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Senate Bill 117

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

Senate Bill 117 affects the old closed Local Fire and Police Pension Funds (“Local Funds”).

Current law describes the Arkansas Fire and Police Guarantee Fund, a mechanism to help contribute to poorly funded Local Funds as long as the Local Funds are receiving a contribution of one mill and are paying benefits at the minimum amount defined by law. Senate Bill 117 would remove the requirement that the Local Fund be paying benefits at the minimum amount defined by law in order to receive Guarantee Fund assistance. That is, Local Funds which have granted benefit increases would be eligible to receive money from the Guarantee Fund.

Fiscal Impact

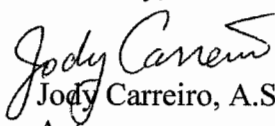
The 2010 Premium Tax distribution for calendar year 2009 paid out just over \$1 million in Guarantee Fund assistance to distressed Local Funds. We estimate that if the benefit increase restriction were lifted, this amount would increase to approximately \$26 million. The current funding source for the Arkansas Fire and Police Guarantee Fund is the remainder money from the premium tax formula. The 2010 remainder money was only about \$5 million. The bill does not address the source of the remainder of this funding.

Related Legislation

Senate Bill 181 would do away with the Guarantee Fund entirely and replace it with an additional allocation for locations who are contributing to funding their Local Fund regardless of whether the Local Fund has granted benefit increases.

Senate Bills 158 and 183 would also affect the amount of money in the premium tax allocation were they to pass.

Sincerely,



Jody Carreiro, A.S.A., M.A.A.A.
Actuary

Senate Bill 117
March 18, 2011