

Senate Bill 197

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 197 affects the Arkansas Teacher Retirement System (ATRS).

Senate Bill 197 amends ACA §24-7-205 to allow ATRS to cancel service credit in cases where a benefit participant owes ATRS money. The credit would be canceled for the fiscal year in which the balance is due to the system. If ATRS exercises this option, the participant's contributions would be returned without interest.

Fiscal Impact

ATRS staff reports that there are approximately 1,500 members with total outstanding balances of approximately \$615,000, i.e. about \$400 per member with a balance. Some of these members are currently unable to retire because they are unable to pay their outstanding balances; the bill would provide a remedy for many of these situations. Senate Bill 197 grants ATRS a tool (cancelling service) it may utilize to collect money it is owed and conclude these issues. The settling of these accounts would create administrative savings.

The value of service credits is typically greater than the amount paid for them. Therefore, in most cases, the cancelling of service credit and returning any employee contributions held will be a cost savings. Based on the size of the accounts, we estimate that Senate Bill 197 would have a negligible fiscal impact on the system.

Sincerely,



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