

PURPOSE OF BILL

To expand eligibility for coverage under the State and Public School Life and Health Insurance Program to certain municipal and county police officers; and to amend eligibility requirements of certain retirees.

ACTUARIAL STATEMENT

The Fiscal Impact Statement was prepared according to generally accepted actuarial principles and practices, in compliance with ACT 112. The Statement provides an estimate of the financial and actuarial effect of the proposed change(s) on the Plans, if possible. The Statement makes no comment or opinion with regard to the merits of the measure for which the Statement is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness and relied upon the data and information provided by the Plans and their Claims Processing Contractors.

A handwritten signature in black ink, appearing to read "Patrick Klein".

3/21/2023

Patrick Klein, FSA, MAAA
Vice President

Date

A handwritten signature in black ink, appearing to read "Matthew Kersting".

3/21/2023

Matthew Kersting, FSA, MAAA
Vice President

Date

PROJECTED HEALTH COSTS

LOPFI Sub- Group	Assumed Eligible	Assumed Retiree Percentage	Annual Plan Cost per Enrollee	Low Annual Cost Estimate	High Annual Cost Estimate
Active	300	5% - 15%	8.1k	\$122,000	\$365,000
Term Vested	200	5% - 40%	8.1k	\$81,000	\$648,000
Retired	700	40% - 75%	8.1k	\$2,268,000	\$4,253,000
Total:	N/A	N/A	N/A	\$2,471,000	\$5,266,000

PRICING APPROACH AND COMMENTS

House Bill 1257 expands eligibility for coverage under the State and Public School Life and Health Insurance Program for certain eligible municipal and county police officers and their eligible spouses and dependents. This note represents an update to our initial fiscal note on March 3, 2023, as actual data for the LOPFI population was recently provided.

We utilized Section 5 subsection (7) of HB 1257 as our basis to determine the assumed number of eligible retirees. The eligibility used is for police officers who are:

- Any age with twenty-eight (28) years of credited service
- At least fifty-five (55) years of age and has at least twenty (20) years of credited service
- At least sixty (60) years of age and has at least five (5) years of credited service; or
- At least sixty (60) years of age and has at least ten (10) years of actual Arkansas Local Police and Fire Retirement System service credit; and
- Not eligible for Medicare enrollment

HB 1257 also gives eligibility to certain dependents and spouses, including the children and surviving spouse of a deceased officer. Consistent with the Milliman valuation, we assumed that 40% of retirees would cover a spouse. No explicit assumption was made for the cost of providing coverage to the children and surviving spouses of deceased eligible policer retirees. The coverage of dependents and surviving spouses would potentially contribute to an increase in the cost impact of this legislation.

We relied on data provided for the LOPFI eligible population and the Milliman 2022 GASB 75 Report for the development of the health cost impacts. Low and high-cost estimates were developed to illustrate the potential for variable annual cost impacts as result of this legislation. The low-end annual cost estimate is based on a smaller retiree election percentage than the high-end cost estimate. Retiree election percentages were developed from the assumptions utilized

in the 2022 GASB 75 report, applied against actual age and service provided in the data. For term vested participants, we used current age and service data to determine whether eligibility requirements were met. The actual election percentage of eligible police officer retirees is assumed to fall within the range of these two values but represents a highly variable number.

We only considered health costs in our analysis. We modeled the estimated annual plan cost assuming participants will pay a portion of the total gross cost of coverage. Estimates were developed based on the claim curve and contribution numbers detailed in the 2022 GASB 75 report. The following information was used to develop the claims assumption:

	Retiree	Spouse
Gross Cost	\$10,400	\$9,800
Retiree Contribution	3,700	6,300
Net Cost	6,700	3,500
Spouse Election Percentage	N/A	40%
Total Cost		\$8,100

Note that the costs that would be introduced for these additional retirees would not be offset by any additional revenue, as revenue for the ASE population is based on budgeted active positions. These costs represent the initial year estimate, with the expectation that they will increase both due to trend as well as growth of the overall enrolled population as more participants become eligible to enroll. In addition to the cash costs represented above, the bill will also have an impact on the GASB 75 liability. These figures were reported separately by the current valuation actuary, Milliman. Segal reviewed these numbers at a high level, and feel the assumptions used in the development of the valuation represent a reasonable representation of what the state could expect with the passage of this bill, based on data as it is understood today. To the extent that there are additional eligible populations that were not analyzed as part of this review, costs would be higher than what is detailed in this fiscal note. The extent of that increase would depend on the size of the eligible population.

Actual legislative cost impacts may vary as actual future experience differs from the assumptions made in developing these cost estimates. Potential for actual experience to vary from the assumptions made in these estimates includes underlying changes to the cost of retiree health coverage, changes in the portion of the gross cost of coverage participants pay through premiums, changes in the number of eligible participants, and changes in the rate of election of coverage by eligible participants.