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# Senate Bill 174

(As Engrossed March 4, 2013)
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 174 affects the Arkansas Teacher Retirement System (ATRS).

Act 513 of 2011 created several provisions regarding optional participation in ATRS for employees of institutions of higher education. One such provision required Post-Secondary institutions of Higher Education (PSHE) to designate specific positions to be eligible for participation in ATRS. An employee hired to work for a given PSHE could make an irrevocable election to participate in ATRS if the PSHE employer deemed the employee benefits-eligible (a term defined by Act 513, see §24-7-1602) and if the employee was already vested in ATRS at the time of initial employment.

Senate Bill 174 would allow PSHE employers to adopt and a less restrictive plan for participation; namely, it would allow removal of the requirement that the employee was vested in ATRS at the time of initial employment. The PSHE employer could provide an opt-in opportunity, through resolution, which would allow participation for a continuously-employed employee hired between July 1, 2011 and June 30, 2013 who was otherwise benefit-eligible but did not meet the ATRS vesting requirement. Eligible employees would be required to opt-in before June 30, 2014. Such individuals could purchase past service based on applicable employee and employer contribution rates at 8% annual interest.

## Fiscal Impact

The total fiscal impact of such a change is difficult to estimate, particularly because we are unable to know the number of employers who would make such an adoption and the number of new members this would bring to ATRS. However, in general, adding new members to an underfunded system will improve the system's funding over the long term as long as at least the normal cost is being paid. The service purchase portion of the bill, however, would present a cost to ATRS, as the past service is not going to be purchased at actuarial cost. These service purchases would create actuarial losses for ATRS over time. The overall cost of the bill will be determined by the number of new participants and the amounts of service being purchased. The system believes that only about 15 new members would be added and few of them would purchase service; therefore, there is no significant impact to the system.

**Other**

Act 513 of 2011 was a considerable effort to have one set of rules for all PSHE institutions. Senate Bill 174 will create exceptions to this single standard.

Sincerely,

Jody Carreiro

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