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Senate Bill 57

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

Senate Bill 57 affects the Arkansas Local Police and Fire Retirement System (“LOPFI”).

Current law allows the purchase of up to two years of military service that was rendered before the person was a member of LOPFI. The service is purchased based on a formula based on the employer and employee contributions at the end of their fifth year of service.

Senate Bill 57 makes two changes. First, the member will be allowed to purchase up to five years of qualifying service. The other change is that the formula used to purchase service would be changed to be based on actuarial cost.

Fiscal Impact

The actuarial cost to a member will be based on the age, service, and current salary of that member. For example, the actuarial cost to a member of one year of service assuming a member age 45, with 20 years of service and a salary of \$50,000 would be \$18,000 to \$30,000 per year purchased. This is a significant cost to the member, but it does not reflect the increased cost to LOPFI. Without the actuarial cost provision of Senate Bill 57, LOPFI would receive under half of the actual cost.

Other Comments

Note that other existing laws also deal with military time. ACA 24-2-502 allows the purchase of active military time (up to 5 years), for military time before joining a system. The “Uniformed Services Employment and Reemployment Rights Act” (“USERRA”) provides that a person whose employment under APERS is interrupted by active military service (including National Guard and Reservist called to active duty), will receive credit under a system at no additional cost.

Sincerely,



Steve Osborn, F.S.A, M.A.A.A.
Actuary

Senate Bill 57
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