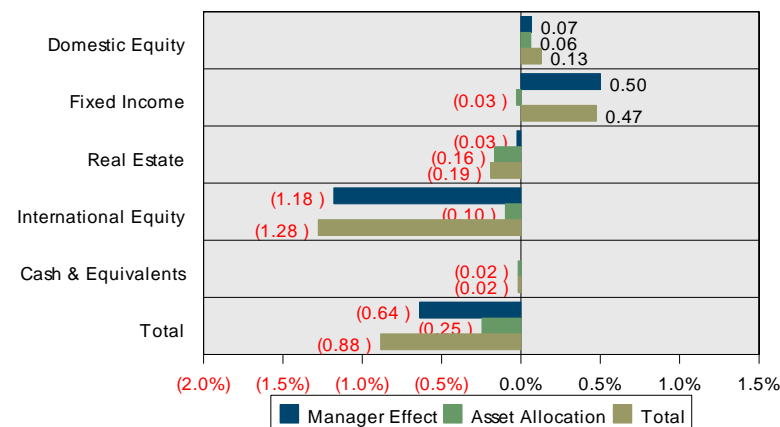
# Total Fund Relative Attribution – 3 Years

September 30, 2024

Cumulative Relative Attribution Effects



3-Year Annualized Relative Attribution Effects



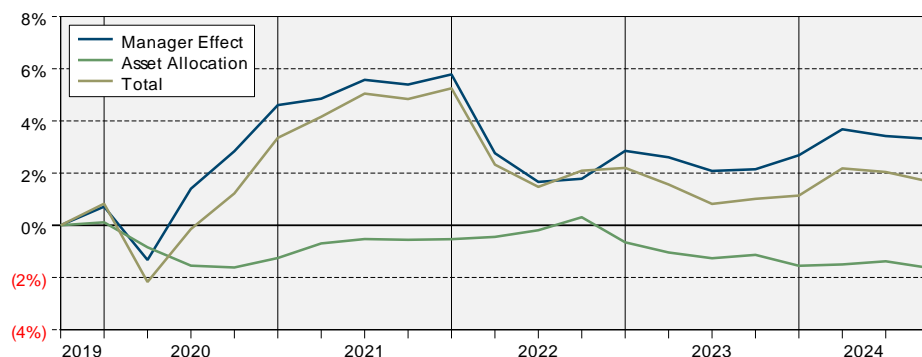
Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	39%	37%	10.57%	10.29%	0.07%	0.06%	0.13%
Fixed Income	40%	40%	(0.14%)	(1.39%)	0.50%	(0.03%)	0.47%
Real Estate	10%	8%	(1.52%)	(1.06%)	(0.03%)	(0.16%)	(0.19%)
International Equity	12%	15%	(4.90%)	4.67%	(1.18%)	(0.10%)	(1.28%)
Cash & Equivalents	0%	0%	3.52%	3.52%	0.00%	(0.02%)	(0.02%)
<b>Total</b>			<b>3.18%</b>	<b>4.07%</b>	<b>+(0.64%)</b>	<b>+(0.25%)</b>	<b>(0.88%)</b>

Benchmark definitions included in the Appendix.

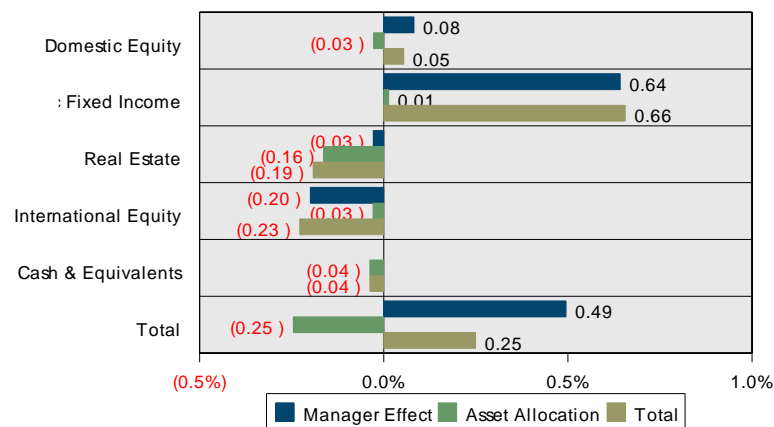
# Total Fund Relative Attribution – 5 Years

September 30, 2024

Cumulative Relative Attribution Effects



5-Year Annualized Relative Attribution Effects



Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	38%	37%	15.47%	15.26%	0.08%	(0.03%)	0.05%
Fixed Income	39%	40%	2.07%	0.33%	0.64%	0.01%	0.66%
Real Estate	9%	8%	1.92%	2.33%	(0.03%)	(0.16%)	(0.19%)
International Equity	13%	15%	5.44%	8.10%	(0.20%)	(0.03%)	(0.23%)
Cash & Equivalents	0%	0%	2.30%	2.30%	0.00%	(0.04%)	(0.04%)
<b>Total</b>			<b>7.82%</b>	<b>7.57%</b>	<b>+ 0.49%</b>	<b>+ (0.25%)</b>	<b>0.25%</b>

Benchmark definitions included in the Appendix.

# Asset Distribution Across Investment Managers

September 30, 2024

	September 30, 2024				June 30, 2024	
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
<b>Domestic Equity</b>	<b>\$147,713,251</b>	<b>41.53%</b>	<b>\$(128,651)</b>	<b>\$7,257,119</b>	<b>\$140,584,783</b>	<b>41.99%</b>
Mellon Russell 1000 Growth Index	55,793,240	15.69%	(5,278)	1,723,497	54,075,021	16.15%
Boston Partners	71,068,895	19.98%	(84,516)	4,084,503	67,068,908	20.03%
Aristotle Capital Boston	20,851,115	5.86%	(38,858)	1,449,119	19,440,854	5.81%
<b>International Equity</b>	<b>\$39,097,991</b>	<b>10.99%</b>	<b>\$0</b>	<b>\$3,201,834</b>	<b>\$35,896,157</b>	<b>10.72%</b>
Baillie Gifford Intl Choice Fd	29,537,567	8.30%	(9,000,000)	2,641,409	35,896,157	10.72%
Mellon ACWI ex US Fund	9,560,424	2.69%	9,000,000	560,424	-	-
<b>Fixed Income</b>	<b>\$138,394,402</b>	<b>38.91%</b>	<b>\$(97,784)</b>	<b>\$7,292,716</b>	<b>\$131,199,470</b>	<b>39.18%</b>
MacKay Shields LLC	138,394,402	38.91%	(97,784)	7,292,716	131,199,470	39.18%
<b>Real Estate</b>	<b>\$26,666,057</b>	<b>7.50%</b>	<b>\$0</b>	<b>\$0</b>	<b>\$26,666,057</b>	<b>7.96%</b>
Invesco Core Real Estate	26,666,057	7.50%	0	0	26,666,057	7.96%
<b>Cash &amp; Equivalents</b>	<b>\$3,820,123</b>	<b>1.07%</b>	<b>\$3,265,231</b>	<b>\$74,338</b>	<b>\$480,554</b>	<b>0.14%</b>
AJRS Cash Account	3,820,123	1.07%	3,265,231	74,338	480,554	0.14%
<b>Total Fund</b>	<b>\$355,691,824</b>	<b>100.0%</b>	<b>\$3,038,795</b>	<b>\$17,826,007</b>	<b>\$334,827,022</b>	<b>100.0%</b>

