Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

House Bill 1186

(As Engrossed March 10, 2011)
Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

House Bill 1186 affects the Arkansas Public Employees Retirement System ("APERS").

Under current law, a member of APERS is not considered terminated for retirement purposes if the member returns to covered employment within 180 days. This is to prevent employees from "retiring" and immediately returning to their original position while collecting a benefit. House Bill 1186 would, in general, require employees to remain out of work covered under the system for one year to be considered terminated for retirement purposes.

There are several subsections dealing with waiting period requirements for specific classes of retirees. Anyone who retired with an effective date between July 1, 2009 and July 1, 2011 keeps the 180 day requirement. Anyone who retired before July 1, 2009 retains a 30 day requirement. Anyone who entered the Deferred Retirement Option Plan ("DROP") between January 1, 2009 and July 1, 2011 keeps the 180 day requirement.

DROP members with "two for one" service credit who entered DROP after February 1, 2009 but before July 1, 2011 will have a 180 day return-to-work requirement. DROP members with "two for one" credit who entered by January 1, 2009 will have a 90 day requirement.

The final subsection is reworded so that anyone who has received benefits and then returns to work in violation of the requirements for termination must refund their received benefits to the system.

Fiscal Impact

There could be some small savings to the system in that some members might wait longer to retire since this will make it even more difficult than current law to return to work. We do not know the savings generated by the change to the 180 day rule in 2009 since the data to do that is not easily available. There would be some additional savings from House Bill 1186.

Related Legislation

House Bill 1262 also considers reemployment provisions. Senate Bill 41 would require those receiving "two for one" service credit under §24-4-521 to wait one year before returning to work.

Other

There are possible administrative difficulties due to reciprocity. For example, a member with 15 years in APERS and 15 years in ATRS could retire and go to work in higher education in 180 days. They would meet the ATRS requirements, but not the APERS requirement. Then APERS would have to try and recover about half of their benefit. As seen in this example, some administrative problems could arise.

Sincerely,

Jody Carreiro

Jody Carreiro, A.S.A, M.A.A.A.
Actuary