



January 25, 2023

Mr. David B. Clark, Executive Director  
Arkansas Local Police and Fire Retirement System  
620 West 3rd, Suite 200  
Little Rock, Arkansas 72201-2212

**Re: HB 1111 Dated 01/11/2023 (Distribution Age)**

Dear Mr. Clark:

We are providing our analysis of HB 1111 as it relates to the Arkansas Local Police and Fire Retirement System.

The proposed legislation increases the age that members must first begin withdrawals from their DROP account balances from the System. Specifically, HB 1111 modifies several sections of the Arkansas code related to the latest initial distribution age (defined as the applicable age) for members who participated in the Deferred Retirement Option Plan (DROP) and choose to leave their DROP account balances on deposit with LOPFI. Sections §24-10-706(d)(2), §24-11-210(f), §24-11-434(f)(4)(B) and §24-11-830(f)(4)(B) are modified to change the applicable age from age 72 to the following:

- In the case of a participant who attains seventy-two (72) years of age after December 31, 2022, and seventy-three (73) years of age before January 1, 2033, the applicable age is seventy-three (73) years of age.
- In the case of a participant who attains seventy-four (74) years of age after December 31, 2032, the applicable age is seventy-five (75) years of age.

Very few DROP participants leave their DROP balances in LOPFI to the applicable age and these balances are drawn down over time. With the general pattern of these withdrawals, little is affected by the proposed change. We believe there will not be a material impact on the LOPFI employer contribution rates as a result of this legislation.

We hope this analysis meets your needs.

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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.

Heidi G. Barry and Casey T. Ahlbrandt-Rains 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.

Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

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

Sincerely,

Gabriel, Roeder, Smith & Company



Heidi G. Barry, ASA, FCA, MAAA



Casey T. Ahlbrandt-Rains, ASA, MAAA

HGB/CTA:sc

