GRS

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January 31, 2017

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

Re: Senate Bill 233 of 2017

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 233 as it relates to the Arkansas Teacher Retirement System (ATRS). SB 233 modifies Arkansas State Code Section 24-7-715 – Benefit Rights not subject to legal process. We understand from staff that the main purpose of this bill is to protect members from predatory practices by prohibiting pension advance companies from obtaining a retiree's benefit to repay a loan.

Under the current language in Section 24-7-715, the rights of an individual in the Arkansas Teacher Retirement System are not subject to "execution, garnishment, attachment, bankruptcy or other legal processes" except in the very specific case of an inactive teacher or school employee who is found by a court of the State of Arkansas to be willfully refusing or failing to support minor dependent children and in violation of a court order to provide such support, although the individual is financially able to provide it. SB 233 preserves this exception but makes modifications to the statute described below.

SB 233 defines a "pension assignee" as an individual or entity that is not a designated beneficiary and is assigned some or all of a benefit participant's pension benefit by the participant or that claims an interest in or control over a participant's plan benefit or over an account to which a benefit participant's plan benefit is deposited. The bill modifies language in 24-7-715(b)(1)(A) and (B) clarifying that a benefit participant's rights under the Arkansas Teacher Retirement System are neither assignable nor transferable. The bill then adds new subsection 24-7-715(e) which prohibits a pension assignee from using any device, transfer, or other scheme to circumvent the prohibition against the assignment or transfer of a pension benefit and gives examples of such devices or schemes.

The Bill adds section 24-7-715 (b)(3) that specifically preserves the right of the System to correct errors and collect moneys due the System. Finally, in amended section 24-7-715(b)(4) the bill clarifies that its provisions do not apply to rollover distributions under section 24-7-719.

Upon careful review, we find that this bill has no actuarial cost or savings for ATRS.

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 nor did we attempt to determine whether these changes would contradict or negate other related State, or local laws. 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.

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

Sincerely,

Judith A. Kermans

Judith A. Kermans, EA, MAAA, FCA

Brian B Murphy

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JAK/BBM:rmn