



January 24, 2025

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

Re: House Bill (HB) 1160 - Permissive Service Credit

Dear Mr. White:

You have asked us for our analysis of HB 1160 as it relates to the Arkansas Teacher Retirement System (ATRS).

Section One of the bill modifies Arkansas Code § 24-7-202(23) concerning the definition of “gap year” as applicable to the Arkansas Teacher Retirement System. The bill replaces the reference to “gap year” with “gap period” and defines a gap period as one-quarter (1/4) of a fiscal year.

Section 2 of the bill modifies Arkansas Code § 24-7-613 to define permissive service credit in terms of gap period service rather than gap year service and replaces every instance of “gap year” with “gap period.”

In summary, the bill allows a member to purchase permissive service credit in increments of one-quarter of a fiscal year rather than full fiscal year increments.

Since, under the current and proposed law, the member shall pay the actuarial equivalent of the member’s (increase in) benefits for each gap period of service, we would not expect to see any material cost impact if this bill becomes law.

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

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



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Heidi G. Barry, ASA, MAAA, FCA



Derek Henning, ASA, EA, MAAA, FCA

JAK/HGB/DH:dj

