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House Bill 1339

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 1339 affects the Arkansas Public Employees Retirement System (APERS). The current formula for contributory plan members is 2.00% per year of service times the final average compensation. The current definition of final average compensation is the average of the three highest fiscal years of compensation. House Bill 1339 allows the APERS board to increase the number of years to average to a maximum of five years for all future members hired on or after July 1, 2020.

Fiscal Impact

House Bill 1339 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 House Bill 1339 would reduce the normal cost by about 0.37% of payroll over the long run, assuming the APERS board elected to increase the number of years to average to five. Five years after implementation, about 40% of that savings would be realized. Ten years after implementation, about 65% of the 0.37% of payroll savings will be realized.

The effect of House Bill 1339 may not be additive with the results of other legislation. That is, the savings from this bill together with the result of other bills combined may be greater or less than the sum of the two amounts.

Other

Senate Bill 245 and House Bill 1339 are very similar. Senate Bill 245 changes the number of years included in final average compensation to five years. House Bill 1339 ***allows*** the number of years included in final average compensation to be ***increased by the APERS board to no more than*** five years. The Committee should only consider one of these two bills.

Sincerely,

Jody Carreiro

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Actuary

Additional Disclosures on file with BLR