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Senate Bill 169

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 169 affects the Local Police and Fire Retirement System (LOPFI).

Under current law, members of LOPFI who leave their covered police officer or firefighter position to accept a job at the Arkansas Law Enforcement Training Academy or Arkansas Fire Training Academy are ineligible to remain in LOPFI as the academies' umbrella agencies participate in APERS. Senate Bill 169 would allow active LOPFI members who leave their current positions to become instructors after July 1, 2013 to remain members of LOPFI.

Fiscal Impact

LOPFI and APERS would see no measureable fiscal impact—the employers currently pay the actuarially required rate in APERS and would pay the actuarially required rate in LOPFI.

The bill creates no fiscal impact on the premium tax formula, as it explicitly states that the two academies are ineligible for "participation in the receipt of or funding with premium tax revenues."

The state reports that there are currently 26 positions at the academies, with a potential for 29 in total. The average LOPFI employer rate published in the last summary of valuations was just under 20%, and the APERS rate is 14.88%. Assuming an average $50,000 salary at the average LOPFI rate, if the entire staff turned over and the positions were replaced through hiring current active members of LOPFI, the bill would cost the two agencies in total approximately $65,000 per year in increased required contributions versus what they would have been obligated to pay in APERS. In reality, the increased contributions would start out small and increase over time, as Senate Bill 169 only applies to current active members who become instructors on or after July 1, 2013.

Sincerely,

Jody Carreiro

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