



March 8, 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: Senate Bill 127

Dear Ms. Stone:

Senate Bill 127 amends two sections of Arkansas Code, namely § 24-4-402 and § 24-4-802. Our analysis of the proposed changes to these sections follows.

The proposed amendments to these sections deal with the members' salaries upon which the employer contribution rate, as determined by the annual actuarial valuation, is multiplied by to determine the employer contribution dollar amounts. Currently, no employer contributions are collected on the salaries of members participating in the Deferred Retirement Option Plan (DROP). In addition, no employer contributions are collected on the salaries of members who have retired and returned to work under § 24-4-520. The proposed amendments would require employer contributions to be collected on the salaries of DROP members and return-to-work retirees.

It is our understanding that the proposed provisions would not affect the benefits of any participating member. (That is, it is our understanding that return-to-work retirees would not receive any additional service accruals during the period that employer contributions are collected on their salaries.) Therefore, the proposed provisions only affect the way that the Arkansas Public Employees Retirement System (APERS) is financed. The dollar amount of contributions required to finance the benefits of APERS would be unchanged. The employer contribution rate would be expected to decrease with an offsetting increase in the salaries upon which the payroll is applied.

The proposed changes better allocate the costs of APERS between employers. Given the single employer contribution rate of APERS, employers that have members participating in the DROP would contribute more equitably under the proposed changes. In addition, the proposed provisions would make APERS consistent with the Arkansas State Police Retirement System (ASPRS) and the Arkansas Teachers Retirement System (ATRS) with respect to collecting employer contributions for DROP members.

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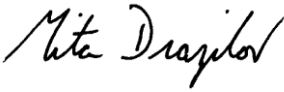
The undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

Respectfully submitted,



Norman L. Jones, FSA, MAAA



Mita D. Drazilov, ASA, MAAA

NLJ:MDD:mdd