

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

## Proposal 8 – Benefit Increases After Retirement (Lesser of 3% or CPI) Affecting All Members

**Present Provision:** Annually, there will be a cost-of-living adjustment equal to 3% of the current benefit.

**Proposed Provision:** For all members, annually, there will be a cost-of-living adjustment applied to the current benefit equal to the lesser of 3% or the increase in the Consumer Price Index (CPI).

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**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	(0.79)%
UAAL* (20-year amortization)	(2.93)%
<b>Total</b>	<b>(3.72)%</b>

\* *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 13.3 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 0.82% of active member payroll. This will occur once all of the active members are covered under the proposed provision.
- 2) If the proposed change had been in effect on the valuation date of June 30, 2018, the unfunded actuarial accrued liability would be reduced by \$724.4 million.
- 3) For supplemental actuarial valuation purposes, a cost-of-living adjustment of 2.2% was used based upon a price inflation assumption of 2.5%.