



March 3, 2023

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

Re: Senate Bill (SB) 294

Dear Mr. Rhoden:

Senate Bill 294 would create the “Learns Act.” You have asked for our analysis of the potential effect on ATRS of three specific matters arising in connection with SB 294. The bill in total is 144 pages long. Much of the bill does not relate to actuarial matters. Consequently, we have not reviewed the entire bill in detail. This letter is limited to responding to those specific questions which you have asked regarding:

- 1) The effect of the \$50,000 minimum teacher salary and the \$2,000 salary increases for those teachers whose salary currently exceeds \$50,000;
- 2) The impact, if any, of participants retiring, either under early or normal retirement eligibility conditions, earlier than they would have prior to the adoption of the bill; and
- 3) The impact the expanded school of choice voucher program may have on ATRS.

Minimum Salary/Raise

Section 35 of SB 294 modifies Arkansas Code § 6-17-2403 related to the minimum teacher compensation schedule. The bill amends § 6-17-2403(a)(1) to state that the board of directors in each school district in the state shall pay classroom teachers a minimum base salary of fifty thousand dollars (\$50,000) in place of the schedule as originally prescribed in current § 6-17-2403(b).

The bill repeals and replaces section § 6-17-2403(b) entirely. New § 6-17-2403(b) provides that for the 2023-2024 school year, each teacher shall be paid a salary that is at least two thousand dollars (\$2,000) greater than his or her current salary as of September 1, 2022.

To be eligible for funds to implement the minimum base salary or increase in pay under these sections, a public-school district must satisfy certain requirements specified in the bill.

In our judgment, the cost impact of Section 35 of SB 294 on ATRS will be approximately an increase of one month in the amortization period.

Mr. Clint Rhoden

March 3, 2023

Page 2

Impact of Potential Increased Retirements

To the extent that people retire earlier than assumed, costs generally increase. However, we do not have data to estimate the extent to which this would or would not occur. We will review the retirement data in future experience studies and adjust assumptions as appropriate at that future date.

Expanded School Choice Transfers

Section 38 of SB 294 modifies Arkansas Code § 6-18-227(k) concerning rules adopted by the State Board of Education under the Arkansas Opportunity Public School Choice Act. In particular, subsection (2) restricts the state board from establishing a maximum on school choice transfers into or from a public school district, unless they are required to do so according to an enforceable desegregation court order or a district's court-approved desegregation plan. Generally, a decrease in the population covered by ATRS (i.e., Teachers and other school employees) will increase the amortization period because the payroll over which to fund the unfunded liabilities is reduced and the contributions to ATRS are dependent on the payroll. The expansion of school choice transfers could potentially lead to a decrease in the number of children enrolled in public schools and ultimately to a decrease in the number of teachers covered by the System. We do not have a reliable means to estimate the extent to which this would or would not occur.

Please review this letter carefully to ensure that we have understood the matters on which you asked us to comment. The analysis in this letter should not be relied upon if there is doubt about our understanding. 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.

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.

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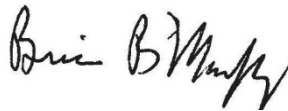
Page 3

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

Sincerely,
Gabriel, Roeder, Smith & Company



Judith A. Kermans, EA, MAAA, FCA



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JAK/BBM/HGB:rmn

