



March 11, 2021

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

**Re: Senate Bill (SB) 232 as Engrossed on 3/9/2021 – Mandatory Contributory Member Designation**

Dear Mr. Rhoden:

You have asked for our analysis of SB 232 as it relates to the Arkansas Teacher Retirement System (ATRS).

**Background:**

Current law dictates that a member employed under a contract for 181 days or more is required to make contributions on their salary to ATRS. At the time that the current law was adopted the typical school teacher contract was for a 181-day period. We understand from ATRS staff that the typical teacher contract is now for 190 days.

**SB 232:**

Section 1 of the Bill modifies Arkansas Code §24-7-406(e)(1)(C) to provide that effective July 1, 2021, an active member whose status later changes from non-teacher status to administrator or teacher status under a contract for 185 days or more, shall become a contributory member of the system.

Section 2 of the Bill modifies Arkansas Code §24-7-406(e)(3)(D) and adds a new section (E). These changes taken together provide that after July 1, 2021, new members under contract with a covered employer for 185 days or more are required to be contributory and members under contract for 184 days or less may elect to become contributory.

ATRS staff has indicated that this Bill will align the required contributory designation with the length of the school year and provide recruitment opportunities for certain positions by allowing people to accept contracts up to 184 days without being forced into a contributory designation.

The change under SB 232 of moving from 181 days to 185 days will reduce the number of members mandated to be contributory which will result in less money going into the system. We understand from staff that this Bill primarily affects support staff because the typical contract for teachers and

administration is already longer than 185 days. The Bill will permit some support staff to remain non-contributory if their contract is lengthened to 184 days. It will also permit new hires into contracts for 184 days to be non-contributory. We understand from staff that the number of individuals involved is likely to be very small. Consequently, in our opinion, the effect of SB 232 on ATRS' long term cost is likely to be very small.

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.

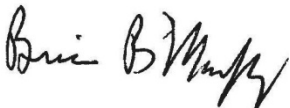
Brian B. Murphy, Judith A. Kermans and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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:ah

