



February 24, 2021

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

Re: SB 174 NRA with Amendment No. 2

Dear Mr. Rhoden:

You have asked us for our analysis of a Senate Bill (SB) 174 (Amendment No. 2) as it relates to the Arkansas Teacher Retirement System (ATRS).

SB 174 modifies Title 24 Section 7-202 (27) of the Arkansas Code related to the definition of Normal Retirement Age (NRA) and Section 24-7-502(a)(2) related to the minimum waiting period before returning to work under the Arkansas Teacher Retirement System.

Section 1 of the Bill modifies Arkansas Code §24-7-202 (27) by adding two new sections (A) and (B) related to Normal Retirement Age (NRA). Section (A) adds a five (5) years of service requirement to the already codified NRA of age 65. Section (B) adds a condition that a member aged at least 60 years whose combined service in ATRS, TDROP or a reciprocal system totals at least 38 years, also meets the NRA.

Section 2 of the Bill modifies § 24-7-502(a)(2), related to the waiting period required before a member is officially terminated from employment and allowed to return to work for an ATRS covered employer. The Bill eliminates language allowing a shorter (one month) waiting period for people who meet the present NRA or have 38 or more years of service. The new language requires all members to meet the proposed NRA (age 65 with 5 years of service or age 60 with 38 years of service) or be subject to the six-month waiting period before returning to work with a covered ATRS employer.

Actuarial Analysis: SB 174 will extend the one month waiting period to six months before returning to work for a rare cohort of people who retire under age 60 with 38 or more combined years of service. It will reduce the one month waiting period to zero for people who retire between ages 60 and 65 with 38 or more combined years of service. Overall, we think SB 174 will have only a small effect on the number of people who retire and return to work (given the complexity of this decision and the reemployment risk) and, in any case, employer contributions are paid on all RTW members. Therefore, it is our opinion that SB 174 will have a very small or zero cost 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.

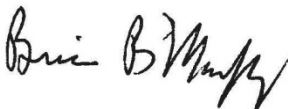
Brian B. Murphy, Judith A. Kermans and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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:dj