# Investment Manager Returns – Net of Fees

September 30, 2024

	Q3 2024	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>NET OF FEE RETURNS</b>					
<b>Domestic Equity</b>					
Mellon Russell 1000 Growth Index	3.18%	42.32%	11.86%	19.54%	-
Russell 1000 Growth Index	3.19%	42.19%	12.02%	19.74%	16.52%
Boston Partners	5.96%	27.66%	11.84%	13.08%	10.22%
Russell 1000 Value	9.43%	27.76%	9.03%	10.69%	9.23%
Aristotle Capital Boston	7.25%	21.39%	3.28%	-	-
Russell 2000 Index	9.27%	26.76%	1.84%	9.39%	8.78%
<b>International Equity</b>					
Baillie Gifford Intl Choice Fd	9.50%	25.59%	(5.13%)	5.08%	-
MSCI ACWIxUS Gross	8.17%	25.96%	4.67%	8.10%	5.72%
<b>Domestic Fixed Income</b>					
MacKay Shields LLC	5.48%	15.36%	(0.44%)	1.76%	2.73%
Blmbg Aggregate Index	5.20%	11.57%	(1.39%)	0.33%	1.84%
<b>Real Estate</b>					
Invesco Core Real Estate	0.00%	(9.35%)	(1.80%)	1.64%	5.31%
NFI-ODCE Equal Weight Net	(0.07%)	(8.44%)	(1.06%)	2.33%	5.46%
<b>Total Fund</b>	<b>5.18%</b>	<b>20.34%</b>	<b>2.83%</b>	<b>7.45%</b>	<b>6.91%</b>
<b>Total Fund ex Cash</b>	<b>5.23%</b>	<b>20.44%</b>	<b>2.83%</b>	<b>7.50%</b>	<b>6.94%</b>
Target Benchmark*	5.60%	20.37%	4.07%	7.57%	7.07%

Benchmark definitions included in the Appendix.

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# Arkansas Judicial Retirement System

## June 30, 2024 Annual Actuarial Valuation Results

December 5, 2024

Mita D. Drazilov, ASA, FCA, MAAA

Heidi G. Barry, ASA, FCA, MAAA



# Overview (Cover Letter)

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- This presentation provides the results of the June 30, 2024 Arkansas Judicial Retirement System (AJRS) actuarial valuation
- Purpose of the valuation is twofold
  - Determine the employer contribution rate for the fiscal year ending June 30, 2026
  - Measure the funding progress in relation to the actuarial cost method (i.e., what portion of the actuarial accrued liabilities are covered by the funding value of assets)
- Board action today
  - Approve the reserve transfers from the Employer Accumulation Account to the Retirement Reserve Account and the Deferred Annuity Account

# General Financial Objective (Page A-7)

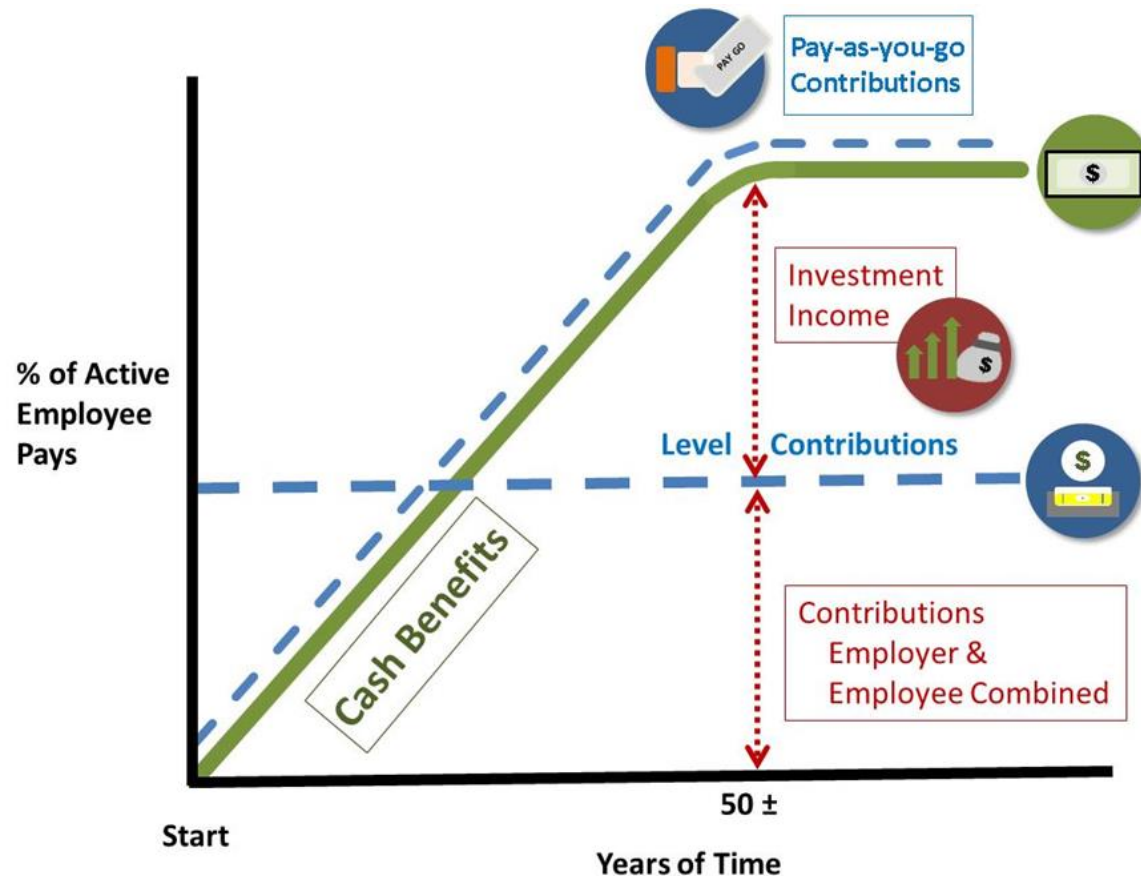
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Section 24-2-701 of the Arkansas Code provided as follows (emphasis added):

The general financial objective of each Arkansas public employee retirement plan shall be to ***establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens.*** More specifically, contributions received each year shall be sufficient both to:

- (i) Fully cover the costs of benefit commitments being made to members for their service being rendered in that year; and
- (ii) Make a level payment that if paid annually over a reasonable period of future years will fully cover the unfunded costs of benefit commitments for service previously rendered.

