

**Responses to question regarding ARC provisions  
Compiled by NASRA August 2010**

*Are employer members of your system required to pay the full Annual Required Contribution? If so, what is the basis of the requirement: Statute? System rule? Something else?*

Arizona	Arizona had a constitutional provision that says, “public retirement systems shall be funded with contributions and investment earnings using actuarial methods and assumptions that are consistent with generally accepted actuarial standards.”
California	CalSTRS contribution rates are fixed by statute. The CalPERS board has statutory authority to require payment of the ARC.
Colorado PERA	Colorado PERA’s statute requires that employers pay the full amount of: <ul style="list-style-type: none"> <li>▪ the (permanent) employer contribution rate (C.R.S. § 24-51-401) of 10.15% for state and employees, 10.0% for local government employees, 12.85% for state troopers, and 13.66% for judges.</li> <li>▪ additional contributions to help amortize Colorado PERA’s unfunded liability (C.R.S. § 24-51-111). These additional contributions are comprised of the Amortization Equalization Disbursement (AED), which are contributed by employers, and the Supplemental Amortization Equalization Disbursement (SAED), which are contributed by employers and are funded by monies otherwise available for employee compensation increases.</li> </ul>
Delaware PERS	Employers are required to pay the full ARC as set by Statute
District of Columbia	Yes. It’s statutory.
Florida	The employer contribution rates for Florida Retirement System participating employers are set by statutes that require actuarial sound funding but do not specify paying the ARC.
Georgia ERS	Employers are required to pay the full annual required contribution pursuant to statute.
Illinois MRF	Our Board has the statutory authority to set employer contribution rates. Prior to 2010, employers were billed the ARC. Because of the dramatic losses in 2008, beginning in 2010 employers were given the option to select a phase-in rate for 2010 that was 10% higher than their 2009 rate. (In all cases, the employer had to contribute the full normal cost. In essence, the employers were given an extended amortization period on the unfunded liability.) The phase-in plan will stay in effect (annual 10% increases) until employers return to the ARC. Of course, the current GASB deliberations may well impact the plan since there may be no ARC in the future. Nevertheless, since the Board has the authority to set rates it could, if it so chose, continue a similar course. From my perspective, if the GASB proposals go forward as now shaped, the IMRF Board will lose the cover of the GASB ARC and may well come under more pressure to levy lower employer contribution rates.
Illinois TRS	No requirement to pay contributions.

Iowa	Contribution rates are set by statute.
Kansas PERS	By state statute, employer members of KPERS are not required to pay the full ARC. Under the statute the rate employers pay cannot increase more than 0.6% per year. This statutory cap was enacted in 1993 after a large benefit enhancement and the idea at that time was to phase in the required increases in the employer rate until it reached ARC. Unfortunately, we never got there and the gap has widened. Currently, employers are only paying about 65% of ARC.
Kentucky RS	No ARC requirement; contributions are based on legislative appropriation.
Maryland SRA	By statute, employer members of the Maryland system are required to pay the full ARC. However, statute also provides an alternative contribution rate for the two largest systems, the State Employees' and Teachers' whereby the contribution remains the same as for the previous fiscal year, as long as either system is between 90% and 110% funded. If either system falls below a 90% funded status, the contribution for that system is to be the previous fiscal year's contribution, plus 20% of the difference between that amount and the ARC determined by the most recent valuation.
Michigan ORS	The State of Michigan Office of Retirement Services does not require members of our system to pay the full Annual Required Contribution.
Minnesota SRS	Our contribution rates are statutorily set.
Minnesota TRA	TRA employer units pay a contribution rate set in Minnesota Statute. An annual valuation is performed that calculates a contribution deficiency or sufficiency. The ARC is reported in the Notes to the Financial Statements but there is no specific requirement to adjust contribution rates to reflect the latest ARC calculation.
Mississippi PERS	The statute provides: <i>Employer contributions shall be made on the basis of the contribution rates as set forth from time to time by the Board of Trustees and levels of earned compensation as set forth in the statute.</i> Based on the annual actuarial valuation and the recommendation of the actuary, the contribution rate is set by the Board and the employers are obligated to pay the amount as established by the Board. The statute provides authority and a mechanism for PERS to collect the required contributions if not remitted by the employer.
Missouri PSRS	Each year, as part of the annual actuarial valuation, an annual required contribution (ARC) rate is calculated which is sufficient to fund the normal costs of the plans plus amortize the unfunded actuarial accrued liabilities over a 30-year period. The Board of Trustees then sets the contribution rates in accordance with the limits set forth in state statute which require the PSRS rate to increase 1% per year and the PEERS rate to increase 0.5% per year until the rates collected are equal to the ARC rates as determined by the actuary. For fiscal year 2011, PEERS will be collecting the ARC rate determined by the actuary and did not require the full 0.5% increase allowed by statute. The ARC rates determined by the actuary and the rates set by the Board of Trustees are detailed below for fiscal years 2009 through 2011.
New Mexico PERA	Our employers pay the ARC every year because the employer contribution rates are set in statute.
Nevada PERS	The Nevada Constitution prevents loans of money to the state, which if the sponsor (and participating employers and employees) fails to pay the actuarially required contribution is, in essence, what has occurred. The pension fund has extended

