



June 9, 2010

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

**Re: 160 Days for a Year of Service Credit**

Dear Mr. Hopkins:

Section 24-7-601 outlines how service is credited in the Arkansas Teacher Retirement System (ATRS).

Subsection (b) states that in no case (other than specifically provided for in section 24-7-601) shall fewer than 120 days of teaching service rendered in any fiscal year be credited as one year of service in the ATRS. You have asked us to estimate what the savings to ATRS would be if the minimum number of days for this purpose were increased to 160 days. We understand this to mean that members would need 40 days of service rather than 30 days to earn the minimum amount of service that can be credited, which is three months (0.25 years). Also, you would like us to consider the impact of allowing contributory members (only) the option of banking the days earned over multiple fiscal years. To aid in our analysis, you have provided us with number counts by year of service in 2009 with and without the proposed change. You have also indicated that roughly 1,000 contributory members and 10,000 non-contributory members work some days during the year but less than the minimum number of days needed to earn any service credit (presently 30 days).

Increasing the minimum days worked to qualify for service (from 120 days to 160 days) would result in less service credit being earned for affected individuals. Since less service credit is earned, but contribution income is not affected, the result would be a savings for the ATRS. The actual savings would depend on the number of individuals involved and the specific demographics of those individuals. We understand that such data is not readily available. However, based on the data that you provided indicating number counts by service earned in 2009 with and without the change, we estimate that this change would reduce the average service earned by about nine (9) days per person per year. While most individuals would not be affected at all, certain people could lose several months of service credit.

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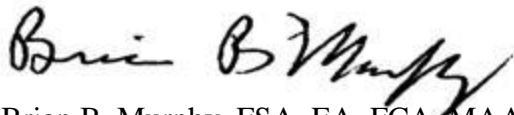
A nine day reduction in average service credit earned would reduce the amortization period by about six months, based on the June 30, 2009 valuation.

Offsetting that savings would be the additional service credit earned by allowing contributory members to bank service credit over a number of fiscal years until they reached the 160 day threshold, or until they retire, when fractional years of service would be permitted. Data for the operation of the bank is not available at this time. However, based on the data provided indicating number counts by service earned in 2009 and assuming that about 1,000 people per year would be allowed to bank, we estimate that allowing the banking would result in an increase in the average service earned of at most five (5) days. An increase of five (5) days in the average days earned would increase the amortization period by about two (2) to three (3) months.

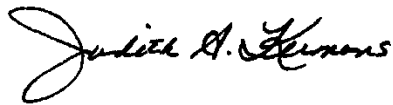
Finally, we estimate that the balance of the two changes would result in a net savings and a reduction in the amortization period of about three (3) months, based on the June 30, 2009 valuation.

Please let us know if this estimate is sufficient for your needs at this time. We would be happy to provide a more detailed analysis based on full member data for these individuals and full detail of the operation of the bank, once such data becomes available.

Respectfully submitted,



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



Judith A. Kermans, EA, FCA, MAAA

BBM:JAK\bd

cc: Ms. Gail Bolden