

Stricken language would be deleted from and underlined language would be added to present law.

1 State of Arkansas  
2 92nd General Assembly  
3 Regular Session, 2019  
4

As Engrossed: H1/28/19

# A Bill

HOUSE BILL 1173

5 By: Representative House  
6

## For An Act To Be Entitled

8 AN ACT REQUIRING PUBLICLY FUNDED RETIREMENT SYSTEMS  
9 TO PERFORM FINANCIAL STRESS TESTS; AND FOR OTHER  
10 PURPOSES.  
11

## Subtitle

12  
13 REQUIRING PUBLICLY FUNDED RETIREMENT  
14 SYSTEMS TO PERFORM FINANCIAL STRESS  
15 TESTS.  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. Arkansas Code Title 24, Chapter 1, Subchapter 1, is amended  
22 to add an additional section to read as follows:

23 24-1-109. Annual financial stress test report.

24 (a) As used in this section:

25 (1) "Publicly funded retirement system" means a defined benefit  
26 retirement system and includes:

27 (A) The Arkansas Teacher Retirement System, established by  
28 the Arkansas Teacher Retirement System Act, § 24-7-201 et seq.;

29 (B) The Arkansas State Highway Employees' Retirement  
30 System, established by § 24-5-103;

31 (C) The Arkansas Public Employees' Retirement System,  
32 established by § 24-4-103;

33 (D) The State Police Retirement System, established by §  
34 24-6-203;

35 (E) The Arkansas Judicial Retirement System, established  
36 by § 24-8-201 et seq.;



1 (F) The Arkansas Local Police and Fire Retirement System  
2 provided for under § 24-10-101 et seq.; and

3 (G) A firemen's relief and pension fund or a policemen's  
4 pension and relief fund provided for under § 24-11-101 et seq.; and

5 (2) "Financial stress test" means a test that provides  
6 information on:

7 (A) Projections of:

8 (i) Assets;

9 (ii) Liabilities;

10 (iii) Pension debt;

11 (iv) Service costs;

12 (v) Employee contributions;

13 (vi) Employer contributions;

14 (vii) Net amortization;

15 (viii) Benefit payments;

16 (ix) Payroll; and

17 (x) A publicly funded retirement system's funded  
18 ratio for each of the next thirty (30) years that is based on current  
19 actuarial assumptions, including the assumed rate of return;

20 (B) Projections for the items listed in subdivisions

21 (a)(2)(A)(i)-(x) of this section if the:

22 (i) Investment returns are two (2) percentage points  
23 lower than the assumed rate of return; and

24 (ii) State makes employer contributions that are:

25 (a) Based on current funding policy for the  
26 publicly funded retirement system; and

27 (b) Held constant at the levels calculated  
28 under subdivision (a)(2)(A)(x) of this section;

29 (C) Estimates of the items listed in subdivisions

30 (a)(2)(A)(i)-(x) of this section if there is a one-year loss on planned  
31 investments of twenty percent (20%) that is followed by a twenty-year period  
32 of investment returns of two (2) percentage points below plan assumptions,  
33 including without limitation assumptions concerning:

34 (i) Adjusting the contributions of an employer based  
35 on current policy; and

36 (ii) Holding the contributions of an employer

1 constant at levels that are calculated for baseline projections; and

2 (D) Estimates of:

3 (i) Actuarially accrued liability;

4 (ii) The total normal plan cost for each benefit  
5 tier of a publicly funded retirement system; and

6 (iii) The normal cost to an employer for a benefit  
7 tier of a publicly funded retirement system that is calculated using:

8 (a) A discount rate equal to the assumed rate  
9 of return; and

10 (b) The ten-year average of the yield of  
11 thirty-year treasury notes.

12 (b)(1) The board of trustees of a publicly funded retirement system  
13 shall select an actuary to perform an annual financial stress test of the  
14 publicly funded retirement system.

15 (2) The Joint Committee on Public Retirement and Social Security  
16 Programs may direct an actuary employed by the General Assembly to perform an  
17 annual financial stress test of each of the publicly funded retirement  
18 systems.

19 (c) No later than twenty (20) days before the convening of a regular  
20 session, the results of a financial stress test performed under this section  
21 shall be submitted to the Joint Committee on Public Retirement and Social  
22 Security Programs by the:

23 (1) Board of trustees of a publicly funded retirement system;  
24 and

25 (2) Actuary employed by the General Assembly if the actuary is  
26 directed to perform a financial stress test by the Joint Committee on Public  
27 Retirement and Social Security Programs.

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29 */s/House*