800.521.0498 | P: 248.799.9000 | www.grsconsulting.com

February 13, 2025

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 House Bill (HB) 1068 Dated 12-09-2024

Dear Ms. Fecher:

We are providing our analysis of HB 1068 dated 12-09-2024 as it relates to the Arkansas Public Employees Retirement System (APERS).

The Bill modifies §24-4-101(28) and §24-4-101(30)(A) of the Arkansas Code to include metropolitan port authority employees in the definitions of "non-state employees" and "participating public employers," respectively. In addition, §24-4-101(48) is added to define "metropolitan port authority."

We have no census information for metropolitan port authority employees to explicitly model the effect that these groups would have if allowed to participate in APERS. APERS staff has reported that approximately ten metropolitan port authority employees may be impacted by this change.

As we understand §24-4-723, only future service for entering metropolitan port authority employees would be covered. The current APERS employer contribution rate covers future service and unfunded past service. Therefore, required employer contributions are expected to be greater than the value of the service the new members would accrue and so there would be no adverse effects on APERS' employer contributions resulting from adopting this legislation.

Note that once these metropolitan port authority employees are in APERS, they do have the option to purchase service rendered before entry into APERS. Without the census information for these individuals, it is unknown if any subsidy exists in the purchase calculations.

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

One Towne Square | Suite 800 | Southfield, Michigan 48076-3723

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 Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

Heidi G Barry

Heidi G. Barry, ASA, FCA, MAAA

MDD/HGB:ah