

## Senate Bill 103

### Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 93<sup>rd</sup> General Assembly

#### Provisions of the Bill

Senate Bill 103 affects the Arkansas State Highway Employees Retirement System (ASHERS). Current law provides for employer contributions to be made on active member compensation, nothing on Tier One DROP and 6.9% on Tier Two DROP. Senate Bill 103 provides that employer contributions would be made on all active and DROP compensation.

Current law requires a 6% employee contribution during Tier Two of DROP, but no contribution during Tier One. Senate Bill 103 provides that members hired after June 30, 2021 will pay the employee contribution rate during all DROP participation.

#### Fiscal Impact

Senate Bill 103 would increase employer contributions to the system beginning July 1, 2021. The table below shows the effect. [The contribution increase under Senate Bill 103 would mean no contribution rate increase would be needed under Senate Bill 102 in the near future – see next page.]

The table below shows the effect of Senate Bill 103 (in \$millions):

	<u>Current</u> <u>Provisions</u>	<u>After Senate</u> <u>Bill 102</u>	<u>Cost</u> <u>Impact</u>
Actuarial Accrued Liabilities (\$Million)	\$1,742.0	\$1,742.0	\$0.0
Actuarial Value of Assets	1,434.5	1,434.5	0.0
Unfunded Actuarial Accrued Liability	<u>\$307.5</u>	<u>\$ 307.5</u>	<u>\$0.0</u>
Amortization Period	39.5	24.4	(15.1)
Funded Ratio	82.4%	82.4%	0.0%
Expected Employer Contribution (\$Million)			
Employer Contribution – Active	\$23.7	23.7	0.0
Employer Contribution – Tier One DROP	0.0	3.5	3.5
Employer Contribution – Tier Two DROP	0.4	0.9	0.5
Total Expected Employer Contributions	<u>\$24.1</u>	<u>\$28.1</u>	<u>\$4.0</u>

**Other Information**

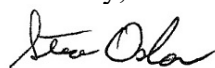
All of the other statewide retirement systems with DROP collect employer contributions during the entire DROP period. This change would bring ASHERS to the same standard.

**Related Legislation**

The Arkansas State Highway Employees Retirement System (ASHERS) has a group of five bills that are being proposed to improve the funding of the system (Senate Bills 102, 103, 104, 105, and 106). The table below shows the combined impact of these five bills.

	<u>Current Provisions</u>	<u>After the Five Bills</u>	<u>Cost Impact</u>
Actuarial Accrued Liabilities (\$Million)	\$1,742.0	\$1,725.1	\$(16.9)
Actuarial Value of Assets	1,434.5	1,434.5	0.0
Unfunded Actuarial Accrued Liability	<u>\$ 307.5</u>	<u>\$ 290.6</u>	<u>\$(16.9)</u>
Amortization Period	39.5	21.6	(17.9)
Funded Ratio	82.4%	83.2%	0.8%
Expected Employer Contribution (\$Million)			
Employer Normal Cost	\$18.8	\$18.3	\$(0.5)
Payoff of UAL – from Active Salaries	16.0	16.5	0.5
Payoff of UAL – from DROP Salaries	0.4	4.4	4.0
Expected Employee Contribution	<u>(11.1)</u>	<u>(11.1)</u>	<u>0.0</u>
Total Expected Employer	\$24.1	\$28.1	\$4.0

Sincerely,



Steve Osborn, EA, FSA MAAA, FCA  
Actuary