

## **Senate Bill 75**

### Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 90th General Assembly

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

Senate Bill 75 affects the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Annotated §24-7-607 contains language which allows for the recognition and purchase of prior service with private schools or agencies if the type of work would have been covered under ATRS. The ATRS board can recognize “private educationally related” entities to determine validity of private school service. Alternatively, related service can be considered private school service if the entity in question has positions recognized for the issuance of teaching licenses by the Department of Education. Senate Bill 75 would instead move the recognition of private school service from the Department of Education to ATRS.

Senate Bill 75 would also allow the purchase of up to five years of “noncertified” private school service or private educationally-related entity private school service. This service is limited to that “for which no benefit could be paid by another state-supported pension system or a system with a similar purpose when the contributions...were left on deposit.” The service would be purchased at actuarially equivalent rates, and it would only be credited upon attainment of five or more years of actual service with ATRS.

#### **Fiscal Impact**

There would be no additional actuarial cost associated with this bill as the cost of service purchases would remain the full actuarially equivalent value. However any allowance to purchase service does create an opportunity for adverse selection from members—as service purchases are relatively expensive, only those who believe they will benefit would elect to purchase service.

**Other**

Rules related to service purchases, as well as permissive service purchases, are found in Internal Revenue Code Section 415(n). We understand that ATRS, with its legal counsel, has determined that the changes contained in Senate Bill 75 would be in compliance with that law.

Additional procedures and definitions, including the definition of the terms “certified” and “noncertified” service, would be determined through the regulation process by ATRS.

Sincerely,



Jody Carreiro, EA, ASA, MAAA  
Actuary