

Senate Bill 6

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 6 affects the Arkansas Public Employees Retirement System (“APERS”), in particular District Judges.

In historical law, the retirement for district judges was established through the county or municipality in which they served. The locations were not required to prefund the benefits. Because of this a District Judges Retirement System was established which set up a payment plan for the locations that were not funding. Then, effective July 1, 2005, the District Judges Retirement System was merged into APERS as a division with its own rate. Now, for funding purposes, there are the members hired after July 1, 2005, the Paid-off old plans, and the still paying old plans. Senate Bill 6 would affect the latter two groups. The old district judge municipal plans did not have a cost of living adjustment (COLA). Senate Bill 6 would add the same COLA as APERS, which is 3% annual compound.

Fiscal Impact

There are 341 active, deferred and retired members of APERS in the District Judge division. This division is funded with a percent of pay contribution from all employers, plus an amortization payment for the employers still paying old plans. So, there will be two pieces to the additional cost of a COLA. First, the still paying old plans will have an additional amortization payment due to the increased liability. This payment would be about \$365,000 for those 62 locations. These payments are level dollar payments. The New Plan and Paid-off old plan would have an increase in liabilities also and it would become part of the percent of pay contribution amount. This increase would be about 4.50% of payroll (from 24.72% to 29.22%. This is about \$160,000 additional from those employers for a total of \$525,000 per year.

Other

The allocation of this additional cost is awkward at best. Locations that did not have liability from the old plan now have that liability, but it is spread among the group. Also, new or combined employers, due to the continued changes in district judge structure will also have to pay the additional amount.

Sincerely,



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Actuary