



January 29, 2021

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

Re: House Bill (HB) 1320 – Delinquent Employer Payments

Dear Mr. Rhoden:

You have asked us for our analysis of HB 1320 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section 1 of the Bill modifies Arkansas Code § 24-7-411(a) and (b), concerning the compelling of payments from delinquent employers.

Present statutes require ATRS to impose an interest penalty of 8% per annum with daily interest accruals if an employer fails to remit required contributions by the 15th of the month. This Bill modifies the interest penalty from 8% per annum to an interest penalty equal to the actuarially assumed rate of return on investments of the Arkansas Teacher Retirement System Fund. It further removes the 15th of the month as the required date and allows the ATRS Board to specify the required date and frequency of payments. The remainder of the changes in Section one appear to be technical corrections.

Based upon discussions with staff, we understand that ATRS rules already specify the deadlines for employer contributions and the interest penalty for delinquent contributions as described above. Therefore, this section of the bill conforms statutes to current practice. We further understand that the interest penalty, in these circumstances, is often waived due to the delinquency being a good faith mistake. Based upon that understanding, we believe that this change will have no material financial impact on ATRS.

Section 2 of the Bill modifies Arkansas Code § 24-7-411(e) to require employers to remit contributions electronically. It allows employers who are unable to do so to submit a written request for a waiver to the Board by July 1, 2022.

Conclusion: In our opinion, this Bill will have no material financial impact on 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.

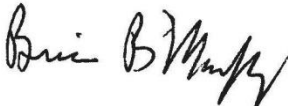
Brian B. Murphy, Judith A. Kermans and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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, PhD



Heidi G. Barry, ASA, MAAA, FCA

JAK/BBM/HGB:bd

