

February 1, 2011

Mr. David B. Clark  
Executive Director  
Arkansas Local Police and Fire Retirement System  
620 W. 3<sup>rd</sup>, Suite 200  
Little Rock, AR 72201-2212

**Re: Senate Bill 57**

Dear Mr. Clark:

Senate Bill 57 amends one section of Arkansas Code, namely § 24-10-510. Our analysis of the proposed changes to this section follows.

The proposed changes to this section deal with the purchase of military service by a member of the Arkansas Local Police and Fire Retirement System (LOPFI). In particular, the military service that may be purchased must have been performed prior to the member joining LOPFI.

The table below briefly shows the current and proposed provisions:

	<b>Current Provision</b>	<b>Proposed Provision</b>
Amount of Service Eligible to Purchase	Up to two years	Up to five years
Member Cost	(sum of employee and employer contributions made on behalf of the member for the member's last month of his fifth year of service) x (months of military service to purchase); plus 6% interest from date of eligibility to purchase to the date of purchase	Full actuarial cost of the purchased military service credit

Data was not available upon which to base a detailed measurement of the potential financial effect of this bill. However, LOPFI staff has indicated that approximately 5 to 7 requests for calculations are processed monthly with few individuals actually purchasing the service credit. It is expected that the individuals that actually purchase the service credit are those that are advantaged by the current formula (i.e., the current cost calculation would be less than the full actuarial cost of the service credit). Therefore, the proposed provisions are expected to result in a small savings to LOPFI. In addition, the proposed cost calculation would be more equitable amongst members. That is, members under similar circumstances but with different employers would be required to pay equal amounts under the proposed provisions whereas under the current provisions they are not.

Mr. David B. Clark  
February 1, 2011  
Page 2

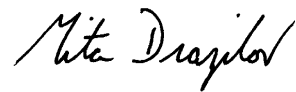
One or more of the undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please feel free to contact us with additional questions or comments.

Respectfully submitted,



David L. Hoffman



Mita D. Drazilov, ASA, MAAA

DLH:MDD:mdd