



Arkansas Public Employees Retirement System

STATUS OF THE SYSTEM AND STRENGTHENING FOR THE FUTURE

A presentation of the Arkansas Public Employee Retirement System



Agenda

- APERS Overview
- Financial Overview
- Look toward the future
- Questions




APERS OVERVIEW

A review of the System



History

- APERS was established in 1957 as a defined benefit plan for employees of the State of Arkansas.
 - A Defined Benefit plan provides benefits to both employees and employers.
 - For employees: Provide a secure income in retirement.
 - For employers: A great benefit for recruiting and retaining employees.
-
- 


Board of Trustees

APERS is governed by a 9 member Board of Trustees

- 3 Ex-Officio members (State Treasurer, State Auditor, CFO of the State)
- 3 State Agency representatives
- 3 Non-State representatives

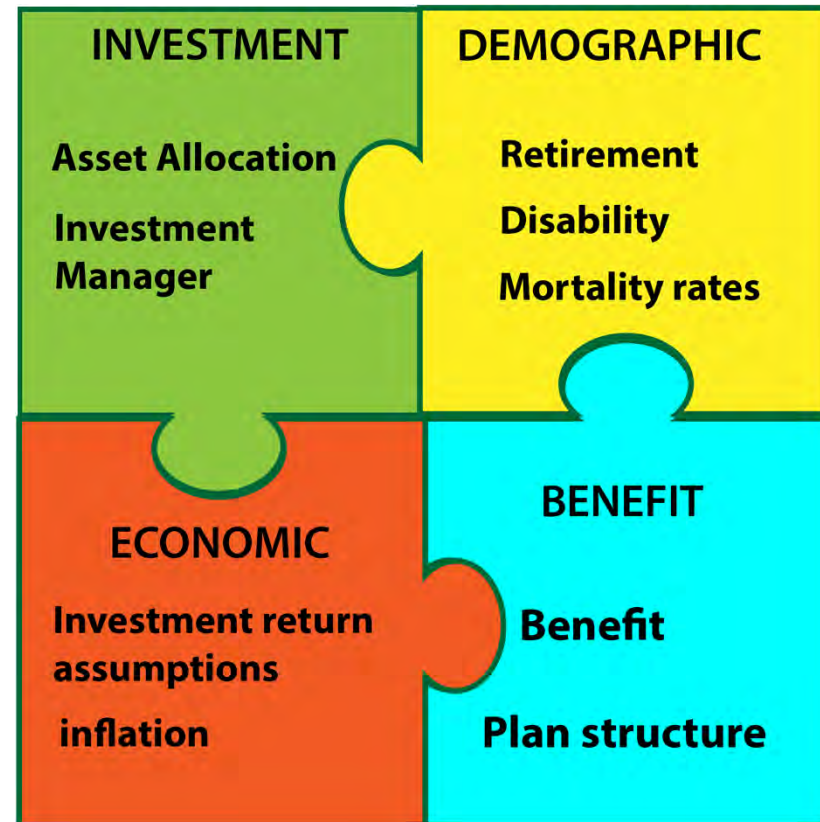
Our Board members are fiduciaries, and have a responsibility to act solely in the interest of the fund and the members of the fund.

They have a responsibility to make sure the fund is able to meet future obligations to plan members.



