GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

January 31, 2017

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

Re: Senate Bill 193 of 2017

Dear Mr. Hopkins:

You have asked us for our analysis of Senate Bill (SB) 193 as it relates to the Arkansas Teacher Retirement System (ATRS). SB 193 modifies Arkansas State Code Section 24-7-601(c)(2) – concerning credited service.

Under the current language in Section 24-7-601(c)(2) , paid sick leave shall not be considered service if the payment is for unused sick leave. SB 193 makes modifications to the statute as described below.

SB 193 modifies language in 24-7-601(c)(2) and adds new subsection 24-7-601(c)(2)(B) stating that if a member dies during active service on or after July 1, 2013, the member's accrued unused sick leave, whether paid or unpaid, shall be credited as service in the fiscal year of the member's death to determine the member's retirement eligibility, final average salary, and eligibility for other system benefits. The member's account shall be credited with one day of service for each day of accrued unused sick leave and one day of service for any remaining partial day of sick leave. The bill also adds new subsection 24-7-601(c)(2)(C) which provides that unused catastrophic leave and unused donated leave shall not be credited as service.

We understand from ATRS staff that with inclusion of this bill, at most, a member would receive one year of credited service from unused sick leave if the member died during active service in ATRS on or after July 1, 2013.

Since this change is provided only to members who die while working, the number of individuals likely to be impacted would be small when compared to the total membership of the ATRS. We estimate that the change in the ATRS employer rate based upon the current 29-year amortization period would be on the order of 0.01% of payroll. Maintaining the present employer rate (14% of payroll) and incorporating this change would result in an estimated increase in the amortization years of 0.12 years or one to two months.

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 nor did we attempt to determine whether these changes would contradict or negate other related State, or local laws. Such a review was not within the scope of our assignment.

Brian B. Murphy, Judith A. Kermans and Heidi G. Barry 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,

Judith A. Kermans

Judith A. Kermans, EA, MAAA, FCA

Brian B Murphy

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

Heidi G Barry

Heidi G. Barry, ASA, MAAA

JAK/BBM:rmn