

House Bill 1345

(As Engrossed March 12, 2019)

Actuarial Cost Study prepared for

Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 92nd General Assembly

Provisions of the Bill

House Bill 1345 affects the Arkansas Local Police and Fire Retirement System (LOPFI) and the Arkansas Public Employees Retirement System (APERS). House Bill 1345 declares that any disability that is due to certain cancers among firefighters is automatically considered a duty disability. There are only about 60 firefighters in APERS, while roughly half of the members of LOPFI are firefighters. LOPFI provides that a duty disability pays 65% of final average salary as a benefit, while a non-duty related disability pays the currently accrued benefit immediately. For example, a member with 15 years of service would receive a benefit about 50% greater from a duty disability than they would from a non-duty disability.

Fiscal Impact

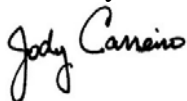
There are very few firefighter members in APERS and this change would not have a significant impact on that system.

The LOPFI system provided information concerning disability applications in the past several years that were cancer related. Based on this information, we estimate that this change would generate one additional disability being considered duty disability each year. We would also assume an increase in the number of cancer disability applications from about 1 per year to 2 per year. (This is similar to the increase in disability applications when the 65% benefit was first introduced about 20 years ago.) This would create a cost to the system that we estimate would increase the contribution rate by 0.09% of payroll. The current average employer rate for paid service is 22.44% of payroll. This change would not affect the unfunded actuarial accrued liability, but would change the future normal cost of the plan.

Other

The Committee should carefully consider this first step into presumed duty disability. Just as there is legislation to expand the DROP program every year since it was introduced, we would expect future legislation from other groups or for other diseases in the future. House Bill 1345 covers firefighters in APERS (everyone in LOPFI is covered) and other public safety officers are not.

Sincerely,



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