ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

APERSpective

ACTIVE MEMBERS

Winter 2018

The Director's Corner

APERS has achieved several important milestones in recent months that I'd like to share with you. First, the investment portfolio finished the fiscal year with a 12.30% return and record high assets of $8.1 billion! After two years of rather so-so returns, this strong finish helps our bottom line significantly. No surprise, our domestic and international stock portfolios led the charge to the finish line. With the US presidential election behind us and international markets shaking off fears of the British exit from the European Union, stocks were primed for a particularly strong performance. As of December 31, 2017, APERS assets are just shy of $9.0 billion, returning about 17.3% for the calendar year.

The second, and perhaps more important, milestone has been the cutover to the new APERS pension administration system, COMPASS (COMplete Pension Administration System Solution). COMPASS has an Employer Self Service module that now permits electronic reporting and remitting capabilities, allowing member employers to safely and securely transmit employee wage and service credit as well as make required contributions in a quick and cheaper manner. Within ninety days of "go-live" virtually all 700 of our member employers were registered and reporting information via COMPASS. Thank you employers!

COMPASS also has a Member Self Service (MSS) portal where members can enroll and communicate with APERS electronically. Once registered, members can look at their personal history, purchase military or other service, file retirement applications and so on. APERS will undertake a focused rollout of MSS later this year.

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All Generations Have Retirement Issues

Our APERS active membership spans the various generational groups such as "Baby Boomers," "Generation X," and "Millennials." Each of these groups adds a unique spin to the general issue of retirement and have their own unique challenges.

The Millennials' challenge: Millennials have higher rates of student loan debt, poverty, and unemployment yet enjoy lower wealth and personal income compared to Gen X and Baby Boomers when they were in the 20-35 age range. To complicate matters, a Gallup report concluded that millennials are more likely to hop between jobs than their predecessors.

The goal: Keep retirement in mind. Even though retirement seems too distant for many Millennials to consider now, they should assess retirement benefits when changing jobs. The earlier employees begin to plan for retirement, chances are they'll be in a better financial position when they are ready to retire.

APERS suggests: APERS has over 700 participating public employers across state, municipal, county and non-state government. When hopping between jobs, Millennial APERS members should consider other APERS-participating employers so that they can continue accruing retirement benefits under

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Can I Increase My APERS Benefits?

APERS members often wonder if there is something they can do to increase the amount they will receive at retirement. The answers lie in the formula that is used to determine an APERS benefit. APERS calculates retirement benefits with the following formula

Service x FAC x M = Yearly Benefit
Example: 18 yrs x $30,000 x 2% = $10,800

The first factor -- **Service** -- is the number of years and months a member has worked in the system.

The second factor -- **FAC** -- stands for "final average compensation," which is the average of the member's three highest years of earnings (not necessarily the last three years).

The third factor -- **M** -- is a fixed percentage called the "multiplier." The multipliers are set by the legislature, and they set different multipliers for different time periods and plans (contributory vs. non-contributory). The legislature has changed the multiplier over the years with the last change in 2007.

The only way to increase your benefits is to get bigger numbers to plug into the formula when it comes time for retirement. Probably the easiest factor for a member to increase is service. The longer you work in APERS-covered employment, the greater your APERS retirement benefit will eventually be.

It is a bit harder for employees to control the second factor in the benefits formula -- their FAC. But usually, the longer someone works at a job the higher their compensation can potentially go because of cost of living adjustments, position changes, pay increases, and so on.

The final "M" factor -- the percentage that is specified by law -- is mostly outside the control of a member, but it can be changed in a couple of circumstances. For instance, the "M" factor is higher for contributory service than non-contributory service, so non-contributory members who elect to become contributory will have the higher factor applied to the contributory service they earn. Also If you continue working beyond 28 years of service, the "M" factor applied to each year of service beyond 28 years will be increased by 0.5%.

The Director's Corner

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The development and timely delivery of COMPASS took over three years and would not have been possible without the incredible persistence and dedication of the APERS development team. I would particularly like to thank Allison Woods, Director of Benefits, Phillip Norton, Director of IT, Jennifer Taylor, Manager of Benefit Services, Shelly George, Supervisor of Employer Reporting, and Jason Willett, Chief Fiscal Officer. Without them, we could not have accomplished this enormous effort.

