



# Highlights: Interim Study Proposal 2017-001

REPRESENTATIVE JEFF WILLIAMS – DISTRICT 89

# Purpose



Aim to compile information to analyze differences among municipal retirement benefits:

- ▶ Participation Levels
- ▶ Benefit Levels
- ▶ Governance Structures
- ▶ Adequacy

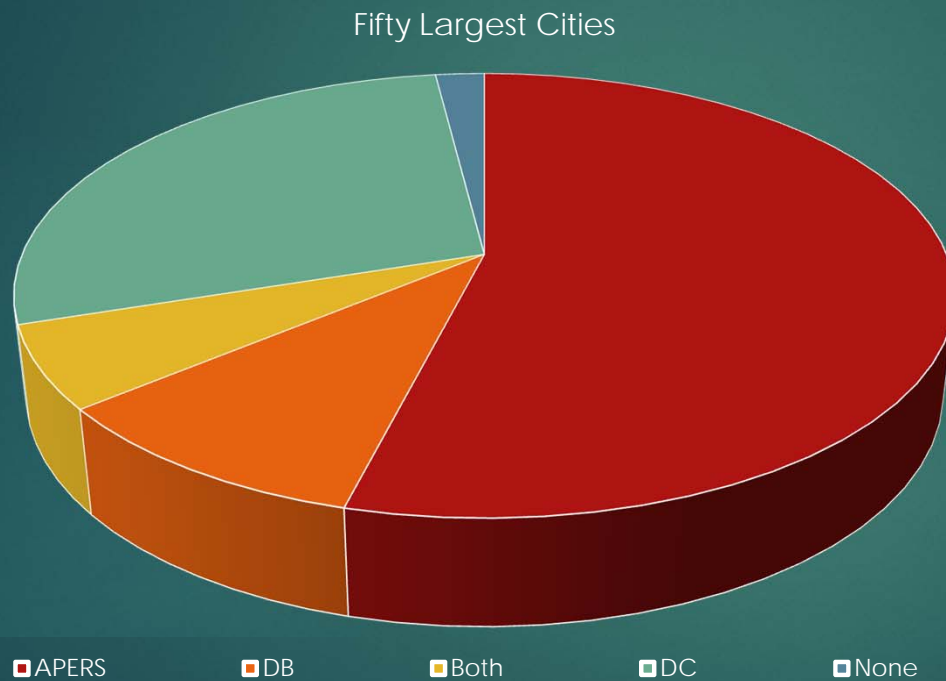
Also focused on differences between larger and smaller cities and the coverage offered by water departments/districts.

# Uniformed Employees



- ▶ Post-1983, cities without pre-existing uniformed retirement plans must generally elect coverage in LOPFI
- ▶ Practically all cities of the first class (with a few exceptions in APERS) participate in LOPFI for their firefighters
- ▶ A substantial proportion of these cities also cover police: 87/106
- ▶ Overall, far more fire participation statewide than police (due to volunteer coverage)
- ▶ Cost concerns seem to be a driving factor for the lower level of coverage in smaller cities

