

House Bill 1298

(As Engrossed March 26, 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

House Bill 1298 affects the local non-uniformed employee's pensions as defined in chapter 12 of Title 24 of the Arkansas Code. The mayors of cities of the first class (about 106 cities) are provided with a statutory benefit of 50% of salary, if they meet the eligibility requirements, in §24-12-123. Mayors of cities of the second class (about 169 cities) are provided a similar benefit with different eligibility in §24-12-124. The mayors of cities that participate in APERS (about half of these cities) make an election of which plan to participate in at the time they take office as described in §24-12-126.

House Bill 1298 makes two changes to §24-12-123 affecting the benefits of mayors of cities of the first class. First, it clarifies that the basis of a particular mayor's benefit is that mayor's salary at retirement. This clarification is needed due to an attorney general opinion that reads this sentence differently. Second, it allows the governing body of the city the option to *change and reduce* this statutory benefit after December 31, 2022 under certain conditions *with a justifying cost study*. (*Italics represent changes from the March 26, 2019 engrossment.*)

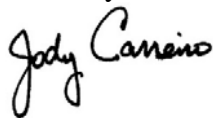
Fiscal Impact

The statutory mayor's benefits are not usually funded by the city during the working career of the mayor. Many cities pay this benefit out of general revenue each year. Based on GASB 73 standards for unfunded plans that are not part of a trust, the value of a mayor's benefit described in §24-12-123 would be 7 to 8.25 times the salary of mayor. Those estimates are before the possibility of a COLA or spouse benefits that may be granted in addition to the base mayor's benefit.

Other

We understand that all or almost all of the 55 cities of the first class that are covered by APERS cover the mayor by using the APERS benefit and not the statutory benefit in §24-12-123.

Sincerely,



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