# Financing Increasing Benefit Obligations (Page E-3)



# Actuarial Valuation Process (Page E-4)

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- The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:
  - **Census Data**, furnished by the plan administrator
    - Retired lives now receiving benefits
    - Former members with vested benefits not yet payable
    - Active members
  - **Asset Data**, furnished by the plan administrator
  - **Benefit Provisions**
  - **Actuarial Assumptions**
  - **Actuarial Funding Method**

# Active Members (Pages B-8 and B-9)

---

Group	No.	Age	Averages		Annual Pay
			Benefit Service	Eligibility Service	
Tier One	5	68.2	31.4	33.3	\$199,250

Group	No.	Age	Averages		Annual Pay
			Benefit Service	Eligibility Service	
Tier Two	140	58.4	9.3	15.3	\$193,766

# Retirees and Beneficiaries (Page B-7)

Type of Annuity	Number	Annual Annuities	Annuity Liabilities
Age & Service Retirees			
Life	25	\$ 2,402,700	\$ 24,995,533
Life Continuing to Survivor	100	11,510,460	149,430,724
Totals	125	13,913,160	174,426,257
Beneficiaries of Age & Service Retirees	46	3,880,044	38,347,899
Total Age & Service Retirees & Beneficiaries	171	17,793,204	212,774,156
Disability Retirees			
Life	1	109,992	814,736
Life Continuing to Survivor	1	52,752	666,046
Totals	2	162,744	1,480,782
Beneficiaries of Disability Retirees	0	0	0
Total Disability Retirees & Beneficiaries	2	162,744	1,480,782
Death-in-Service Beneficiaries	6	395,480	5,806,206
<b>Total Retirees &amp; Beneficiaries</b>	<b>179</b>	<b>\$ 18,351,428</b>	<b>\$ 220,061,144</b>



# Development of Funding Value of Assets

## (Page B-5)

Valuation Date June 30:	2024
A. Funding Value Beginning of Year	\$322,395,535
B. Market Value End of Year	334,690,053
C. Market Value Beginning of Year	308,094,805
D. Non-Investment Net Cash Flow	(6,682,457)
E. Investment Return	
E1. Market Total: B-C-D	33,277,705
E2. Assumed Rate	5.50%
E3. Amount for Immediate Recognition	17,549,627
E4. Amount for Phased-In Recognition	15,728,078
F. Phased-In Recognition of Investment Return	
F1. Current Year: 0.25xE4	3,932,020
F2. First Prior Year	579,290
F3. Second Prior Year	(15,076,752)
F4. Third Prior Year	14,114,904
F5. Total Recognized Investment Gain	3,549,462
G. Funding Value End of Year	
G1. Preliminary Funding Value End of Year: A+D+E3+F5	336,812,167
G2. Upper Corridor Limit: 125% x B	418,362,566
G3. Lower Corridor Limit: 75% x B	251,017,540
<b>G4. Funding Value End of Year</b>	<b>336,812,167</b>
H. Difference Between Market & Funding Values	(2,122,114)
I. Recognized Rate of Return	6.6%
J. Market Value Rate of Return	10.9%
K. Ratio of Funding Value to Market Value	100.6%

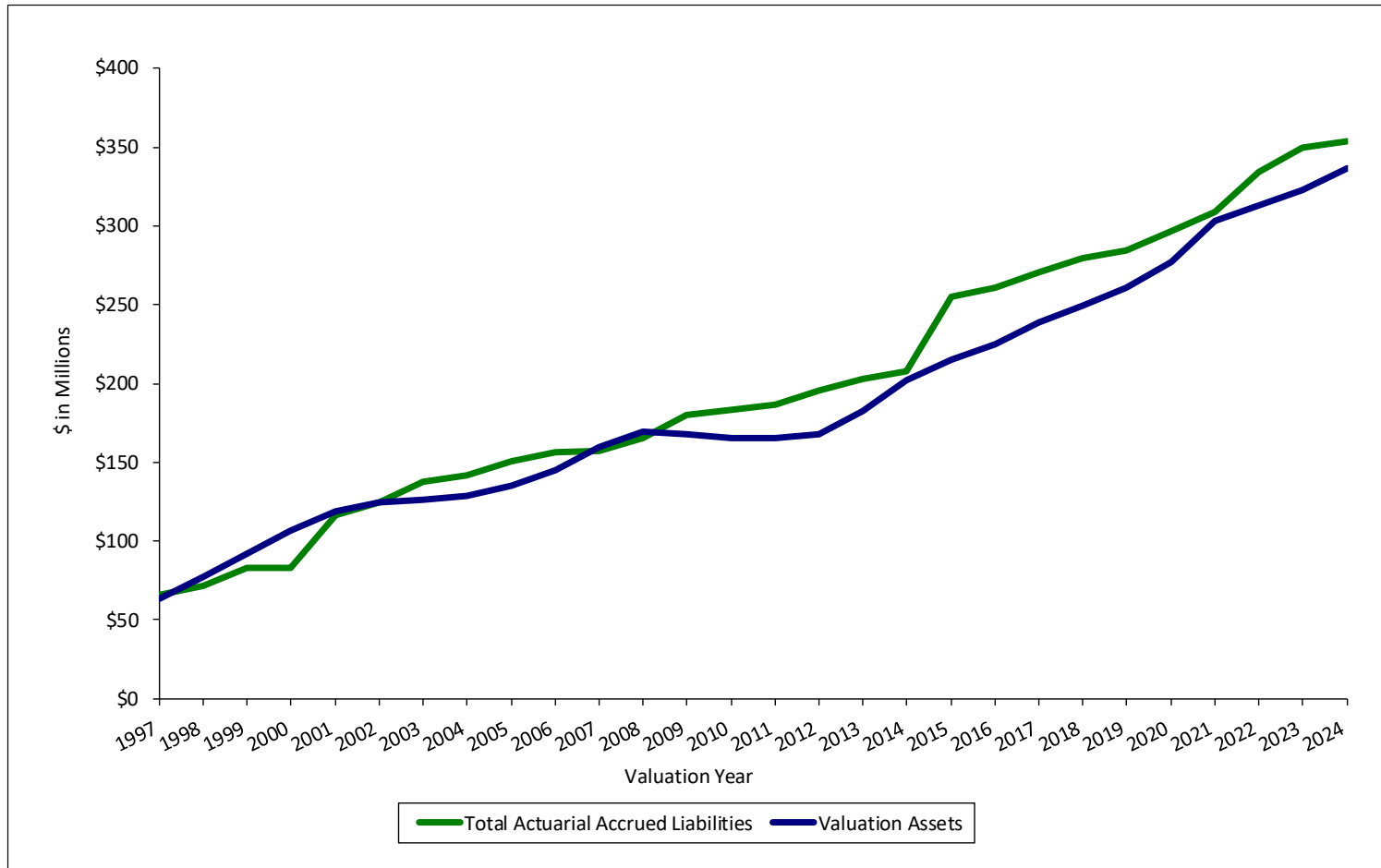
- Funding Value of Assets (FVA) as of June 30, 2023 was \$322.4M (row A)
- Non-Investment net cash flow (i.e., dollars in less dollars out) for the System during the calendar year was -\$6.7M (row D)
- The System earned \$33.3M (row E1) in investment income during the year versus \$17.5M (row E3) expected
- This additional investment income of \$15.7M (row E4) is then recognized into the FVA over the next 4 years
- 25% of the current year's investment income above expectations and 25% of the prior 3 years' unrecognized investment income (totaling \$3.5M; row F5) are then recognized in the June 30, 2024 FVA
- The sum of the above (rows A+D+E3+F5) equals the Preliminary FVA (row G1). The 25% corridor is then applied, if necessary, resulting in the final June 30, 2024 FVA equal to \$336.8M (row G4)
- As of June 30, 2024, the FVA is 0.6% higher than the Market Value of Assets (MVA) (row K)

