

House Bill 1340

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 93rd General Assembly

Provisions of the Bill

House Bill 1340 affects the Arkansas Teachers Retirement System (ATRS). This bill would amend several sections of code dealing with the correction of errors and conversion of service. Section 1 allows conversion of service that is not fully paid for to be converted to non-contributory service. Section 2 allows the correction of a misreported salary, not just misreported service. Section 3 allows for correction of employer's errors without a look back period for the missed employee and employer contributions. This is a reduction from full actuarial cost for these types of errors. Finally, Section 4 makes corrections to another section of code to make it consistent with the other three sections of the bill.

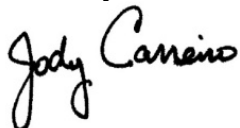
Fiscal Impact

We understand that most of this codifies current practice. These types of errors are rare, but should be corrected. The one tool here that will increase cost to the system is reducing the cost to the member and the employer of correcting these errors. But the current rules do not make it possible to correct these issues in most cases. According to the staff there are very few of these situations. It is our opinion that House Bill 1340 would have an insignificant cost impact.

Related Legislation

There were several items that were requested by the ATRS board to be considered by the legislature. This has resulted in the filing of House Bills 1279, 1319, 1320, 1326, 1339, and 1340. There is a seventh item which was discussed by the ATRS board, but was not officially requested, that is now Senate Bill 174. It is our opinion that none of these bills have a significant fiscal impact on ATRS and that they do not have significant overlapping effects.

Sincerely,



Jody Carreiro, EA, ASA, MAAA, FCA
Actuary