

House Bill 1137

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

Provisions of the Bill

House Bill 1137 affects the Arkansas Teacher Retirement System (ATRS).

House Bill 1137 amends parts of ACA §24-7-701 and §24-7-702 regarding voluntary retirement. When computing final average salary under current law, members of ATRS are allowed to count each full year of salary earned; they may also count each full quarter in the final year of service, provided that the member retires on the first day of a calendar quarter. House Bill 1137 would allow members to use salary earned in the final year of retirement in the computation of their final average salaries, regardless of the day upon which they retired.

Fiscal Impact


According to data provided by the system, less than 20% of the 2,300 members who retired in 2012 did so on a day other than the end of a calendar quarter. For this to impact final average salary, a member must earn more in the partial final year than they earned three years ago. Therefore, only those who retired after April 1 were likely to have been affected. Approximately 5% of the above group retired after April 1. So, House Bill 1137 could only have increased final average salary for 20 to 25 of last year's retirees. The bill would not have a measurable impact on cost. It would also likely create a small administrative savings by simplifying this rule. This analysis assumes no change in retirement behavior, although House Bill 1137 could create such changes over time.

Other

The ATRS board is considering changes in the number of years included in final average salary. Any increase in the number of years would increase the cost of this bill, but it is our opinion that there would not be a measurable cost.

House Bill 1137 should also cause fewer people to retire on April 1 because of the quarter-end requirement. This should be less disruptive for schools than replacing staff just before the end of the school year.

Sincerely,



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

Actuary