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February 22, 2013

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

Re: Senate Bill 113

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 113 as it relates to the Arkansas Teacher Retirement System (ATRS).

SB 113 amends Arkansas Code Section 24-7-411 (a)(1) related to compelling payment of delinquent employer contributions from an ATRS employer. If an ATRS participating employer fails to remit contributions that are required by law or regulation by the 15th day of the month in which the contributions are owed, ATRS can charge interest on the missed contributions. SB 113 allows ATRS to increase the amount of interest charged from 6% per year (compounded daily) to 8% per year (compounded daily).

SB 113 also amends Section 24-7-411(b) regarding the payment of penalties for late report filing to add subsection (b)(6) to allow ATRS to impose an additional penalty of $500 for any report that is filed over one month late.

Finally, SB 113 adds sub-section (d)(1) which allows the delinquent contributions, penalties and interest to be deducted from certain operating funds, as described in section (d)(2)(A), (B) and (C), designated to the employer through the Department of Education and remitted to ATRS.

SB 113 will have a very small, but positive, financial impact on ATRS. It will not impact the funding position of ATRS or the amortization period. However, SB 113 provides additional options for ATRS in collecting delinquent contributions owed from employers and may also provide leverage for getting reports filed in a timely fashion.

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.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion 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,

Judith A. Kermans

Judith A. Kermans, EA, MAAA, FCA

Brian B Murphy

Brian B. Murphy, FSA, EA, MAAA, FCA

JAK/BBM:sc