

Osborn, Carreiro & Associates, Inc.

ACTUARIES • CONSULTANTS • ANALYSTS

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City, County & Local Affairs Committee - House
500 Woodlane Street
State Capitol Building
Little Rock, AR 72201

RE: Interim Study Proposal 2017-001

Ladies and Gentlemen:

Representative Jeff Williams has written Interim Study Proposal 2017-001 (ISP) and will ask the House Committee on City, County & Local Affairs (Committee) to adopt it at their next meeting. Osborn, Carreiro & Associates is contracted to provide actuarial services in support of the Bureau of Legislative Research (BLR), primarily serving the Joint Committee on Retirement. We are providing this letter as an outline to the services that we could provide as allowed under our contract with BLR in support of this ISP.

Purpose

The purpose of the ISP is to compile and provide information showing the types of municipal retirement benefits offered to local employees across the state. The ISP seeks to collect information regarding participation levels, offered benefits, governance structures, and financial health for retirement plans offered by municipalities in the state.

Scope

Osborn, Carreiro & Associates (OCA) would collect, in cooperation with the Arkansas Municipal League and from publicly available reports, the various information that the Committee would like to review. OCA would make certain calculations that would allow for a comparison of the costs and the value of the retirement benefits provided by the municipalities. OCA would also provide commentary on the comparisons and highlight areas that the Committee may want to further explore. OCA would be available to discuss the findings with the Committee and offer advisory services concerning potential legislation.

Deliverables

The primary deliverable would be a report on the findings as described in the ISP. Some description of the types of information provided in this report would be as follows:

1) **Types of Municipal Employees.**

The review would cover all types of municipal employees, with particular emphasis on non-uniformed employees. This would include:

- a) **Non-Uniformed City Employees.** This group has the ability to be covered by Arkansas Public Employees' Retirement System (APERS). Many cities have established their own plans, covering those employees through a defined benefit or defined contribution system.
- b) **Public Utilities owned by municipalities.** These groups may be part of a city's non-uniformed group of employees or they may be covered in a separate entity. We would collect and categorize the information concerning these groups.
- c) **Public Safety.** The vast majority of uniformed fire and police personnel are covered by Arkansas Local Police and Fire Retirement System (LOPFI). We would verify and note any exceptions.

2) **Cost and Value of Benefits.**

We would work to collect information on the cost of retirement benefits to the various municipalities. We would also report the form and amount of benefits provided. We would then calculate a value of those benefits on a uniform basis. This would likely be as a percentage of APERS benefits for the same demographic profile. This will provide a comparison of what is typical for Arkansas municipal retirement offerings.

3) **Participation Demographics.**

OCA would collect and report the number of individuals in the various categories that are covered (or not covered) by the various municipal plans.

4) **Local Rationale**

As a part of the data collection process, we would work to ascertain the rationale of the various locations' governing bodies for the types of benefits offered or the reasons why benefits are not offered.

We will be very dependent on the cooperation of the various cities and towns in order to collect the information, in particular for items 3 and 4, above. There are not many easily accessible public sources to use to verify that information. We have a plan that we believe should gather good information from a large portion of the locations, but we would not expect to reach a 100% response rate while staying within a reasonable time frame.

Time Frame

We believe this type of information is most useful when it is most timely. We would expect to start immediately and complete the project this fall and be prepared to report to the Committee when they meet in an October/November timeframe. There may be a desire to follow up on certain items, and this timeline would allow for additional time to complete any further work or potential legislation.

Cost Estimate

These projects would be completed under the existing contract for actuarial services which runs from 7/1/2017 – 6/30/2019. The contract already contains hourly rates and an overall maximum. This project, as well as projects we are completing for the Joint Retirement Committee, should be able to be completed while leaving enough room under the overall maximum for the 2019 session work. That is, there should not be need for approval of additional expenses beyond what has already been approved.

We estimate, based on the hours needed to collect and compile this information, that this project will cost at least \$20,000 with a maximum of \$25,000. We would, of course, let the Committee know if additional time would be needed as soon as that became evident.

Please let us know if you need any additional information. We are looking forward to working with the Committee.

Sincerely,



Jody Carreiro, ASA, MAAA, EA, FCA
Vice President & Actuary