# AJRS Funded Ratio

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- Funding value of assets total \$336.8M
- Actuarial accrued liabilities total \$353.6M
- Unfunded actuarial accrued liabilities total \$16.8M
- The AJRS funded ratio on a funding value of assets basis is 95%
  - On a market value of assets basis, the funded ratio is 95%
- The funded ratios were 92% and 88%, respectively, in the previous valuation

# AJRS Funded Ratio (Concluded)



# Computed Employer Contribution Rate (Page A-2)

Contributions for	Contributions Expressed as Percents of Active Payroll
Normal Cost	
Age and service annuities	26.13 %
Separation benefits	1.93 %
Disability annuities	0.91 %
Death-in-service annuities	1.51 %
Administrative expenses	0.70 %
Total	31.18 %
Member Contributions (average)	4.88 %
Employer Normal Cost	26.30 %
Unfunded Actuarial Accrued Liabilities*	7.73 %
<b>TOTAL COMPUTED EMPLOYER CONTRIBUTION RATE</b>	<b>34.03 %</b>

*\* Amortized over periods ranging from 8 to 20 years based upon Board's adopted funding policy.*

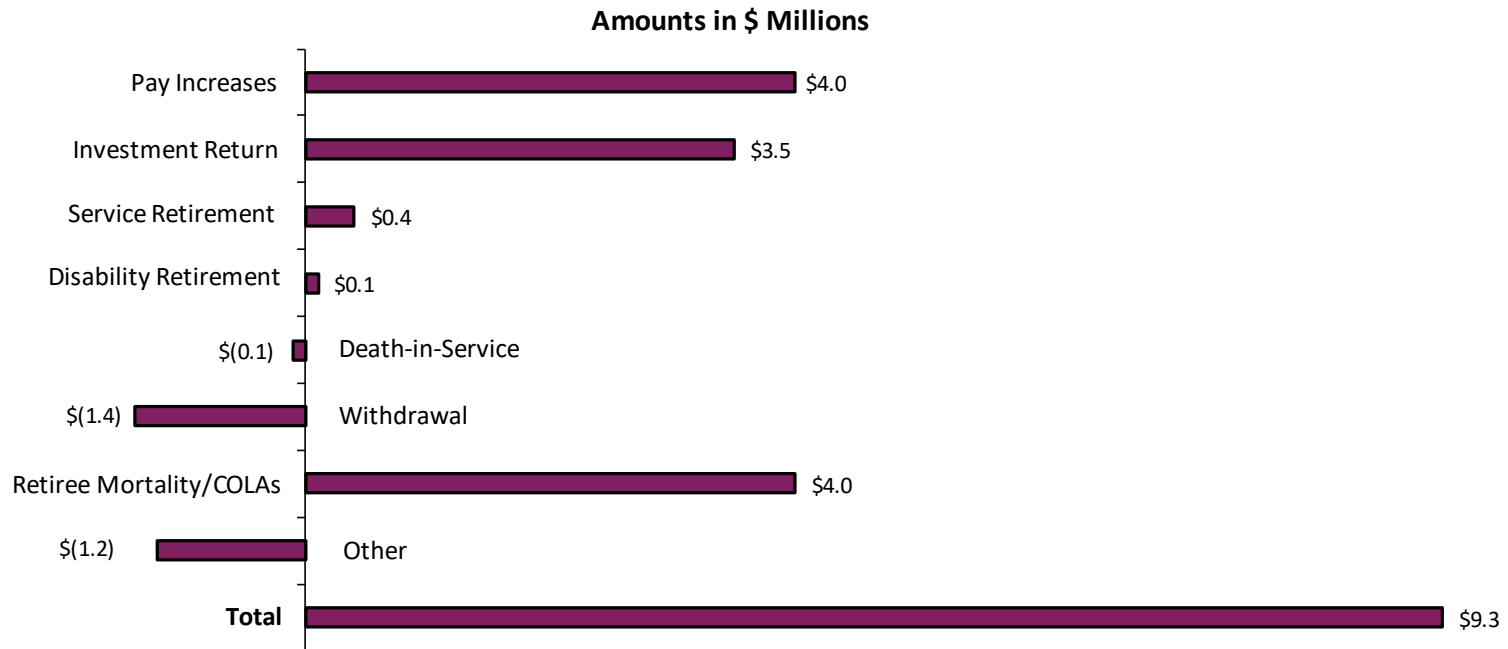
# Financing of Unfunded Actuarial Accrued Liabilities (Page A-3)

Source of Unfunded Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability		6/30/2025 UAAL Amount	Remaining Period Beginning 7/1/2025 Amortization Factor		FY 2026 Contribution as a % of Payroll
	Initial	Financing		7/1/2025	Factor	as a % of Payroll
	Amount	Period				
Initial Unfunded Actuarial Accrued Liability.						
	N/A	N/A	\$ 19,760,035	8 yrs.	7.232308	9.11%
Changes from experience deviations.						
6/30/2018	\$ (382,766)	20	(337,258)	14	11.894241	(0.09)%
6/30/2019	(5,577,710)	20	(5,065,060)	15	12.614273	(1.34)%
6/30/2020	(3,153,650)	20	(2,936,600)	16	13.318949	(0.74)%
6/30/2021	(12,557,813)	20	(11,941,176)	17	14.008597	(2.84)%
6/30/2022	380,562	20	368,105	18	14.683536	0.08%
6/30/2023	6,530,086	20	6,409,949	19	15.344081	1.39%
6/30/2024	(9,223,731)	20	(10,143,057)	20	15.990539	(2.12)%
Changes from actuarial assumptions and actuarial cost method revisions.						
6/30/2017	2,369,244	20	2,013,978	13	11.158517	0.60%
6/30/2022	16,744,946	20	16,196,806	18	14.683536	3.68%
Totals			\$ 14,325,722			7.73%

