

March 4, 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: House Bill 1146

Dear Ms. Stone:

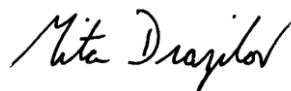
House Bill 1146 amends one section of Arkansas Code, namely § 24-4-521(b)(5). Our analysis of the proposed changes to this section follows.

Current provisions of Arkansas Code provide for elected public officials to receive two years of service credit for every year of actual service. The political subdivision of the elected public official is not required to contribute anything above and beyond the employer contribution that is charged to all APERS employers. Therefore, a subsidization of this benefit provision occurs. (For example, employers participating in APERS that do not cover elected public officials are subsidizing those employers in APERS that do cover elected public officials.) House Bill 1146 would require political subdivisions participating in the Local division to contribute an additional 8.25% of payroll on their elected public officials who first served on or after July 1, 2011. This additional charge better allocates the costs of the two-for-one service credit benefit provision amongst the participating employers. However, total contributions to the system would be expected to remain unchanged.

One or more of the undersigned 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.

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

Respectfully submitted,



Mita D. Drazilov, ASA, MAAA



David L. Hoffman

MDD:DLH:dlh