	credit (a loan) while still crediting service to the members. Additionally, service credit is not posted to the member's account until the contribution has been received. If the System were not to receive contributions, no service would be posted. That would trigger one of two things: 1. For local governments-- notice would be filed with the Department of Taxation. That notice reports that a local government employer has failed to make payroll, which triggers a state proceeding not unlike a mini-bankruptcy. 2. For the State—the System would initiate a lawsuit to compel contributions.
North Carolina RS	In the Local Governmental Employees' Retirement System, the employers are required to pay whatever the Board of Trustees tells them to pay. The Board is authorized and required by statute to set rates to soundly fund the system, which I would define as contributing the ARC. Thus, the ultimate requirement is statutory, but it is transmitted through the Board. In the other systems that we administer, there is no requirement to contribute the ARC.
North Dakota PERS	Employer contribution rate is fixed in statute; no ARC requirement.
Ohio Police & Fire PF	The employers are required to pay rates outlined in the Ohio Revised Code. These rates have not changed even though the current ARC is greater than stated rates. OP&F submitted a plan to the State Legislature to achieve 30-year funding with an increase to employer rates as one of the proposed changes but no action has taken place.
Ohio STRS	No ARC requirement; contributions are fixed in statute.
Oklahoma PERS	No ARC requirement; rates are set by statute.
Rhode Island	For Municipal and Teacher plans, the General Treasurer is authorized by statute to withhold any state aide to collect the ARC. For State Employees, the statute currently states the employer SHALL make required contributions.
Texas ERS	The state is not required to pay the ARC but the constitution sets contribution limits between 6 and 10% of payroll.
Texas TRS	The state is not required to pay the ARC but the constitution sets contribution limits between 6 and 10% of payroll.
Utah	The Utah State Statute specifically charges the Board with setting contribution rates that will maintain the various retirement systems it administers on an actuarially sound basis. Once the rate is set, there has never been an issue with participating employers paying the contribution rate.
West Virginia	Our five state systems all operate under slightly different rules covering the ARC in differing approaches: <ul style="list-style-type: none"> <li>a. PERS – Percentage of payroll adjusted annually to reflect the ARC requirement. Percentage is set by CPRB Board and is binding on all participating agencies and entities.</li> <li>b. TRS – Local school districts contribute a set percentage of payroll which is partially funded by the State. The remainder of the ARC is covered by an additional State appropriation. ARC required by statute.</li> <li>c. State Police Plan A (closed to new entrants) – Appropriation equal to the ARC.</li> <li>d. State Police Plan B (open) – Same as PERS. Additional recognition of Plan growth due to all new hires entering this plan, including Plan A replacements.</li> </ul>

	e. JRS – Appropriation of at least the ARC based on judicial budgeting.
Wisconsin RS	Employer members are statutorily required to pay the ARC.