

Osborn, Carreiro & Associates, Inc.

ACTUARIES • CONSULTANTS • ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

Senate Bill 85

(As Engrossed February 3, 2011)

Actuarial Cost Study prepared for

Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

Senate Bill 85 affects the Arkansas Teachers Retirement System ("ATRS").

Current law allows members of ATRS to receive disability retirement benefits if the medical committee reports to the board that the member is likely permanently incapacitated, unable to perform his or her current work duties, and that he or she should be retired. Senate Bill 85 clarifies language concerning the medical committee. Senate Bill 85 would require that a member exhibits symptoms of incapacitation *while employed by a system employer as an active member* in order to be eligible for retirement benefits. In other words, a member must be actively employed for a school at the onset of the disabling symptoms.

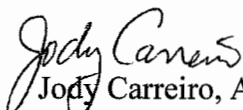
Fiscal Impact

Senate Bill 85 would create a cost savings for ATRS. Based on our assumptions, we estimate that the annual savings would be approximately \$1.5 million per year. If a reduction in disability rates as assumed below is realized, we estimate that the net ultimate effect of the savings would create a reduction in the amortization period for the unfunded liability of ATRS of about 16 months, from approximately 52.4 years to 51.1 years.

Assumptions

Reviewing the disability rates of systems with more stringent disability assumptions, we reduced disability rates from the valuation by 40% and increased the deferred vested terminations by a corresponding amount.

Sincerely,


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

Senate Bill 85 (As Engrossed February 3, 2011)
March 24, 2011