

February 21, 2019

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

Re: Senate Bill 218 – Deposits into the Teacher Deferred Retirement Option Plan

Dear Mr. Rhoden:

You have asked us for our analysis of Senate Bill (SB) 218 as it relates to the Arkansas Teacher Retirement System (ATRS). We have reviewed the original bill dated 1/31/2019 together with the amendment dated 2/10/2019 and the suggested changes in your recent email.

SB 218 as amended modifies §24-7-1306 and repeals §24-7-1314 of the Arkansas Code related to deposits into the Teacher Deferred Retirement Option Plan (TDROP). The intent of the Bill is to repeal certain obsolete provisions concerning the TDROP and to combine sections concerning the calculation of deposits for both early and regular participation in the TDROP.

Senate Bill 218 removes language from §24-7-1306 related to participants whose effective date into the TDROP is before September 1, 2003. Based on current ATRS plan provisions, TDROP deposits cease after 10 years of participation and, therefore, there should be no members in TDROP with entry dates before September 1, 2003 who are eligible for deposits. Assuming that is the case, removal of this language has no effect on present participants or benefits.

With respect to other participants, SB 218 defines the amount to be deposited into TDROP as a percentage of the plan benefit as follows:

- For participants with 30 or more years of service at entry into TDROP, the percentage is 100% minus 1% times each year of service and fraction thereof. So, for example, if a person had 31.5 years of service at entry into TDROP, the percentage would be 68.5%.
- For participants with 28 or more years of service but less than 30 years of service at entry into TDROP, the percentage is the above figure further reduced by at least 0.5% but no more than 1% for each month of service less than 30 years.

We understand that any other changes in the Bill are wording changes only intended to clarify meaning.

Senate Bill 218 is primarily a technical Bill, removing obsolete language and streamlining language already existing in code. We reviewed the Bill and did not identify any substantive changes between the language in the Bill and the language in existing statutes. However, we are not attorneys, and are not qualified to give a legal opinion on this matter.

Assuming that there are no substantive changes between this Bill and the provisions in existing statutes, we find this Bill to be cost neutral with respect to ATRS. 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.

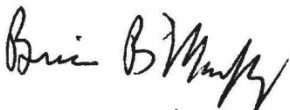
Brian B. Murphy, Judith A. Kermans, and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



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



Heidi G. Barry, ASA, FCA, MAAA

JAK/BBM/HGB:sc

