

House Bill 1187

(As Engrossed January 31, 2017)

Actuarial Cost Study prepared for

Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 91st General Assembly

Provisions of the Bill

House Bill 1187 affects the Arkansas Public Employees' Retirement System (APERS).

Arkansas Code Annotated §24-4-804 describes the necessary conditions for ceasing participation in APERS' Deferred Retirement Option Plan (DROP). Under current law, participation lasts for at most seven years and must cease upon separation from employment. Furthermore, when participation in DROP ceases, a member is no longer eligible for employment in any position covered by the "reciprocal" plans. In effect, this means an employee who retires after DROP cannot go back to work in a job covered by the state's retirement plans. House Bill 1187 would remove this restriction so that certain employees may return to work after leaving DROP as long as they meet the employment termination requirements found in §24-4-520 and return as an "essential seasonal staff member" of the Arkansas Forestry Commission, the Arkansas Livestock and Poultry Commission, or the State Plant Board. These "essential seasonal staff members" would be part-time employees who work during times of emergency or as instructors for those in similar situations. For most affected employees, this would require a 180 day separation from covered employment.

Fiscal Impact

We believe there could be a small actuarial savings associated with this bill. Once an employee returns to work, the employer would continue to make contributions even though the member would no longer be accruing a benefit. The additional contributions of the "return-to-work" members would tend to reduce the future calculated contribution rate.

These sorts of provisions can also impact future retirement behavior; this change might create savings (or cost) depending on how members' behaviors evolve. We don't anticipate significant future behavioral changes, especially if the work is restricted to a part-time basis. We do not believe that there would be additional administrative cost resulting from the passage of this bill as regular retirees are already allowed to return to work under similar circumstances.

On the whole, we do not believe there would be a material fiscal impact to the state were House Bill 1187 to become law.

Other

Based on information provided by the system, we believe two employees are on DROP in the affected departments of APERS as of June 30, 2016. Senate Bill 202 affects the same section of code but would allow all APERS employees to return to work after DROP. We recommend that the Committee considers these bills at the same time in order to avoid duplication. We would also add that providing a benefit to such a narrow subset of employees could be discriminatory, regardless of the intent. If the Committee believes that allowing for return-to-work after DROP is good policy, then it may want to consider a broader removal of the current restriction (such as that proposed in Senate Bill 202).

Sincerely,



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Actuary