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House Bill 1359

(As Engrossed March 27, 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 1359 affects the Arkansas Public Employees Retirement System (APERS). All new members of APERS after July 1, 2005 are contributory. The previous non-contributory members have had the opportunity to elect into the contributory plan as well. The contribution rate for employees beginning July 1, 2005 was 5% of payroll and has not changed since that time. House Bill 1359 increases the employee contribution amount from 5% to 6% over four years beginning July 1, 2020.

Fiscal Impact

Since there is a benefit of a return of contributions paid to non-vested terminated members, the ultimate effect of the additional 1% of payroll is not the full 1%. The current amortization period for the Unfunded Actuarial Accrued Liabilities (UAAL) is 26 years. Based on the assumption that the employer rates would remain based on the same payout pattern (the current rates is 15.32% of payroll), the additional employee contributions would reduce the amortization period of the UAAL by about 3.5 years to about 22.5 years.

Other

Senate Bill 244 appears to amend the same section in the same amounts. Only one of these two bills should be advanced from the Retirement Committee.

The March 27, 2019 Engrossment of House Bill 1359 added the change in the interest rate on employee contribution accounts which was House Bill 1358 and is now Act 526.

Sincerely,

Jody Carreiro

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