

House Bill 1320

(As Engrossed February 27, 2019)

Actuarial Cost Study prepared for

Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 92nd General Assembly

Provisions of the Bill

House Bill 1320 affects the Arkansas Teachers Retirement System (ATRS). House Bill 1320 consists of 22 sections that are to clarify, consolidate, and make more consistent reading of the ATRS law. This letter will not detail what each section does, but will review in general.

There is some consolidation in House Bill 1320. Sections 2 and 18 deal with the definition of final average salary. The bill works to put the details of the calculation in only one section.

Eleven sections of House Bill 1320 work to clarify definitions or codify more clearly the current practice. There are three definitions restated (sections 3, 4, and 5). The remainder appear to make the current practices and language consistent.

House Bill 1320 has seven sections (6, 11, 15-17, 21, 22) that change the language to reflect the funding goal of ATRS of having an amortization period for the payment of Unfunded Actuarial Accrued Liabilities at 18 years or less. This provides consistencies with significant legislation that was approved during 2017.

Fiscal Impact

We have reviewed all sections of this bill and have discussed any practical effect that these changes would have with ATRS staff. It does not appear to us that any of these changes will have any effect on the benefits or operations of ATRS. It also appears to us that these changes make the reading of these sections of code more clear and consistent. Therefore, it is our opinion that there is no fiscal impact to the retirement system due to the provisions of House Bill 1320.

Other

We have discussed with ATRS staff that in future legislation they should consider a single definition of the funding goal and then refer to that definition. The provisions of House Bill 1320 are good, but this change should be considered for the future.

Sincerely,



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Actuary