

# **Osborn, Carreiro & Associates, Inc.**

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## **Senate Bill 127**

(As Engrossed February 21, 2011)

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 127 affects the Arkansas Public Employees Retirement System (“APERS”).

Under current law, participating employers are no longer required to pay the employer contribution rate if a member is on DROP or has returned to work. Senate Bill 127 requires employers in APERS to make the employer contribution rate for all current employees.

### **Fiscal Impact**

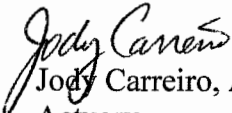
Senate Bill 127 will increase the employer contributions received by APERS. The system has 1,811 members currently on DROP (Deferred Retirement Option Plan). These members have an estimated current salary of \$86.3 million. If the employers of these members paid the employer rate during the 2011-12 fiscal year, APERS would receive an additional \$11.6 million in contributions. These additional contributions would reduce future cost in the form of a gain to the system and serve to decrease the unfunded liability of the system in the future. Since there has not been a mechanism to report the salaries for members who have returned to work, we do not have a basis to estimate the additional contributions that would arise on behalf of those members. Therefore, the total additional contribution will be more than \$11.6 million per year.

### **Other Comments**

The Arkansas Teachers’ Retirement System implemented a similar provision after the 2009 legislative session and has experienced significant additional contributions.

The provisions of Senate Bill 127 would serve to remove any incentive for an employer to encourage a member to retire and return to work since the employer’s cost would not decrease.

Sincerely,

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

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March 4, 2011