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House Bill 1147

(as engrossed February 8, 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 1147 affects the Arkansas Teachers Retirement System (“ATRS”).

Current law allows for changes and corrections in the member’s salary and service record at any time before retirement. House Bill 1147 defines a look-back period which limits how far back a member can request a change or correction in their salary and service record. This look-back period would be four fiscal years before the current year, that is, no more than five years before the request.

Fiscal Impact

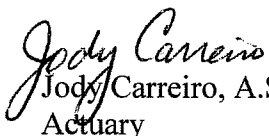
Recent information from ATRS shows that there have been about 50 requests per year of which about 10 result in a change that would require a member to purchase service that had not been reported by their employer. Most of the members making these requests are near retirement, and the service in question is typically from early in their careers. This means that each request must be handled by more senior staff. We estimate that administrative cost alone is between \$25,000 and \$50,000 per year in staff time. There is also some cost to the system for the service purchase, but this has been greatly reduced with the passage of House Bill 1212.

Therefore, House Bill 1147 will have a cost savings effect on the system. This savings will not be enough to significantly reduce the 52 years to amortize the unfunded liabilities. The administrative and cost savings will add to the efficiency of ATRS.

Other Comments

As a point of reference, one can request changes in their salary record with the Social Security System for a period of 3 years, 3 months and 15 days after the salary year. The practice implied in House Bill 1147 will be more generous than the Social Security System.

Sincerely,


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

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February 18, 2011