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Senate Bill 243

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 92nd General Assembly

Provisions of the Bill

Senate Bill 243 affects the Arkansas Public Employees Retirement System (APERS). The current multiplier for contributory plan members is 2.00% per year of service times final average compensation. Senate Bill 243 would reduce the multiplier to 1.80% per year of service times the final average compensation for all APERS members hired July 1, 2020 and thereafter.

Fiscal Impact

Senate Bill 243 does not affect the benefits of current members of APERS and therefore does not change the current employer rate, unfunded actuarial accrued liability or the amortization period. The change will reduce the normal cost of the plan in future years. The current normal cost is 11.36% of payroll and Senate Bill 243 would reduce the normal cost by about 1.09% of payroll over the long run. Five years after implementation, about 40% of that savings would be realized. Ten years after implementation, about 65% of the 1.09% savings will be realized.

The effect of Senate Bill 243 may not be additive with the results of other legislation. For example, the effect of the bills that increase employee contributions, if adopted, could not be added to the results of Senate Bill 243 to determine the total change in cost.

Other

APERS became a contributory system July 1, 2005. At that time, current members were allowed to elect to become contributory members. All new members are contributory members. About 10,000 actives (over 20%) of the current active population remains non-contributory and have a multiplier of 1.72%.

Sincerely,

Jody Carreiro

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

Additional Disclosures on file with BLR