

January 27, 2015

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

Re: Senate Bill 38 – Eligible Rollover Distributions

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 38 as it relates to the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Section 24-7-719 currently provides that a member, a former member, a deceased member's surviving spouse, or a former spouse of a member or former member who is an alternate payee under a domestic relations order who is receiving a distribution from the system that is eligible for a rollover pursuant to 402(c)(4) to elect such rollover.

SB 38 modifies Arkansas State Code Section 24-7-719(b) concerning rollovers to permit a non-spouse beneficiary not currently described in Section 24-7-719 to be eligible for certain direct rollovers. We have been informed that this change is required for compliance with Internal Revenue Code 402(c)(11). We have been further informed that ATRS is currently allowing such rollovers in compliance with the Internal Revenue Code.

There is clearly no actuarial cost (or savings) to this Bill because the amount and timing of the distribution from ATRS is not affected. Staff has indicated that there is also no administrative cost or savings to the Bill.

Therefore we conclude that this Bill is cost neutral to 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.

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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.

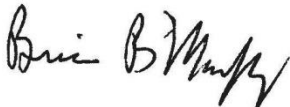
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



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

JAK/BBM:rmn