



February 24, 2021

Mr. Duncan Baird, Executive Director  
Arkansas Public Employees Retirement System  
One Union National Plaza  
124 West Capitol Avenue, Suite 400  
Little Rock, Arkansas 72201

**Re: HB 1325 Dated 01-27-2021 (Reciprocal Service)**

Dear Mr. Baird:

We are providing our analysis of HB 1325 dated 01-27-2021 as it relates to the Arkansas Public Employees Retirement System (APERS), Arkansas State Police Retirement System (ASPRS), and Arkansas Judicial Retirement System (AJRS).

The Bill modifies Sections §24-2-401 and §24-2-402 to define and clarify reciprocal service credit.

The Bill modifies Section §24-2-401 by adding subdivisions (5), (6) and (7) defining “member”, “retirement benefit” and “service credit” as it relates to reciprocal service.

Section §24-2-402 replaces the statute’s current subdivisions (1) through (4) and (8) with new subdivisions (a) through (f) and (j). Subdivisions (a) – (d), (f) and (j) clarify the language currently in statute. Section (e) redefines the calculation of the member’s final average compensation (FAC). Under the current statute, the member’s FAC is that of the reciprocal system which furnishes the highest FAC at the time of retirement. Section (e)(1) of the Bill replaces the former language with language that states that the FAC used to determine a monthly retirement benefit payable to a member by a reciprocal system shall be the FAC calculated for credited service under the reciprocal system as provided by the law applicable to the reciprocal system. (2)(A) and (B) go on to say that a retirement system is not required to calculate a monthly retirement benefit based on the final highest salary or FAC under the reciprocal system in which the member has service credit. However, if a retirement system does choose to use the highest FAC of the reciprocal system to determine a monthly benefit payable to a member, the retirement system shall use the method of computing the FAC prescribed by the law applicable to the retirement system.

Current subdivisions (5), (6), (7) and (9) are renamed subdivisions (g), (h), (i) and (k), respectively with minor technical changes to clarify the language.

We do not believe that the proposed legislation will result in higher or enhanced benefits for any member and, therefore, no increase in employer costs will occur.

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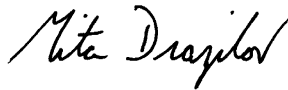
Please review this letter carefully to ensure that we have understood the Bill properly. The analysis in this letter should not be relied upon if there is doubt about our understanding of the Bill. Our analysis relates only to the plan changes described in this correspondence. In the event that other 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.

We did not review this Bill for compliance with Federal, State, or local laws or regulations, and internal revenue code provisions nor did we attempt to determine whether these changes would contradict or negate other related State, or local laws. Such a review was not within the scope of our assignment.

Mita D. Drazilov and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This communication shall not be construed to provide tax advice, legal advice or investment advice.

Respectfully submitted,



Mita D. Drazilov, ASA, FCA, MAAA



David L. Hoffman



Heidi G. Barry, ASA, FCA, MAAA

DLH/MDD/HGB:ah

