Osborn, Carreiro & Associates, Inc.

ACTUARIES ● CONSULTANTS ● ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 2.072201
(501)376-8043 fax (501)376-7847

House Bill 1348

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 95th General Assembly

Provisions of the Bill

House Bill 1348 affects the provisions of the Arkansas Public Employees Retirement System (APERS) and the Arkansas State Police Retirement System (ASPRS). ACA §24-4-608 (APERS) and similarly §24-6-216 (ASPRS) defines the survivor annuity benefits for dependent children of active members who die. Current law in these sections extend the dependent child benefit until age 23 if they continue in higher education. This has become increasingly hard to administer for various reasons. Among those are the changing definitions of higher education and the number of students who take various gap years for educational or other purposes. House Bill 1348 takes the higher education requirements out and extends the benefit to all who are below age 23. The bill also makes other adjustments for consistency.

Fiscal Impact

We have reviewed the provisions of House Bill 1348. This change would extend benefits to some dependent children that were not previously covered, but some of that would be offset by administrative savings. This would also provide more consistency with other benefits and the current social and educational environment. For example, the system reports that about 49 dependent child benefits are paid to those between 18 and 22 with annual benefits of about $280,000 compared to about $700 million in total. We don't know how many additional people would be picked up in this category, but even if doubled it would not be very significant. It is our opinion that House Bill 1348 will create additional costs to the system but would not make a significant change to the actuarially determined cost of APERS or ASPRS.

Related Legislation

This committee approved House Bill 1157 which made very similar changes to Arkansas Teachers Retirement System (ATRS).

Sincerely,

Jody Carreiro

Jody Carreiro, ASA MAAA, EA, FCA
Actuary

Additional Disclosures on file with BLR