

February 28, 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 214**

Dear Ms. Stone:

Senate Bill 214 amends several sections of Arkansas Code. Our analysis of the proposed changes to the sections follows.

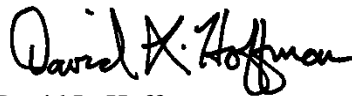
Our understanding is that much of Senate Bill 214 is a cleanup of existing language (Sections 1, 2, 3 and 5). The intention of Section 4 of this bill is to allow the University of Arkansas (UA) system to establish policy for coverage of UA employees in APERS. We expect that this legislation would have no material effect on current employer contribution rates. This is based on the expectation that the number of affected employees would be small and that they are expected to work a low number of hours at low wages. However, policymakers should be aware of the following risks:

- If the expectations of numbers, hours and wages stated above are inaccurate results may be different than we expect and other unanticipated problems may arise. In particular, the fact that the method for purchasing past service does not recognize current pay may result in payments for past service that are far less than the current value of that service.
- That “windfalls” may result for some individuals who may later retire from other APERS covered positions. This is not a new issue but this legislation creates another group of individuals for whom such a result may occur.

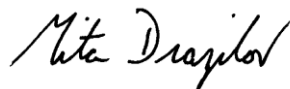
One or more of the undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

Respectfully submitted,



David L. Hoffman



Mita D. Drazilov, ASA, MAAA

DLH:MDD:mdd