

**ARKANSAS LEGISLATIVE AUDIT
REPORT ON:
ARKANSAS TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019**

Finding:

Arkansas Teacher Retirement System (ATRS) discovered the benefits of two members had not been discontinued at the time of the death, resulting in overpayments of \$306,686 and \$17,186, respectively. One of the deaths was not reported to ATRS by the member's survivors, and the other was not correctly entered into the Agency's system. These members were identified with the implementation of new procedures by ATRS.

Recommendation:

We recommend ATRS ensure member records are updated with all available information and continue to research new methods of identifying deceased members to prevent overpayments.

Agency Response:

ATRS has relied on a number of methods in the past to identify when a member dies, including contracting with national data providers, daily in-house data searches, and data sharing with the Social Security Administration. ATRS agrees that it should utilize any available resource to ensure data accuracy. ATRS has already implemented at least one new method by requiring each member to affirmatively respond to a request for verification of status. This method is being rolled out incrementally, with requests going to about 7,000 members in each cycle. Special focus is placed upon members with out-of-state addresses since the two members above lived outside Arkansas. If the member fails to respond, ATRS will review the account and suspend benefits after multiple requests.

ATRS is also formalizing a process for recovery of overpayments when such an event occurs. Recovery efforts include identifying persons who likely have wrongly converted the overpayments, referring to law enforcement where warranted, demanding repayment, and pursuing legal action when our demands are not successful. Successful recovery has occurred at least in one case during recent years through ATRS's initiation of a probate proceeding.

Finding:

The actuarial liability is calculated based on information about each member in the system (i.e., salary, age, years of service, contribution status, etc.). Errors in this information have a direct impact on the amount of the liability. Our review of the Agency's member records revealed the following deficiencies:

- A comparison of member records with the Arkansas Health Department death database identified 5,084 ATRS records that had not been updated with a date of death. Forty-one members identified as deceased were sent to the actuary to be included in the calculation of the liability.
- The Agency used a default date of 1/1/1900 and 1/1/1901 when the member application was missing date of birth information. There were 9,335 member records with the default date of birth.
- Our review of 29,260 member records from 43 employers revealed member date of birth information for 21 records did not agree to information obtained from employer records, resulting in a net difference of 614 months or 51 years.
- The following school districts did not properly report their employees in ATRS covered positions as members of ATRS. For these employees, ATRS did not receive employer contributions, the employees did not receive any service credit, and the salary and contribution amounts were not included in the actuarial liability calculations.