

February 22, 2013

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: Senate Bill 105**

Dear Ms. Stone:

Senate Bill 105 amends several sections of Arkansas Code. Our analysis of the proposed changes to the sections follows.

Our understanding is that most of Senate Bill 105 is a cleanup of existing language. However two proposed changes have an actual effect on the benefit provisions of the retirement system:

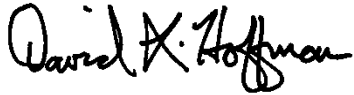
- The change proposed to § 24-4-511(a)(2) calls for disability payments to begin with the approval of the disability application rather than either the disability onset or the date of application. This means that fewer benefit payments will be made to these members and so a reduction in employer costs would be expected. However, based on (1) the number of disability retirements in a typical year, (2) the average monthly benefits associated with disability retirements and (3) the assumption of the loss of up to a year of benefits due to the later payment, no immediate material effect is expected in the computed employer contribution rate.
- The change proposed to § 24-4-1101(a) allows non-contributory members to make an irrevocable election of coverage for future service under the contributory provisions of the retirement system. Election of contributory coverage generally results in a reduction in employer costs. The computed employer contribution rate is affected in all actuarial valuations subsequent to such elections. However we cannot estimate the number of people who may make this election. It is possible that there will be little activity in this area given the number of times that windows were opened in the past to allow the same election. The permanent opportunity to make such an election, as opposed to the past practice of opening windows is also expected to reduce administrative problems.

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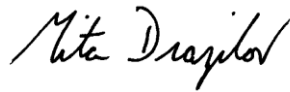
One or more of the undersigned are Members of the American Academy of Actuaries (MAAA), as indicated and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

Respectfully submitted,



David L. Hoffman



Mita D. Drazilov, ASA, MAAA

DLH:MDD:mdd