Board of Trustees

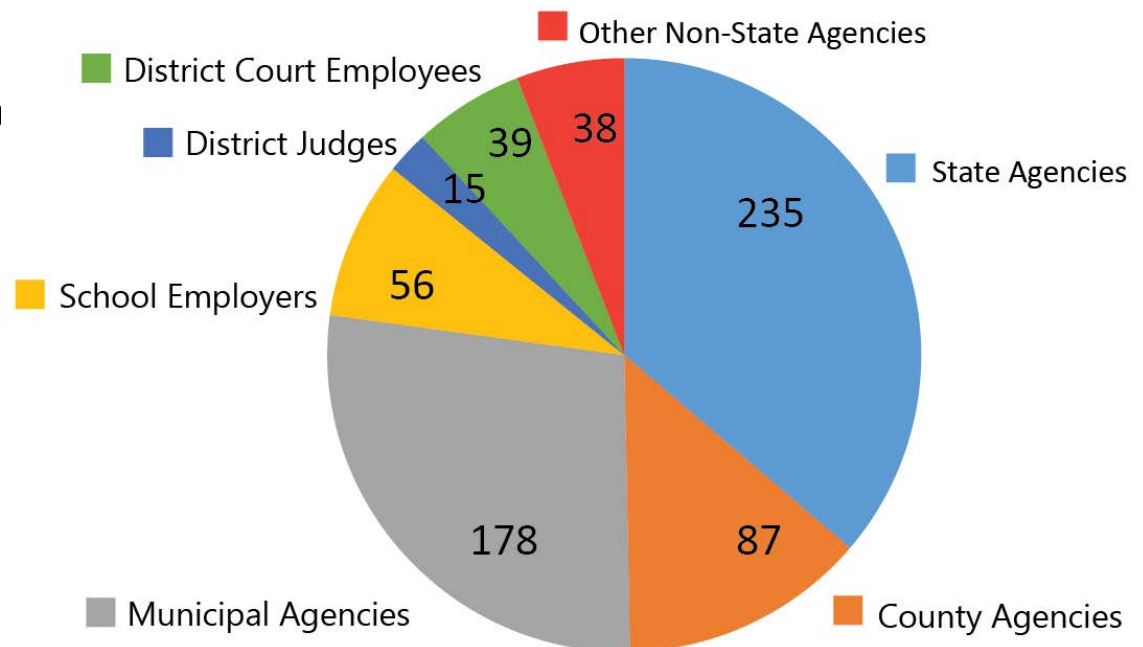
The Board periodically evaluates various aspects of the plan:



Participating employers

- Act 42 of 1959 introduced Counties into the System.
- In 2018 there were 87 County agencies reporting.

