

March 15, 2011

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

Re: Senate Bill 88

Dear George:

You have asked us for an analysis of Senate Bill (SB) 88 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section One (1) of SB 88 modifies Arkansas Code Section 24-7-302 (b)(2) related to filling vacancies of elected trustees to allow the Board of Trustees to fill a vacancy through either a special election or by appointing a trustee until the next System election.

Section Two (2) of SB 88 modifies Arkansas Code Section 24-7-303(b) Officers – Committees concerning the general duties of the Board of Trustees to add new language that:

- Provides for ATRS to reimburse a Trustee for reasonable expenses incurred in the performance of duties as a trustee including costs of a substitute teacher and communication services required for paperless board meetings.
- States that Trustees are authorized to attend any and all system committee meetings, board meetings and other official functions without negative impact on employment status.

According to ATRS staff, Section One (1) of SB 88 will save time and money for ATRS by allowing them to occasionally forgo having a special election, in the event of a vacancy, which can cost many thousands of dollars.

Section Two of SB 88, which adds reimbursement of reasonable expenses including substitute teacher pay, may lead to a small increase in expenses for ATRS. However, we do not anticipate that such additional expenses will have any impact on the financial status of ATRS or the amortization period (52 years as of June 30, 2010).

Section Two of the Bill also adds language attempting to provide some employment protection for ATRS trustees. This type of protection will help ensure fair treatment of those who serve in these very important roles.

We see SB 88 as dealing with important administrative issues, but do not find any actuarial implications.

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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.

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.

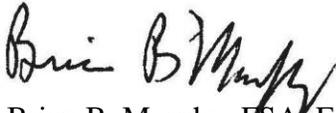
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Sincerely,



Judith A. Kermans, EA, MAAA, FCA



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

JAK\BBM:rmn