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March 13, 2025

Mr. David B. Clark, Executive Director
Arkansas Local Police and Fire Retirement System
620 West 3rd, Suite 200
Little Rock, Arkansas 72201-2212

Re: House Bill (HB) 1341 Dated 03/12/2025 (Definition of "Pay" - Workers' Compensation)

Dear Mr. Clark:

We are providing our analysis of HB 1341 as it relates to the Arkansas Local Police and Fire Retirement System.

The proposed bill amends §24-10-102(26) of the Arkansas Code concerning definition of "pay" to state that workers' compensation benefits remitted to an employer would in turn be reported to the Retirement System.

Though not explicitly stated in the draft legislation we have received, based on information shared with us by LOPFI staff, the System would charge employer and employee contributions based on these reported workers' compensation amounts, thus granting the employee service credit for the period during which the member is receiving these temporary benefits.

The reported "pay" resulting from these remittances may not exceed the rate of pay the active member would have otherwise received for active service during the same period. Based on information from staff, it is also our understanding that these remitted and subsequently reported amounts may not be significantly lower than the normal rate of pay.

Our understanding is that many employers already administer workers' compensation cases in this manner. The bill would provide consistency amongst employers.

It is reasonable to assume that this amendment would not result in contribution revenue losses relative to service credit awarded. As such, we have determined that there will be no material impact to either the funding status or liabilities of the System as a result of the proposed changes.

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.

This analysis is based on a draft of the proposed legislation as well as information provided by LOPFI staff. If the final version deviates materially from that which was provided, this analysis will need to be revised accordingly.

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.

Heidi G. Barry and Casey T. Ahlbrandt-Rains 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

Heidi G Barry

Heidi G. Barry, ASA, FCA, MAAA

Casey T. Ahlbrandt-Rains

Casey T. Ahlbrandt-Rains, ASA, FCA, MAAA

HGB/CTA:ah