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House Bill 1112

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 88th General Assembly

Provisions of the Bill

House Bill 1112 affects the Arkansas State Police Retirement System (“ASPRS”).

Current law allows a member of the system to purchase military service. It does not provide for the purchase of National Guard or armed forces reserve service. House Bill 1112 adds a section to the code which would allow the purchase of National Guard and armed forces reserve service.

Fiscal Impact

We do not have any record of how many members have National Guard or reserve service. We would assume that it would be greater than the general population of working adults in Arkansas, which is about 5%. We do know that the actuarial equivalent cost of a year of service is about twice the cost to the member under current law. If we assumed that 30 members each year bought a year of service (or 15 bought 2 years), House Bill 1112 would cost ASPRS about \$500,000 per year.

Other Information

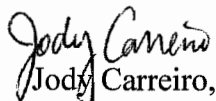
It is our understanding that under the provisions of §24-1-105, House Bill 1112 could not be implemented, even if enacted, since ASPRS is already at a 30 year amortization of unfunded accrued liability. *This problem could be alleviated if language was added so that the member would pay the actuarial equivalent cost, that is, if House Bill 1112 would no longer have a cost to ASPRS.*

Related Legislation

House Bill 1111 (now Act 66) added similar provisions to the Arkansas Teachers Retirement System code, but also added that the actuarial equivalent cost be used to make the purchase. House Bill 1213, to be considered by the committee, would add the actuarial cost provision to the Arkansas State Highway Employees Retirement System.

Senate Bill 183 has already been sent from the committee “do pass” to increase the funding of ASPRS.

Sincerely,


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

House Bill 1112
March 4, 2011