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Senate Bill 153

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

Provisions of the Bill

Senate Bill 153 affects the Arkansas Public Employees Retirement System ("APERS").

Current law allows for retiring members of APERS under age 62 with credited service in a position covered by Social Security or other federal retirement plans to be eligible for a temporary annuity equal to .33% of his or her final average pay for each year of the noncontributory credited service. This annuity lasts until the member dies, reaches the social security minimum age, or reaches age 62. Senate Bill 153 would amend the provisions to provide the temporary annuity for retirees under age 65 and make it last until he or she reaches age 65.

Fiscal Impact

There are approximately 24,000 non-contributory active members in APERS with an average salary near $38,000. The benefit enhancement that extending the temporary annuity provides would result in a cost to APERS. This enhancement would increase unfunded actuarial liability by about $55 million. We estimate that the employer contribution rate would increase approximately by about 0.22%. This consists of a 0.21% increase to payoff additional unfunded accrued liability and an increase of 0.01% resulting from increased normal cost. The APERS contribution rate for July 1, 2011 is currently 13.47%. Were Senate Bill 153 to pass, we estimate the contribution rate would have to increase to approximately 13.69% in order to preserve a 30-year amortization as required by §24-1-104 regarding benefit enhancements.

Sincerely,

Jody Carreiro

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