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House Bill 1275

(As Engrossed March 8, 2021)
Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 93rd General Assembly

Provisions of the Bill

House Bill 1275 affects the interaction between Arkansas Teachers Retirement System (ATRS) and the alternate retirement plans offered by institutions of higher education. Current law allows an individual who has left ATRS and is now part of higher education to use the combined service to determine eligibility in ATRS. Current law ends that reciprocal relationship if ANY withdrawal is made from the alternate plan. House Bill 1275 allows certain withdrawals to be made and not affect the reciprocal relationship and gives rulemaking ability to the ATRS board to make any needed clarifications. In particular, nontaxable withdrawals, for example after 59½, and rollovers to other qualified plans, would not harm the combination of service.

Fiscal Impact

We have reviewed the proposed changes in House Bill 1275 and have discussed them with the ATRS staff. We understand that there are 2 or 3 of these situations that arise each year. House Bill 1275 would allow a more consistent treatment when dealing with these defined contribution alternate plans. It would also simplify administration in these reciprocal situations. Another important clarification is that the final average salary calculation will be based on the ATRS service. There could be some additional service granted with these changes, but it will be partially offset by using ATRS final average salary. It is our opinion that there will be no significant cost impact to ATRS due to the passage of House Bill 1275.

Sincerely,

Jody Carreiro

Jody Carreiro, EA, ASA, MAAA, FCA
Actuary