

## **Senate Bill 194**

### Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 91st General Assembly

#### **Provisions of the Bill**

Senate Bill 194 affects the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Annotated §24-7-710 deals with various survivor annuity benefits in ATRS. Under current law, an active member must have five or more years of actual service with ATRS coverage in order to become eligible for the eligible survivor annuity benefits. Senate Bill 194 would alter the statute so that reciprocal service with another system would count towards the five-year requirement. Senate Bill 194 would also institute a requirement that eligible survivors, spouses, or their legal representatives would have to complete the benefit application process within six months after the initial application is filed. Finally, Senate Bill 194 makes adjustments to §24-7-710(c), which deals with benefits for surviving dependent children. Currently, each surviving dependent child (up to three) receives an annuity of 20% of the member's highest salary as a benefit. Senate Bill 194 would change the benefit to 1% of the highest-salary-year for each quarter up to 20 quarters of credited service, up to \$20,000. If the member has more than three children, the aggregate amount is capped at the lesser of 60% of the high salary or \$60,000 per year.

#### **Fiscal Impact**

Allowing reciprocal service to be counted towards eligibility for survivor benefits is a slight actuarial cost to the system. There is no data collected on how many employees might have reciprocal service, but because the affected employees would have to die within their first five years of ATRS employment for SB194 to create a cost, we anticipate the impact would be negligible.

The six-month requirements to finalize benefit applications would likely result in small administrative savings to the system. These changes would increase the likelihood that the application process is completed in a timely manner and prevent causing a drag on ATRS' administrative resources.

Finally, the caps would generate a small actuarial savings to the system. The \$20,000 and \$60,000 limits would impact employees whose salaries are \$100,000 or more. A review of ATRS data suggests that just over 300 employees are in that range today, but the number of affected employees will grow over time due to wage inflation (as the cap is not indexed). The pro-rata reduction for employees who die with less than five years of actual service would serve to offset some of the cost of providing the benefit to those who qualify due to reciprocal service.

Overall, we believe the cost impact of Senate Bill 194 is not completely measureable with currently collected data, but we are confident that the impact would not be material to the system.

**Other**

The maximum benefit for multiple surviving children is not pro-rated for less than five years of service in the same manner as the benefit for a single surviving child. We discussed this issue with ATRS staff, and they are aware of and are satisfied with the current wording in Senate Bill 194.

Senate Bill 192 proposes allowing reciprocal service to be used to qualify for disability benefits in a similar manner as Senate Bill 194 does for survivor benefits.

Sincerely,



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