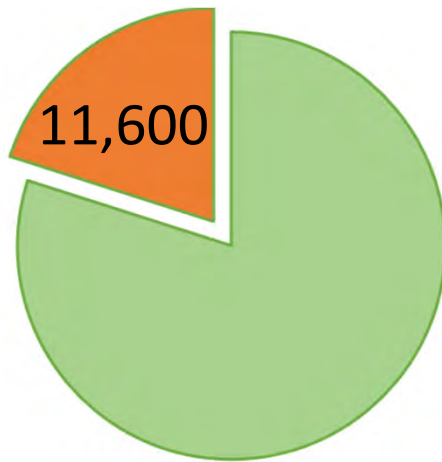
Reporting Entities 2018



Membership

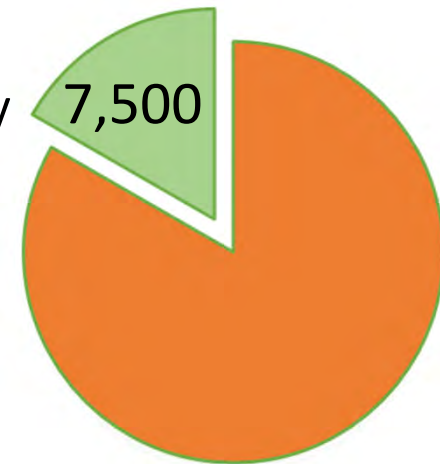
46,207 Active Members

Active County
Members



37,398 Retired Members

Retired County
Members

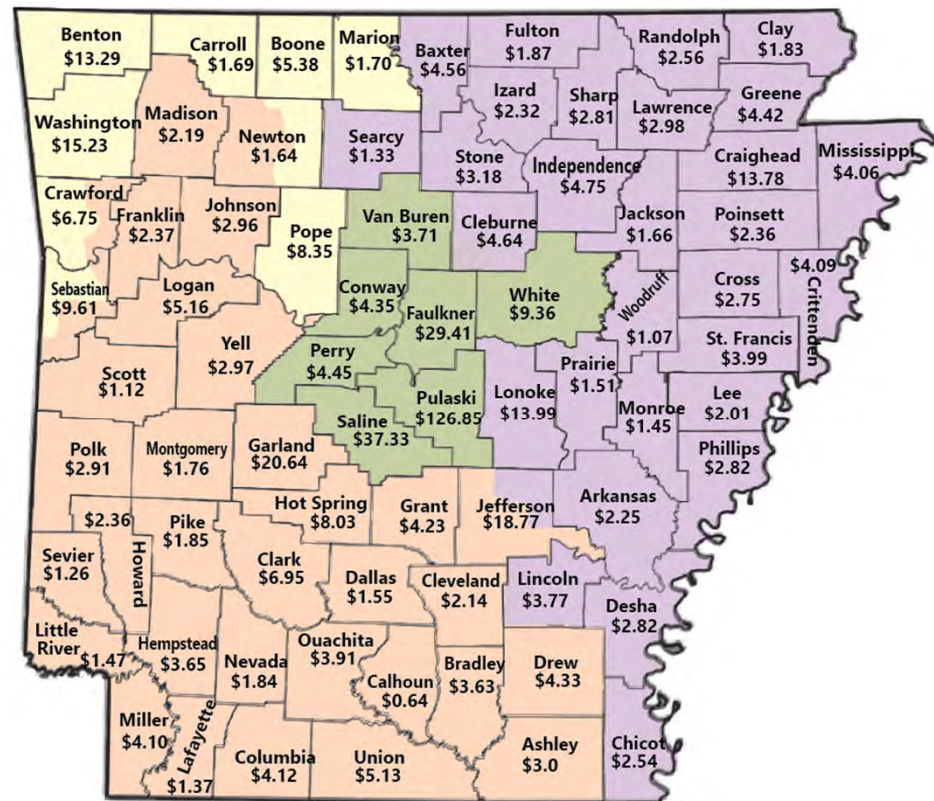


Counties are the 2nd largest employee population in APERS.

Benefits by County

APERS paid out
\$530,000,000 in benefits
last year (FY18).

An average benefit of \$1200
per month



(The figures shown are benefits paid by county in millions of dollars)

Expanding Service and Outreach

- **Service:**
 - Extended hours (in May) for members seeking a July 1 retirement.
 - Enabled members to set up appointments as late as 6:00.
- **Member Educational Outreach:**
 - Added 6 seminars at 3 new locations from July through September.
 - Arkadelphia, Jonesboro, and Russellville.
- **Employer-based Outreach:**
 - Working to increase our educational outreach at employer locations.



Increasing communication with members

- **Communication:**

- Increasing our communication online and through social media.
- Blog: apers.org/blog
- Twitter: @ArkansasPERS
- Facebook: [Facebook.com/Arkansas.PERS](https://www.facebook.com/Arkansas.PERS)

- **Legislative statewide meetings:**

- Joining the other retirement systems in a series of Joint Retirement Committee meetings around the state.



APERS FINANCIAL STATUS

A look at APERS Funding Status



Summary of Financial Condition

APERS is doing the right things:

- Employers make required contributions to the system each year.
- Sound investment portfolio and solid returns over time.
- Conservative actuarial assumptions.

This is reflected in our funded status:

- Our Funded Ratio is 79%, which is above the national median.
 - 90% and above: South Dakota, Wisconsin, Tennessee, New York, Idaho...
 - 50% and below: Kentucky, New Jersey, Illinois, Connecticut, Colorado...



