

Senate Bill 112

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

Provisions of the Bill

Senate Bill 112 affects the Arkansas Teacher Retirement System (ATRS).

The bill would modify the code involving the ATRS Board's duties and responsibilities to expressly grant the Board the ability to modify or eliminate plan provisions which were originally implemented to preserve the plan's tax-qualified status under IRC requirements. The bill states that this includes, without limitation, provisions involving penalties, restrictions, time limitations, or "other requirements that impact a member, members' benefits, or the plan." This is further enforced by language which allows the board to adopt rules, procedures, programs, plans, and actions "necessary to enable the system to pay all benefits earned by the system's members" while maintaining compliance with the IRS.


Fiscal Impact

We estimate insignificant fiscal impact resulting from this bill in the near term. The bill grants the ATRS Board flexibility to comply with IRS requirements, which could result in administrative efficiencies. Other than such administrative efficiencies, the cost to the system would depend on any changes the ATRS made to provisions as a result of this increased flexibility. There could be scenarios in which additional costs were incurred or cost savings were realized as a result of changes allowed by this bill. The long term cost impact depends on future changes to the Internal Revenue Code.

Other

Typically, when federal law changes affect governmental plans, there is a longer implementation period, knowing that legislation may be needed. This bill is a variation from how the legislature handles the other systems and has handled ATRS. In general, other systems have rule making ability as it applies to changes in IRS rules, but not to the extent of changing benefits.

Sincerely,


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