

**House Bill 1212**

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 1212 affects the Arkansas Teachers Retirement System (“ATRS”).

Current law allows the purchase of service under many different circumstances, from military service to repayment of refund after returning to ATRS service. All of these various purchases are based a formula where the member pays the employer plus employee rates that would have been paid at the point of the purchase. There is currently no stated limit to how long a member can use to pay for the service purchases.

House Bill 1212 changes all of the purchase formulas so that the actuarial equivalent cost would be contributed to the system for all types of service purchases. There is also a change so that ATRS can promulgate rules that will allow the payment of service purchases to be made on a timely basis.

**Fiscal Impact**

A review by the system of the actuarial cost compared to the current law formula cost showed that the system is only receiving about half of the actual change in system accrued liability after the purchases. If this situation holds true in all years, there a loss equivalent to about 0.20% of payroll each year. The effect of this bill would be to reduce this extra cost to about 0.00% of payroll.

The actuarial cost to a member is dependent on the age, service, and current salary of that member. For example, the actuarial cost to a member for one year of service assuming a member age 50, with 20 years of service and a salary of \$50,000 would be \$18,000 to \$22,000 per year purchased. This is a significant cost to the member, but it does reflect the increased cost to ATRS.

**Other Comments**

House Bill 1111, which deals with military service in the national guard and reserves, will not have a fiscal impact if House Bill 1212 is passed.

Note that other existing laws also deal with military time. ACA 24-2-502 allows the purchase of active military time (up to 5 years), for military time before joining a system. The “Uniformed Services Employment and Reemployment Rights Act” (“USERRA”) provides that a person whose employment under APERS is interrupted by active military service (including National Guard and Reservist called to active duty), will receive credit under the system at no additional cost.

The language on page 6, lines 9 and 10, uses the phrase “actuarial equivalent of the both the employee and employer contributions”. The phrase “actuarial equivalent of the member’s benefit” is used everywhere else and should also be used on page 6, lines 9 and 10, to avoid confusion.

Sincerely,



Steve Osborn, F.S.A, M.A.A.A.

Actuary