

Arkansas Public Employees Retirement System
Supplemental Actuarial Valuation
As of June 30, 2009

Requested By: Ms. Gail Stone, Executive Director
Arkansas Public Employees Retirement System

Submitted By: David Hoffman, Mita Drazilov, ASA, MAAA and Norman Jones, FSA, MAAA
Gabriel, Roeder, Smith & Company

Date: May 18, 2010

This report presents results of actuarial valuations of certain proposed benefit changes for members in the Arkansas Public Employees Retirement System. The Executive Director requested the valuations.

This report is intended to describe the financial effect of the proposed plan changes on the retirement system. Except as otherwise noted, potential effects on other benefit plans were not considered. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author(s) of this report prior to relying on information in the report.

If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author(s) of the report prior to making such decision.

In the event that more than one plan change is being considered, it is very important to remember that the results of separate actuarial valuations cannot generally be added together to produce a correct estimate of the combined effect of all of the changes. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

One or more of the actuaries submitting this statement are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of actuaries to render the actuarial opinion contained herein.

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The date of the valuation was June 30, 2009. This means that the results of the supplemental valuation indicate what the 2009 valuation would have shown if the proposed benefit changes had been in effect on that date. These supplemental valuations do not predict the results of the 2010 valuation or of any other future actuarial valuation. (Future activities can affect future valuation results in an unpredictable manner.) Rather, the supplemental valuation gives an indication of the probable effect of **only the benefit change** on future valuations without comment on the complete result of the future valuations.

A brief summary of the data, as of June 30, 2009 is presented below:

Active Group	Number	Covered Payroll	Average in Years	
			Age	Service
New Contributory	16,452	\$ 418,308,240	37.9	1.8
Non-Contributory	25,655	930,029,930	48.7	13.9
New Contributory (Transfers)	<u>2,580</u>	<u>85,159,808</u>	46.7	10.6
Total	44,687	\$1,433,497,978	44.6	9.2

Group	Number	Annual Benefit	Average in Years	
			Age	Service
Retirees	23,065	\$ 270,411,036	69.3	18.5
Inactive	12,244	54,700,259	48.3	10.0
DROP	1,793	51,004,056	58.1	26.7

Actuarial assumptions and methods were consistent with those used in the regular actuarial valuation as of June 30, 2009, unless otherwise indicated. In particular, the assumed rate of investment return was 8.0% and the assumed rate of active member payroll growth was 4.0%. Increases in accrued liabilities were amortized over 30 years.

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PROPOSAL 4:**Current Benefit Provisions***Credited Service:*

Two (2) times regular rate for elected official members.

Proposed Benefit Provisions*Credited Service:*

One (1) times regular rate for elected official members for service after July 1, 2011.

Actuarial Information: The following shows the computed increase in the employer contribution rate that would be necessary to fund for the proposed benefit on a level cost basis.

Increase in Employer Contribution Rate	% of Payroll
Normal Cost	(0.08%)
UAAL* (30-year amortization)	0.00
Total	(0.08%)

* *Unfunded Actuarial Accrued Liability.*

The increase in actuarial accrued liability generated by this proposed benefit change is \$0.

Comment 4A: The result above is based on the assumption that the current population of active members with elected official service is representative of future populations including the ratio of elected service relative to total service.

Comment 4B: Active member records indicated that 691 current active members had elected official service. The payroll for these members totaled \$26.82 million, with average age of 53.8 years, total average service of 20.2 years and average elected official service of 13.7 years.