APERS is currently 79% Funded

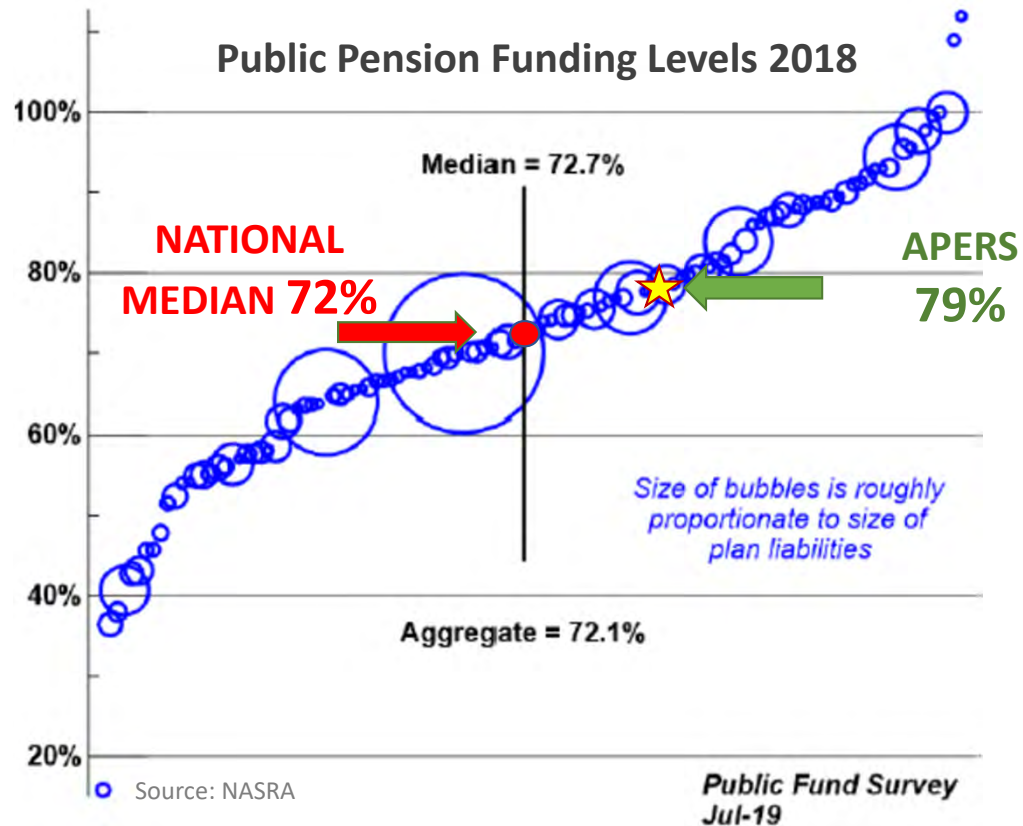
Assets and Liabilities <small>(As of June 30, 2018)</small>	Amount	Funded
Liabilities <small>(Present Value of Currently Earned Benefits)</small>	\$10.6 Billion	
Assets <small>(Investments)</small>	\$ 8.4 Billion	79%
Unfunded Liability	\$ 2.2 Billion	

Source: GRS 2018 Actuarial Valuation

- **Unfunded Liability:** The difference between the assets APERS holds and the present value of currently earned benefits.
- Each employer is assigned their proportional share of this liability, based on governmental accounting standards.

Funded status

- Our Funded Ratio is **79%**, which is above the national median of **72%**
- APERS was last 100% funded in 2002.
- APERS Actuarial Funding Policy sets a target of 100% funding.

