

Senate Bill 116

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 94th General Assembly

Provisions of the Bill

Senate Bill 116 affects the Arkansas Teacher Retirement System (ATRS). Section 1 of the bill adds three new definitions to ACA §24-7-202. A “Gap Year” is a period of time in which a member was an inactive member and unemployed or did not provide service in the system. A “Permissive Service Credit” is additional service credited to a member for which they contribute an amount which is the actuarial equivalent cost of that service time. “Qualified Service” is service which qualifies for Permissive Service under the IRS definition in IRC §415(n).

Section 2 of Senate Bill 116 permits members who have not retired to purchase Permissive Service Credit of up to five Gap Years under the conditions given. The same language that is used elsewhere in ATRS code defined the actuarial equivalent cost of a service purchase. This section also has the same refund language that this committee has already approved in House Bill 1199 for all other types of refunds of unused service purchases. It is of note that the language of Senate Bill 116 only extends this option to members who return to a “position as a classroom teacher” after the Gap Years.

Fiscal Impact

Senate Bill 116 allows a new way to purchase service in ATRS. All service purchases in ATRS are made using the actuarial equivalent cost of that service time. The system’s experience is that very few members choose to purchase service since the cost is relatively expensive. Therefore, it is our opinion that there will be no material fiscal impact to ATRS.

Sincerely,



Jody Carreiro, ASA, MAAA, EA, FCA
Actuary