

Senate Bill 200

(As Engrossed February 4, 2019)

Actuarial Cost Study prepared for

Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 92nd General Assembly

Provisions of the Bill

Senate Bill 200 affects the Arkansas State Highway Employees Retirement System (ASHERS). During the 1999 session an additional amount was added to the retiree's benefits. This additional amount is usually referred to as a health supplement although it is not actually tied to the health insurance for retirees. The additional amount ranges from \$75 to \$125 per month depending on the retiree's length of service. Current law does not stipulate whether or not this amount is eligible for the cost of living adjustment (COLA), but ASHERS has by practice made it part of the COLA calculation. Senate Bill 200 removes this additional amount from the COLA calculation. The effect of Senate Bill 200 is prospective only, and retirees would keep any increases from previous COLAs. The "main" part of the benefit would continue to receive COLAs as under current law.

Fiscal Impact

Senate Bill 200 together with Senate Bill 201 is intended to bring down the period of time needed to amortize the Unfunded Actuarial Accrued Liability. The table below shows the effect of Senate Bill 200 in reducing the Unfunded Actuarial Accrued Liability (in \$millions).

	Current <u>Provisions</u>	After <u>SB 200</u>	<u>Impact</u>
Actuarial Accrued Liabilities	\$1,705.4	\$1,700.6	\$(4.8)
Actuarial Value of Assets	1,424.2	1,424.2	
Unfunded Actuarial Accrued Liability	<u>\$ 281.2</u>	<u>\$ 276.4</u>	<u>\$(4.8)</u>
Amortization Period	33.8	32.1	(1.7)
Funded Ratio	83.5%	83.8%	0.3%
Employer Contribution Rate (assuming SB201)			
Employer Normal Cost	11.99%	11.94%	(0.05)%
Payoff of UAL	9.91%	9.96%	0.05 %
Total Employer Rate	<u>21.90%</u>	<u>21.90%</u>	<u>0.00 %</u>

Other

The Arkansas Teacher Retirement System (ATRS) made a similar change in the last legislative session. As previously noted, Senate Bill 200 is a companion bill to Senate Bill 201.

Sincerely,



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Actuary