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House Bill 1142

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 1142 affects the Arkansas Teachers Retirement System ("ATRS").

Current law allows members who terminate employment or decease before vesting to receive a refund of employee contributions with interest. The interest currently continues to accrue until the money is withdrawn.

House Bill 1142 would stop the accrual of interest on accounts of deceased members at the end of the fiscal year after death. Any residual accounts still active on July 1, 2011 would also cease to accrue interest.

Fiscal Impact

Recent information from ATRS shows that there are 2 or 3 of these cases each year. The most recent year ended with about $56,000 in 3 accounts. We would therefore assume that this would save ATRS less than $5,000 per year in interest payments. But, it would also save ATRS administrative cost of continuing to find the beneficiary or encouraging them to go ahead and make a distribution election. This cost savings would not significantly change the contribution rate or the number of years to amortize the unfunded liabilities of ATRS.

Other Comments

The change in House Bill 1142, by encouraging families to make their election in a timely manner, would help protect the tax deferred status of the accumulated employee contributions. This is because there are limitations on the amount of time that a beneficiary may rollover these types of payments and still be considered tax deferred.

Sincerely,

Jody Carreiro

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Actuary