

House Bill 1305

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 91st General Assembly

Provisions of the Bill

House Bill 1305 affects the Arkansas Teacher Retirement System (ATRS).

House Bill 1305 makes wording changes to §24-7-710, which deals with survivor benefits for active members who die. Currently the spouse (of at least two years) of an active member receives an annuity for life as outlined in subsection (b). Subsection (c) defines a benefit for any surviving dependent children. House Bill 1305 would allow a member to elect a beneficiary other than the spouse of the member to receive a death benefit. That benefit would not be a lifetime annuity, but would instead be the return of the member's employee contributions (residual) which is defined in §24-7-709.

Fiscal Impact

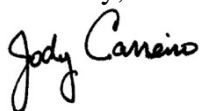
The residual amount would almost always be of lesser value than the spousal annuity. Even though we don't believe very many members would elect an alternate beneficiary using the language in House Bill 1305, when the election was made there would likely be a small gain to ATRS if the member dies in service.

There would be a very small (less than 0.01% of payroll) actuarial savings associated with this bill. We do not believe that there would be any additional administrative cost resulting from the passage of this bill.

Other

The election described by House Bill 1305 would not be allowed under federal law for private pension plans without spousal consent. Governmental plans are not required to comply with those particular rules, but spousal knowledge and consent for any benefit changes is good practice.

Sincerely,



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