

ARKANSAS REGISTER

Proposed Rule Cover Sheet



Secretary of State
John Thurston
500 Woodlane Street, Suite 026
Little Rock, Arkansas 72201-1094
(501) 682-5070
www.sos.arkansas.gov



Name of Department _____

Agency or Division Name _____

Other Subdivision or Department, If Applicable _____

Previous Agency Name, If Applicable _____

Contact Person _____

Contact E-mail _____

Contact Phone _____

Name of Rule _____

Newspaper Name _____

Date of Publishing _____

Final Date for Public Comment _____

Location and Time of Public Meeting _____

NOTICE OF INTENDED ATRS BOARD ACTION

At a meeting of the Board of Trustees of the Arkansas Teacher Retirement System (Board) to be held at **11:00 a.m. on Monday, February 5, 2024**, at 1400 West Third Street, Room 300, Little Rock, Arkansas 72201, the Board, pursuant to its authority under A.C.A. §§ 24-7-201– 24-7-1409, will consider the repeal and adoption of amendments to certain rules of the Arkansas Teacher Retirement System (ATRS).

Rules to be repealed:

- Rule 5-1: Investment Introduction
- Rule 5-2: Standard of Care
- Rule 5-3: Asset Allocation
- Rule 5-4: Investment Goals
- Rule 5-6: Investment Consultants
- Rule 5-7: Investment Managers
- Rule 5-8: Soft Dollars
- Rule 17-1: Manifest Injustice

Rules to be amended:

- Rule 0-1: ATRS Rules of Organization and Operation
- Rule 4: Election of Board of Trustees
- Rule 6: Membership and Employer Participation
- Rule 7: Service Credit, Contributions, Reporting, and Final Average Salary
- Rule 8: Free Service Credit, Purchasable Service Credit, and Purchase Accounts
- Rule 9: Retirement and Benefits
- Rule 10: Return to Service and Teacher Deferred Retirement Option Plan
- Rule 11: Survivors and Domestic Relations Orders
- Rule 12-1: Protection of “Qualified Trust” Status of ATRS Under IRS Code § 401(a)
- Rule 13-1: Administration Adjudications: Staff Determinations and Appeals
- Rule 14-1: Retirement Fund Asset Accounts
- Rule 15-1: Benefit Restoration Plan and Trust
- Rule 16: Cash and Savings Help (CASH) Program

Interested persons may submit their comments, orally or in writing, to the Executive Director of ATRS at the above address. Comments should be received no later than **Monday, January 22, 2024 at 4:30 p.m.** Requests for an oral hearing in accordance with A.C.A. § 25-15-204(a)(2)(B) should be submitted by **Wednesday, January 24, 2024**, in order for the oral hearing to be placed on the agenda.

The proposed amendments, along with the questionnaire, financial impact statement, and summaries of the changes, may be accessed on the ATRS website at <https://www.artrs.gov/board-rules>, or copies may be obtained by contacting the Executive Director’s office at (501) 588-4367. The current rules may also be viewed at <https://www.artrs.gov/board-rules> or at the ATRS office Monday through Friday from 8:00 a.m. to 4:30 p.m.

SOFT DOLLARS

~~A.C.A. § 24-7-303 and §§ 24-2-610~~

~~“Soft dollars” or “soft commissions” include any third-party or broker services an investment manager receives in addition to execution, whether these arrangements are explicit or implicit.~~

~~Commissions paid by investment managers for the purchase of equity securities are ATRS System assets and must be used for the sole benefit of the System members. Whenever possible, investment managers should seek to execute trades at the lowest possible commission rate but not to the detriment of best execution, which can result in a higher cost to the System.~~

~~So that the Board may fulfill its obligation to ensure that System assets are being used appropriately, equity investment managers shall provide a comprehensive quarterly report to the Investment Consultant on brokerage activity, commissions, services, and such other information as may be requested by the Investment Consultant or the Board. The Investment Consultant shall provide a periodic report to the Board summarizing such equity investment managers' reports and highlighting any questionable or problem areas.~~

~~**Adopted:** October 7, 2003~~

FINANCIAL IMPACT STATEMENT**PLEASE ANSWER ALL QUESTIONS COMPLETELY.****DEPARTMENT** Legal**BOARD/COMMISSION** Arkansas Teacher Retirement System**PERSON COMPLETING THIS STATEMENT** Jennifer Liwo**TELEPHONE NO.** (501) 682-1517 **EMAIL** jenniferl@artrs.gov

To comply with Ark. Code Ann. § 25-15-204(e), please complete the Financial Impact Statement and email it with the questionnaire, summary, markup and clean copy of the rule, and other documents. Please attach additional pages, if necessary.