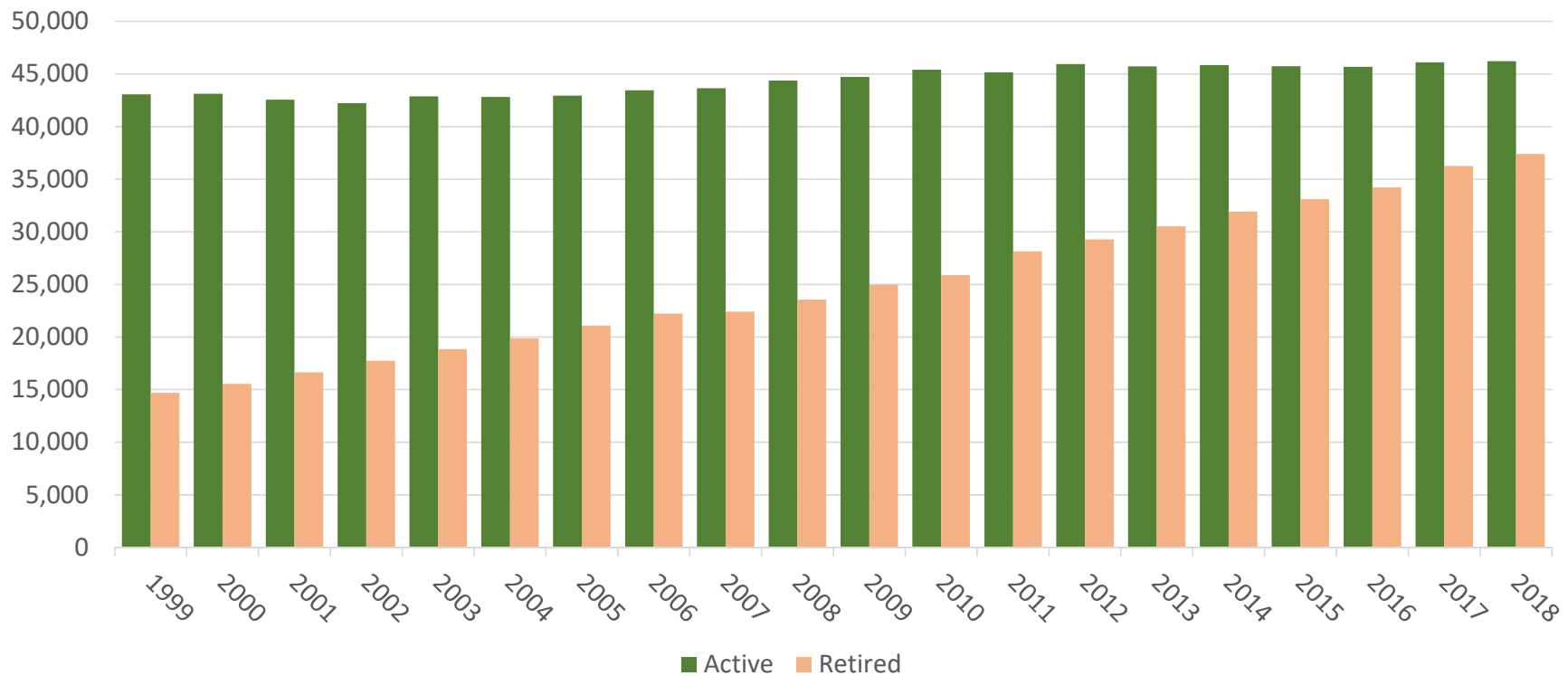


A MATURING SYSTEM

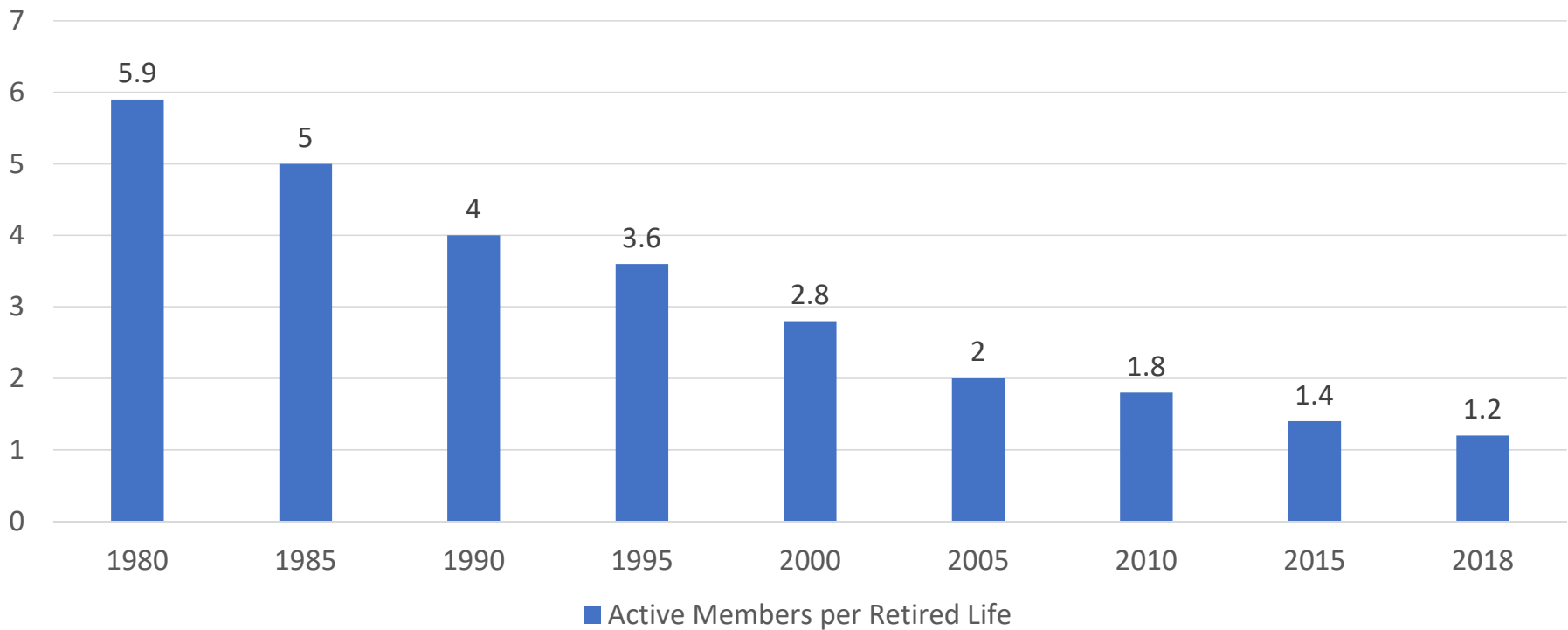
How APERS is changing over time



