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Senate Bill 72

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

Provisions of the Bill

Senate Bill 72 affects the Local Police and Fire Retirement System (LOPFI).

Under current law, LOPFI maintains individual deposit accounts for each member which are credited with 3% interest annually. If a member terminates employment before becoming vested, he or she is due a refund of these contributions, with interest. A member and his beneficiary are also guaranteed to receive at least the amount of accumulated contributions, with interest, as annuity payments during retirement.

Senate Bill 72 would end the annual 3% interest crediting to members' deposit accounts. Additionally, the guaranteed return of contribution upon retirement would no longer take interest credits into account.

Fiscal Impact

Senate Bill 72 generates a savings by not paying interest on the member deposit accounts in the future. This savings is realized when a non-vested member terminates and gets a refund of the member deposit account. This savings could be increased some by the effect of a longer vesting period, such as the 10 year period proposed in Senate Bills 124 and 137. We estimate the savings, depending on changes in member behavior, would be 0.02% of payroll.

Related Legislation

Senate Bill 137 is an overarching bill which includes, among other provisions, the language of Senate Bills 72 and 124. If Senate Bill 137 is passed, we do not foresee Senate Bill 72 being presented to the committee.

Sincerely,

Jody Carreiro

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