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Senate Bill 86

(As Engrossed February 2, 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 86 affects the Arkansas Teachers Retirement System ("ATRS").

Current law allows members to earn a year of service for 120 days worked. By ATRS board rule, this is broken down to 30 days in a calendar quarter to earn .25 service credits. Senate Bill 86 would codify the .25 service credit and increase the number of days for a full year to 160. This would have the effect of needing 40 days per calendar quarter to be able to earn the .25 service credit. Senate Bill 86 also adds the ability to bank days of *contributory* service less than 40 in a quarter until a member can earn a quarter of a year of service.

Fiscal Impact

Recent information from ATRS shows in calendar year 2009 that about 1,000 contributory and 10,000 non-contributory members had less than 30 days of service. These members then received no service credit. The majority of the 10,000 non-contributory members would not be affected since they would not meet the service criteria. The remainder would have to earn 40 days per quarter instead of 30 days per quarter to accrue service credit. Since there is not a change in contributions received, this will result in a small cost savings to the system. Allowing those members who contribute to bank the hours until they do earn .25 service credit would reduce this savings some. There is no way to accurately estimate how many would bank or if more members would begin to contribute when they learn of the banking feature. Based on what we do know, we estimate that the savings would be less than $1 million per year. We estimate that the net effect of the savings would be a reduction in the amortization period for the unfunded liability of about 6 months, from about 52.4 years to 51.9 years.

Other Comments

Senate Bill 86 will ultimately lead to more efficient administration of the system as it relates to the occasional workers affected by this bill.

Sincerely,

Jody Carreiro

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Actuary