

February 8, 2019

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

Re: House Bill 1316 – Eligibility for a Dependent Child Annuity

Dear Mr. Rhoden:

You have asked us for our analysis of House Bill (HB) 1316 as it relates to the Arkansas Teacher Retirement System (ATRS).

HB 1316 modifies §24-7-710(c)(2) of the Arkansas Code related to the eligibility for a dependent child annuity benefit.

This section of the Code allows for a dependent child of a deceased member to receive benefits as defined in §24-7-710(c)(1)(A) until age 18 and further until age 23 if the dependent child is a full time student at an accredited secondary school, college, or university.

Under current statutes, a dependent child is defined to be a child who is under the age of 18 years. If a member dies in service with a child under age 18, that child is a dependent child and is eligible for survivor benefits up to age 18 and potentially to age 23 if the child is a full time student. However, also under current statutes, a child over age 18 is not technically a dependent child. Consequently, if a child is over 18 years of age at the time of the member's death, that child is not a dependent child and is therefore not eligible for the dependent child annuity regardless of whether or not the child is a full time student.

HB 1316 extends the definition of dependent child up to age 23 provided that the child stays continuously enrolled as a full time student at an accredited secondary school, college, or university. Therefore, if HB 1316 becomes law and a member dies in service with a child who is 18 or older, that child would be eligible for the dependent child annuity, provided that the child has been continuously enrolled as a full time student as specified in the Bill. HB 1316 corrects an anomalous circumstance wherein a few days difference in the timing of death of a member could have a remarkable effect on the benefits to be paid (or not to be paid) to the member's child.

We note that HB 1316 also modifies statutory language in §24-7-710(c)(2)(ii) related to mentally or physically incapacitated children, but that the modifications are adjustments to the language that do not affect the payment of benefits.

The circumstances wherein the provisions of HB 1316 could affect actual benefits to be paid are rare and would affect at most a few people for a few years. We would not expect to see any material cost effect if this Bill becomes law.

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.

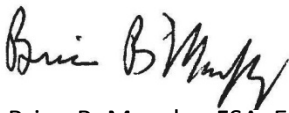
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



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

JAK/BBM:rmn

