

February 27, 2013

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

**Re: House Bill 1135**

Dear Mr. Hopkins:

You have asked us for our analysis of House Bill (HB) 1135 as it relates to the Arkansas Teacher Retirement System (ATRS).

HB 1135 modifies Arkansas Code Section 24-7-710 related to Survivor annuity benefits. It modifies subsection (a) to require five (5) years of “actual” ATRS service rather than allowing a combination of actual ATRS service and reciprocal service.

It also adds a new subsection (a)(2) that requires payment of survivor benefits starting from the date that the eligible survivor files an application to receive survivor benefits. Current statutes require survivor benefit payments starting from the month following the month of death, for eligible individuals. We understand from ATRS staff that occasionally, survivors wait a few years before they file for survivor benefits and, under present statutes, large back payments are sometimes required.

HB 1135 saves money for ATRS because it potentially reduces benefits paid to eligible survivors who do not apply in a timely manner for benefits. We do not have data upon which to base an estimate of the amount of savings but we would expect it to be small and that the savings would not impact the funding status of ATRS or the amortization period. However, reducing the potential for large lump sum back payments will strengthen the financial integrity of ATRS and could lead to more consistent treatment of survivors of deceased participants in the longer term.

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.

Mr. George Hopkins

February 27, 2013

Page 2

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

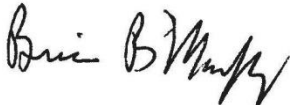
Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

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:mrh