

February 19, 2015

Mr. George Hopkins
Executive Director
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, Arkansas 72201

Re: Senate Bill 171 as Engrossed 2/18/2015

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 171 as it relates to the Arkansas Teacher Retirement System (ATRS).

SB 171 modifies the wording of Arkansas Code Section 24-7-602 to clarify the circumstances under which a member can obtain free credited service for time spent in the military, to clarify the circumstances by which a member may purchase military service and for other purposes.

We understand from ATRS staff that Senate Bill 171 does not change the amount of service that may be credited to the member for free. Further, that it does not change the cost of any service that is purchased or the timing of payments, if any, to ATRS. In addition, service purchases are made at full actuarial costs, based upon factors last updated in August of 2011. The factors will be reviewed and updated if necessary at the time of the next experience study.

Consequently, we find that this bill has no actuarial cost or savings for ATRS.

We hope this analysis meets your needs.

Please review this letter carefully to ensure that we have understood the bill properly. The analysis in this letter should not be relied upon if there is doubt about our understanding of the bill. Our analysis relates only to the plan changes described in this correspondence. In the event that other plan changes are being considered, it is very important to remember that the results of separate actuarial analyses cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

We did not review this bill for compliance with Federal, State, or local laws or regulations, and internal revenue code provisions. Such a review was not within the scope of our assignment.

Brian B. Murphy and Judith A. Kermans are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Mr. George Hopkins

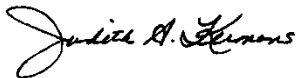
February 19, 2015

Page 2

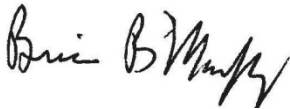
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



Brian B. Murphy, FSA, EA, MAAA, FCA

JAK/BBM:rmn