

## Senate Bill 106

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

#### Provisions of the Bill

Senate Bill 106 affects the Arkansas State Highway Employees Retirement System (ASHERS). ACA §24-5-125 defines an additional amount that is added to retirement annuities which is called a health care offset. This amount has traditionally been added to the annuity when calculating the amount paid into a member's DROP account. Senate Bill 106 would defer the payment of the health care offset until after the DROP period is complete. The Arkansas Department of Transportation continues to supplement health insurance costs while a person is employed and on DROP, negating the need for the health care offset during this period.

#### Fiscal Impact

Senate Bill 106 will reduce the cost of the system because the health care offset would no longer be added to a member's DROP account. This change applies only to those who elect participation in the DROP after June 30, 2021 and would not impact anyone who was already on DROP.

The table below shows the effect of Senate Bill 104 (in \$millions):

	Current Provisions	After Senate Bill 106	Cost Impact
Actuarial Accrued Liabilities (\$Million)	\$1,742.0	\$1,739.8	\$(2.2)
Actuarial Value of Assets	1,434.5	1,434.5	0.0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 307.5	\$ 305.3	\$(2.2)
Amortization Period	39.5	38.2	(1.3)
Funded Ratio	82.4%	82.5%	0.1
Employer Contribution Rate			
Employer Normal Cost	11.82%	11.77%	-0.05%
Payoff of UAAL	10.08%	10.13% *	0.05%
Expected Employee Contribution	-7.00%	-7.00%	0.00%
Total Expected Employer	14.90%	14.90%	0.00%

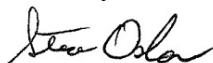
\*This would need to be 11.72% to pay off the UAAL in 30 years.

**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	<u>1,434.5</u>	<u>1,434.5</u>	<u>0.0</u>
Unfunded Actuarial Accrued Liability	\$ 307.5	\$ 290.6	\$(16.9)
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