

February 23, 2011

Ms. Gail H. Stone
Executive Director
Arkansas Public Employees Retirement System
One Union National Plaza
124 West Capitol, Suite 400
Little Rock, Arkansas 72201

Re: Actuarial Analysis of House Bill 1119

Dear Ms. Stone:

You have asked us for an analysis of House Bill (HB) 1119 as it relates to the Arkansas Public Employees Retirement System (APERS).

HB 1119 amends several sections of Arkansas Code related to the retirement systems administered by an agency of the State of Arkansas. As it relates to APERS, it amends code § 24-4-1002 related to benefit rights. Our analysis of the proposed change to this section follows.

HB 1119 causes a partial loss of benefit rights in the event of a member either pleading guilty or 'nolo contendere (no contest)' to theft of property against the employer as defined under Arkansas Code § 5-36-103 (theft of property). In particular, § 24-4-1002(c) of the bill reads as follows:

“If a member, retirant, or beneficiary has pleaded guilty or nolo contendere to or been found guilty of theft of property against the employer under § 5-36-103, then the portion of the annuity based on employer contributions shall be recalculated to exclude the months in which the theft of property against the employer occurred beginning with thefts occurring on or after July 1, 2011.”

We do not have any data regarding the number of members who would be affected or any data on which to base an estimate of the average magnitude of the decrease in pension payments that would occur. We expect that the number of individuals affected would be very small. The bill would likely produce a very small savings on an actuarial basis.

However, policymakers should consider the potential level of administrative costs associated with implementing and executing the procedures in this bill. Those costs could potentially exceed the savings the bill would otherwise produce.

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

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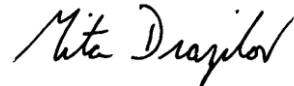
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,



David L. Hoffman



Mita D. Drazilov, ASA, MAAA

DLH/MDD:lr