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House Bill 1335

(As Engrossed March 14, 2019)
Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 92nd General Assembly

Provisions of the Bill

House Bill 1335 affects the Arkansas Teachers Retirement System (ATRS). During the 2013 legislative session, the rule for the final year of service for calculating service and final average salary were changed for quarter ends. This was to try and simplify the rules and to encourage members to complete the school year during their final year. According to staff, current law has proven equally confusing and it unintentionally creates disconnects in calculations with the reciprocal systems and in the case where someone earns more in the current year to date than they did five years ago (the first year of the final average salary calculation). House Bill 1335 makes the service calculation and the final average salary calculation internally consistent. The disincentive to retire in the middle of a school year remains since if the final year is included in service, benefits begin on July 1.

Fiscal Impact

ATRS should achieve some administrative savings since this is more internally consistent and more consistent with the reciprocal systems. There may be some change to members who retire during the school year either in the calculation of final average salary or in annuity starting date. For the vast majority of retiring members, this is no change at all. Therefore, it is our opinion that there is no fiscal impact to the retirement system due to the provisions of this bill.

Sincerely,

Jody Carreiro

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

Additional Disclosures on file with BLR