

March 10, 2011

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

Re: Senate Bill 135

Dear George:

You have asked us for an analysis of Senate Bill (SB) 135 as it relates to the Arkansas Teacher Retirement System (ATRS).

SB 135 modifies Arkansas Code Section 24-2-402 (2) related to reciprocal service eligibility to add a new Section C, and to rename the current Section C to D.

New Section C states that certain active members of a state retirement system shall receive one (1) year of service credit for eligibility purposes for every five (5) years of full time employment with a state college or university. **Importantly, it should be noted that this bill does not increase years of service or the benefit, it just allows the member to use the time for retirement eligibility like they could any time earned in a reciprocal retirement system.** For instance, an ATRS member with 14 years of service credit in ATRS and 14 years in APERS can retire with 28 years of service, but each system calculates the benefit on the system's own 14 years of service. To qualify the member must have:

- 10 years of service in the current retirement system and
- 10 years of service in an alternative retirement plan provided thru a state college or university *after* 1985.
- 10 or more years of full time employment *before* 1985 at the same state college or university during a time when they did not have a mandatory employer contribution or mandatory participation in an alternative retirement plan.

Based on discussions with ATRS staff, there are only one (1) or two (2) people who might be affected by this change. Given the small number of individuals involved, we anticipate that the bill would have a minute cost and certainly no measurable impact on the amortization period (52 years as of June 30, 2010) of ATRS. We understand from ATRS staff that this Bill is an important component in fair treatment of employees who serve multiple employers. Policymakers will need to balance fair treatment of individuals against the very small cost. If data on members in this specific situation can be provided, we would be pleased to refine our estimate of the cost.

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

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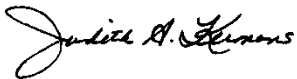
remember that the results of separate actuarial analyses cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

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.

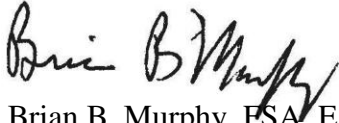
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



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

JAK\BBM:bd