

ATRS Board Policy 3

EXECUTIVE DIRECTOR

A.C.A. § 24-7-303

I. Board - Executive Director Relationship

A. Employment of Executive Director

Employment of the Executive Director will be by the Board.

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

B. Executive Director's Job Description

1. The Executive Director is the Board's official link to the operation of the System. The Executive Director is accountable for all organizational performance and entitled to exercise all authority delegated by official Board action.
2. The Executive Director's job description may be stated as performance in these areas:
 - a. Organizational accomplishment of the provisions of ATRS Board Policy 2 - Board Objectives.
 - b. Organizational operation within the boundaries of prudence and ethics established in Board policies on Executive Director Limitations.

- c. Serving as secretary to the Retirement Board and an ex officio nonvoting member of its committees and maintaining an accurate record of the proceedings.
- d. Serving as liaison between the (a) Actuary, (b) Investment Consultants, and (c) Investment Managers and the Retirement Board, helping to interpret the intent of the Board to the consultants, and coordinating their reports and recommendations to the Board.

C. Delegation to the Executive Director

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

1. The waiver of a deadline is an exclusive remedy of the Board. However, the authority to extend a deadline before the deadline has passed is delegated to the Executive Director when an extension by the System is permitted under the Arkansas Code.
2. The Executive Director may implement a resolution of a member issue, claim, or referral that has a direct financial impact to the System of no more than five thousand dollars (\$5,000). The Executive Director shall not be required to obtain Board approval before implementing a resolution of a member issue, claim, or referral that has a direct financial impact to the System of no more than five thousand dollars (\$5,000). The Executive Director shall obtain Board approval before implementing a resolution of a member issue, claim, or referral that has a direct financial impact to the System in excess of five thousand dollars (\$5,000).
3. All Board authority delegated to staff is delegated through the Executive Director, so that all authority and accountability of staff is considered to be within the authority and accountability of the Executive Director.
4. Board Objectives policies direct the Executive Director to achieve certain results; Executive Director Limitations policies constrain the Executive Director to act within Board adopted policies, legal requirements, and acceptable boundaries of prudence and ethics. With respect to Board Objectives and Executive Director Limitations, the Executive Director is authorized to establish further procedures, make decisions, and take actions provided they are consistent with Board policies.
5. The Board may change its policies, thereby shifting the boundary between the Board and the Executive Director domains. The Board

and Executive Director will respect and support the parameters of delegation as they exist and as they may be changed in the future.

D. Monitoring Executive Performance

Monitoring executive performance is synonymous with monitoring organizational performance against policies on Board Objectives and Executive Director Limitations. Any evaluation of Executive Director performance, formal or informal, may be derived only from these monitoring data.

1. The purpose of monitoring is simply to determine the degree to which Board policies are being fulfilled. Information that does not meet this purpose will not be considered to be monitoring. Monitoring will be as automatic as possible, using a minimum of Board time so that meetings can be used to create the future rather than to review the past.
2. A given policy may be monitored in one or more of three ways:
 - a. Internal Report: Compliance information prepared by the Executive Director for the Board.
 - b. External Report: Compliance information prepared by a disinterested, external auditor, inspector, or consultant who is selected by and reports directly to the Board. Such reports must assess executive performance only against policies of the Board, not those of the external party unless the Board has previously indicated that party's opinion to be the standard.
 - c. Direct Board Inspection: Compliance information prepared by a Board member, a committee, or the Board as a whole. This is a Board inspection of documents, activities, or circumstances directed by the Board that allows a "prudent person" test of policy compliance.
3. Upon the choice of the Board, any policy may be monitored by any method at any time. For regular monitoring, however, each Board Objectives and Executive Director Limitations policy will be classified by the Board according to the following frequency and method:

Ends Policies - Financial Perspective

<i>Policy</i>	<i>Method</i>	<i>Responsibility</i>	<i>Frequency</i>	<i>Month Expected</i>
Sustain actuarial soundness	External Report	Actuary	Annual	Dec.

Manage contributions effectively	Internal Report	Executive Director	Annual	June
Maximize investment returns	External Report	Investment Consultant	Quarterly	Apr., July, Oct., Jan.
Ensure budget credibility	Internal Report	Executive Director	Annual	June

Ends Policies - Customer Perspective

<i>Policy</i>	<i>Method</i>	<i>Responsibility</i>	<i>Frequency</i>	<i>Month Expected</i>
Promote comparable contribution rates, benefits and services	Internal Report	Executive Director	Annual	June
Increase awareness of trust fund stewardship	Internal Report/ External Audit Report	Executive Director/ Independent Auditor	Annual	June
Promote retirement education and communications	Internal Report	Executive Director	Annual	June
Improve overall service level	Internal Report	Executive Director	Annual	June

Ends Policies - Internal-Business Process Perspective

<i>Policy</i>	<i>Method</i>	<i>Responsibility</i>	<i>Frequency</i>	<i>Month Expected</i>
Administer retirement laws timely, accurately and consistently	Internal Audit Report	Internal Auditor	Annual	June
Provide member benefits and services (1) at a level that promote member satisfaction and (2) in a cost effective manner	Internal Report	Executive Director	Annual	June

Process improvement	Internal Report	Executive Director	Annual	June
Effectively manage new projects and initiatives	Internal Report	Executive Director	Annual	June
Promote effective communication	Internal Report	Executive Director	Annual	June

