



February 8, 2019

Mr. Clint Rhoden
Executive Director
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, Arkansas 72201

Re: House Bill 1308 – Rehiring of Disability Retirees

Dear Mr. Rhoden:

You have asked us for our analysis of House Bill (HB) 1308 as it relates to the Arkansas Teacher Retirement System (ATRS).

HB 1308 modifies Title 24 Section 7-704 related to the rehiring of disability retirees.

Current §24-7-704(e) permits ATRS to continue paying disability benefits to a disability retiree who

- Works up to 40 days in any position at a public school or ATRS covered employer; or
- Works at least 40 days in a position that is substantially different from the position from which the member's disability occurred (including different job requirements and work duties) and that has a computed yearly salary that is less than the final average salary used to compute the current monthly disability benefit.

Within three months of reemployment of the disabled retiree, the employer must request a waiver. If appropriate requirements are met, the System must grant a waiver of the provisions of §24-7-704(a)(4)(A) which otherwise would require a suspension of benefits. There is no actual upper bound on the number of days the disability retiree may be reemployed and continue receiving a disability annuity under current statutes. The member does not accrue any service during the period of the waiver and the employer of the working disabled retiree must remit contributions on all salary paid to the disabled retiree.

HB 1308 eliminates essentially all of the administrative and eligibility requirements of §24-7-704(e). In particular, it provides that

- A disability retiree can be employed in any position at any salary without getting a waiver.
- A reemployed disability retiree can continue receiving disability benefits for a maximum of 80 days.
- The disability retiree will not accrue additional service credit during the 80 day period (no change).
- The employer will continue to make employer contributions on all salary paid to the disability retiree.

§24-7-704 requires that a member be unable to perform his or her current work duties due to being totally and permanently mentally or physically incapacitated. Consequently, the cases in which a disability annuitant returns to work are likely to be rare, as are the cases of a member working in any position for significantly more than 40 days.

Data supplied by ATRS staff indicates that in Fiscal 2018, 10 disability retirees were subject to the waiver rules. Only two of them worked more than 40 days. However, one of the two retirees worked 189 days. If this Bill had been law in Fiscal 2018, that person either would have been required to forfeit the disability benefits applicable to days 81 to 189; or the person would have had to stop working, thereby eliminating employer contributions that were made on their behalf.

If this Bill becomes law, it may result in a few cases of disability benefits being suspended if a reemployed disability retiree works more than 80 days. Conversely, it will eliminate the possibility that a reemployed disability retiree has his or her disability pension suspended while working less than 80 days.

Assuming that the data received in conjunction with this analysis is relatively representative of ongoing experience and that disability benefits continue to be adjudicated strictly in accordance with the “totally and permanently mentally or physically incapacitated” definition in §24-7-704(a); and, further, that employers continue to be required to make contributions on behalf of all salaries paid to reemployed disability retirees, we think this Bill will have very little financial effect on ATRS either positive or negative.

We hope this analysis meets your needs.

Please review this letter carefully to ensure that we have understood the Bill properly. The analysis in this letter should not be relied upon if there is doubt about our understanding of the Bill. Our analysis relates only to the plan changes described in this correspondence. In the event that other plan changes are being considered, it is very important to remember that the results of separate actuarial analyses cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

We did not review this Bill for compliance with Federal, State, or local laws or regulations, and internal revenue code provisions. Such a review was not within the scope of our assignment.

Brian B. Murphy and Judith A. Kermans are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



Mr. Clint Rhoden
February 8, 2019
Page 3

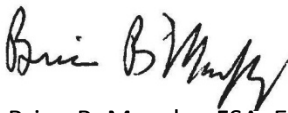
Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



Brian B. Murphy, FSA, EA, MAAA, FCA



Heidi G. Barry, ASA, FCA, MAAA

JAK/BBM/HGB:rmn

