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Senate Bill 192

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 91st General Assembly

Provisions of the Bill

Senate Bill 192 affects the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Annotated §24-7-704 details laws concerning disability retirement under ATRS. Section 1 of the bill would allow reciprocal service to count toward the five year requirement for disability retirement in ATRS. Sections 3 and 4 allow for a review process by ATRS' medical committee (within three months of disability benefits ceasing) if a disability retiree is unable to receive a Social Security disability determination. Section 5 removes the age 57 exemption language; this was originally put in place because typically three years after age 57 a member would be eligible for normal retirement. Section 6 removes some language concerning board disability review and allows for a waiver (described in Section 7) for certain employees who return to work on a limited basis. Finally, Section 8 adds language incentivizing disability retirees to try to return to work by ensuring such members won't be penalized for foregoing cost of living adjustments.

Fiscal Impact

Allowing reciprocal service to be counted towards eligibility for disability benefits is a slight actuarial cost to the system. There is no data collected on how many employees might have reciprocal service, but because the affected employees would have to become disabled within their first five years of ATRS employment for SB192 to create a cost, we anticipate the impact would be small.

Potentially allowing employees to continue disability benefits after being unable to receive a Social Security determination letter would create a small cost to the system. As the affected language is two years old, we are unable to accurately estimate the impact of this change.

Granting waivers to allow disability retirees to work up to 40 days would generate a slight savings to the system as employer contributions would still be remitted even though the member is no longer accruing benefits.

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Incentivizing disability retirees to return to work would be a policy decision whose fiscal impact would depend highly on the demographics of those who choose to return to work. In general, the employer and employee contributions which would be received are more than the normal cost of accruing the benefit, and the disability benefit would be stopped in the meantime. However, this is affected by the age and pay of the retiree and the age and pay of any potential replacement employee. Our inclination is that the impact would be negligible or a net savings to the system, but this is dependent on demographics and future behavior of the disabled retirees.

Overall, it is our opinion that the net fiscal impact of Senate Bill 192 would be a very small cost to ATRS, that is, less than 0.01% of payroll.

Other

Senate Bill 194 proposes allowing reciprocal service to be used to qualify for survivor benefits in a similar manner as Senate Bill 192 does for disability benefits.

Act 219 of 2015 was a recent change to this section of code which implemented the 36 month Social Security determination requirement.

Sincerely,

Jody Carreiro

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