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Senate Bill 120

(As Engrossed March 1, 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

Senate Bill 120 affects the Arkansas Teachers Retirement System ("ATRS").

Senate Bill 120 makes changes regarding statutorily eligible beneficiaries in ATRS. Under current law, someone who is at least 40 years old and received at least half of his or her support from a retiring member in the year before the member's retirement is eligible to be designated as a beneficiary of the retiring member. This bill removes automatic eligibility for such people under Option A (the 100% Survivor Annuity) and Option B (the 50% Survivor Annuity).

The bill also allows the ATRS Board to allow other classes of people to be designated as beneficiaries under Options A and B.

Fiscal Impact

The number of members designating 40 year old, non-spouse dependents as beneficiaries is quite small, and thus the overall impact on the system would be quite small. This is further reinforced by the clause which grants the ATRS Board the ability to designate other classes of people as eligible, which would ensure integrity and fairness in case of special circumstances. Overall, the bill would likely generate a very small cost savings over time, as narrowing the definition of beneficiaries would reduce the possibility of selection against the system (i.e. those who could currently choose to designate 40 year old dependents would presumably be acting in their own best interests; this would likely turn out to be detrimental to the system as a whole). However, it is our opinion that any savings would not significantly decrease the contribution rate or the number of years required to pay off the unfunded liability of ATRS. Therefore, consideration of Senate Bill 120 is a public policy decision without a significant fiscal impact.

Sincerely,

Jody Carreiro

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