

February 19, 2013

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

Re: Actuarial Impact of Senate Bill No. 115 (SB 115)

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 § 18-28-201(13)(B), of the Arkansas Code.

The purpose of the bill is to exclude the funds, payable from a defined benefit pension plan supported by the State of Arkansas, from the Unclaimed Property Act. The proposed language adds to the list of property exempted from the Unclaimed Property Act “funds distributable from a trust or custodial account established by a State of Arkansas supported retirement system ... provide a defined benefit pension plan that is qualified for tax deferral under the income tax laws of the state”.

Actuarial Impact

In determining the actuarial liabilities of ASHERS we do not currently assume that any funds that are distributable from the trust may be claimed by the State. Therefore, the proposed legislation will codify the current practice and therefore would have no impact on the expected costs of the system.

Under current law, ASHERS is allowed to declare forfeit member contribution balances of less than \$250 which remain unclaimed for a period of three years. Currently the system experiences an actuarial gain when this occurs. The proposed law allows these possible actuarial gains to continue. If the State had been allowed to claim these distributed funds then the ASHERS may have lost the ability to experience the gains. However, we do not expect these gains to be material in nature.

Therefore, if HB 115 becomes law it will have no financial impact on the current funded status and current contribution requirements of ASHERS.

Other Comments

We would like to note that we believe it would be a violation of the Internal Revenue Code for the State to extract funds out of the retirement trust. Once monies are deposited into the trust they are for the exclusive benefit of the membership. The employer is not allowed to seek a withdrawal of those funds until all liabilities of the trust have been satisfied. We believe such action by the

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employer could lead to a disqualification of the trust. The proposed legislation would seem to help prevent that type of a disqualifying event.

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,

A handwritten signature in black ink that reads "Lewis Ward". The signature is written in a cursive style with a large, sweeping "L" and a long, horizontal stroke for the "W".

Lewis Ward
Consultant

A handwritten signature in black ink that reads "Joe Newton". The signature is written in a cursive style with a large, looping "J" and a long, horizontal stroke for the "N".

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

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