# Computed Actuarial Accrued Liabilities (Page A-1)

Actuarial Present Value of	(1) Total Present Value	(2) Portion Covered by Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1) - (2)
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	\$ 220,061,144	\$ 0	\$ 220,061,144
Age and service allowances based on total service likely to be rendered by present active members	191,002,955	66,185,861	124,817,094
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active and inactive members	10,368,990	5,223,954	5,145,036
Disability benefits likely to be paid to present active members	1,857,920	2,381,288	(523,368)
Death-in-service benefits likely to be paid on behalf of present active members	7,784,339	3,715,213	4,069,126
Total	\$431,075,348	\$77,506,316	\$ 353,569,032
Applicable assets (Funding Value)	336,812,167	0	336,812,167
Liabilities to be covered by future contributions	\$ 94,263,181	\$77,506,316	\$ 16,756,865

# Gain/(Loss) Experience (Page C-4)



# Summary of Risk Measures (Page A-13)

Valuation Date June 30,	Funded Ratio		UAAL	Total Actuarial		Standard Deviation of	
	Based on	Based on	Amortization	Total UAAL /	Value of Assets /	Total AAL/	Investment Return /
	AVA	MVA	Period	Total Payroll	Total Payroll	Total Payroll	Total Payroll
2016	86%	83%	27	1.6	10.1	11.7	**
2017	88%	89%	15/20	1.4	10.4	11.8	115.6%
2018	89%	92%	*	1.3	10.6	11.9	120.4%
2019	92%	94%	*	1.0	11.0	12.1	124.6%
2020	93%	95%	*	0.8	11.3	12.1	125.6%
2021	98%	112%	*	0.2	11.9	12.1	136.1%
2022	94%	89%	*	0.8	11.9	12.7	113.0%
2023	92%	88%	*	1.0	11.7	12.7	117.5%
2024	95%	95%	*	0.6	12.0	12.6	125.0%

\* Multiple amortization periods based upon Board's adopted funding policy.

\*\* Unavailable.



# Summary (Page A-7)

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- Actuarial experience for the year ended June 30, 2024 was favorable
  - Higher than assumed investment return on a funding value of assets basis as well as aggregate demographic gains
- AJS is 95.3% funded based on the funding value of assets
  - 94.7% funded based upon the market value of assets
- Employer contribution rate for the fiscal year ending June 30, 2026 is 34.03% of payroll

# Reserve Transfers (Page A-8)

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- Each year reserve transfers are recommended so that there will be a balance between assets and actuarial accrued liabilities in the Retirement Reserve Account and the Deferred Annuity Account
  - The Retirement Reserve Account is responsible for future annuity payments to present retired lives
  - The Deferred Annuity Account is responsible for future annuity payments to present inactive members
- This year's recommended transfer amounts are as follows:

Employer Accum. Account Before Transfers	Transfers as of July 1, 2024 (from) to:		Employer Accum. Account After Transfers
	Deferred Annuity Account	Retirement Reserve Account	
\$93,490,572	\$(86,784)	\$892,228	\$92,685,128

A man in a dark suit and blue patterned tie is pointing his right index finger directly at the camera. He is holding a dark folder or book under his left arm. The background is blurred, showing other people in a professional setting.

# THANK YOU

## QUESTIONS

# Disclaimers

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- This presentation is intended to be used in conjunction with the June 30, 2024 actuarial valuation report dated October 31, 2024. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.
- If anything in this presentation or in the full report appears to you to be incorrect or if you need additional information in order to make an informed decision on matters discussed herein, please contact the authors.
- This presentation expresses the views of the authors and does not necessarily express the views of Gabriel, Roeder, Smith & Company.



Quarterly Board Meeting

**Statement of Fiduciary Net Position as of (September 30, 2024)**

ASSETS

Cash and Cash Equivalents	\$	3,829,376
Receivables		
Overpayment Receivable	\$	17,748
Allowance for Doubtful Accounts		<u>(17,748)</u>
Total Receivables		-
Investment Assets		<u>351,892,170</u>
TOTAL ASSETS		<u>355,721,546</u>

LIABILITIES

Accrued Expenses and Other Liabilities		381,678
Investment Liabilities		<u>-</u>
TOTAL LIABILITIES		<u>381,678</u>

NET POSITION RESTRICTED FOR PENSION BENEFITS	\$	<u><u>355,339,868</u></u>
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Quarterly Board Meeting

**Statement of Changes in Fiduciary Net Position as of (September 30, 2024)**

ADDITIONS

Contributions	
Employer	\$ 7,410,283
Employee	314,168
Court Fees	94,041
Total Contributions	<u>7,818,492</u>
Investment Income	17,859,652
Less: Investment Expense	<u>(328,362)</u>
Net Investment Income	17,531,290
Other Additions	
Miscellaneous Additions	<u>60</u>
TOTAL ADDITIONS	<u>25,349,842</u>

DEDUCTIONS

Benefits	4,583,669
Refunds of Contributions	-
Administrative Expenses	<u>116,358</u>
TOTAL DEDUCTIONS	<u>4,700,027</u>

NET CHANGE IN NET POSITION	20,649,815
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NET POSITION RESTRICTED FOR PENSION BENEFITS

Beginning of Fiscal Year	<u>334,690,053</u>
End of 1st Quarter	<u>\$ 355,339,868</u>



## Quarterly Board Meeting

### Legal Report

#### **ADMINISTRATIVE MEMBER APPEALS**

None

#### **APPEAL FROM ADMINISTRATIVE MEMBER APPEAL - LITIGATION**

##### ***Wendell Griffen vs. Arkansas Judicial Retirement System, 60CV-23-8282***

On October 30, 2023, Wendell Griffin filed in Pulaski County Court a petition for judicial review of the board's September 28, 2023, decision to uphold the Executive Director's Determination. The board held that Griffin's monthly benefit should be capped at eighty percent (80%) for the combination of his Tier One and Tier Two service, consistent with the limitations under the AJRS plan. AJRS timely filed its Answer to the Petition along with the Administrative Record. The Office of the Attorney General entered an appearance as counsel for AJRS. The case has previously been assigned to Judge Welch, Judge Honorable, and Judge Fox. The case is currently assigned to Judge Mackie Pierce after Judge Fox entered his recusal order on April 16, 2024. On August 23, 2024, Judge Pierce entered an Order Setting Briefing Schedule. Both parties have filed briefs in support of their respective positions. Judge Pierce will either enter a judgment on the pleadings or schedule the matter for hearing. Griffen has requested oral arguments.

