



January 27, 2023

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

Re: Senate Bill (SB) 115 Survivor Annuity Benefits

Dear Mr. Rhoden:

You have asked us for our analysis of SB 115 as it relates to the Arkansas Teacher Retirement System (ATRS).

SB 115 modifies Arkansas Code §24-7-710 concerning survivor annuity benefits provided by the Arkansas Teacher Retirement System. Throughout it clarifies that the term member is to mean “active member and replaces the “system” with the “Executive Director of the Arkansas Teacher Retirement System.”

The bill modifies Arkansas Code § 24-7-710(a)(2)(A) to provide that survivor benefits shall begin the month after the death of the active member if the survivor benefit application is filed by the end of the sixth full calendar month following the active member’s death instead of the current three-month period.

The bill modifies Arkansas Code § 24-7-710(b)(1)(A)(i) and (ii) to provide that monthly survivor benefits are payable to the surviving spouse unless the active member directs an alternative beneficiary to receive a residue with a payable balance and to permit the alternative beneficiary to waive the right to the residue, if any, allowing the surviving spouse’s eligibility to be restored. If no residue exists, no waiver is required.

The bill modifies Arkansas Code § 24-7-710(b)(1)(B) and (C) to modify the time period during which an application for survivor benefits is to be filed for consistency with Arkansas Code § 24-7-710(a)(2)(A).

The bill modifies Arkansas Code § 24-7-710(c)(2)(B)(i) by adding two new subsections to clarify that the maximum age for eligibility for a dependent child annuity is upon attainment of age 23 and to add vocational technical schools to the list of acceptable schools.

The bill introduces Arkansas Code § 24-7-710(c)(2)(B)(ii) and retitles current (ii) to (C). New §24-7-710(c)(2)(B)(ii) describes the types of schools in which a child over 18 years of age must be enrolled in order to remain eligible for a dependent child annuity and allows for a deferral enrollment period in accordance with rules promulgated by the Board of Trustees of the ATRS.

The bill introduces Arkansas Code § 24-7-710(c)(2)(D). This new section provides that the annuity of a dependent child may be suspended if the dependent child is called to active duty military service and describes the conditions under which it can be reinstated.

The bill modifies Arkansas Code § 24-7-710(c)(3) to clarify that once a dependent child ceases to qualify as a dependent child, the dependent child shall never again be eligible to qualify as a dependent child of the deceased active member and his or her share of the dependent child annuity shall terminate.

The bill introduces Arkansas Code § 24-7-710(g) which provides that a dependent child annuity shall be payable to each surviving child of a retiree who returns to work under the same conditions and in the same amount as if the return to work retiree were an ordinary active member.

The bill introduces Arkansas Code § 24-7-710(h) which provides that a member's effective retirement date and the date when survivor benefits are payable is to be determined by the law in effect at the time of the member's death.

Based on discussions with ATRS staff, the changes being proposed will act to expand options for a dependent survivor benefit but by a very small amount. It is not clear whether there could be a small backlog of individuals that may become eligible for benefits due to this bill.

Conclusion: SB 115, if enacted, could lead to additional approved dependent survivor cases. Since the number of dependents who currently receive such benefits from ATRS is small and assuming the number of such dependents remains relatively representative of current experience, we think the cost impact on ATRS will be very small. We do not have data that would permit a detailed cost analysis of the impact of the proposed change in law in SB 115.

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.

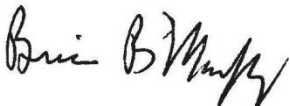
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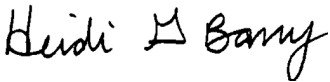
Sincerely,
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, MAAA, FCA



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Heidi G. Barry, ASA, MAAA, FCA

JAK/BBM/HGB:dj

