



February 9, 2023

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

**Re: House Bill (HB) 1201 Omnibus as engrossed 2/7/2023**

Dear Mr. Rhoden:

You have asked us for our analysis of HB 1201 as it relates to the Arkansas Teacher Retirement System (ATRS).

We have carefully reviewed HB 1201. We find that HB 1201 makes changes to various sections of the Arkansas Code for consistency of language, such as changing “retirant” to “retiree” and other changes related to administration.

In our judgment HB 1201 would have no material financial impact on the Arkansas Teacher Retirement System.

The remainder of this letter describes the material that we reviewed. If we have omitted important sections of HB 1201, or have misunderstood any of the sections that we reviewed, please let us know and do not rely on this letter until we have had an opportunity to review the omitted material or to rethink our analysis of the misunderstood section.

Section 1 of HB 1201 modifies Arkansas Code § 21-5-411(a)(1)(A)(v) to change the reference to the definition of alternate retirement plan to §24-7-202 from §24-7-801.

Section 2 of HB 1201 modifies Arkansas Code § 24-2-302(3)(D) related to membership in the Arkansas Teacher Retirement System. It updates certain statutory references without affecting the meaning of the language.

Sections 3 to 11 of HB 1201 modify various code sections to incorporate this changed reference.

Section 12 of HB 1201 modifies Arkansas Code § 24-7-202(6), concerning the definition of "alternate retirement plan" to include an additional statutory reference to §24-7-1001.

Sections 13 and 14 modify Arkansas Code § 24-7-202(7) and (14) to update the wording used to define “annuity” and “credited service” without affecting meaning.

Section 15 modifies Arkansas Code § 24-7-202(19)(D)(iii) related to employment with a school. The change to subparagraph (a) is an update to the wording that does not affect the meaning. The change to subparagraph (b) specifies that the employer must become a covered employer at the time the employee elects to become or remain a member of the Arkansas Teacher Retirement System. The change to subparagraph (c) permits the employer to be a covered employer only with respect to those employees who become or remain members of the Arkansas Teacher Retirement System. The change to subparagraph(d) is a minor wording change.

Section 16 provides a minor wording update to Arkansas Code § 24-7-202(21)(B) that does not affect the meaning.

Section 17 modifies Arkansas Code § 24-7-202(28), concerning the definition of "normal retirement age." It modifies subparagraph 28(A) to permit reciprocal service to be counted toward the 5 years of service required for age 65 to be considered the normal retirement age. The change to subparagraph 28(B) permits reciprocal service and T-DROP service to be counted toward the years of service necessary to qualify for normal retirement at age 60 or later if the sum of the age and years of service totals 98 (or greater).

Section 18 provides a minor wording update to Arkansas Code § 24-7-202(32) that does not affect the meaning.

Section 19 modifies Arkansas Code § 24-7-202, concerning definitions.

- It adds new subparagraph (45) to provide that:
  - (A) "Benefit enhancement" means any change to the current benefit policy for a retired, active, or inactive member of the Arkansas Teacher Retirement System or T-DROP participant that increases the amortization period by one (1) year or more.
  - (B) Benefit enhancement does not include any change that is required to comply with federal law, prevent a manifest injustice, correct an error, avoid an unintended consequence of an existing statutory provision, or prevent undue hardship on any benefit participant or class of benefit participants.
- It adds new subparagraph (46) as follows: "Employment with a covered employer" means the employment of an employee that would require a covered employer to pay employer contributions to the system.
- It adds new subparagraph (47) as follows: "Residue" for the purposes of § 24-7-701 et seq. means the difference between the accumulated contributions and regular interest credited to the retirement reserve account as of the member's effective date of retirement and the total amount of retirement annuities paid.



Section 20 modifies Arkansas Code § 24-7-207 related to an increase in benefit amount. The change splits sub paragraph (a) into two parts. The first part authorizes the Board of Trustees of the Arkansas Teacher Retirement System to raise the level of benefits provided to current retirees. The second part provides that the Board may increase benefits in the same manner and amount as provided in current law.

Section 21 provides minor wording changes to Arkansas Code § 24-7-301(4) and (5), concerning the membership of the Board of Trustees of the Arkansas Teacher Retirement System that do not affect plan costs.

Section 22 provides minor wording changes to Arkansas Code § 24-7-302(a)(2)(B), concerning the ineligibility of a retiree trustee to serve on the Board of Trustees of the Arkansas Teacher Retirement System after becoming active that do not affect plan costs.

Section 23 amends Arkansas Code § 24-7-305(b)(5) to permit the Board of Trustees of the Arkansas Teacher Retirement System to change the de minimis amount for distributing or collecting moneys from its current level of \$25 or less.

Section 24 provides minor wording changes to Arkansas Code § 24-7-403(b), concerning the restriction of trustees, officers, and employees of the Board of Trustees of the Arkansas Teacher Retirement System from holding an interest in the gains or profits of any of the Board's investments that do not affect the meaning or application of the section.

Sections 25 and 26 provide certain wording changes to Sections 24-7-408 and 24-7-501(a)(2)(B)(iii), respectfully, for consistency of language that do not affect the meaning.

Section 27 amends Arkansas Code § 24-7-502(a)(6) concerning restrictions on a member during his or her termination separation period under the Arkansas Teacher Retirement System. Subparagraphs A, B and C are amended for consistency of language. Section 26 adds new subparagraph (D) which prohibits a member from having indirect employment by an independent contract, limited liability company, partnership, corporation or legal entity that is employed by a covered employer if the member has substantial control over the employer-employee relationship.

