800.521.0498 | P: 248.799.9000 | www.grsconsulting.com

January 24, 2025

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

Re: House Bill (HB) 1157 - Survivor Annuity Benefits for Dependent Children

Dear Mr. White:

You have asked us for our analysis of HB 1157 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section 1 of the bill modifies Arkansas Code §24-7-710(c)(2), concerning survivor annuity benefits for dependent children under the Arkansas Teacher Retirement System. The change to Arkansas Code §24-7-710(c)(2) increases the maximum age of a dependent child from age 18 to age 22 for all dependent children of a deceased active member. The bill eliminates the requirement that beyond age 18, the dependent child must be enrolled as a full-time student in an accredited secondary school, college, university, or vocational-technical school or be in military status. It also removes the option of a temporary suspension and later reinstatement of the dependent child annuity, based on a dependent child being called to active military duty or training.

Section 2 of the bill modifies Arkansas Code §24-7-710(g) concerning the eligibility to receive a dependent child annuity under the Arkansas Teacher Retirement System. Arkansas Code §24-7-710(g) currently provides a dependent child annuity to dependent children of retirees who die after returning to work. The bill modifies Arkansas Code §24-7-710(g) to also provide a dependent child annuity to each surviving child of a disability retiree. In addition, the section is modified to clarify that the benefit payable to a dependent child of a retiree who dies after returning to work or of a disability retiree is only payable if the dependent child has not been designated as an option beneficiary of the corresponding retiree.

If the bill is enacted, it would likely lead to additional approved dependent survivor cases, and dependent child annuities will be payable for up to four additional years (age 18 to age 22). In addition, it is not clear whether there could be a small backlog of individuals that may become eligible for benefits due to this bill. However, since the number of dependent children who currently receive such benefits from ATRS is small, and assuming the number of such dependent children remains relatively close to current levels, we think the cost impact on ATRS will be very small, resulting in a few weeks increase in the amortization period, at most.

We do not have data that would permit a detailed cost analysis of the impact of the proposed change in law.

One Towne Square | Suite 800 | Southfield, Michigan 48076-3723

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.

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.

Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

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

Sincerely,
Gabriel, Roeder, Smith & Company

Judith A. Kermans

Judith A. Kermans, EA, MAAA, FCA

Heidi G Barry

Heidi G. Barry, ASA, MAAA, FCA

Derek Henning

Derek Henning, ASA, EA, MAAA, FCA

JAK/HGB/DH:dj

GRS