

House Bill 1258

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 1258 affects the Arkansas Public Employees' Retirement System (APERS).

Arkansas Code Annotated §24-4-104 contains language defining the Board of Trustees of APERS. The Board is made up of nine members: three ex officio (Auditor of State, Treasurer of State, and Director of DFA), three state employee representatives, and three non-state (counties, cities and school) employee representatives. The current law says that all six of the employee representatives are appointed by the Governor and may be active or retired members of the APERS system. House Bill 1258 would limit the employee representatives to being active members of APERS. That is, there would no longer be any retiree representatives on the Board. House Bill 1258 also reduces the required amount of service to serve on the Board from ten years to five years. The Board term remains at six years, but the governor (rather than the Board as under current law) would fill interim vacancies.

Fiscal Impact

There would be no actuarial cost associated with this bill. We do not believe that there would be any additional administrative cost resulting from the passage of this bill beyond the training of new Board members.

Other

There has been a lot written about board governance of public plan in the past ten years. There is a Government Finance Officers Association (GFOA) best practice statement entitled "Governance of Public Employee Post-Retirement Benefits Systems" (2010). Recommendation 2(b) states:

"Board Composition – Any board that operates effectively includes members who have a mix of skills, competencies, and behaviors, including leadership, teamwork, communication, planning and organizational abilities, and knowledge of sound decision-making principles. A successful board actively pursues and makes use of these skills and behaviors. Board composition should reflect the varied interests of those responsible for funding the plan and should include plan participants and retirees, citizens of the governmental unit, and officers of the plan sponsor, as well as independent directors. This assures balanced deliberations and decision making."

Based on our research, the immediate impact is that several Board positions would be vacated. The new Board members would need a period of training.

The other large Arkansas retirement systems (ATRS, ASHERS and LOPFI) have explicitly included retired members on their Boards of Trustees. Passage of House Bill 1186 would make APERS different from the other systems.

Sincerely,



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Actuary