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Senate Bill 9

(As Engrossed March 27, 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

Senate Bill 9 affects the Arkansas Teacher Retirement System (ATRS).

Under current teacher retirement law, §24-7-202 defines "child of a member" to be either a natural child of the member or a child who has been made a child of the member by applicable court action before the death of the member. Senate Bill 9 would expand this definition to also include a child of the member by marriage or a child who lives with and whose primary source of support and care is the member, as defined by board rule.

Fiscal Impact

Senate Bill 9 would present a significant cost to ATRS. Although it is difficult to estimate the additional number of children who would become covered as a result of Senate Bill 9, we consulted U.S. Census data on household living arrangements of children and found that approximately 8 million children (out of approximately 74 million total) live under a head-of-household who is not one of their parents. If one assumes a similar proportion of additional children would become covered by ATRS as a result of passage of Senate Bill 9, we estimate that the system's liabilities would increase by $1.9 million.

Other

The March 27 engrossment states that the ATRS Board will have to define "child of the member by marriage" and child "whose primary source and support of care is provided by the member." This could result in a more restrictive definition which would be less expensive to ATRS.

Arkansas Code §24-1-105 explicitly prevents legislated benefit enhancements for state retirement systems when a system's unfunded actuarial accrued liabilities are being amortized over a period longer than 30 years. ATRS currently has an amortization period of over 100 years, and we believe that the expansion of the definition of child present in Senate Bill 9 could be considered a benefit enhancement. For this reason, we are uncertain that House Bill 9 could be implemented at present.

Sincerely,

Jody Carreiro

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