

House Bill 1111

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

House Bill 1111 affects the Arkansas Teachers Retirement System (“ATRS”).

Current law allows the purchase of one year of Arkansas National Guard time for each five years of service. This purchase is made at a rate defined by formula.

House Bill 1111 will make two changes. First, it expands the purchase to any National Guard (not just Arkansas) and armed forces reserves. The other change will be that the purchase will be allowed one year for each year of guard or reserve service.

Fiscal Impact

Recent information from ATRS shows that there are fewer than 10 purchases of military service in recent years. But, since the formula cost is less than the actuarial cost for this type of service, there is a cost to the system each time a purchase is made.

The Committee is also considering House Bill 1212. House Bill 1212 will make the cost of purchasing this type (and other types) of service based on the change in the actuarial cost. This is necessary since a purchase not only means that your benefit is increased, but that you can begin receiving all of your benefit earlier. Assuming both House Bill 1111 and House Bill 1212 are passed, there would not be any significant cost to the ATRS for House Bill 1111.

The actuarial cost to a member of one year of service assuming a member age 50, with 20 years of service and a salary of \$50,000 would be \$18,000 to \$22,000 per year purchased. This is a significant cost to the member, but it does reflect the increased cost to ATRS. If House Bill 1212 is not passed first, ATRS would only receive about half of the cost.

Other Comments

Note that other existing laws also deal with military time. ACA 24-2-502 allows the purchase of active military time (up to 5 years), for military time before joining any system. The “Uniformed Services Employment and Reemployment Rights Act” (“USERRA”) provides that a person whose employment under any system is interrupted by active military service (including National Guard and Reservist called to active duty), will receive credit at no additional cost.

Sincerely,



Steve Osborn, F.S.A, M.A.A.A.
Actuary