#### **RULES PROMULGATION**

The Arkansas Legislature began a process several years ago to codify the rules of every state agency so that there would be a uniform rule style among state agencies, posted to a single website. The Bureau of Legislative Research has indicated to APERS that the codified version of AJRS' rules could be posted live on the legislative website by early 2025.

#### **2025 PROPOSED LEGISLATION**

##### **Anti-alienation and Errors and Corrections Bill – Summary**

- Amends AJRS plan to prohibit assignment of benefits under legal processes; and
- Amends AJRS plan regarding the correction of errors and the collection of overpayments to include a five-year statute of limitations.



## Quarterly Board Meeting

### Legal Report

#### **Fraud Criminal Statute Bill – Summary**

- Amends language for all APERS-administered retirement plans to increase from a Class A misdemeanor to a Class D felony any attempt to defraud the systems. This includes Arkansas Judicial Retirement System, Arkansas State Police Retirement System, and the Arkansas Public Employees' Retirement System; and
- Amends a section of the penal code to designate fraud of a state supported retirement system as a Class D felony consistent with amendments to the plan language regarding same.

#### **Tax Refund – Overpayments Bill – Summary**

- Adds Arkansas Judicial Retirement System to the list of claimant agencies who could collect a debt owed to the system by offsetting a member's tax refund.



## **AJRS Anti-Alienation, and Errors and Corrections**

ACT FOR THE PROPER ADMINISTRATION OF BENEFITS BY THE ARKANSAS JUDICIAL RETIREMENT SYSTEM REGARDING THE SUBJUGATION OF ANNUITY RIGHTS TO PROCESS OF LAW AND CORRECTION OF ERRORS; AND FOR OTHER PURPOSES.

SECTION 1. Arkansas Code Title 24, Chapter 8, Subchapter 1, is amended to add an additional section to read as follows:

24-8-103. Benefit provisions – Subjection of annuity rights to process of law.

(a) The right of a person to an annuity, to the return of accumulated contributions, the annuity itself, any other right accrued or accruing under the provisions of § 24-8-201 et seq. or § 24-8-701 et seq., and all moneys belonging to a plan shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law whatsoever and shall be unassignable, except as is specifically provided in this chapter.

(b) An exception to the prohibition against the subjection of annuity rights to any process of law applies to the following:

(1) An employer or entity charged with appropriating funds for court expenses shall have the right of setoff for any claim arising from embezzlement by or fraud of a member, retiree, or beneficiary; and

(2) A court of competent jurisdiction of this state may order the monthly benefit of a retiree to be paid into the registry of the court for disposition as the court deems just and proper if the retiree is found by the court to be willfully refusing or failing to support his or her minor dependent children in violation of a court order providing for such support.

SECTION 2. Arkansas Code Title 24, Chapter 8, Subchapter 1, is amended to add an additional section to read as follows:

28-8-104. Correction of errors.

(a) Should any change or error in the records of the Arkansas Judicial Retirement System result in any person's receiving from the system more or less than he or she would have been

## **AJRS Anti-Alienation, and Errors and Corrections**

entitled to receive had the records been correct, the Executive Director of the Arkansas Judicial Retirement System shall correct the error and, as far as is practicable, shall adjust the payment in such manner that the actuarial equivalent of the benefit to which the person was correctly entitled shall be paid.

(b)(1) The system shall have the right to recover any overpayment that any person may have received from funds of the system, provided the overpayment is determined and the person is so notified within five (5) years of the date of the last overpayment.

(2) If the overpayment is determined at a date later than five (5) years after the date of the last overpayment, the overpayment shall not be recouped by the board unless the overpayment is a result of an error on the part of a member, retiree, or beneficiary.

(3) In all instances where an overpayment is determined, any subsequent payments shall be adjusted to the correct amount.

(c) If it is determined that any person has received an underpayment from the funds of the system, regardless of the date of the determination, the system shall pay in a lump sum to the person the total of any underpayments made prior to the date of determination, and any subsequent payments shall be adjusted to the correct amount.

## Fraud Criminal Statute

AN ACT TO AMEND ARKANSAS CODE 5-55-301 TO INCLUDE FRAUD AGAINST  
STATE SUPPORTED RETIREMENT SYSTEMS; AND FOR OTHER PURPOSES.

SECTION 1. Arkansas Code § 5-55-301 is amended to read as follows:

5-55-301. Penalty – Notice – Prosecution.

(a)(1) It is unlawful for any person to knowingly make any material false statement or representation to the State Department for Social Security Administration Disability Determination or a state supported retirement system for the purpose of:

(A) Obtaining any benefit or payment;

(B) Defeating or wrongfully increasing or wrongfully decreasing any claim for benefit or payment; or

(C) Aiding and abetting another person in violation of subdivision (a)(1)(A) or subdivision (a)(1)(B) of this section.

(2) Upon conviction, a person who violates subdivision (a)(1) of this section is guilty of a Class D felony.

(b) A copy of subsection (a) of this section shall be placed on all forms prescribed by the State Department for Social Security Administration Disability Determination or a state supported retirement system for the use of a person claiming a benefit, a provider participating in the claims process, and any other party involved in the claims process.

(c) When the department finds a violation of subsection (a) of this section, the Director of the State Department for Social Security Administration Disability Determination shall refer the matter for appropriate action to the prosecuting attorney of the district where the original claim was filed.

(d) When a state supported retirement system finds a violation of subsection (a) of this section, the Executive Director of the state supported retirement system may refer the matter to the Attorney General or to the prosecuting attorney of Pulaski County for investigation.

## Fraud Criminal Statute

SECTION 2. Arkansas Code § 24-4-102 is amended to read as follows:

24-4-102. Penalty.

Any person who knowingly makes any false statements or who falsifies or permits to be falsified any record in an attempt to defraud the Arkansas Public Employees' Retirement System as the result of such an act shall be guilty of a ~~Class A misdemeanor~~ Class D felony in accordance with Ark. Code Ann. § 5-55-301.

SECTION 3. Arkansas Code § 24-6-202 is amended to read as follows:

24-6-202. Penalty.

(a) Any person who knowingly makes any false statements or who falsifies or permits to be falsified any records of the State Police Retirement System or the Division of Arkansas State Police in an attempt to defraud the system as the result of that act shall be guilty of a ~~misdemeanor~~ felony.

