

**House Bill 1198**

(As Engrossed March 26, 2013)

Actuarial Cost Study prepared for  
Joint Committee on Public Retirement and Social Security Programs  
of the Arkansas 89th General Assembly

**Provisions of the Bill**

House Bill 1198 affects the Arkansas Teacher Retirement System (ATRS).

House Bill 1198 allows the ATRS Board of Trustees to create a Tier II Benefit plan for members hired on or after July 1, 2015. The recent amendment allows the ATRS board to make a change in the cost-of-living adjustment (COLA). A simple cost-of-living adjustment (COLA) may be provided, but it may be adjusted, tied to an inflation index, or applied to a future year. It shall not exceed 3%.

**Fiscal Impact**

It is our understanding that there are legal concerns about whether the COLA in current law represents a contractual promise. That would ultimately have to be decided by the courts. However, the change in House Bill 1198 would allow the ATRS board to have the ability to change the COLA, within limits, for future members.

It is our understanding that the ATRS board does not intend to implement a different COLA for new members, but they would like to preserve their legal right to adjust going forward. Therefore, as an actuary, one would continue to value the COLA as it is currently in place. This means that it is our opinion that there is no fiscal impact arising from House Bill 1198. There would be protection against future losses, but that would not be reflected in the current contribution rates.

**Policy Consideration**

There are a total of six bills (SB123, SB130, SB162, HB1194, HB1198, HB1200) that give certain authority to the ATRS board to set benefits and contribution rates. Benefits and contribution rates have historically been set by the legislature, and the ATRS board adopts policy to implement them. This would be a change to that practice.

Sincerely,



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