Section 28 amends Arkansas Code § 24-7-601(e)(5) for consistency of language.

Section 29 amends Arkansas Code § 24-7-601(g)(1), concerning concurrent service earned in the Arkansas Teacher Retirement System and reciprocal systems. It adds a new subparagraph (C) that provides that part-time employment with a PSHE employer or an employer covered by the Arkansas Public Employees' Retirement System shall not prevent a member from earning service credit in the Arkansas Teacher Retirement System if the member does not earn service credit in an alternate retirement plan or in the Arkansas Public Employees' Retirement System.



Section 30 amends Arkansas Code § 24-7-602(c)(1), concerning military service credit under the Arkansas Teacher Retirement System when a member leaves employment with a school to serve in the uniformed services of the United States and later returns to employment with a school. It amends subparagraph (A) to provide that a break in service will not be incurred if the member leaves employment with a covered employer and returns to service with a covered employer (i.e., not just to a school).

Sections 31, 32, 33, 34, and 35 slightly modify the time period required for applying for voluntary, early voluntary or disability retirement, or canceling an application.

Section 36 modifies Arkansas Code § 24-7-704(a)(1)(G) and (H), concerning actions by the medical committee related to when a member applies for disability retirement. The section slightly modifies the time period within which a member may submit additional documentation requested by the medical committee.

Section 37 slightly modifies the time period within which a member must submit all documents and forms required to begin a disability annuity.

Section 38 modifies Arkansas Code § 24-7-704(a)(4), concerning restrictions on when a member is eligible to begin receiving disability retirement payments for consistency with amended § 24-7-502(a)(6).

Sections 39 and 40 modify Arkansas Code § 24-7-704(b)(3)(C)(iii) and (D)(i), concerning actions not taken by a disability retiree under the Arkansas Teacher Retirement System that will cause termination of disability retirement benefits. The amendments make small changes to the 3-month time period.

Section 41 modifies Arkansas Code § 24-7-706(a)-(e), concerning annuity options under the Arkansas Teacher Retirement System. The changes are for consistency of language and do not affect the meaning.

Sections 42 and 43 modify Arkansas Code § 24-7-707(d) and (e)(1). The amendments make small changes to the time periods for making or cancelling an application for deferred retirement.

Section 44 amends Arkansas Code § 24-7-709 related to the disposition of residue. The amendment permits a member to elect more than one residue beneficiary but requires that the residue be divided equally among beneficiaries. It also provides that if all beneficiaries predecease the retiree, that the residue be paid to the estate of the most recently deceased designated beneficiary.

Section 45 amends Arkansas Code § 24-7-710(a)(2)(B) to slightly modify the time period for when an eligible survivor or a minor survivor's guardian or legal representative must complete an application for survivor annuity benefits.



Section 46 modifies Arkansas Code § 24-7-710(b)(1)(A)(i) concerning a member's survivor annuity. It clarifies that the alternative beneficiary must have been directed by the member to be a residue beneficiary.

Sections 47 and 48 amend Arkansas Code § 24-7-710(b)(1)(B)(ii) and (C)(ii) to slightly modify the time period for when an immediately eligible spouse must apply for a survivor annuity and when such application may become void.

Sections 49, 50, 51, 52, and 53 make certain changes related to consistency of language and to eliminate obsolete language in Sections 24-7-713(a)(1), 24-7-713(d), 24-7-714, 24-7-727(a)(1) and 24-7-727(3)(A), respectively.

Section 54 modifies Arkansas Code § 24-7-728 related to computation of benefits. The current statute authorizes the Board to raise the level of current retiree benefits to match changes in benefits to be provided to future retirees. The amendment restructures the language but does not change the meaning.

Section 55 amends Arkansas Code § 24-7-730(a)(1), concerning the required dates of distributions of member benefits. The amendment delays required distributions to the latter of the calendar year in which the member retires or the calendar year in which the member attains the applicable age (formerly age 72). The applicable age is as follows. In the case of a participant who attains seventy-two (72) years of age after December 31, 2022, and seventy-three (73) years of age before January 1, 2030, the applicable age is seventy-three (73) years of age. In the case of a participant who attains seventy-three (73) years of age after December 31, 2029, and seventy-four (74) years of age before January 1, 2033, the applicable age is seventy-four (74) years of age. In the case of a participant who attains seventy-four (74) years of age after December 31, 2032, the applicable age is seventy-five (75) years of age.

Section 56 modifies Arkansas Code § 24-7-733(a)(2) for consistency of language.

Section 57 modifies Arkansas Code § 24-7-735(c) concerning a member or employer's ability to purchase service credit, additional salary, or both. The amendment adds new subparagraph (4)(A) that requires that service purchased under a settlement agreement or court order shall offset service credit that the member earned as an employee of another covered employer during the same time period. The amendment also adds new sub-paragraph (4)(B) that prohibits service purchased under a settlement agreement or court order to be applied in a manner that would allow the member to earn more than one year of service credit in a single year.

Section 58 modifies Arkansas Code § 24-7-738(b)(2) for consistency of language.



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Section 59 amends Arkansas Code § 24-7-1302(c) to make a small change to the time period within which a member may withdraw his or her application for the Teacher Deferred Retirement Option.

Section 60 amends Arkansas Code § 24-7-1501 through 1504 for consistency of language.

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, Judith A. Kermans and Heidi G. Barry 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.

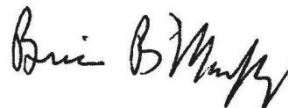
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Sincerely,  
Gabriel, Roeder, Smith & Company



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