(b) Upon conviction by a court, that person shall be guilty of a ~~Class A misdemeanor~~ Class D felony in accordance with Ark. Code Ann. § 5-55-301.

SECTION 4. Arkansas Code Title 24, Chapter 8, Subchapter 1, is amended to add an additional section to read as follows:

24-8-102. Penalty.

Any person who knowingly makes any false statements or who falsifies or permits to be falsified any record in an attempt to defraud the Arkansas Judicial Retirement System as the result of such an act shall be guilty of a Class D felony in accordance with Ark. Code Ann. § 5-55-301.

## **Tax Intercept**

AN ACT TO ALLOW THE ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO COLLECT AMOUNTS OF OVERPAYMENTS FROM DEBTS OWED TO A STATE-SUPPORTED RETIREMENT SYSTEM ADMINISTERED BY THE ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM; AND FOR OTHER PURPOSES.

TO ALLOW THE ARKANSAS PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO COLLECT DEBTS OWED TO A STATE-SUPPORTED RETIREMENT SYSTEM ADMINISTERED BY THE SYSTEM.

SECTION 1. Arkansas Code § 26-36-303 is amended to read as follows:

26-36-303. Definitions.

As used in this subchapter:

(1)(A) "Claimant agency" means:

- (i) State-supported colleges, universities, and technical institutes;
- (ii) The Department of Human Services;
- (iii) The Student Loan Guarantee Foundation of Arkansas;
- (iv) The Auditor of State;
- (v) The Division of Higher Education;
- (vi) The Office of Child Support Enforcement;
- (vii) Arkansas circuit, county, or district courts;
- (viii) Housing authorities created under § 14-169-101 et seq.;
- (ix) The Employee Benefits Division;
- (x) The Office of Personnel Management;
- (xi) County collectors and county treasurers;
- (xii) The Department of Health;

## Tax Intercept

(xiii) The Internal Revenue Service;

(xiv) The Arkansas Real Estate Commission;

(xv) The Arkansas Public Defender Commission created under § 16-87-

202;

(xvi) The Arkansas Department of Transportation;

(xvii) The State Securities Department;

(xviii) The Office of Driver Services;

(xix) Arkansas Tobacco Control and the Arkansas Tobacco Control Board;

(xx) Arkansas Public Employees' Retirement System;

(xxi) The State Insurance Department;

(xxii) The Self-Insured Fidelity Bond Program created under § 21-2-701 et

seq.;

(xxiii) The Contractors Licensing Board;

(xxiv) The Residential Contractors Committee; ~~and~~

(xxv) The Department of Labor and Licensing;:

(xxvi) Arkansas Judicial Retirement System; and

(xxvii) Arkansas State Police Retirement System.

(B) An entity shall not be added as a claimant agency under subdivision (1)(A) of this section, unless the entity has an annual outstanding debt of two hundred thousand dollars (\$200,000);

(2) "Debt" means:

(A) Any liquidated sum due and owing any claimant agency, which has accrued through contract, subrogation, tort, operation of law, legal proceeding, or any other legal theory, regardless of whether there is an outstanding judgment for that sum;

## **Tax Intercept**

(B) Accrued obligations due to an assignment of child support rights made to the state as a condition of eligibility for welfare assistance and those which have accrued from contract with the claimant agency by an individual who is not the recipient of welfare assistance;

(C) Money owed to a claimant agency as a result of a debtor's cashing both the original and the duplicate state warrants;

(D) All of the following that are not under appeal:

(i) Traffic fines;

(ii) Any court-imposed fine or cost, including fines related to the prosecution of hot checks under the Arkansas Hot Check Law, § 5-37-301 et seq.;

(iii) Fees for reinstatement of a driver's license payable to the Office of Driver Services under §§ 5-65-119, 27-16-508, and 27-16-808; and

(iv) Restitution ordered by a circuit, county, or district court related to the violation of any state law;

(E) Money owed to a claimant agency for all costs as a result of the debtor's use of state medical and pharmacy benefits for which he or she is not entitled;

(F) Money owed to a claimant agency for all costs resulting from an overpayment of wages or salaries, including a lump-sum payment;

(G) Money owed to a claimant agency for all delinquent taxes, all costs resulting from delinquent taxes, and any penalties assessed against a delinquent taxpayer under § 26-36-201; and

(H) Any overpayment of a monthly benefit or lump sum from a state retirement system administered by the Arkansas Public Employees' Retirement System.

(3) "Debtor" means any individual owing money to or having a delinquent account with any claimant agency, which obligation has not been adjudicated, satisfied by court order, set aside by court order, or discharged in bankruptcy;

## **Tax Intercept**

(4) “Refund” means the Arkansas income tax refund that the Revenue Division of the Department of Finance and Administration determines to be due any individual taxpayer less any amounts determined by the Revenue Division of the Department of Finance and Administration to be due to the Revenue Division of the Department of Finance and Administration for payment of any state tax as defined in the Arkansas Tax Procedure Act, § 26-18-101 et seq.; and

(5) “Setoff” means the withholding of part or all of income tax refunds due individuals who owe debts to the State of Arkansas, to a county, a city, or a town, or to a housing authority created under § 14-169-101 et seq.





## Quarterly Board Meeting Benefits Summary

### Membership

Whether elected or appointed to office, all circuit judges, judges of the Court of Appeals, and justices of the Supreme Court must participate in the Arkansas Judicial Retirement System.

- **Tier One:** A person who became a member of the system before July 30, 1999, participates in the benefit plan referred to as Tier One.
- **Tier Two:** A person who becomes a member of the system on or after July 30, 1999, must participate in the Tier Two Actual Judicial Service Benefit Plan.

### Eligibility for Benefits

- **Normal retirement:** Any member may retire and be eligible for benefits after attaining:
  - A minimum of 20 years of actual service, regardless of age, or
  - At least eight (8) years of service, upon reaching age 65.
  - Generally, judges or justices must retire by their seventieth birthday or lose their retirement benefits.
- **Early retirement:** Any member may elect to retire and receive benefits after attaining:
  - Eight (8) years or more of actual service, after reaching age 62 and before reaching 65.
  - Retirement benefits are reduced six percent (6%) for each full year that the judge or justice retires before reaching age 65.
- **Disability retirement:** Members who have served a minimum of three (3) consecutive years will receive retirement benefits if the Board determines an incapacitating disability occurs.
- **Survivor retirement:** Survivors of members who have served at least three (3) years may receive survivor benefits. Eligible survivors include a spouse and minor children.

