

February 5, 2015

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

Re: Senate Bill 50

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 50 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section One (1) of SB 50 modifies Arkansas Code Section 24-7-202 concerning the definitions of terms used in the Arkansas Code to add new language that 1) clarifies that ATRS is a state agency and 2) defines a 'de minimis amount' to mean an amount of money so small that it makes accounting for it unreasonable or impractical.

Section Two (2) of SB 50 clarifies Arkansas Code Section 24-7-301 concerning the composition of the Board of Trustees.

Section Three (3) of SB 50 modifies Arkansas Code Section 24-7-302(a)(2) concerning terms of office and vacancies to clarify that an active Board trustee may not continue to serve on the Board upon ceasing to be employed by an ATRS employer.

Section Four (4) of SB 50 modifies Arkansas Code Section 24-7-305(b) to clarify that the Board may amend by motion or resolution investment guidelines and policies that are consistent with the Board's fiduciary obligations as set forth under the prudent investor rule, clarifies the Board may set or amend by motion or resolution a de minimis amount of \$25 or less concerning the System's obligations to distribute or collect payments, penalties, interest, funds or monies, and clarifies that the Board's rule-making authority under this section does not prohibit the Board's rule-making authority under other sub-divisions.

Section Five (5) of SB 50 modifies Arkansas Code Section 24-7-305(e)(1) to eliminate the requirement to provide a report to each employer no later than April 1, annually.

Section Six (6) of SB 50 repeals Arkansas Code Section 24-7-410(d), concerning an outdated and unused procedure for the crediting of interest to the accounts of the ATRS. The change will therefore not affect the amount of interest actually credited.

Section Seven (7) of SB 50 modifies Arkansas Code Section 24-7-602(b) concerning military service credit to comply with the general retirement section of the Arkansas code and the Uniformed Service Employment and Reemployment Rights Act. The System is already being administered in this manner.

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Section Eight (8) of SB 50 modifies Arkansas Code Section 24-7-706(a)(1) concerning annuity options to eliminate duplicative wording.

Section Nine (9) of SB 50 modifies Arkansas Code Section 24-7-733(a)(2) and Section Ten (10) of SB 50 modifies Arkansas Code Section 24-7-1312(a) to clarify that compliance with the IRC code is necessary to protect the tax qualified status of the System.

Senate Bill 50 deals with important administrative and technical issues, and clarifies the intended meaning of certain sections of statutes. In our opinion it is actuarially cost neutral.

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.

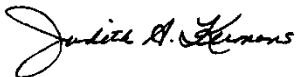
We did not review this bill for compliance with Federal, State, or local laws or regulations, and internal revenue code provisions. Such a review was not within the scope of our assignment.

Brian B. Murphy 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 opinions contained herein.

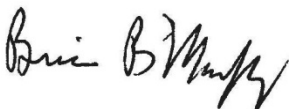
Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

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