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House Bill 1201

(As Engrossed February 7, 2023)
Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 94th General Assembly

Provisions of the Bill

House Bill 1201 affects the Arkansas Teacher Retirement System (ATRS). The bill has sixty sections with mostly wording changes for consistency and clarity purposes. These changes include pointing references to the alternate retirement plan to the definition section, changing references to "retirant" to "retiree", and changing references to deadlines to the cleaner "by the end of the (number) full calendar months immediately following". These are items that are many places in ATRS code and so there are many changes.

There were two changes that went beyond the wording based on our review. First, the SECURE 2.0 Act was enacted on December 29, 2022. This federal pension law contained many changes. The primary change affecting governmental plans is the change in Required Minimum Distribution date. The beginning age for the Required Minimum Distributions is moved from 72 to 73 beginning in 2023 and then to age 75 in 2033. The appropriate sections were updated to reflect this change in federal law.

Second, the general reference for any benefit enhancement is in ACA §24-7-208, which states in part, "No benefit enhancement provided for by this chapter shall be implemented if it would cause the Arkansas Teacher Retirement System's unfunded actuarial accrued liabilities to exceed an eighteen-year amortization." There are other sections of ATRS code that give the ATRS board limited ability to change the benefits of the system. All of these can only be implemented if benefit enhancement does not change the amortization period to fully fund the Unfunded Accrued Liability to more than 18 years. There is nothing currently in the definitions that defines what is to be considered a "benefit enhancement." House Bill 1201 provides a definition of benefit enhancement to be a change that increases the amortization period by more than one year. This allows minor adjustments that are needed to be implemented immediately.

Fiscal Impact

We reviewed House Bill 1201 and have discussed it with the ATRS staff. The bill does not appear to make any change to the current administration or the benefits of ATRS. Therefore, it is our opinion that there is no fiscal impact to ATRS due to the provisions of this bill.

Sincerely,

Jody Carreiro

Jody Carreiro, ASA, MAAA, EA, FCA
Actuary