TITLE OF THIS RULE Rule 5-8: Soft Dollars

1. Does this proposed, amended, or repealed rule have a financial impact?
Yes ☐ No ☒
2. Is the rule based on the best reasonably obtainable scientific, technical, economic, or other evidence and information available concerning the need for, consequences of, and alternatives to the rule?
Yes ☒ No ☐
3. In consideration of the alternatives to this rule, was this rule determined by the agency to be the least costly rule considered? Yes ☒ No ☐

If no, please explain:

(a) how the additional benefits of the more costly rule justify its additional cost;

(b) the reason for adoption of the more costly rule;

(c) whether the reason for adoption of the more costly rule is based on the interests of public health, safety, or welfare, and if so, how; and

(d) whether the reason for adoption of the more costly rule is within the scope of the agency's statutory authority, and if so, how.

4. If the purpose of this rule is to implement a *federal* rule or regulation, please state the following:

(a) What is the cost to implement the federal rule or regulation? n/a

Current Fiscal Year

General Revenue _____
 Federal Funds _____
 Cash Funds _____
 Special Revenue _____
 Other (Identify) _____

Total \$0.00 _____

Next Fiscal Year

General Revenue _____
 Federal Funds _____
 Cash Funds _____
 Special Revenue _____
 Other (Identify) _____

Total \$0.00 _____

(b) What is the additional cost of the state rule?

Current Fiscal Year

General Revenue _____
 Federal Funds _____
 Cash Funds _____
 Special Revenue _____
 Other (Identify) _____

Total \$0.00 _____

Next Fiscal Year

General Revenue _____
 Federal Funds _____
 Cash Funds _____
 Special Revenue _____
 Other (Identify) _____

Total \$0.00 _____

5. What is the total estimated cost by fiscal year to any private individual, private entity, or private business subject to the proposed, amended, or repealed rule? Please identify those subject to the rule, and explain how they are affected.

Current Fiscal Year

\$ 0.00 _____

n/a

Next Fiscal Year

\$ 0.00 _____

6. What is the total estimated cost by fiscal year to a state, county, or municipal government to implement this rule? Is this the cost of the program or grant? Please explain how the government is affected.

Current Fiscal Year

\$ 0.00 _____

n/a

Next Fiscal Year

\$ 0.00 _____

7. With respect to the agency's answers to Questions #5 and #6 above, is there a new or increased cost or obligation of at least one hundred thousand dollars (\$100,000) per year to a private individual, private entity, private business, state government, county government, municipal government, or to two (2) or more of those entities combined?

Yes ☐ No ☒

If yes, the agency is required by Ark. Code Ann. § 25-15-204(e)(4) to file written findings at the time of filing the financial impact statement. The written findings shall be filed simultaneously with the financial impact statement and shall include, without limitation, the following:

- (1) a statement of the rule's basis and purpose;
- (2) the problem the agency seeks to address with the proposed rule, including a statement of whether a rule is required by statute;
- (3) a description of the factual evidence that:
 - (a) justifies the agency's need for the proposed rule; and
 - (b) describes how the benefits of the rule meet the relevant statutory objectives and justify the rule's costs;
- (4) a list of less costly alternatives to the proposed rule and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (5) a list of alternatives to the proposed rule that were suggested as a result of public comment and the reasons why the alternatives do not adequately address the problem to be solved by the proposed rule;
- (6) a statement of whether existing rules have created or contributed to the problem the agency seeks to address with the proposed rule and, if existing rules have created or contributed to the problem, an explanation of why amendment or repeal of the rule creating or contributing to the problem is not a sufficient response; and
- (7) an agency plan for review of the rule no less than every ten (10) years to determine whether, based upon the evidence, there remains a need for the rule including, without limitation, whether:
 - (a) the rule is achieving the statutory objectives;
 - (b) the benefits of the rule continue to justify its costs; and
 - (c) the rule can be amended or repealed to reduce costs while continuing to achieve the statutory objectives.

December 20, 2023

Executive Summary
Proposed Rule Repeal
ATRS Rule 5-8 – Soft Dollars

I. Purpose

The Arkansas Teacher Retirement System (“ATRS” or “System”) requests the review and approval of the proposed repeal of ATRS Rule 5-8 – Soft Dollars (“Rule 5-8”).

On September 25, 2023, the Board of Trustees of the Arkansas Teacher Retirement System (“Board”) voted to proceed with the repeal of Rule 5-8.

II. Authority

A.C.A. § 24-7-301 provides that the Board is responsible for the general administration and proper operation of the System and for implementing the Arkansas Teacher Retirement System Act, A.C.A. § 24-7-201 et seq.

A.C.A. § 24-7-305(b) gives the Board the authority to promulgate rules as it deems necessary from time to time in the transaction of its business and in administering the System.

III. Repeal

Rule 5-8 will be repealed in its entirety.

IV. Recommendation

The System recommends that the proposed repeal of Rule 5-8 in its entirety be approved.