Ends Policies - Learning and Growth Perspective

<i>Policy</i>	<i>Method</i>	<i>Responsibility</i>	<i>Frequency</i>	<i>Month Expected</i>
Foster a positive, innovative work environment	Internal Report	Executive Director	Annual	June
Employ and retain highly capable employees	Internal Report	Executive Director	Annual	June
Enhance training and development opportunities	Internal Report	Executive Director	Annual	June

Ends Policies - Executive Director Limitations

<i>Policy</i>	<i>Method</i>	<i>Responsibility</i>	<i>Frequency</i>	<i>Month Expected</i>
General Executive Constraints	Internal Report	Executive Director	Annual	June
Communication and Counsel to the Board	Direct Board Inspection	Board	Annual	June
Code of Ethics	Internal Report	Executive Director	Annual	June
Compensation and Benefits	Internal Audit Report	Internal Auditor	Annual	June
Staff Treatment	Internal Report	Executive Director	Annual	June
Operations	Internal Report	Executive Director	Annual	June
Risk Management	Internal Report	Executive Director	Annual	June

* Each Regular Session of the Arkansas General Assembly, all actuarial census data is sent to an independent actuary hired by the State Legislature for use in reviewing the System and preparing cost analysis reports for legislation affecting ATRS.

II. Executive Director Limitations

A. General Executive Constraints

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

1. Communication and Counsel to the Board

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

- a. Let the Board be unaware of relevant trends, anticipated adverse media coverage, and material external or internal changes, particularly changes in the assumptions upon which any Board policy has previously been established.
- b. Fail to submit the required monitoring data in a timely, accurate, and understandable fashion, directly addressing provisions of the Board policies being monitored. See ATRS Board Policy 3 - Monitoring Executive Performance.
- c. Fail to marshal as many alternatives as needed for fully informed Board choices.
- d. Fail to provide requested information that would assist the Actuary, Investment Consultant, and Real Estate Manager in their efforts to make reports and recommendations directly to the Board without modification.
- e. Present information in unnecessarily complex or lengthy form.
- f. Fail to provide a mechanism for official Board, officer, or committee communications.
- g. Fail to deal with the Board as a whole, except for fulfilling individual requests for information.
- h. Fail to report actual or anticipated noncompliance with any policy of the Board.

B. Code of Ethics

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

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

C. Compensation and Benefits

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

Accordingly, the Executive Director may not:

1. Change their own compensation and benefits.
2. Promise or imply permanent or guaranteed employment within ATRS or through its investments or contractors.
3. Establish compensation or benefits for ATRS employees that are not within state-approved salary schedules or benefit provisions.
4. Promote, hire, terminate, or change the assignment of regular, fulltime personnel for positions classified under the Arkansas Uniform Classification and Compensation Act (A.C.A. § 21-5-201 et seq.) as SE1, IT5, GS9, or higher, or persons designated as a part of the senior management team, without prior notification to the Board Chair.

D. Operations

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

1. Accordingly, the Executive Director may not cause or allow budgeting that:
 - a. Contains too little detail to enable accurate projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions.
 - b. Does not provide for Board prerogatives and Board development.
 - c. With respect to the actual, ongoing condition of the System's operating budget, the Executive Director may not cause or allow the development of financial jeopardy.
2. Accordingly, the Executive Director may not:
 - a. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
 - b. Allow actual operating budget allocations to deviate materially from Board priorities in Ends policies.
 - c. Fail to promulgate procedures to assure an equitable and open method of awarding contracts to providers of contractual and consultant services.
 - d. Fail to establish and maintain a system of internal controls designed to assure that the policies and procedures of the System are being followed and that assets belonging to ATRS are properly received, are protected while in the custody of ATRS, are used only for appropriate purposes, and reduce the opportunity for errors and dishonesty.

E. Staff Treatment

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

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

F. Risk Management

1. Emergency Executive Succession

To protect the Board from sudden loss of Executive Director services, the Executive Director shall assure that at least one other senior executive is familiar with Board and Executive Director issues and processes.

2. Business Continuity Planning

The Executive Director may not fail to have a Business Continuity Plan, in place and tested, to assure that the critical business processes of the System (i.e., the payment of monthly benefits and the investment and protection of assets) can continue notwithstanding the loss of use of all or part of the home office or computer facilities.

3. Asset Protection

The Executive Director may not allow assets to be unprotected, inadequately maintained, or unnecessarily risked as would be determined by a prudent person.

Accordingly, the Executive Director may not:

- a. Allow uninsured personnel access to material amounts of funds.
- b. Subject physical plant and equipment to improper wear and tear or insufficient maintenance.
- c. Unnecessarily expose the Board, employees, or the System to claims of liability.
- d. Receive, process, or disburse funds under controls insufficient to meet the Board-appointed auditor's standards.
- e. Acquire, encumber, or dispose of real property without Board authorization.
- f. May not allow investment assets to be unprotected. Such protection shall include:
 - i. Timely deposit of cash as provided for by law and Board policy.
 - ii. Transfer of securities to the State Treasurer or the Treasurer's designated subcustodian for safekeeping.
- g. Allow investment assets to be unprotected through the failure to have a well-qualified and trained staff.

4. Insurance

The Executive Director may not allow the System to be uninsured against known perils. Accordingly, insurance policies will be maintained with coverages that would be considered prudent in the following areas:

- a. Facility Liabilities
- b. Crime
- c. Difference in Conditions
- d. Directors and Officers
- e. Fiduciary
- f. General Liability
- g. Kidnap, Ransom, and Extortion
- h. Pollution Legal Liability
- i. Property
- j. Surety Bonds
- k. Travel Accident

HISTORY

Adopted: April 26, 2007 as Rule 3-1 through 3-11
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