



February 23, 2023

Ms. Amy Fecher, Executive Director
Arkansas Public Employees Retirement System
One Union National Plaza
124 West Capitol Avenue, Suite 400
Little Rock, Arkansas 72201

Re: Actuarial Analysis of Senate Bill (SB) 127 as Engrossed 2-21-2023

Dear Ms. Fecher:

We are providing our analysis of SB 127 as Engrossed 2-21-2023 as it relates to the Arkansas Public Employees Retirement System (APERS).

Sections 1 through 6 of the bill modify Arkansas Code § 24-4-101 and § 24-4-521 related to definitions. The modifications include minor changes in wording to provide additional clarity in the Code and to eliminate obsolete language. The amendments restructure the language but do not change the meaning.

Section 7 of the bill adds § 24-4-603 concerning the refund of a former member's contributions under APERS. The bill adds subsection (f) which states that if a member receives a refund of contributions from APERS upon termination of covered employment and is reemployed by a participating public employer, then the member is considered first hired under this subchapter as of the date of reemployment. Upon reemployment, the member may reestablish forfeited service credit in APERS by depositing the total amount of the refund with regular interest from the date of withdrawal to the date of deposit. A member who has reestablished service credit is restored to the date of hire that corresponds to the reestablished actual service. In our judgement, this change would have no material financial impact on APERS.

Section 8 of the bill modifies Code § 24-4-611(a) and adds § 24-4-611(b) and (c) which states that before the first monthly benefit payment, APERS may pay the reserve value in lieu of the monthly benefit as a lump sum to a retiree, or to a beneficiary in the event of the death of a member before retirement, if the monthly benefit is less than one hundred fifty dollars (\$150). The reserve value shall be the actuarial equivalent of the annuity otherwise payable and a lump-sum payment of the reserve value is a complete discharge of all liability under APERS for the member's annuity. APERS shall obtain the consent of the member before the reserve value is paid.

Current practice dictates that APERS may pay the reserve value in lieu of the monthly benefit as a lump sum to a retiree, or to a beneficiary in the event of the death of a member before retirement, if the monthly benefit is less than twenty dollars (\$20). Since the calculation of the lump sum payment is actuarially equivalent to the annuity benefit, the impact to the System of increasing the threshold from \$20 to \$150 will be small.

Section 9 of the bill adds § 24-4-1002(b)(2) which allows for an exception to the prohibition against the subjection of annuity rights to any process of law in the case where a court of competent jurisdiction of the State may order the monthly benefit of a retirant to be paid into the registry of the court for disposition as the court deems just and proper if the retirant is found by the court to be willfully refusing or failing to support his or her minor dependent children in violation of a court order providing for such support. In our judgement, this change would have no material financial impact on APERS.

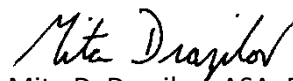
Please review this letter carefully to ensure that we have understood the bill properly. The analysis in this letter should not be relied upon if there is doubt about our understanding of the bill. Our analysis relates only to the plan changes described in this correspondence. In the event that other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



Mita D. Drazilov, ASA, FCA, MAAA



Heidi G. Barry, ASA, FCA, MAAA

MDD/HGB:rmn

