



January 24, 2025

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

Re: House Bill (HB) 1154 - Omnibus Bill

Dear Mr. White:

You have asked us for our analysis of HB 1154 as it relates to the Arkansas Teacher Retirement System (ATRS).

We have reviewed the bill. We find that the bill makes changes to various sections of the Arkansas Code. In our judgment, the bill would have no material financial impact on the Arkansas Teacher Retirement System. The remainder of this letter describes the material that we reviewed.

Section 1 of the bill modifies Arkansas Code § 24-1-107(b)(1)(B)(i), concerning the recognition of federal retirement programs. The bill modifies the language but does not impact plan costs or the amortization period.

Section 2 of the bill modifies Arkansas Code § 24-7-406(e)(1)(C)(iii), concerning contributory and noncontributory status. The bill adds an end date of June 30, 2025 for an active member whose status later changes from nonteacher status to administrator or teacher status under a contract for one hundred eighty-five (185) days or more to automatically become a contributory member of the System. This change is being made to eliminate redundancy with Arkansas Code § 24-7-406(e)(3)(E)(i) and does not impact plan costs or the amortization period.

Section 3 of the bill repeals Arkansas Code § 24-7-411(f), concerning temporary waivers for electronically reporting and paying contributions to the Arkansas Teacher Retirement System. It is our understanding that this language is no longer needed. In any case, the ability of employers to pay electronically or otherwise is an administrative issue rather than an actuarial issue. Therefore, this change doesn't impact ATRS plan costs or the amortization period.

Section 4 of the bill modifies Arkansas Code § 24-7-706 (a)(4)(B)(iii), concerning the distribution of an Option B annuity under the Arkansas Teacher Retirement System. The bill clarifies that upon the death of a retiree, if more than one (1) dependent child is designated as the retiree's Option B beneficiary and a spouse is not designated as the retiree's Option B beneficiary, one-half (1/2) of the retiree's

reduced annuity shall be paid in equal shares to each dependent child designated as the retiree's Option B beneficiary. This is a technical correction to align language with administrative practices and the change does not impact plan costs or the amortization period.

Section 5 of the bill modifies Arkansas Code § 24-7-706(d)(3), concerning a residue beneficiary's eligibility to elect an Option A annuity from the Arkansas Teacher Retirement System. The bill modifies the language slightly to allow for the election form to be received by the System by the end of the fourth full calendar month following the retiree's death rather than one hundred twenty (120) days. The modified language may result in an additional day or so to the current election period. The impact to ATRS plan costs or the amortization period would be immaterial.

Section 6 of the bill repeals Arkansas Code § 24-7-706(g), concerning the effective date of survivor benefits under the Arkansas Teacher Retirement System. This language already appears in other places (Arkansas Code § 24-7-710 (h)), so this change eliminates redundancy and does not impact ATRS plan costs or the amortization period.

Section 7 of the bill repeals Arkansas Code § 24-7-709(a)(4), concerning the disposition of retiree residue under the Arkansas Teacher Retirement System. Under the current language, sections (3) and (4) seem to contradict each other with respect to payment of the residue in the case that all designated beneficiaries predecease the retiree. Repealing (4) clarifies that if all option annuitants and designated beneficiaries predecease the retiree, the residue shall be paid to the retiree's estate. This does not impact plan costs or the amortization period.

Section 8 of the bill modifies Arkansas Code § 24-7-710(b)(1)(B)(i)(a), concerning the effective benefit date of a surviving spouse annuity under the Arkansas Teacher Retirement System. This is a technical correction to the current language and does not impact plan costs or the amortization period.

Section 9 of the bill modifies Arkansas Code § 24-7-1605(a)(2), concerning the eligibility of a new employee of a PSHE employer to participate in a PSHE plan. Current subdivision (B) and (C) are combined into new subdivision (B) and new subdivision (C) is added and states that a new employee of a PSHE employer may participate in the PSHE plan if the employee signs an irrevocable PSHE plan participation form provided by the System. This language clarifies current practice and does not impact plan costs.

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



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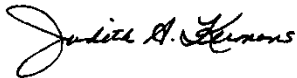
generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

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.

Judith A. Kermans, Heidi G. Barry and Derek Henning 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.

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



Heidi G. Barry, ASA, MAAA, FCA



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JAK/HGB/DH:dj

