



January 24, 2023

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

**Re: House Bill (HB) 1200 Inactive Eligibility for Free Military Service**

Dear Mr. Rhoden:

You have asked us for our analysis of HB 1200 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section 1 of HB 1200 modifies Arkansas Code § 24-1-107(b)(1)(B) to provide that a member of the Arkansas Teacher Retirement System shall receive credit for the member's federal service upon the payment of the appropriate costs, even if the member is not currently an active member.

Section 2 of HB 1200 modifies Arkansas Code §24-7-406(e)(1)(B)(iv) to provide that a member may convert non-contributory service to contributory service by paying the appropriate costs even if the member is not currently an active member.

Section 3 of HB 1200 modifies Arkansas Code § 24-7-602(a)(1) and (2) regarding military service.

- It modifies subparagraph (a)(1) to provide that if a member of the Arkansas Teacher Retirement System who enters the United States Armed Forces during a period that a military draft was in effect obtains a refund of member contributions from the system, the compulsory military service of the member may be established as free credited service if after an honorable discharge from the United States Armed Forces and before retirement the member repays to the system the actuarial equivalent of the members refunded service, *even if the member was not an active member at the time the member entered military service and regardless of whether the member is an active or inactive member of ATRS.*
- It modifies subparagraph (a)(2) to provide that a member of the Arkansas Teacher Retirement System who enters the United States Armed Forces during a period that a military draft was in effect and who becomes an active member after honorable discharge is eligible for free military service *even if the member was not an active member at the time the member entered military service.*

We do not have data that would permit a detailed cost analysis of the impact of the proposed change in law in HB 1200 but, based upon our review, the fact that there has not been a military draft since 1973, and

information provided from ATRS staff, we believe that this proposed change in law would have no material financial impact on ATRS. If, in the future, a military draft is reinstated, this analysis would need to be reconsidered.

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 the 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.

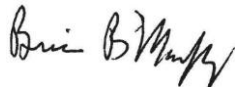
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,  
Gabriel, Roeder, Smith & Company



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JAK/BBM/HGB:rmn