# Nonuniformed Employees – Largest Cities

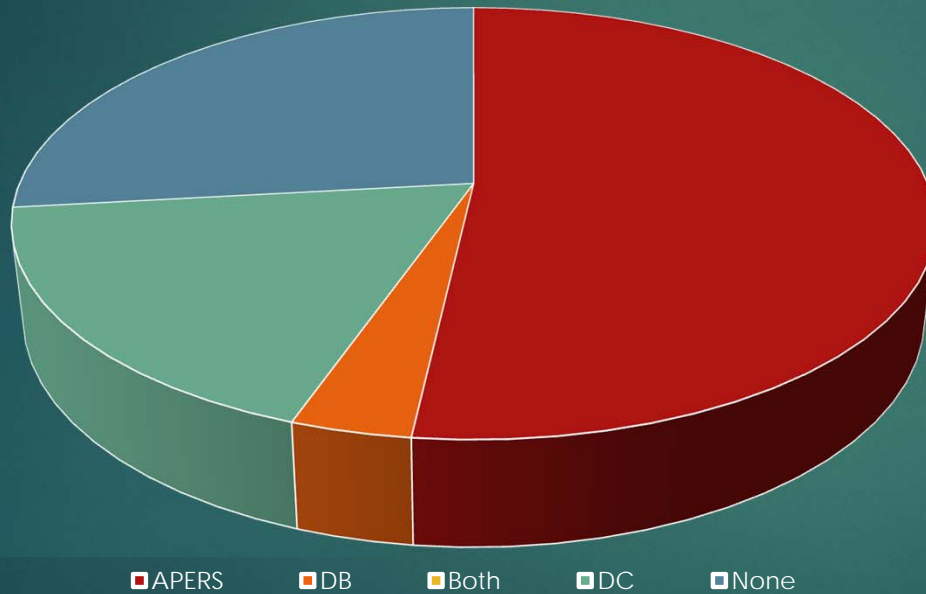


▶ Very strong coverage amongst 50 largest cities

|          |    |
|----------|----|
| APERS    | 27 |
| Other DB | 5  |
| DC       | 14 |
| Both     | 3  |
| None     | 1  |

# NU Employees – Other First Class Cities

Cities with Population between 2,500 and 7,000

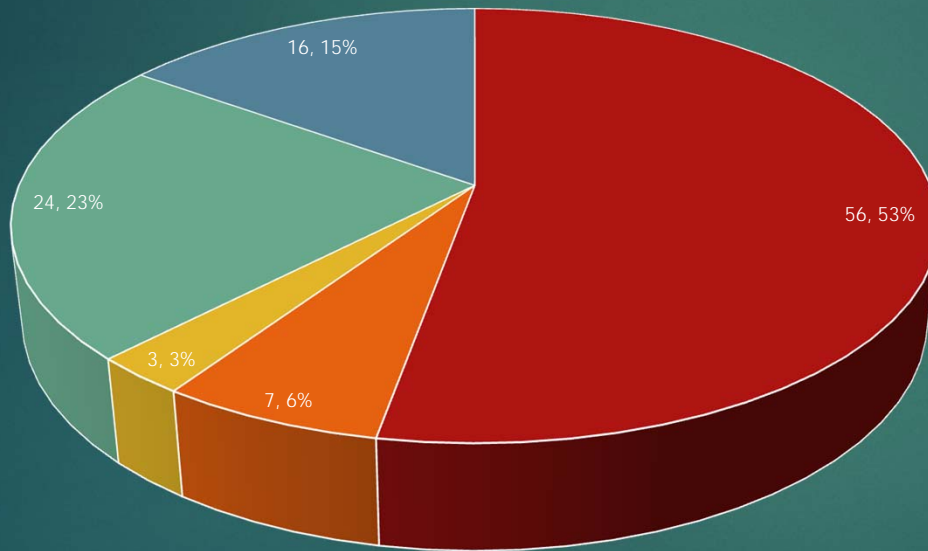


▶ More variance and coverage gaps among smaller first class cities

|          |    |
|----------|----|
| APERS    | 29 |
| Other DB | 2  |
| DC       | 10 |
| Both     | 0  |
| None     | 15 |

# NU Employees – All First Class Cities

Cities of the First Class



■ APERS ■ DB ■ Both ■ DC ■ None

▶ Overall, good coverage for the largest cities in Arkansas

|          |    |
|----------|----|
| APERS    | 56 |
| Other DB | 7  |
| DC       | 24 |
| Both     | 3  |
| None     | 16 |

