

March 18, 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 1186**

Dear Ms. Stone:

House Bill 1186 amends one section of Arkansas Code, namely § 24-4-520. Our analysis of the proposed change to the section follows.

Currently, a member is not terminated for retirement purposes if the person returns to employment in a position covered under the system within 180 days. The proposed change to the section extends the period of time from 180 days to one (1) year, effective upon enactment of this legislation. The proposed legislation provides for windows during which some members would still be able to return to employment sooner than one year. The windows are as follows:

- A member retiring on or after July 1, 2009 and before July 1, 2011 may return to employment after 180 days.
- A member who retires before July 1, 2009 may return to employment after 30 days.
- A member entering the DROP on or after January 1, 2009, but before July 1, 2011 may return to employment after 180 days.
- A member who receives service credit at a two for one rate entering the DROP on or after February 1, 2009, but before July 1, 2011 may return to employment after 180 days.
- A member who receives service credit at a two for one rate who was in the DROP on January 1, 2009 may return to employment after 90 days.

Generally, we expect that extending the period before a retired member can be reemployed reduces the benefits paid by the System. Some of the proposed changes however, shorten the period before reemployment is allowed. The proposed legislation is expected to create some savings in the long term but may do the opposite in the near term. Data to do a more detailed analysis is not available. It is unclear what the cost impact of this legislation will be other than it is expected to be relatively small.

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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,

A handwritten signature in black ink that reads "Norman L. Jones". The signature is written in a cursive style with a large, stylized initial 'N'.

Norman L. Jones, FSA, MAAA

A handwritten signature in black ink that reads "David L. Hoffman". The signature is written in a cursive style with a large, stylized initial 'D'.

David L. Hoffman

NLJ/DLH:lr

cc: Mita D. Drazilov (GRS)  
Shannon Walsh (GRS)