



January 31, 2025

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

Re: Actuarial Analysis of Senate Bill (SB) 79 Dated January 21, 2025

Dear Ms. Fecher:

We are providing our analysis of SB 79 dated January 21, 2025 as it relates to the Arkansas State Police Retirement System (ASPRS).

A. Summary of SB 79

Section 1 of the bill adds Arkansas Code §24-2-705, concerning the following situation:

1. A non-contributory member (most likely of the Arkansas Public Employees Retirement System, but the legislation is silent on this part) with service in both the Arkansas Public Employees Retirement System (APERS) and ASPRS;
2. The member has continuous service in either APERS or ASPRS; and
3. The member erroneously retires from both systems when his or her employment changed from being covered by one of the systems to the other system.

The proposed added language in §24-2-705 reads in part as follows:

- (a) (1) If a noncontributory member, including without limitation a noncontributory member who is an elected official, establishes service in both the APERS and the ASPRS and has continuous service in either system, but erroneously retired from both systems when his or her employment changed from being covered by one of the systems to the other system, the noncontributory member may file with the relevant retirement system an affidavit stating that his or her retirement from his or her most recent employer was in error.
- (2) If the noncontributory member files the affidavit in subdivision (a)(1) of this section, he or she shall have his or her date of retirement changed to the last date of employment with his or her most recent employer.
- (b) The APERS shall create a formula to calculate interest that has accrued in the event that the noncontributory member has:

- (1) Paid contributions to the system that covers his or her most recent employment; and
- (2) Received any retirement benefits from the system that covers his or her most recent employment.
- (c) A person making an election under this section must submit the affidavit under subdivision (a)(1) of this section no later than:
 - (1) Six months after retiring from his or her final position in covered employment with either the APERS or the ASPRS; or
 - (2) Six months from the effective date of this act, if the person has already retired from his or her final position in covered employment with either the APERS or the ASPRS.

Section 2 of the bill modifies §24-4-803(b), concerning a member's deferred option contributions and selection of deferred retirement option, time of retirement deferral, and retirement annuity under the APERS Deferred Retirement Option Plan (DROP).

B. Actuarial Analysis

Section 1 of the bill would create a scenario where a member could rescind his or her retirement election from ASPRS. We are not aware of any other circumstance in the current Code related to ASPRS that allows for a member to rescind his or her retirement election. Adopting language that would allow for a retirement election to be rescinded in certain situations would create additional options for a subclass of the ASPRS retiree population and would be contradictory to the current provisions of ASPRS: a retirement election is irrevocable. There could be many different events subsequent to a member's retirement that may have resulted in the member making a different decision at the time of retirement. But allowing a member to rescind his or her decision would create an environment for anti-selection. In most cases, only retirees who would benefit from the rescinding of the retirement election would actually do so and create additional liabilities for ASPRS.

Section 1 of the bill also does not appear to require the retiree who rescinded his or her retirement election to repay the benefits that the retiree received during the time the individual was retired. If an individual were to rescind his or her retirement election after retiring and a period of reemployment, the individual would essentially be "triple-dipping." For a period of time, the individual would receive retirement benefits from ASPRS, receive a salary from his or her new covered employment after retirement, and receive additional retirement credits (e.g., additional service credit, potentially higher final average compensation, additional DROP deposits).

As of June 30, 2024, there were approximately 525 active and 800 retired and DROP members in ASPRS. We do not know how many of these individuals could potentially be impacted by Section 1 of this proposed legislation.

In addition to the cost considerations, the proposed bill has the potential of adding significant administrative costs to ASPRS.



C. Additional Disclosures


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



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MDD/HGB:dj

