



March 11, 2021

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

**Re: House Bill (HB) 1275 – Reciprocal Service Credit**

Dear Mr. Rhoden:

You have asked us for our analysis of a Bill entitled HB 1275 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section 1 of the Bill modifies Arkansas State Code Section §24-7-202 to add the definition of an “Alternate retirement plan” to mean an optional retirement plan based on the purchase of contracts providing retirement and death benefits for a benefits-eligible employee of a post-secondary or higher education employer as defined under code Section §24-7-801 (Division of Higher Education and state-supported universities, colleges or junior colleges that are not part of the University of Arkansas system) and Section §24-7-901 (Technical institutes or postsecondary vocational technical schools and Department of Career Education).

Section 2 of Amended HB 1275, modifies Arkansas Code Section §24-7-601(e), concerning reciprocal service credit under the ATRS to provide that withdrawals from an alternate retirement plan that are made after age 59 ½ and eligible rollover transactions do not prevent the establishment of reciprocal service. This section also provides that repayment of withdrawals from an alternate retirement plan that were made prior to age 59 ½ (if permitted by the plan) would restore the use of reciprocal service. Further, this section states that the salaries earned from participation in an alternate retirement plan shall not be used in the final average salary calculated by the system and that the ATRS trustees may promulgate rules as needed for the administration of reciprocal service under an alternate retirement plan.

Sections 3 through 6 provide technical corrections regarding alternate retirement plans.

**Analysis:** We understand from ATRS staff that this would provide eligibility to only two or three additional ATRS members per year. If that is the case, we believe this will not have a significant cost impact on ATRS. Also, eliminating the reciprocal salary from the final average salary calculation in Section §24-7-601 (e)(1)(4), which gives members the average final salary from the reciprocal system that provides the highest amount, may produce a lower final average salary in some rare cases, and therefore a savings to ATRS. We understand that tax counsel has reviewed this Bill for compliance with relevant law and regulations.

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.

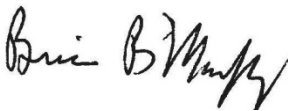
Brian B. Murphy, Judith A. Kermans and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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, PhD



Heidi G. Barry, ASA, MAAA, FCA

JAK/BBM/HGB:rmn

