

January 27, 2015

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

Re: Senate Bill 75

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 75 as it relates to the Arkansas Teacher Retirement System (ATRS).

SB 75 modifies Arkansas State Code Section 24-7-607 – Private school service. Under present law, the Department of Education is responsible for the determination of eligibility to purchase private school service. Senate Bill 75 transfers the responsibility for determining whether the private school or agency has positions recognized for the issuance of teaching licenses or is an educationally related entity to ATRS. ATRS already certifies eligibility of types of service other than private school service, so this bill will bring uniformity to the process.

Present law limits purchase of “educationally related” private school service to 5 years, while limiting purchase of other private school service, presumably teaching service, to 15 years.

Senate Bill 75 changes the language of the statute by providing for 15 years of certified private school service and 5 years of non-certified private school service (from an educationally related entity) to be purchased. We understand from staff that this language is intended to have the same effect as the “educationally related” service defined in present statute. As we understand it, private school service that, if rendered in a public school would require a teaching certificate (classroom teacher, administrator, etc.) , will be “certified private school service”, and other service will be non-certified (cafeteria workers, bus drivers, etc.), with ATRS making the determination.

Internal Revenue Code Section 415(n) provides rules related to purchase of permissive service credit and limits purchase of non-qualified service to 5 years. We understand the Legal Counsel has determined that the service purchase provisions of 24-7-607 and SB 75 are in compliance with 415(n).

This Bill does not change the amount of service that may be purchased. It does not change the cost of the service or the timing of payments 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 and that the assumptions we have made are realistic. The analysis in this letter should not be relied upon if there is doubt about our understanding of the bill or the assumptions we have made. 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 opinion contained herein.

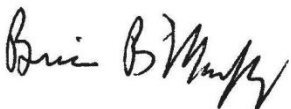
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



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

JAK/BBM:rmn