Osborn, Carreiro & Associates, Inc.

ACTUARIES ● CONSULTANTS ● ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501)376-8043 fax (501)376-7847

House Bill 1349

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 1349 does not affect any of our statewide retirement systems. House Bill 1349 will establish a board who is tasked with starting a Pooled Employer Plan that would target small employers and provide a vehicle for a retirement plan. The federal SECURE Act was enacted on December 20, 2019. Under this law, a new category of multiple employer plans, called a Pooled Employer Plan was created. A Pooled Employer Plan is open to many employers and may be structured as a 401(k) or other qualified plan. These Pooled Employer Plans are intended to create an economical way for small employers to provide retirement benefits.

House Bill 1349 provides a framework for the state through the Every Arkansan Retirement Plan Opportunity Board to become a Pooled Employer Plan provider. The seven member Board is made up of the Treasurer of the State, an appointee of the Treasurer who is skilled in retirement savings, an appointee of the Treasurer who is experienced in small business, the Secretary of the Department of Finance and Administration, the executive director of APERS, or their appointees. The other two board members would be retired individuals, one appointed by the Speaker of the House and one appointed by the President Pro Tempore of the Senate.

The Board will have the authority to create the plan document and procedures and hire the necessary professionals to be able to administer the plan. House Bill 1349 does lay out various key points that would be included in the plan. Some of these key items are:

1. Any employer that is not a governmental entity, part of a multi-employer negotiated plan, or already has a qualified plan is eligible.
2. Any eligible employer can elect to have their employees to be covered.
3. An employer may elect to make employer contributions.
4. Employees of a covered employer will be auto enrolled to save/contribute 5% of payroll.
5. Employees can change or stop the deferral amount.

6. The plan may include auto increases in contribution rate, which would be subject to change as elected by the employee.
7. Provide a default investment option.
8. There is a limit on total expenses, both investmenet and administrative, of 0.75% of total assets per year.
9. Provide for both pre-tax and Roth deferrals.

The Board will build upon these key provisions to create a complete plan and various administrative forms. They will also provide for appropriate communication and education.

Fiscal Impact

The primary fiscal impact of House Bill 1349 would include the costs associated with establishing the plan, completing the registration forms with the IRS, hiring the professionals needed to administer the plan, and finding the investment vehicle necessary to provide for the plan participants. These expenses would be born by the Treasurer's office and would eventually be reimbursed by the administrative fees charged to the participants of the plan.

Sincerely,

Jody Carreiro

Jody Carreiro, EA, ASA MAAA, FCA
Actuary