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House Bill 1365

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 91st General Assembly

Provisions of the Bill

House Bill 1365 affects the Arkansas Teacher Retirement System (ATRS).

Arkansas Code Annotated §24-7-735 contains language covering details of settlements of claims and judgments between ATRS employers and covered employees. Section 3 of House Bill 1365 contains language clarifying that the system should receive the settlement agreement from the employer in order to prevent the accumulation of service credit for work which is not on-site. Section 3 further allows employers or employees to purchase service credit or additional salary as part of the resolution of the settlement, as long as the payments are actuarial-equivalent using the T-DROP annuity factors. Sections 1 and 2 tweak the definition of salary under §24-7-202 so that the definition could encompass payments on which the employer is not necessarily required to withhold federal income tax.

Fiscal Impact

Since all service and salary purchases would be at actuarial cost assuming retirement at the time of the purchase, there would be no actuarial cost arising from this change. In some circumstances, if the member did not retire immediately, the cost of the purchase could be more than the actuarial value of the benefit, which would result in a small savings to the system.

Other

It is our understanding that the "or on which income tax would be due" language change is because settlement payments are often not required to have income tax withheld by the employer, even in cases where the payments are intended to roughly represent reimbursement of lost wages.

Sincerely,

Jody Carreiro

Jody Carreiro, A.S.A, M.A.A.A.
Actuary

Additional Disclosures on file with BLR