

House Bill 1227

(As Engrossed February 14, 2013)

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 89th General Assembly

Provisions of the Bill

House Bill 1227 affects the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Annotated §24-7-607 allows for the purchase of up to 15 years of private school service at an actuarially equivalent rate. Private school service is defined as “services rendered in any private school or agency that is recognized by the Department of Education for the issuance of teaching licenses.” House Bill 1227 would expand this definition to also allow service purchases up to five years for services to a school or agency “recognized as a private educationally-related entity by resolution adopted by the Board of Trustees” of ATRS.

Fiscal Impact

As purchased service would be made at an actuarial equivalent cost, there would be no measureable fiscal impact to the system resulting from the passage of House Bill 1227. We would remark, though, that service purchase options create opportunity for adverse selection against the system—a member will only purchase service if he or she believes it is in his or her best interest.

Other

The amendments to the original bill added the five year language. Our research revealed that §415(n) and referenced section §170(b)(1)(A)(ii) of the IRS Code would likely restrict maximum how this was implemented. The five year language now part of this bill ensures that ATRS remains in compliance with IRS rules concerning service purchases.

Sincerely,



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