

March 11, 2015

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 169**

Dear Ms. Stone:

Senate Bill (SB) 169 amends one section of Arkansas Code (ACA), namely § 24-4-413. Our analysis of the proposed amendments to this section as they pertain to the Arkansas Public Employees Retirement System (APERS) follows.

Based upon our understanding of the proposed bill, if certain conditions are not satisfied, employees of the Arkansas Municipal League and Association of Arkansas Counties would cease to participate in APERS.

We wish to point out the the following:

- The compliance date of July 1, 2015 addresses action to be taken at that point in time. We are uncertain what action would result if the agencies are not in compliance with the requirements outlined in the bill at a later date.
- The lump sum payment required (“present dollar value”) may present plan qualification issues as it is likely, for many individuals, to exceed the limit allowed under the Internal Revenue Code for mandatory distributions. This requires review by APERS legal counsel.
- The basis for the calculations in the preceding bullet (“actuarially accrued benefit”) is not defined regarding either the method or assumptions to be used.
- It appears that current benefit recipients from these two agencies would still continue in APERS if participation of the agencies in APERS ceased. All risks associated with these benefit recipients would then be the responsibility of all other participating APERS employees.

We found that the number of active and inactive participants associated with these agencies total a few hundred. Given the relatively few numbers of participants affected, we did not perform any explicit modeling of the impact on APERS associated with the termination of participation by these agencies in APERS. However, we do not believe there would be any material potential financial impact to APERS.

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Please review this letter carefully to ensure that we have understood the bill properly. The analysis in this letter should not be relied upon if there is doubt about our understanding of the bill. Our analysis relates only to the plan changes described in this correspondence. In the event that other plan changes are being considered, it is very important to remember that the results of separate actuarial analyses cannot generally be added together to produce a total. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

Except as noted above we did not review this bill for compliance with Federal, State, or local laws or regulations, and IRC provisions, unless otherwise noted. Such a review was not within the scope of our assignment.

Mita Drazilov is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

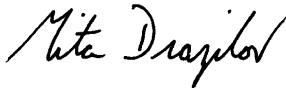
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Respectfully submitted,



David L. Hoffman



Mita D. Drazilov, ASA, MAAA

DLH:MDD:rmn