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Senate Bill 95

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

Current law makes members of ATRS eligible for a lump-sum death benefit after 10 years of service. The amount of the death benefit is capped at \$10,000, but, under board policy, the benefit is prorated between \$6,667 and \$10,000 if the member has non-contributory service based on the proportion of service which is non-contributory. Senate Bill 95 would ensure a member who accrues 15 years of contributory service would receive the maximum death benefit (\$10,000) whether the member possesses non-contributory service or not.


Fiscal Impact

Since Senate Bill 95 would provide higher death benefits to the affected members, it does incur a slight cost. We estimate that Senate Bill 95 will increase the liabilities of the system by approximately two million dollars in total. We estimate this would result in an increase in the 30-year amortization of less than one basis point as a percent of payroll. This cost would not significantly increase the 52.4 year period currently necessary to amortize the unfunded liabilities.

Other Comments

The bill could serve to promote the integrity of the system, as, under current policy, a member with 29 years of contributory service and 1 year of non-contributory service would receive a smaller benefit than a similar member with only 15 years of contributory service. However, Senate Bill 95 could be regarded as a benefit enhancement. ATRS cannot currently pay off unfunded accrued liabilities in 30 years as required by §24-1-105, and the committee should take that under consideration. The balance of other legislation proposed by the ATRS board and ultimately enacted during this session has created more savings than the cost contained in this bill.

Sincerely,


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

Senate Bill 95
March 24, 2011