



March 3, 2021

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

Re: SB 237 Dated 01-28-2021 General Assembly Service Purchase

Dear Mr. Baird:

You have asked us for our analysis of SB 237 dated 01-28-2021 as it relates to the Arkansas Judicial Retirement System (AJRS).

Sections 1 and 3 of the Bill modify Arkansas Code Title 24, Chapter 8, Subchapters 2 and 7 to add Section §24-8-229 and Section §24-8-718 of the Arkansas Code, respectively. Both sections allow that:

- (a) A current or former member of the General Assembly who later becomes a member of the Arkansas Judicial Retirement System may purchase credit in the system for his or her service as a member of the General Assembly if the person:
 - (1) Is an active member of the system at the time of the purchase;
 - (2) Furnishes proof in a form required by the system of the service and compensation received as a member of the General Assembly; and
 - (3) Pays or causes to be paid in one (1) lump sum payment:
 - (A) All member contributions at the rate and on the compensation that would have been paid had the person been a member of the system during that time;
 - (B) All employer contributions based on the employer normal cost from the most recently completed regular annual actuarial valuation and the compensation that would have been paid had he or she been a member during that time; and
 - (C) (i) Regular interest on the member and employer contributions.
 - (ii) The regular interest shall be computed from the date the service was rendered to the date the payment is received by the system.
- (b) A member of the system may purchase credit for all of his or her service as a member of the General Assembly at one (1) time or may purchase a portion of his or her service in multiples of one (1) year.

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Section 2 of the Bill modifies Section §24-8-709 to clarify that reciprocal service purchased under Section §24-8-718 described above may be used in the determination of benefits for the member.

While staff has provided data on current System members with prior General Assembly service, we have no data to determine how much General Assembly service may exist for AJRS active members in the future. There are six (6) AJRS active members with General Assembly service totaling 32 years. We also have no data to determine how prevalent the purchase of General Assembly service may be.

Based upon our analysis, we would expect that there would be an expected cost to the System at most ages that a member would likely purchase the service (i.e., ages 70 and below). In addition to the expected cost, given the current level of interest rates that would be associated with purchasing an annuity in the open market, the member would also be shifting the investment risk associated with the cost of the purchase to AJRS.

If the proposed legislation is enacted, we believe that there would be a cost to the System. Please note that the proposed legislation could open the door for other groups to request similar treatment.

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.



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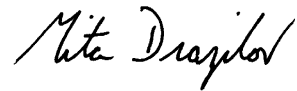
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This communication shall not be construed to provide tax advice, legal advice or investment advice.

Respectfully submitted,



David L. Hoffman



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DLH/MDD/HGB:sc

