



February 16, 2023

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

Re: House Bill (HB) 1187 as Engrossed - Lump Sum Death Benefit

Dear Mr. Rhoden:

You have asked us for our analysis of HB 1187 as it relates to the Arkansas Teacher Retirement System (ATRS). This Bill amends and updates the law concerning the lump sum death benefit.

The Bill modifies Arkansas Code § 24-7-720(a)(1)(A) to explicitly recognize that in the case of a death of a T-DROP participant prior to July 1, 2007, a lump sum death benefit of up to \$10,000 would be payable under the same conditions as for deaths of active or retired members at that time.

The Bill replaces Arkansas Code § 24-7-720(a)(1)(B) with language providing that effective July 1, 2009, if a member who retired or became a T-DROP participant on or before July 1, 2007, with five (5) or more years of actual service dies, then one (1) lump sum death benefit of up to ten thousand dollars (\$10,000) shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the System. This is essentially the language that is in current § 24-7-720(g) except that it explicitly includes T-DROP.

The Bill creates new Arkansas Code § 24-7-720(a)(1)(C) providing that if an active member, T-DROP participant, or a retired member with ten (10) or more years of actual service dies on or after July 1, 2007, then one (1) lump sum death benefit of up to ten thousand dollars (\$10,000) shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the system.

The Bill creates new Arkansas Code § 24-7-720(a)(1)(D) providing that:

- i. If a member accrues a minimum of ten (10) years of actual, contributory service, regardless of noncontributory service accrued in combination with the contributory service, the member shall receive the maximum lump sum death benefit as determined by the Board of Trustees of the Arkansas Teacher Retirement System under this section.

- ii. Upon the member's death, the maximum lump sum death benefit shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the System.
- iii. The Board may set a lump sum death benefit for noncontributory service as the Board deems appropriate.

The Bill replaces subparagraph 24-7-720(a)(2) and creates new subparagraph (3) to provide that if a member designates more than one beneficiary, the lump sum death benefit will be divided equally among them. If no beneficiary survives the member, the lump sum death benefit will be paid to the member's estate.

The Bill deletes current 24-7-720(b). It then relabels 24-7-720(c) to (b) and clarifies that "lump sum" as used therein refers to the lump sum death benefit.

The Bill deletes 24-7-720(d) which defines actual service to exclude purchased, free credited and reciprocal service. The deleted language is redundant to 24-7-202(3) and therefore represents no actual change.

It then relabels subsequent paragraphs as needed and clarifies throughout that "lump sum" refers to the lump sum death benefit. It further deletes 24-7-720(g) and other sub paragraphs that are redundant to earlier changes made by the Bill.

Based upon discussions with staff, we understand that HB 1187 is codifying existing practice and therefore would have no material financial impact on the Arkansas Teacher Retirement System.

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.

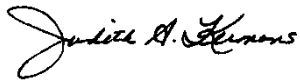


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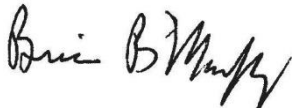
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, MAAA, FCA



Brian B. Murphy, FSA, EA, MAAA, FCA, PhD



Heidi G. Barry, ASA, MAAA, FCA

JAK/BBM/HGB:ah

