

House Bill 1319

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 93rd General Assembly

Provisions of the Bill

House Bill 1319 affects the Arkansas Teachers Retirement System (ATRS). The bill amends two different subsections of ACA §24-7-601 dealing with reciprocal and concurrent service. Section 1 of House Bill 1319 deals with the final average salary used with reciprocal service calculations. This simplifies the rule so that it uses the higher final average salary of ATRS or the reciprocal system if the member has at least two years of credited service in the reciprocal system. Section 2 makes clear that if it is found that there is concurrent service with another system (that would have caused a member to earn more than one year of service during a year) then the member and employer contributions would be returned. This typically occurs between ATRS and APERS. The most common example would be the county employee in APERS that drives a school bus and gets some credit in ATRS. This is usually known and corrected at employment but may not be known until later and this provides a correction method.

Fiscal Impact

House Bill 1319 basically repeals the rule for calculating final average salary for reciprocal benefits that was in Act 612 of 2017. ATRS staff reports that this did not produce the expected cost savings and has been difficult to administer. Although there could be a cost impact, it is our opinion that the effect will be an insignificant. A small administrative savings is expected.

Other Information

The reciprocity provisions found in current law or in House Bill 1319 do not appear to be consistent with certain parts of A.C.A. §24-2-401 et seq. although it is not clear in the current language. House Bill 1325 is the result of a work group of system directors and others to simplify and clarify the language in those sections. Passage of House Bill 1325 would remove any apparent inconsistencies.

Related Legislation

There were several items that were requested by the ATRS board to be considered by the legislature. This has resulted in the filing of House Bills 1279, 1319, 1320, 1326, 1339, and 1340. There is a seventh item which was discussed by the ATRS board, but was not officially requested, that is now Senate Bill 174. It is our opinion that none of these bills have a significant fiscal impact on ATRS and that they do not have significant overlapping effects.

Sincerely,



Jody Carreiro, EA, ASA, MAAA, FCA
Actuary