



# Arkansas

**ARKANSAS SEEMS TO HAVE A GOOD** handle on its pension system, and has an excellent record of completely funding its annual required contributions. It has been one of 13 states that historically has not required public employees to make an annual contribution for their pension benefits, although a defined benefit plan for new employees enacted in 2005 requires a contribution. All of the state’s pension funds were more than 80% funded in 2006 (the level most experts consider healthy), except for the small state police system, which was 72% funded. Arkansas has a moderate level of retiree health and other non-pension benefits, generally covering 60% of health costs for retirees (compared with 75% for active employees). On a per capita basis (based on state population), its liability is close to the national median.

## PENSIONS

TOTAL BILL COMING DUE: **\$19 billion**<sup>1</sup>


FUNDS SET ASIDE: **\$15.7 billion**

PORTION UNFUNDED: **\$3.3 billion**

PERCENT FUNDED: **82 as of 2006**<sup>2</sup>

TEN YEAR FUNDING HIGH: **101% in 2000**


TEN YEAR FUNDING LOW: **82% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** Assumptions for Arkansas’ pension plans vary somewhat, but the two largest plans—for state employees and teachers—assumed an 8% return on pension investments in 2006, which is the 50-state median. Arkansas generally uses a four-year smoothing period to calculate the actuarial value of assets, one reason that its pension funding levels have improved in the last year sooner than states that use a longer smoothing period and are still factoring in poor investment returns from the early part of the decade. The amortization period conforms to accounting standards.

1 Pension funds include public employees, teachers, and judicial, highway and transportation and state police employees.

2 50-state mean was 82%.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).


## OTHER BENEFITS

TOTAL BILL COMING DUE: **\$2.1 billion**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$2.1 billion**<sup>1</sup>

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 149% of covered payroll, compared to a national median of 135%.

**REFORMS:** In 2005, Arkansas started a defined benefit plan for new public employees (hired after July 1, 2005). This plan requires a 5% employee contribution, but also provides for a change in the way benefits are calculated so that they will be higher than in the existing defined benefit plan, which has no employee contribution. Legislation over the last few years has allowed public employees to purchase service credit for five years of out-of-state service. The state also made sure that the “final average salary,” which is used to calculate pension benefits, cannot grow more than 10 percent from the previous year’s salary.



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