Even with so much going on, there was also a regular legislative session that occurred earlier in the year. Effective January 1, 2018, Act 552 again permits those who participate in the Deferred Retirement Option Plan (DROP) to return to public service once they have fulfilled the separation from service requirements (six months for regular employees, one year for elected officials).

Also, Act 502 shortens the application period for DROP from two months to just one month prior to the effective date.

Finally, we at APERS would like to thank the members of the Joint Retirement Committee for their support throughout the session. Their hard work and commitment is truly appreciated!

Retirement by the numbers

Here is a table found in the 2017 APERS annual financial report (page 13) that sheds some light on what an "average" retiree looks like and how much they could expect in a benefit. While everyone is a bit different, it does give a general idea when it comes to financial planning.

Retired Members*	Age and Service	Disability
Newly Retired Members	2,335	116
Average Age (yrs.)	62.3	54.9
Average Service (yrs.)	18.3	13.4
Average Monthly Benefit	$ 1,326.46	$ 745.57
Total Retired Members	36,260	
Average Monthly Benefit	$ 1,241.34	

* Includes DROP Participants.

All Generations Have Retirement Issues

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this system. By continuing participation in APERS, they can increase their service credit and possibly their compensation which are two key factors in the benefit formula (see article on facing page for more information on increasing APERS benefits).

When Millennials' career plans include relocating outside of Arkansas and they opt for a termination refund, they should remember that they can roll their contributions into an employer plan or an IRA. With this distribution option they can retain their retirement benefit while still deferring taxes on their contributions. In contrast, when they request a lump sum paid directly to them, not only do they lose all future benefits for that period of employment, but they also pay a total of 25% in federal and state taxes and possibly additional penalties for early withdrawal.

The Generation X challenge: Many Gen X'ers find themselves straddling two costly responsibilities: raising kids and caring for aging parents.

The goal: Make a plan. If you have not already done so, take the time to sit down with a certified financial planner and make a plan for retirement. A financial planner can help you determine how much you should be saving and suggest ways to make up for any retirement shortfalls.

APERS suggests: Before sitting down with a certified financial planner, Gen X'ers should understand their APERS retirement provisions so that they can share them with the planner. Important provisions to review include retirement eligibility, service credits, and the benefit formula because these provisions explain when members can retire and how much they can receive.

Another beneficial planning tool for Gen X'ers is a benefit estimate. An estimate allows them to determine where they stand financially based on their particular circumstances. This information can also help them to determine how much they should be putting aside on their own in personal IRAs and other savings.

The Baby Boomer challenge: Many Baby Boomers were already in mid-career when employers started adopting 401(k) plans, so they haven't had as much time to save. This means their retirement goals may need to be adjusted.

The goal: Catch up. Much like the Generation X crowd, Baby Boomers would be wise to sit down with a certified financial planner, set a goal year for retirement, and start making sure they are on track to achieve it.

APERS suggests: Unlike those with a 401(k), APERS Baby Boomers cannot increase their retirement accounts by contributing more funds to them. Instead, they should determine ways to increase their benefit amount before retiring. This means they need to increase their service credit or their compensation. We're not going to advise you on increasing your pay, but Baby Boomers can increase their service credit by exploring benefit provisions such as reciprocal service credits and service credit purchases.

Besides finding ways to catch up, baby boomers should also explore system options that provide a lump sum payment at retirement. They can obtain lump sum payments by participating in the Deferred Retirement Option Plan (DROP) or the Partial Annuity Withdrawal (PAW) plan. In both cases, members receive a reduced monthly annuity payment; however, they also receive a lump sum payment that is eligible for rollover to another qualified plan. Many of our members roll over the payments, and these payments can provide their financial planners with more planning options.

(Some material for this discussion was derived from issues raised by Jennifer Brown of the National Institute on Retirement Security as reported by Kara Stiles of Forbes.)

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RETIREMENT AND DROP FILING DEADLINES

Retirement Date	Earliest Filing Date	Latest Filing Date
April 1	01/02/18	03/02/18
May 1	01/31/18	04/02/18
June 1	03/04/18	05/02/18
July 1	04/02/18	06/01/18

SURVEY SAYS!

APERS would like to know how you feel about your personal retirement future. How comfortable are you with your upcoming retirement? Are you close to retirement or just beginning your career?

The survey can be found on the APERS website at:

www.apers.org/survey

The survey is short and fun and we will post your responses in the Spring Newsletter!

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