

## **Senate Bill 195**

### Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 89th General Assembly

#### **Provisions of the Bill**

Senate Bill 195 affects the Arkansas Teacher Retirement System (ATRS).

ATRS benefits include a significant monthly benefit paid to the minor beneficiaries of a member who dies. Therefore, current law requires a custodian to be named for the minor beneficiary. If there is no named custodian or no one who can serve, there is an exception in current law which allows the payment to be made to an adult family member if the value is less than \$10,000. The value of the beneficiary annuities under ATRS are often above this amount. Senate Bill 195 would increase this value limit to \$500,000 for ATRS beneficiaries.

#### **Fiscal Impact**

Senate Bill 195 does not change the amount of the beneficiary annuities, and therefore there would be no direct fiscal impact to the system.

#### **Other**

Senate Bill 195 does generate several concerns. First, in this subchapter family is defined in ACA §9-26-201(10). There are several choices of who is considered family and the bill does not give ATRS any guidance as to the preferred choice. Second, clearer wording on lines 32 and 33 would be "may be nominated to receive on behalf of". The most serious concern is that the amount "may be paid to" in line 32 of page 1. Only the participants and beneficiaries may receive benefits from the plan (See ACA §24-1-101 and IRS §401(a)(2)). The current language seems to divert the benefit from the beneficiary.

Sincerely,



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Actuary