

# **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 1140**

(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 1140 affects the Arkansas Teachers Retirement System ("ATRS").

Current law provides what is usually called an "anti-spiking" rule for final average salary calculation. This is accomplished by ordering the salaries from lowest to highest and not allowing the next highest salary to be more than 120%, minimum \$5,000, of the previous salary. House Bill 1140 would provide an exception when there has been a break between two of the final years of longer than 8 years. This is being done to acknowledge that salaries, in general, will increase over such a long of a period of time.

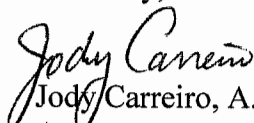
### **Fiscal Impact**

Recent information from ATRS shows only 2 or 3 members would be affected each year by the change in House Bill 1140. The system views this as an equity issue for those members. There would be a small increase in benefits for those members since they would have a higher final average salary. This would increase the liabilities of the system. It is our opinion that any increase would not significantly increase the contribution rate or the number of years to pay off the unfunded liability.

### **Other Comments**

The system actuary reported to the system on February 16, 2011. They mentioned several wording items that were a concern. The amendment to House Bill 1140 addressed their concerns.

Sincerely,



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

House Bill 1140 (As Engrossed 2/16/2011)  
February 25, 2011