

Senate Bill 205

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 205 affects the Arkansas Teacher Retirement System (ATRS) and how ATRS interacts with reciprocal systems.

Arkansas Code §24-7-601 concerns how service is credited within ATRS. The section details how service with reciprocal systems and concurrent service are treated within ATRS. All reciprocal system service is used for eligibility purposes within ATRS, and the final average compensation used to calculate benefits is the highest among reciprocal systems. ATRS also allows members who earn concurrent service with reciprocal systems to receive credit within ATRS (excluding concurrent service with APERS or university alternate retirement plans). Senate Bill 205 would allow members of ATRS to elect to waive any of their ATRS concurrent service credit with a reciprocal system; the member's contributions and contributions made on their behalf would remain with ATRS.

Fiscal Impact

We do not have data available regarding members who have concurrent service or who would potentially earn concurrent service in the future. It is our understanding that such situations are rare, and we would expect that the number of people who would choose to waive service to be even more scarce.

Logically, it would only make sense for a member to waive service if the aggregate benefit received from the multiple reciprocal systems increased as a result of foregoing the concurrent service in ATRS. This would mean aggregate cost among all systems would increase, even though one system would perhaps experience savings at the expense of the other. A situation in which ATRS alone experiences costs may be theoretically possible (due to the reciprocal salary calculations), but we would anticipate this situation to be exceedingly rare.

Overall, we believe Senate Bill 205 primarily represents a policy decision, with the cost impact so small as to be unmeasurable.

Other

It is our understanding that if an employee works full-time for an APERS employer and an ATRS employer, he or she is only eligible for service credit within one system. If the policy goal of Senate Bill 205 is for a member to be able to waive ATRS credit in order to receive APERS credit instead, we believe there remains some inconsistency between the bill's language and current code. That is because Senate Bill 205 only allows a member to waive "all or part of the concurrent service credited to the member in the system," while §24-7-601(g)(1) suggests that such service would not be considered concurrent service credit.

Sincerely,

A handwritten signature in black ink that reads "Jody Carreiro". The signature is written in a cursive, flowing style.

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