

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

House Bill 1119

(As Engrossed February 16, 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

House Bill 1119 affects all of the public retirement systems in Arkansas.

House Bill 1119 allows the public retirement systems in Arkansas to reduce the retirement benefit of members who have “pleaded guilty or nolo contendere to or been found guilty of theft of property against the employer.” This reduction is only for the months in which the crime occurred.

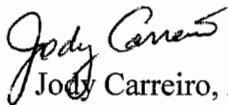
Fiscal Impact

Since the reduction is only for the months of the theft of property, there would be very little savings to the system. The system involved would, in my opinion, spend more money documenting the cases than they would save in retirement benefits. It would be difficult and not in the jurisdiction of the systems to determine the “months in which the theft of property” occurred. Therefore, there would be no significant savings to any of the retirement systems in Arkansas.

Other Information

Federal pension law (§401(a)(13)) states that a trust will not be qualified unless the plan of which the trust is a part provides that benefits provided under the plan may not be anticipated, assigned, alienated, or subject to attachment, garnishment, levy, other legal process. There are also court cases testing this provision of pension law, where state plans were not allowed to reduce benefits for other reasons. It is our opinion that House Bill 1119 would not meet the standard in §401(a)(13).

Sincerely,



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

House Bill 1119 (As Engrossed 2/16/2011)
February 25, 2011