

Arkansas Public Employees Retirement System Supplemental Actuarial Valuation as of June 30, 2018

Proposal 1– Final Average Compensation Period (60 months) Affecting New Hires and Contributory Members with Less Than 5 Years of Service

Present Provision: Final Average Compensation (FAC) is the average of the highest 36 months of covered compensation.

Proposed Provision: For members with less than 5 years of service credit on the effective date of the proposed change, FAC is the average of the highest 60 months of covered compensation.

Actuarial Information: The following shows the computed change in the employer contribution rate that would be necessary to fund for the proposed benefit on a level cost basis based on the Board’s funding policy with modification as described on page 3:

Increase in Employer Contribution Rate	% of Payroll
Normal Cost	(0.13)%
UAAL* (20-year amortization)	(0.03)%
Total	(0.16)%

* *Unfunded Actuarial Accrued Liability.*

Based on the Board’s current practice of maintaining rate stability and maintaining an employer contribution rate of 15.32% of payroll, adoption of this benefit change would decrease the amortization period by 0.8 years initially.

Notes:

- 1) The ultimate effect on employer contributions resulting from the proposed benefit change is a decrease in the employer normal cost of 0.39% of active member payroll. This will occur once all of the active members are covered under the proposed provision.
- 2) In the near term, based on projected changes in the active member population, the decrease in the employer contribution rate resulting from the proposed benefit change is expected to be about 0.22% of payroll five years after the effective date of the benefit change and by about 0.28% of payroll ten years after the effective date of the benefit change.
- 3) If the proposed benefit change were effective on the valuation date of June 30, 2018, the unfunded actuarial accrued liability would be reduced by \$8.9 million.