

Senate Bill 124

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 89th General Assembly

Provisions of the Bill

Senate Bill 124 affects the Local Police and Fire Retirement System (LOPFI).

Under current law, members of LOPFI are required to have five (5) years of credited service for vesting purposes and five (5) years of actual service to purchase additional service. Senate Bill 124 would require ten (10) years of actual service for members to be eligible for service purchases, voluntary retirement, disability retirement, death-in-volunteer-service benefits, and vesting. Senate Bill 124 also makes a small change concerning nonuniformed plans' investment advisors. This would subject investment advisors to the restrictions placed on APERS rather than LOPFI. We understand that this was simply a language oversight that needs correction.

Fiscal Impact

The change that Senate Bill 124 creates in the vesting of benefits is only for future members of the system. Therefore, the savings will only be realized as new members are added to the system. The ultimate savings from this change would be about 0.20% of payroll. However, this savings would be realized over 15 – 20 years. In other words, the savings might be only about 0.01% every year over the next 20 years.

Related Legislation

Senate Bill 137 is an overarching bill which includes, among other provisions, the language of Senate Bills 72 and 124. If Senate Bill 137 is passed, we do not foresee Senate Bill 124 being presented to the committee.

Policy Issues – Vesting

There are a few considerations that need to be given thought before deciding this vesting issue. As with the interest on member accounts, this would not be allowed in private plans, but it is allowed for governmental plans. All of our other statewide pension plans have 5 year vesting. We are not completely sure how having one of the reciprocal systems with a different vesting pattern than the others would affect reciprocity in general. It would appear to lessen the attractiveness of the LOPFI plan in recruiting new members if they know that 10 years is required to vest.

Sincerely,

A handwritten signature in black ink that reads "Jody Carreiro". The signature is written in a cursive style with a large, stylized initial "J".

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