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House Bill 1268

Actuarial Cost Study prepared for
Joint Committee on Public Retirement and Social Security Programs
of the Arkansas 95th General Assembly

Provisions of the Bill

House Bill 1268 affects the provisions of the Arkansas Public Employees Retirement System (APERS). The employers of APERS are state agencies, all seventy-five counties, municipalities that elect coverage and some "non-state" employers as defined in ACA §24-4-101. These other "non-state" employers are also governmental agencies or inter-governmental (e.g., water or wastewater districts. House Bill 1268 would add to the definition of eligible employers public transit authority employees as defined in §14-334-101 et seq.

Fiscal Impact

The employees of employers entering APERS are covered as new employees without credit for past service. This means the amount of the full APERS contribution paid on behalf of these employees is greater than the normal cost (the cost before payment for unfunded past service). Therefore, House Bill 1268 would not impact on the cost of APERS. Once membership is established, a member of APERS can elect to pay or cause to be paid an amount to purchase past service. The cost of past service is set to be very close to actuarial equivalence, meaning it should not create additional cost to APERS. In total, it is our opinion that House Bill 1268 would not have an adverse fiscal impact to APERS.

Other Considerations

We also reviewed House Bill 1268 to see if the new employer type would be considered a governmental employer since APERS enjoys the benefits of being a governmental qualified plan. This new type of employer is defined by law and governed under an inter-governmental agreement, so it has some of the basic properties of a governmental employer and does not raise any concern on this front.

Sincerely,

Jody Carreiro

Jody Carreiro, ASA MAAA, EA, FCA
Actuary

Additional Disclosures on file with BLR