

Senate Bill 163

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

Provisions of the Bill

Senate Bill 163 affects the Arkansas Teacher Retirement System (ATRS).

Under current law, Teacher Deferred Retirement Option Plan (TDROP) deposits are currently equal to 100% of the accrued plan benefit less 1% times the number of years of contributory and reciprocal service credit less 0.6% times the number of years of non-contributory service credit. Senate Bill 163 would amend the code so that all service, including non-contributory, would reduce the benefit by 1% per year of credit.

Fiscal Impact

Senate Bill 163 would generate a savings to ATRS through a reduction in plan liabilities and a slight reduction in normal cost. Approximately 30% of active ATRS members are non-contributory, and approximately 20% of participants in TDROP are non-contributory. The following table illustrates the savings:

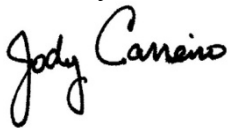
	6/30/2012 Valuation (14% ER Contrib.)	Senate Bill 163 Implemented	Savings
Unfunded Actuarial Liability (millions)	\$4,655	\$4,628	\$ 27
Gross Normal Cost (% of Pay)	11.73%	11.71%	0.02%
Average Member Contribution	4.80%	4.80%	
Net Normal Cost	6.93%	6.91%	0.02%
Payoff UAL in 30 Years	9.87%	9.81%	0.06%
Needed Employer Rate	16.80%	16.72%	0.08%
Current Employer Rate	14.00%	14.00%	
Available to pay UAL	7.07%	7.09%	0.02%

Other

This bill would adversely affect only those members with non-contributory service. Many of these (about 18,000 of the 71,000 active members) are the support staff, who are the lowest paid members of the system.

House Bills 1194 and 1198, along with Senate Bill 163 could all have overlapping effects depending on how they are implemented. That is, the change from one bill could impact the savings from another bill. This would mean that the effects of these three bills might not be able to be added together and produce the combined result. All three of these bills would also be affected by any change in final average salary that is allowed under current law and being considered by the ATRS board.

Sincerely,

A handwritten signature in black ink that reads "Jody Carreiro". The signature is written in a cursive style with a large, looped initial "J".

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