### Retirement Benefits

- **Retirement Benefits:** The retirement benefits paid to an eligible and qualified member is 3.2% of the annual salary payable to the last judicial office held multiplied by the number of years of actual service, not to exceed 80% of salary. These benefits are payable for the recipient's life.
- **Benefit calculation example:** Annual Salary X 3.2% X Actual Service  
$$\$193,955 \times 3.2\% \times 20.1 \text{ yrs.} = \$124,751 \text{ annually} / \$10,396 \text{ monthly}$$
- **Survivors' Benefits:** Survivors' benefits are 67% of the amount of a member's retirement benefits.
- **Cost-of-living adjustments:** Each July 1, the system redetermines the amount of each monthly benefit paid for at least twelve months. The amount of the redetermined benefit – a cost-of-living adjustment (COLA) – is the previous July 1 benefit amount increased by three percent (3%).



Quarterly Board Meeting  
Benefits Summary

**Active Members - Historical**

	1 year	5 years	10 years	20 years
Number	145	140	140	134
Average Age	58.7	60.5	59.7	55.6
Average Service*	15.9	17.8	16.8	10.5
Average Pay	\$193,955	\$168,591	\$141,297	\$ 121,505

\* Includes reciprocal service

**Inactive Members - Historical**

	1 year	5 years	10 years	20 years
Number	13	8	4	0
Total Accrued Liabilities*	\$10.4m	\$4.7	\$2.2m	\$1.6m

\* Includes refunds of contributions

**Retirees - Historical**

	1 year	5 years	10 years	20 years
Number	179	149	124	100
Total Annual Benefits	\$18.4m	\$13.3m	\$10.1m	\$6.6m
Average Age*	71.0	65.5	62.0	n/a
Average Service*	20.1	13.9	12.00	n/a
Avg. Annual Benefit*	\$137,934	\$65,700	\$45,586	n/a

\* New retirees

**Legend – Historical Periods**

Time	Fiscal Year Ending
1 year	June 30, 2024
5 years	June 30, 2019
10 years	June 30, 2014
20 years	June 30, 2004



Quarterly Board Meeting  
**Board Report**

**New Retiree List for Month of 07/2024**

APERS ID	Full Name	Annuity Type	Annuity Option	Age	Employer Name	Gross Amount	Service Credit	Plan
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Quarterly Board Meeting  
**Board Report**

**New Retirees Summary for Month of 07/2024**

No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
---------------------------------	--	--------------------------	---------------------------------	--	---------------	---------------------------------	--

TOTAL



Quarterly Board Meeting  
Board Report

All Retirees Summary for Month of 07/2024

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
Judicial	118	60	178	\$923,603.21	\$599,820.20	\$1,523,423.41	\$7,827.15	\$9,997.00
<b>TOTAL</b>	<b>118</b>	<b>60</b>	<b>178</b>	<b>\$923,603.21</b>	<b>\$599,820.20</b>	<b>\$1,523,423.41</b>	<b>\$7,827.15</b>	<b>\$9,997.00</b>



Quarterly Board Meeting  
Board Report

**New Retirees Summary for Month of 08/2024**

	<b>No. of Retirees Contributory</b>	<b>No. of Retirees Non - Contributory</b>	<b>Total No. of Retirees</b>	<b>Monthly Benefit Contributory</b>	<b>Monthly Benefit Non - Contributory</b>	<b>Total Benefit</b>	<b>Average Benefit Contributory</b>	<b>Average Benefit Non - Contributory</b>
Judicial	0	1	1	\$0.00	\$6,135.64	\$6,135.64	\$0.00	\$6,135.64
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>\$0.00</b>	<b>\$6,135.64</b>	<b>\$6,135.64</b>	<b>\$0.00</b>	<b>\$6,135.64</b>



Quarterly Board Meeting  
Board Report

All Retirees Summary for Month of 08/2024

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
Judicial	118	61	179	\$923,603.21	\$605,955.84	\$1,529,559.05	\$7,827.15	\$9,933.70
<b>TOTAL</b>	<b>118</b>	<b>61</b>	<b>179</b>	<b>\$923,603.21</b>	<b>\$605,955.84</b>	<b>\$1,529,559.05</b>	<b>\$7,827.15</b>	<b>\$9,933.70</b>



Quarterly Board Meeting  
**Board Report**

**New Retiree List for Month of 09/2024**

APERS ID	Full Name	Annuity Type	Annuity Option	Age	Employer Name	Gross Amount	Service Credit	Plan
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Quarterly Board Meeting  
**Board Report**

**New Retirees Summary for Month of 09/2024**

No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
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**TOTAL**



Quarterly Board Meeting  
Board Report

All Retirees Summary for Month of 09/2024

	No. of Retirees Contributory	No. of Retirees Non - Contributory	Total No. of Retirees	Monthly Benefit Contributory	Monthly Benefit Non - Contributory	Total Benefit	Average Benefit Contributory	Average Benefit Non - Contributory
Judicial	118	61	179	\$923,603.21	\$605,955.84	\$1,529,559.05	\$7,827.15	\$9,933.70
<b>TOTAL</b>	<b>118</b>	<b>61</b>	<b>179</b>	<b>\$923,603.21</b>	<b>\$605,955.84</b>	<b>\$1,529,559.05</b>	<b>\$7,827.15</b>	<b>\$9,933.70</b>



## Quarterly Board Meeting

### Executive Report

#### **Strategic Plan**

The Strategic Plan for APERS, AJRS, and ASPRS has been finalized. This collaborative effort involved the entire staff and members of all three boards, commencing in May 2024. The plan delineates our goals and objectives for the next three years. A copy of the plan is available for your review.

#### **Education and Outreach**

The APERS team continues to collaborate with participating employers to provide retirement education through both in-person and virtual engagements. Over the past quarter, the APERS staff offered education and counseling at various events, including participating in the AR Game and Fish Employee Appreciation Day; Arkansas Crime Information Center CJIS Symposium, Juvenile Judges Conference in Heber Springs, and the newly elected District Judges orientation.

Additionally, the communication team has begun utilizing social media as a supplementary method to engage our membership.

#### **Website Update**

Historically, the APERS, AJRS, and ASPRS websites functioned as a collective entity. To enhance user experience and improve search capabilities, each system now boasts its own unique URL and website:

- [www.apers.org](http://www.apers.org)
- [www.arjrs.org](http://www.arjrs.org)
- [www.asprs.org](http://www.asprs.org)

#### **Legislative Session Preparation**

AJRS has completed the Legislative Budget meetings this fall in preparation for the upcoming Legislative Session that will begin in January 2025 and prepared our proposed legislative packet which is available for review.

#### **Staff Professional Development**

Over the last quarter, APERS staff members have participated in various professional development opportunities. Supervisors attended the UALR APAC Leadership program in September.

To keep abreast with best practices nationally, staff members have also participated in meetings of these groups:

- National Association of State Retirement Administrators in August
- National Conference of State Social Security Administrators in September
- National Pension Education Association meetings in October
- Public Pension Financial Forum in October