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Senate Bill 160

(As Engrossed February 13, 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

Senate Bill 160 affects the Arkansas Teacher Retirement System (ATRS).

Section one of the bill modifies the definition of salary to be remuneration from which ATRS is required to hold federal income tax, rather than just the remuneration from which the tax is actually withheld. The section also requires that, in order to be treated as salary, the Department of Education must pay employer contributions and the member pays member contributions on any incentive bonuses paid to a member for certification by the National Board for Professional Teaching Standards. A new subsection, §24-7-202(27)(C), further modifies the definition of salary by explicitly excluding payments resulting from contract buyouts, settlements, claims, judgments, arbitration awards, decrees, or court ordered payments, unless the amount paid to the member is higher than wages earned for regular service (that is, the settlements would not "stack" on top of current member wages). Subsection (D) allows the ATRS board to "promulgate rules to modify the definition of salary used in the calculation of benefits by the system."

Section two combines the effects of two acts from the 2011 session, Act 163 and Act 225, with some language cleanup. These deal with the treatment of additional remuneration in the calculation of benefits in cases mentioned above (contract buyouts, settlements, et cetera).

Fiscal Impact

There would likely be a small cost savings to ATRS resulting from the passage of Senate Bill 160. This would primarily result from the bill making it slightly more difficult to "spike" one's salary as a result of a buyout or settlement agreement. We do not believe that these small savings would have a material impact on the funding ratio or the amortization period of unfunded liabilities for ATRS.

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Other

Subsection (27)(D), found on lines 16 and 17 of page 2 of the bill, is worded in an atypical manner—we believe that a board typically promulgates rules to interpret and implement the law rather than modify it; Senate Bill 160 explicitly states that the board may promulgate rules to "modify the definition of salary." Such language may warrant further consideration.

Sincerely,

Jody Carreiro

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