

House Bill 1124

(As Engrossed February 22, 2013)

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 89th General Assembly

Provisions of the Bill

House Bill 1124 affects the Arkansas State Highway Employees Retirement System (ASHERS).

Under current law, the ASHERS Board of Trustees has the ability to prorate the Health Care Offset for members with reciprocal service in another retirement system. House Bill 1124 would require the Board to prorate the Offset for members who are also receiving benefits from a reciprocal system based on the ratio of years of service credit with ASHERS divided by total service credit, including credit with reciprocal systems. House Bill 1124 would apply to members who retire after the effective date of the act.

Fiscal Impact

As House Bill 1124 would reduce the offset payments paid by ASHERS, the bill would result in a cost savings to the system. It is our understanding that even though the Board has the power to prorate the Offset under current law, it has never done so. Using data provided by the system, we estimate that the bill would reduce ASHERS' actuarial accrued liability by approximately \$220,000. The system's actuaries do not have a reciprocal service assumption for new hires, so we would not expect House Bill 1124 to affect the normal cost of the plan; the funding period of the plan would be slightly improved with passage of House Bill 1124. The total contribution on a 30-year amortization basis would decrease by about 0.02%, from 13.81% to 13.79%.

Other

House Bill 1124 would reduce the Offset stipend for future ASHERS retirees who possess reciprocal service. The system reports that there are less than 300 current active members that have some reciprocal service. Not all reciprocal systems provide their own stipends, so the bill would reduce the benefit for some future retirees.

Sincerely,



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