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Senate Bill 202

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 91st General Assembly

Provisions of the Bill

Senate Bill 202 affects the Arkansas Public Employees' Retirement System (APERS).

Arkansas Code Annotated §24-4-804 describes the necessary conditions for ceasing participation in APERS' Deferred Retirement Option Plan (DROP). Under current law, participation lasts for at most seven years and must cease upon separation from employment. Furthermore, when participation in DROP ceases, a member is no longer eligible for employment in any position covered by the "reciprocal" plans. In effect, this means an employee who retires after DROP cannot go back to work in a job covered by the state's retirement plans. Senate Bill 202 would remove this restriction so that an employee may return to work after leaving DROP as long as they meet the employment termination requirements found in §24-4-520. For most employees, this would require a 180 day separation from covered employment.

Fiscal Impact

We believe there could be a small actuarial savings associated with this bill. Once an employee returns to work, the employer would continue to make contributions even though the member would no longer be accruing a benefit. The additional contributions of the "return-to-work" members would tend to reduce the future calculated contribution rate.

These sorts of provisions can also impact future retirement behavior; this change might create savings (or cost) depending on how members' behaviors evolve. We don't anticipate significant future behavioral changes, but we believe that members of the system could elect to enter DROP more often and slightly earlier, on average, if Senate Bill 202 were to pass. We do not believe that there would be additional administrative cost resulting from the passage of this bill as regular retirees are already allowed to return to work under similar circumstances.

On the whole, we do not believe there would be a material fiscal impact to the state were Senate Bill 202 to become law.

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Other

Approximately 1,500 employees are currently on DROP in APERS. House Bill 1187 affects the same section of code but would allow only a small subset of APERS employees to return to work after DROP. We recommend that the Committee considers these bills at the same time in order to avoid duplication.

Sincerely,

Jody Carreiro

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