



March 3, 2011

Mr. Larry Dickerson  
Executive Secretary  
Arkansas State Highway  
Employees Retirement System  
PO Box 2261  
Little Rock, AR 72203

**Re: Actuarial Impact of House Bill No. 12313 (HB 1213)**

Dear Larry:

You have requested that Gabriel Roeder Smith & Company (GRS) determine the actuarial impact on the Arkansas State Highway Employees Retirement System (ASHERS) of HB 1213. This bill amends sections § 24-5-101, § 24-5-111, § 24-5-117, § 24-5-121, § 24-5-123(a)(5), of the Arkansas Code.

The purpose of the bill is to change the price charged for purchasing service in the State retirement systems (including ASHERS). The proposed language would charge the actuarial equivalent cost of purchasing the service. The legislation provides for this purchase price for all types of service purchases including: reestablishment of forfeited service, service with another State of Arkansas agency, and military service.

### **Actuarial Impact**

In determining the actuarial liabilities of ASHERS we do not anticipate service purchases. The changes proposed by the legislation should eliminate any actuarial losses that were occurring as a result of the current rules used for establishing the price of purchasing service. Therefore, if HB 1213 becomes law it will have no financial impact on the current funded status and current contribution requirements of ASHERS. However, it should improve the funded status over time as losses that are currently experienced when a member purchases service will be eliminated.

### **USERRA**

USERRA stands for Uniformed Services Employment and Reemployment Rights Act. It provides federal guidelines on how employees who leave employment for active military service must be treated upon reemployment following their military service. ASHERS currently meets these guidelines, with respect to their service accrual in the pension plan, by contributing the member and employer contribution for an employee who is on active military service.

The proposed legislation changes the cost of purchasing military service to the actuarial equivalent cost. While it may be possible that ASHERS could follow their current practice to satisfy the requirement of the proposed legislation, we would suggest that language be added to allow the

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current practice to continue for employees to whom the USERRA rules would apply. This would avoid any possible complications of USERRA compliance and compliance with the Arkansas Code.

Joe Newton is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions regarding this estimated impact statement, please don't hesitate to contact us.

Sincerely,



Lewis Ward  
Consultant



Joseph P. Newton, FSA, MAAA, EA  
Senior Consultant

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