

Senate Bill 202

(As Engrossed March 14, 2013)

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 202 affects the Arkansas Public Employees Retirement System (APERS).

Senate Bill 202 would allow certain members of the Arkansas General Assembly to opt out of APERS coverage. In particular, an active member of the General Assembly may rescind coverage if he or she is retired from a reciprocal system under §24-2-401 or concurrently earning service credit from another state employer in APERS (other than as a public safety member or elected official). The member's contributions would be refunded to the member and the employer's contributions would be returned to the state.

The member's service credit earned as a member of the General Assembly would be cancelled, but an active member of APERS who rescinded his or her coverage may repurchase past service by repaying employer and employee contributions based on the most recent actuarial valuation and the compensation which would have been paid to a member of the General Assembly at that time.

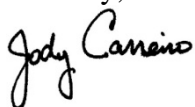
Fiscal Impact

We believe that Senate Bill 202 would not have a material impact on the contribution rate or funded status of APERS. It is our opinion that the bill would have a small negative impact on APERS due to the wording included to allow members to "opt back in." The state would get the benefit of the reduction of employer contributions. We believe that very few members would choose to opt out of APERS coverage, so this impact would be small in total.

Other

The wording of repurchasing service says that the contributions must be repaid based on "the employer's normal cost." Nowhere does the bill say that the contributions should also reflect a payoff of the system's unfunded liability; this could effectively allow a member to repurchase rescinded service at a less expensive rate than normal members of APERS. The result would be that no member would repurchase service unless the value was much greater than the cost.

Sincerely,



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

Actuary