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House Bill 1205

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 1205 affects the Arkansas Local Police and Fire Retirement System (LOPFI). Current law allows a retiree to return to work and continue drawing a retirement benefit if a) there a separation of service of at least 180 days, b) there are no additional benefit accruals, and c) they cannot return to the same employer. House Bill 1205 reduces the 180 days to 90 days and provides an exception to the same employer rule. That exception is that they return to an entry level position or that they return to a position appointed by a mayor, city manager or city administrator.

Fiscal Impact

In our opinion, the exceptions will not be available to enough people, so there should not be significant cost impact to LOPFI. The agency would pay the employer contribution rate during the period of employment and there are no additional benefits accrued.

Other Information

Federal pension law says that no retirement payment is to be made unless there is a separation from service. Although the phrase "separation from service" is very significant, it is not defined. Tax Court rulings have held that there must be a complete severance of the employee-employer relationship and that there is not to be any agreement, written or verbal, for a continuation of employment after any period. The 180 days and the current employer rule in current law is an effort to protect the system and the employers from violating these rules. Exceptions to the current law that are added create more opportunities to violate federal pension law.

Sincerely,

Jody Carreiro

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

Additional Disclosures on file with BLR