# NU Employees – Second Class Cities

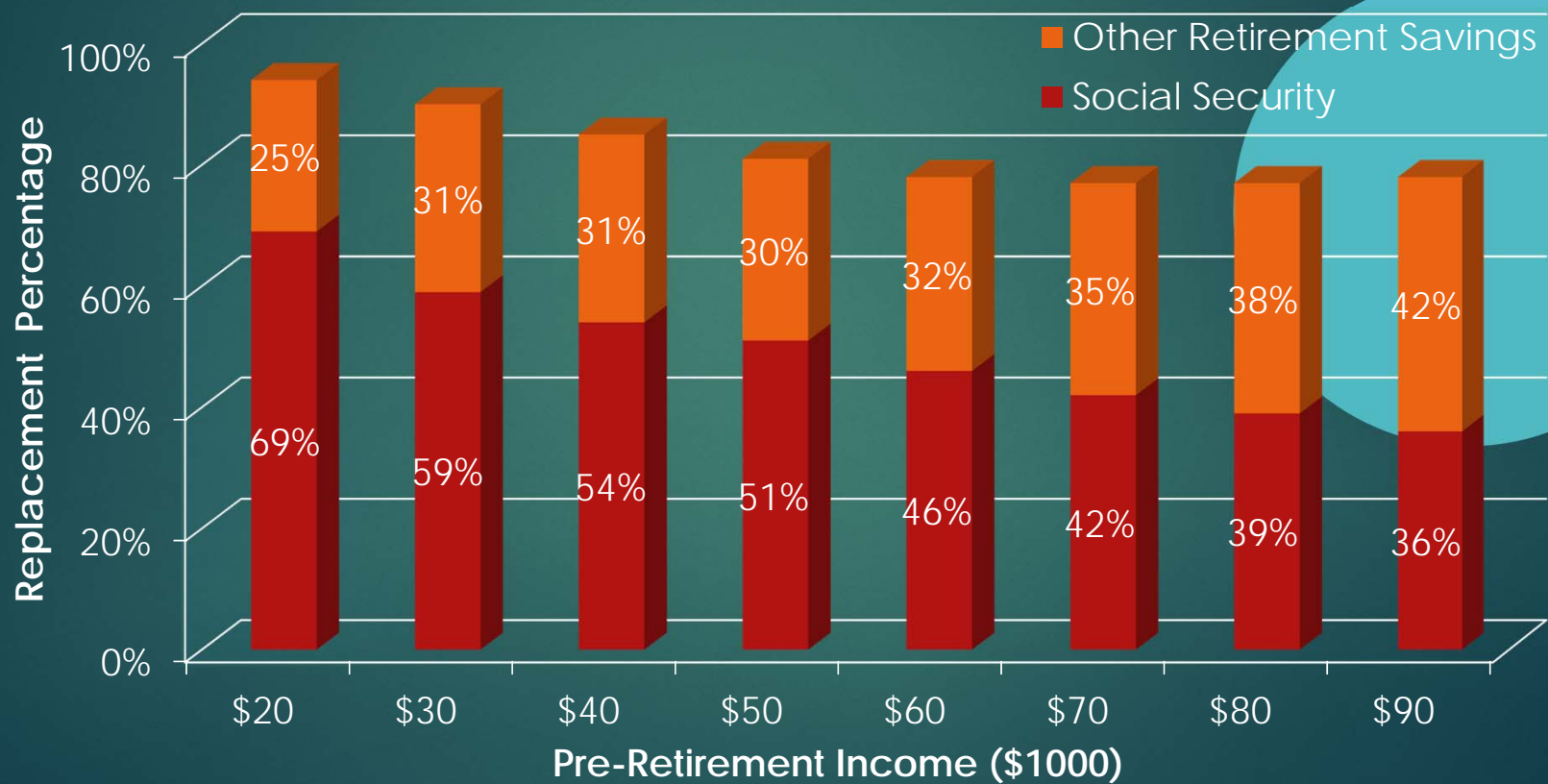
- ▶ Less data available due to lack of full audits: of the 169, we know 72 are in APERS
- ▶ Worked with AML to reach out to cities to gather information
- ▶ Some responses; predominantly DC plans with small levels of contributions or no coverage at all
- ▶ Clear trend: coverage is more sparse as cities get smaller; police coverage lacking; water departments also more likely to be integrated

# Adequacy: How do we define it?

- ▶ “Replacement Ratio” – level of post-retirement income relative to pre-retirement income
- ▶ Many experts recommend targeting a Replacement Ratio of approximately 80% to maintain standard of living
- ▶ Social Security replaces more income for lower-paid employees, but generally between 40-60% for most people
- ▶ Retirement plans and other savings need to make up this gap; perhaps 10-12% of salary in savings for DC plan
- ▶ ISP aims to analyze how well various plans are meeting this goal for career employees (e.g. 35 year old who works a 30 year career)



# Adequate Retirement Income



# Ideas/Takeaways



- ▶ Arkansas Diamond is a defined contribution plan available to Arkansas municipalities
- ▶ Diamond offers ease of administration, fiduciary assistance – good option for those that can't afford APERS; doesn't have to be a supplemental plan
- ▶ Current DC plans are inadequate for career employees without increased rates of savings or contributions – need education or more funding
- ▶ Cities need resources to educate employees about retirement options and savings
- ▶ Cities need encouragement and education involving public safety coverage