



February 24, 2021

Mr. Duncan Baird, Executive Director
Arkansas Public Employees Retirement System
One Union National Plaza
124 West Capitol Avenue, Suite 400
Little Rock, Arkansas 72201

Re: HB 1282 Dated 01-26-2021 (Municipal Airport Authority)

Dear Mr. Baird:

You have asked us for our analysis of HB 1282 dated 01-26-2021 as it relates to the Arkansas Public Employees Retirement System (APERS).

The Bill modifies Section §24-4-101(27) and §24-4-101(29) of the Arkansas Code to include border municipal airport authority in the definitions of “non-state employees” and “participating public employers.” Section §24-4-101(47) is added to allow a border municipal airport authority to elect to provide APERS coverage for its employees.

We have no census information for border municipal airport authority employees to explicitly model the effect that these groups would have if allowed to participate in APERS. APERS staff has reported that only one such authority currently exists and it has eleven employees.

Given the following:

- As we understand ACA Section §24-4-723, only future service for entering border municipal airport authority employees would be covered; and
- The current APERS contribution 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 accrue and so there would be no adverse effects on APERS contributions resulting from adopting this legislation.

Note that once these border municipal airport 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.

No increase in employer contributions is expected to result from this proposed legislation.

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.

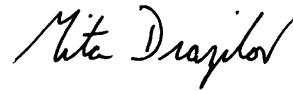
Mita D. Drazilov and Heidi G. Barry are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

This communication shall not be construed to provide tax advice, legal advice or investment advice.

Respectfully submitted,



David L. Hoffman



Mita D. Drazilov, ASA, FCA, MAAA



Heidi G. Barry, ASA, FCA, MAAA

DLH/MDD/HGB:ah