

January 27, 2011

Mr. George Hopkins
Executive Director
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, Arkansas 72201

Re: House Bill 1143 Concerning Disability Retirements under the Arkansas Teacher Retirement System

Dear Mr. Hopkins:

You have asked us to review House Bill (HB) 1143.

HB 1143 amends Arkansas Code Section 24-7-704 to provide eligibility, for members who qualify for disability under Section 24-7-704, for one additional fiscal year following the last fiscal year in which the member obtains at least one-fourth year of actual service to a covered employer. It further states that the service credit used in the calculation of any benefits shall include days of service credit including paid sick leave covered by the employer.

HB 1143 also amends Section 24-7-706 to allow the Board of Trustees to promulgate rules as necessary for administration of Section 24-7-706 and institute fair procedures for members of the system including requirements for designating a beneficiary and spousal election.

HB 1143 similarly amends Sections 24-7-710 for survivor benefits and Section 24-7-720 for lump-sum benefits. This House Bill would seem to have the potential to increase the number of disability retirements and certain survivor benefits, and thereby to affect retirement system costs. However, we understand from staff that HB 1143 is codifying existing practice, and that no change in administration of the disability program is either contemplated or likely to occur as a result of HB 1143. This is not unusual. We are familiar with other systems administering these benefits in such a manner.

Based on our understanding of the present administration of the affected benefits, we believe that HB 1143 will be cost neutral to ATRS. If however, the incidence of disability or the adjudication process is impacted, we would need to revise our estimate.

Sincerely,



Judith A. Kermans, EA, MAAA, FCA



Brian B. Murphy, FSA, EA, MAAA, FCA

JAK:BBM:rmn