

Senate Bill 102

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

Provisions of the Bill

Senate Bill 102 affects the Arkansas State Highway Employees Retirement System (ASHERS). Current law provides for an employer contribution that is not less than 12.9% nor more than 14.9% of employee compensation. Senate Bill 102 would maintain the minimum contribution of 12.9% but allow the ASHERS Board to recommend for approval of the Arkansas Highway Commission a contribution rate based on a contribution policy set by the Board in consultation with their actuary.

Fiscal Impact

Senate Bill 102 would allow the Highway Commission to increase contributions to the system as needed. ASHERS would not need to come to the legislature for a contribution increase. A good contribution policy would pay off the Unfunded Actuarial Accrued Liability in 30 years or less. The table below shows the effect of such a contribution policy. [The contribution rate will likely not need to increase in the immediate future if Senate Bill 103 is approved-see next page.]

The table below shows the effect of Senate Bill 102 (in \$millions):

	Current Provisions	With 30- year payoff contribution	Cost Impact
Actuarial Accrued Liabilities (\$Million)	\$1,742.0	\$1,742.0	\$0.0
Actuarial Value of Assets	1,434.5	1,434.5	0.0
Unfunded Actuarial Accrued Liability	<u>\$ 307.5</u>	<u>\$ 307.5</u>	<u>\$0.0</u>
Amortization Period	39.5	30.0	(9.5)
Funded Ratio	82.4%	82.4%	0.0%
Expected Employer Contribution (\$million)			
Employer Contribution Rate	14.9%	16.6%	1.7%
Projected Active Payroll	159.1	159.1	-
Total Expected Employer (includes 6.9% on Tier 2 Drop payroll)	<u>\$24.1</u>	<u>\$26.8</u>	<u>\$2.7</u>

Other Information

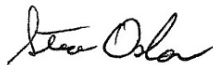
The Arkansas Public Employees Retirement System (APERS) and the Arkansas Local Police and Fire Retirement System (LOPFI) have similar provisions for setting their contribution rates.

Related Legislation

The Arkansas State Highway Employees Retirement System (ASHERS) has a group of five bills that are being proposed to improve the funding of the system (Senate Bills 102, 103, 104, 105, and 106). The table below shows the combined impact of these five bills.

	<u>Current Provisions</u>	<u>After the Five Bills</u>	<u>Cost Impact</u>
Actuarial Accrued Liabilities (\$Million)	\$1,742.0	\$1,725.1	\$(16.9)
Actuarial Value of Assets	1,434.5	1,434.5	0.0
Unfunded Actuarial Accrued Liability	<u>\$ 307.5</u>	<u>\$ 290.6</u>	<u>\$(16.9)</u>
Amortization Period	39.5	21.6	(17.9)
Funded Ratio	82.4%	83.2%	0.8%
Expected Employer Contribution (\$Million)			
Employer Normal Cost	\$18.8	\$18.3	\$(0.5)
Payoff of UAL – from Active Salaries	16.0	16.5	0.5
Payoff of UAL – from DROP Salaries	0.4	4.4	4.0
Expected Employee Contribution	<u>(11.1)</u>	<u>(11.1)</u>	<u>0.0</u>
Total Expected Employer	\$24.1	\$28.1	\$4.0

Sincerely,



Steve Osborn, EA, FSA MAAA, FCA
 Actuary