

House Bill 1350

Actuarial Cost Study prepared for Joint Committee on Public Retirement and Social Security Programs of the Arkansas 93rd General Assembly

Provisions of the Bill

House Bill 1350 affects the Arkansas State Police Retirement System (ASPRS). This bill will amend the definition of service in the Tier Two DROP section of the law so that it is credited service. Credited service includes any reciprocal service. Currently, credited service is used to determine eligibility for retirement. The ASPRS board determined since last session that to be consistent it should also treat eligibility for DROP in the same manner. House Bill 1350 would then codify the current practice of the ASPRS board.

Fiscal Impact

Act 950 (House Bill 1333) of 2019 clarified the change to credited service in determining eligibility for retirement. House Bill 1350 would codify the practice of the ASPRS board in applying that to DROP eligibility as well. Although this does not change the practice, it is a change from the understanding and practice from the last legislative session.

ASPRS tries to collect information about reciprocal systems as members enter their system, but do not always have complete data until the time of retirement. Based on the information that we do have, the Tier Two members have about 1 years of reciprocal service per member. This would mean that on average they could enter DROP one year earlier than they could before this bill. Based on those assumptions, we estimate that the Unfunded Actuarial Accrued Liability would be increased by about \$150,000 and the total necessary contribution to the system would increase about 0.05% of payroll, which is about \$17,000 per year based on the current valuation.

Related Legislation

There are other member bills to consider that would affect ASPRS, but House Bill 1350 is the only bill that was requested by the ASPRS board to the legislature this year. This will have an effect on those other bills which will be discussed as you consider them.

Sincerely,



Jody Carreiro, EA, ASA, MAAA, FCA
Actuary