

March 4, 2011

Ms. Gail H. Stone  
Executive Director  
Arkansas State Police Retirement System  
One Union National Plaza  
124 West Capitol, Suite 400  
Little Rock, Arkansas 72201

**Re: House Bill 1112**

Dear Ms. Stone:

House Bill 1112 creates an additional section of Arkansas Code (ACA), namely § 24-6-103. Our analysis of this additional section follows.

The proposed section would allow a member of the Arkansas State Police Retirement System (ASPRS) to purchase up to five years of Arkansas National Guard or armed forces reserve service for retirement system purposes. To receive the service credit, the member would be required to pay to the system:

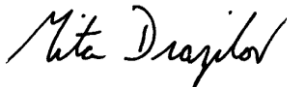
- (1) employer and employee contributions based on the greater of:
  - a. the annual salary received by the member for the member's first full year of credited service that preceded the fiscal year in which the service is purchased, or
  - b. the average of the three highest annual salaries earned at the time of purchase
- (2) interest from the end of that year of credited service to the date of payment in full

We do not have data to perform a detailed analysis of the financial effect of the proposed legislation. The impact of this proposed legislation depends on the interpretation of "employer contributions." If it is interpreted as the 22% of payroll statutory rate, then a significant employer subsidy would likely be established. If it is interpreted as the total employer contribution rate (e.g., 44.67% as of June 30, 2010), it is likely that the charge will vary substantially over time, with some members receiving a subsidy and some members paying more than the full actuarial cost. Policymakers may wish to consider language in ACA §24-4-749(a)(1)(B)(4) if the intention is to provide the ability to purchase service with no additional cost to the system.


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