

1 State of Arkansas As Engrossed: H1/28/19 H2/13/19

2 92nd General Assembly

A Bill

3 Regular Session, 2019

HOUSE BILL 1173

4

5 By: Representative House

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For An Act To Be Entitled

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AN ACT REQUIRING PUBLICLY FUNDED RETIREMENT SYSTEMS

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TO PERFORM FINANCIAL STRESS TESTS; AND FOR OTHER

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PURPOSES.

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Subtitle

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REQUIRING PUBLICLY FUNDED RETIREMENT

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SYSTEMS TO PERFORM FINANCIAL STRESS

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TESTS.

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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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21 SECTION 1. Arkansas Code Title 24, Chapter 1, Subchapter 1, is amended

22 to add an additional section to read as follows:

23 24-1-109. Annual financial stress test report.

24 (a) As used in this section:

25 (1) "Publicly funded retirement system" means a defined benefit
26 retirement system that is one (1) of the following:

27 (A) The Arkansas Teacher Retirement System, established by
28 the Arkansas Teacher Retirement System Act, § 24-7-201 et seq.;

29 (B) The Arkansas State Highway Employees' Retirement
30 System, established by § 24-5-103;

31 (C) The Arkansas Public Employees' Retirement System,
32 established by § 24-4-103;

33 (D) The State Police Retirement System, established by §
34 24-6-203;

35 (E) The Arkansas Judicial Retirement System, established
36 by § 24-8-201 et seq.;



1 (F) The Arkansas Local Police and Fire Retirement System
2 provided for under § 24-10-101 et seq.; and

3 (G) A firemen's relief and pension fund or a policemen's
4 pension and relief fund provided for under § 24-11-101 et seq.; and

5 (2) "Financial stress test" means a test that provides
6 information on:

7 (A) Projections of:

8 (i) Assets;

9 (ii) Liabilities;

10 (iii) Pension debt;

11 (iv) Service costs;

12 (v) Employee contributions;

13 (vi) Employer contributions;

14 (vii) Net amortization;

15 (viii) Benefit payments;

16 (ix) Payroll; and

17 (x) A publicly funded retirement system's funded
18 ratio for each of the next thirty (30) years that is based on current
19 actuarial assumptions, including the assumed rate of return;

20 (B) Projections for the items listed in subdivisions

21 (a)(2)(A)(i)-(x) of this section if the:

22 (i) Investment returns are two (2) percentage points
23 lower than the assumed rate of return; and

24 (ii) State makes employer contributions that are:

25 (a) Based on current funding policy for the
26 publicly funded retirement system; and

27 (b) Held constant at the levels calculated
28 under subdivision (a)(2)(A)(x) of this section;

29 (C) Estimates of the items listed in subdivisions

30 (a)(2)(A)(i)-(x) of this section if there is a one-year loss on planned
31 investments of twenty percent (20%) that is followed by a twenty-year period
32 of investment returns of two (2) percentage points below plan assumptions,
33 including without limitation assumptions concerning:

34 (i) Adjusting the contributions of an employer based
35 on current policy; and

36 (ii) Holding the contributions of an employer

1 constant at levels that are calculated for baseline projections; and

2 (D) Estimates of:

3 (i) Actuarially accrued liability;

4 (ii) The total normal plan cost for each benefit
5 tier of a publicly funded retirement system; and

6 (iii) The normal cost to an employer for a benefit
7 tier of a publicly funded retirement system that is calculated using:

8 (a) A discount rate equal to the assumed rate
9 of return; and

10 (b) The ten-year average of the yield of
11 thirty-year treasury notes.

12 (b)(1)(A) The board of trustees of a publicly funded retirement system
13 shall select an actuary to perform an annual financial stress test of the
14 publicly funded retirement system.

15 (B) The board of trustees of a publicly funded retirement
16 system may elect to exclude a projection of an item listed in subdivisions
17 (a)(2)(A)(i)-(x) of this section from the annual financial stress test of the
18 publicly funded retirement system performed by the actuary if the actuary
19 provides the board of trustees with a written recommendation to exclude the
20 projection of the item from the annual financial stress test.

21 (2) The Joint Committee on Public Retirement and Social Security
22 Programs may direct an actuary employed by the General Assembly to perform an
23 annual financial stress test of each of the publicly funded retirement
24 systems.

25 (c) No later than twenty (20) days before the convening of a regular
26 session, the results of a financial stress test performed under this section
27 shall be submitted to the Joint Committee on Public Retirement and Social
28 Security Programs by the:

29 (1) Board of trustees of a publicly funded retirement system;
30 and

31 (2) Actuary employed by the General Assembly if the actuary is
32 directed to perform a financial stress test by the Joint Committee on Public
33 Retirement and Social Security Programs.

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35 /s/House

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