

Senate Bill 201

(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 201 affects the Arkansas State Highway Employees Retirement System (ASHERS). The employee and employer contribution rates are set by statute. The employee rate of 6% of compensation was established in 1977. The employer contribution rate of 12.9% of compensation was established in 1981. Senate Bill 201 allows the employee rate to be set by the board of trustees of ASHERS in consultation with their actuary at no more than 7% of compensation. In a similar fashion, the employer contribution rate can be set by the board at no more than 14.9% of compensation.

Fiscal Impact

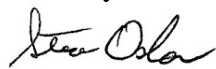
The contribution levels to pay off the Unfunded Actuarial Accrued Liability (UAL) over 30 years is 23.31% of compensation. The current contribution level of 12.9% employer plus 6.0% employee is a total of 18.9%. The contribution increases in Senate Bill 201 would ultimately increase the total contribution to 21.9%. This would reduce the number of years to amortize the UAL to 33.8 years. Along with the changes in Senate Bill 200 and other administrative changes, the ASHERS board hopes to amortize their UAL in under 30 years.

Other

The general population life expectancy for a person age 65 was about 16.5 years in 1980, about the last time these rates were set. The current life expectancy at age 65 is about 20 years. Since the current contribution rates were set there have been plan changes and the volatility of the markets, and the benefits are being paid for about 3.5 years longer. In my judgment, an increase in the contribution rates is past due.

Senate Bill 201 is one of two bills proposed by the ASHERS board. Senate Bill 200 is also needed to meet their funding goals.

Sincerely,



Steve Osborn, F.S.A., M.A.A.A.
Actuary