



February 2, 2023

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

Re: House Bill (HB) 1188 FAS

Dear Mr. Rhoden:

You have asked us for our analysis of HB 1188 as it relates to the Arkansas Teacher Retirement System (ATRS). This bill amends and updates the law concerning the final average salary.

Section 1 of the bill modifies Arkansas Code § 24-7-736(c)(2)(A) to provide the Board the authority to promulgate rules regarding the use of full and partial service years in determining final average salary.

Section 2 of the bill modifies Arkansas Code § 24-7-736(c)(4)(D) to create § 24-7-736(c)(4)(D)(i) that changes the term "salary differential" to "anti-spiking amount" and to change "percentage increase" to "anti-spiking percentage." It then creates § 24-7-736(c)(4)(D)(ii) to provide that a partial service year and full year immediately following a partial service year are not subject to the anti-spiking rules.

Section 3 of the bill modifies Arkansas Code § 24-7-736(e) to replace the term "percentage increase" with "anti-spiking percentage" and "salary differential" with "anti-spiking amount."

Based upon discussions with staff, we understand that HB 1188 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.

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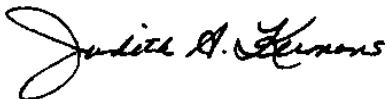
We did not review this bill for compliance with Federal, State, or local laws or regulations, and internal revenue code provisions. Such a review was not within the scope of our assignment.

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.

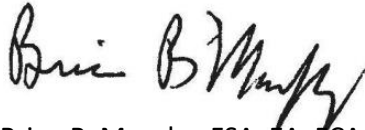
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

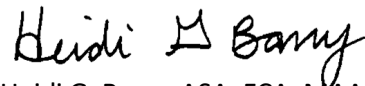
Sincerely,
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, FCA, MAAA



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



Heidi G. Barry, ASA, FCA, MAAA

JAK/BBM/HGB:dj

