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Senate Bill 68

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

Senate Bill 68 affects the Arkansas Teachers Retirement System ("ATRS").

Current law allows members who have contracts longer than one year to be bought out, and the service and salary are credited to the member. The members affected are typically highly paid members with multiple year contracts, usually superintendents.

Senate Bill 68 adds a new section of law which would require on-site work to receive service credit in the case of a contract buyout.

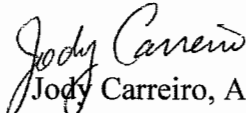
Fiscal Impact

Recent information from ATRS shows that there were about 3 of these cases in the past two years. In some cases, the person was already a member of ATRS. The issue is to avoid a member receiving credit in the case where they are no longer working for the employer and have gotten a lump sum settlement. Based on the information in one of the recent cases, because the extra time allowed for vesting, ATRS had an increase in liabilities of about \$150,000. Each case would be different. It is our opinion that there would be a savings to ATRS, but it would not have a significant impact on the contribution rate or the number of years to amortize the unfunded liability. Senate Bill 68 does create administrative efficiency and improves appearances.

Other Comments

Another group which could be affected by Senate Bill 68 would be members who were discharged and then reinstated by the court system. If there were a single payment, and the member had not been working in the system at the time, there would be no credit. Based on what we have learned, this would be a rare example, and we do not consider this to negatively affect the loophole closed by this bill.

Sincerely,


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

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February 18, 2011