

March 11, 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: House Bill 1203

Dear Ms. Stone:

House Bill 1203 amends one section of Arkansas Code (ACA), namely § 24-4-723(a)(3). Our analysis of the proposed changes to this section follows.

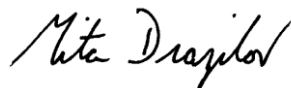
ACA § 24-4-723(a)(3) applies to members who become Arkansas Public Employees Retirement System members concurrent with their employer joining APERS. These members may purchase service credit for prior service, in multiplies of one (1) year. The member makes this purchase by paying the employer normal cost rate and employee contribution rate applied to compensation during the prior service, plus interest from the date the service was rendered to the date of payment. The proposed legislation allows the purchase of service in increments of less than one (1) year during the period from June 30, 2011 through December 31, 2012 with money rolled over from a 401(k) established by a municipal employer.

While we have no data to make a precise measurement, we expect that there will be no material effect on computed employer contribution rates if this legislation is enacted. This result is due to the limited number of individuals this proposed legislation would affect, the fact that the service purchased would be less than one year, and the window of time during which these purchases could take place.

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