

House Bill 1333

(As Engrossed March 27, 2019)

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

Provisions of the Bill

House Bill 1333 affects the Arkansas State Police Retirement System (ASPRS). A Tier 2 member is eligible for retirement without reduction at age 65, with five years of actual service; at any age, with 30 years of actual service; or, the age 65 is reduced by 0.75 of a year for each year of service to no less than age 55, in other words, age 55 with 13.3 years of service. House Bill 1333 allows credited service, which is actual service plus any reciprocal service, to be used to become eligible for unreduced retirement.

Fiscal Impact

ASPRS does not routinely collect reciprocal service until near or at retirement. So, there is not complete information to calculate this cost. We do know that about 15% of the Tier 1 retirees used some reciprocal service. House Bill 1333 will primarily benefit those entered service in their late twenties that had already served 3 or 4 years with a local or county police force. Those individuals would have the ability to have unreduced retirement at an age less than 55. Assuming a portion of these members will begin retirement benefits 3 years earlier, we developed our estimate. It is our opinion that the total increase in cost (normal cost plus amortization of unfunded accrued liability) will be about 0.44% of payroll, which is about \$130,000 per year based on the most recent valuation.

Other

House Bill 1333 will also cause an administrative change in the transfer of premium tax money that is part of the funding of the system as outlined in §24-6-209(b). This section states that the transfer cannot be used for benefit enhancements, so the ultimate cost of House Bill 1333 would need to be tracked separately.

Sincerely,



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