

Senate Bill 218

(As Engrossed 2/21/2019)

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 92nd General Assembly

Provisions of the Bill

Senate Bill 218 affects the Arkansas Teachers Retirement System (ATRS). The Teacher Deferred Retirement Option Plan (TDROP) became a feature of ATRS during the 1995 general session. After the minimum number of years for full retirement was reduced from 30 to 28 in the 1997 session, language was added to the section having to do with the portion of the benefit that is added to the TDROP account. There are two sections of code that define the reduction for participation before 30 years of service and they have been tweaked almost every session since that time. Because of this, the text of this section of code is very difficult to decipher. But the practice has always been that a participant with 30 or more years of service has 70% of their benefit deposited and then that amount is reduced by 0.5% for each month earlier than 30 years, so that with 28 years of service, the deposit is about 63% (70% times 88%) of the base benefit. The language of Senate Bill 218 does not change the current practice, but makes this section easier to understand. The ability of the board to increase the 0.5% incremental reduction to as much as 1.0% per month that was added in the 2017 legislative session remains intact.

Fiscal Impact

It is our understanding that Senate Bill 218 does not change the amount of benefits in the way ATRS is administered. Therefore, it is our opinion that there is no fiscal impact to the retirement system due to the provisions of this bill.

Other

There are several areas of benefit definition that are set by board policy pursuant to previous legislation. The board must continue to practice care is implementing these items to avoid issues with definitely determinable benefits.

Sincerely,



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