

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

Proposal 9 – Benefit Increases After Retirement (Lesser of 3% or CPI)
Affecting New Hires Only

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

Proposed Provision: For members hired on or after the effective date of the proposed change, 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)**.

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	0.00%
UAAL* (20-year amortization)	0.00%
Total	0.00%

* *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 not change the amortization period initially.

Notes:

- 1) Since the proposed benefit change does not affect any of the current members of APERS, there is no initial reduction in the computed employer contribution rate, as shown above. 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) 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 0.29% of payroll five years after the effective date of the benefit change and by about 0.47% of payroll ten years after the effective date of the benefit change.
- 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%.