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House Bill 1202

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 1202 affects the Arkansas Public Employees Retirement System ("APERS").

House Bill 1202 would require any municipality with a retirement plan and a population of over 100,000 to include newly hired employees and elected officials in APERS. At this time, Little Rock is the only such municipality in Arkansas, so House Bill 1202 would effectively make Little Rock's new employees join APERS.

Fiscal Impact

The fiscal impact caused by House Bill 1202 on APERS is negligible. Little Rock would be paying the employer contribution rate like any other employer, although the cost to the system is closer to the normal cost. But, since this only affects new hires, this will not be a significant cost savings to APERS.

The fiscal impact on the city of Little Rock would be notable. The current plan sponsored by the city has an employee contribution of 3.5% and a city contribution of 4.0% of salary. The APERS employer contribution rate beginning July 1, 2011 is 13.47%, meaning that the city of Little Rock would need to pay an additional 9.47% of salary more for each employee in APERS. Based on my estimate of \$1 to 2 million of payroll associated with new employees, the additional cost to Little Rock would be between \$100,000 and \$200,000 in the first year and ultimately would be over \$3 million per year.

The impact to the members of the current plan should also be considered. House Bill 1202 as written would not allow members already in the Little Rock plan to join APERS. We are assuming that those employees in the Little Rock plan would remain in that plan.

Other Information

There are two policy questions that the committee should consider as they make a decision. The first concerns why this is appropriate for only one city in the state and not all cities. The other is having employees working side by side with significantly different benefits.

Related Legislation

House Bills 1202 and 1203 both deal with this issue. It appears that House Bill 1259 is a combination of these two bills and they would not be necessary if House Bill 1259 was passed.

Sincerely,


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

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