of Retirees growing, while Actives are stable

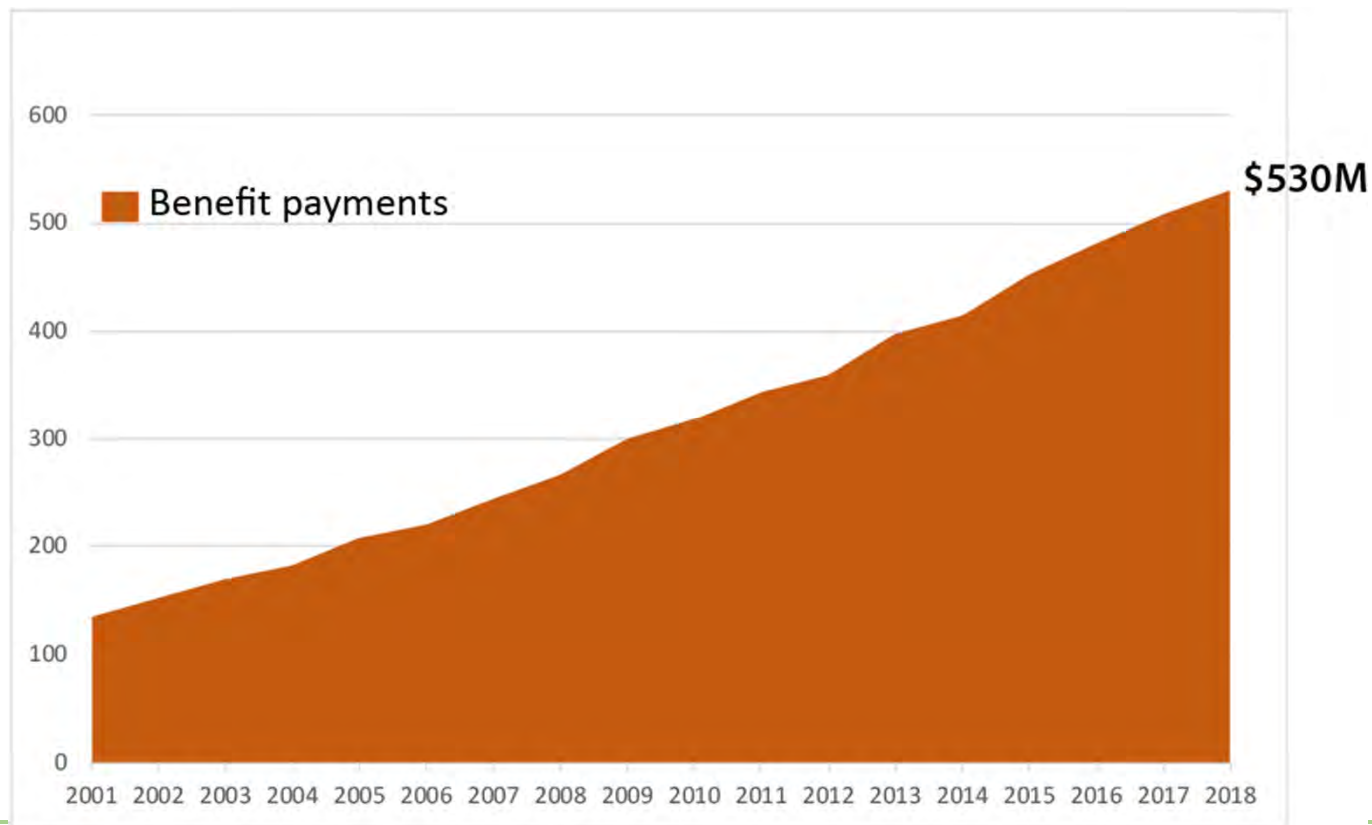


Ratio of Active members per Retired



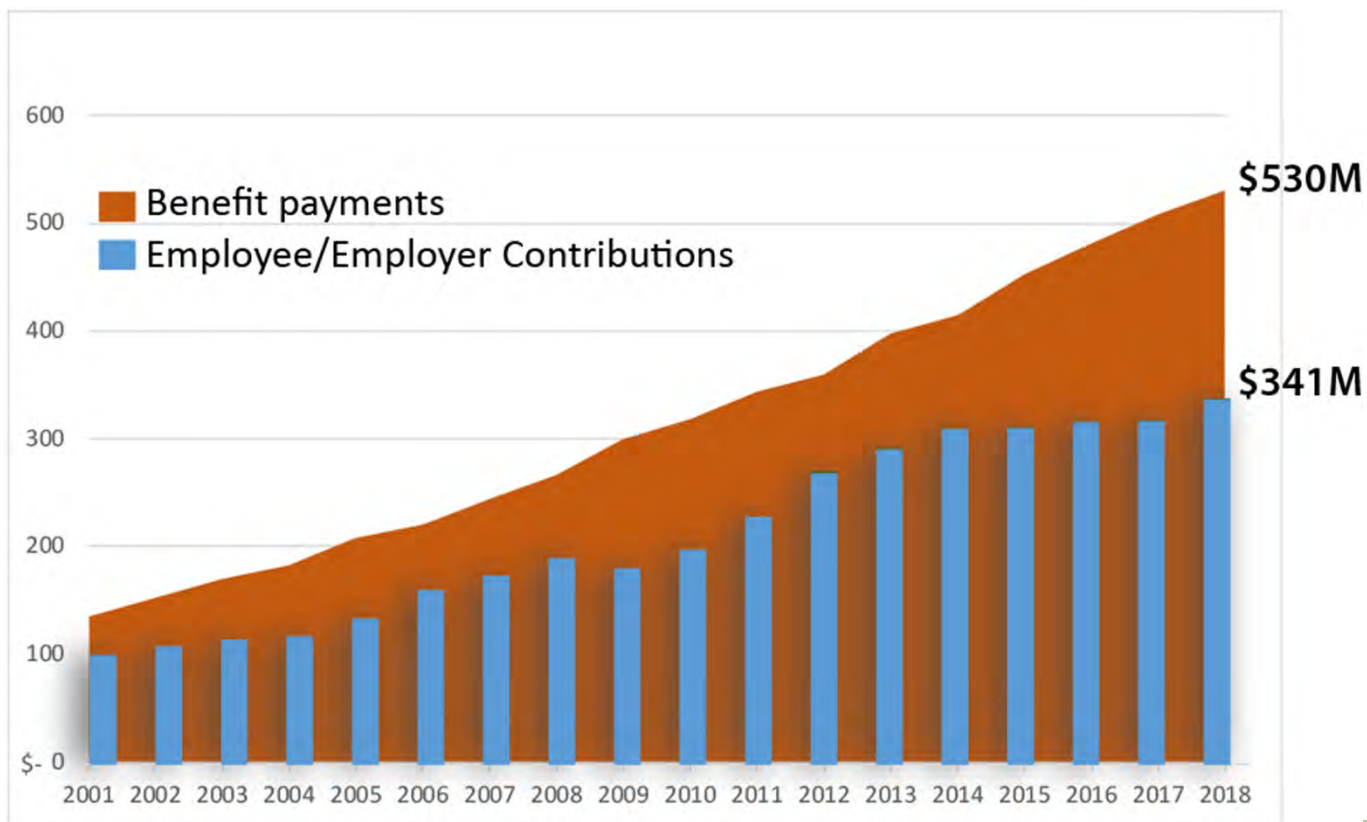
Total Benefit Payments are growing each year

APERS paid out over \$530 Million in benefits in FY18 and the amount will continue to grow.



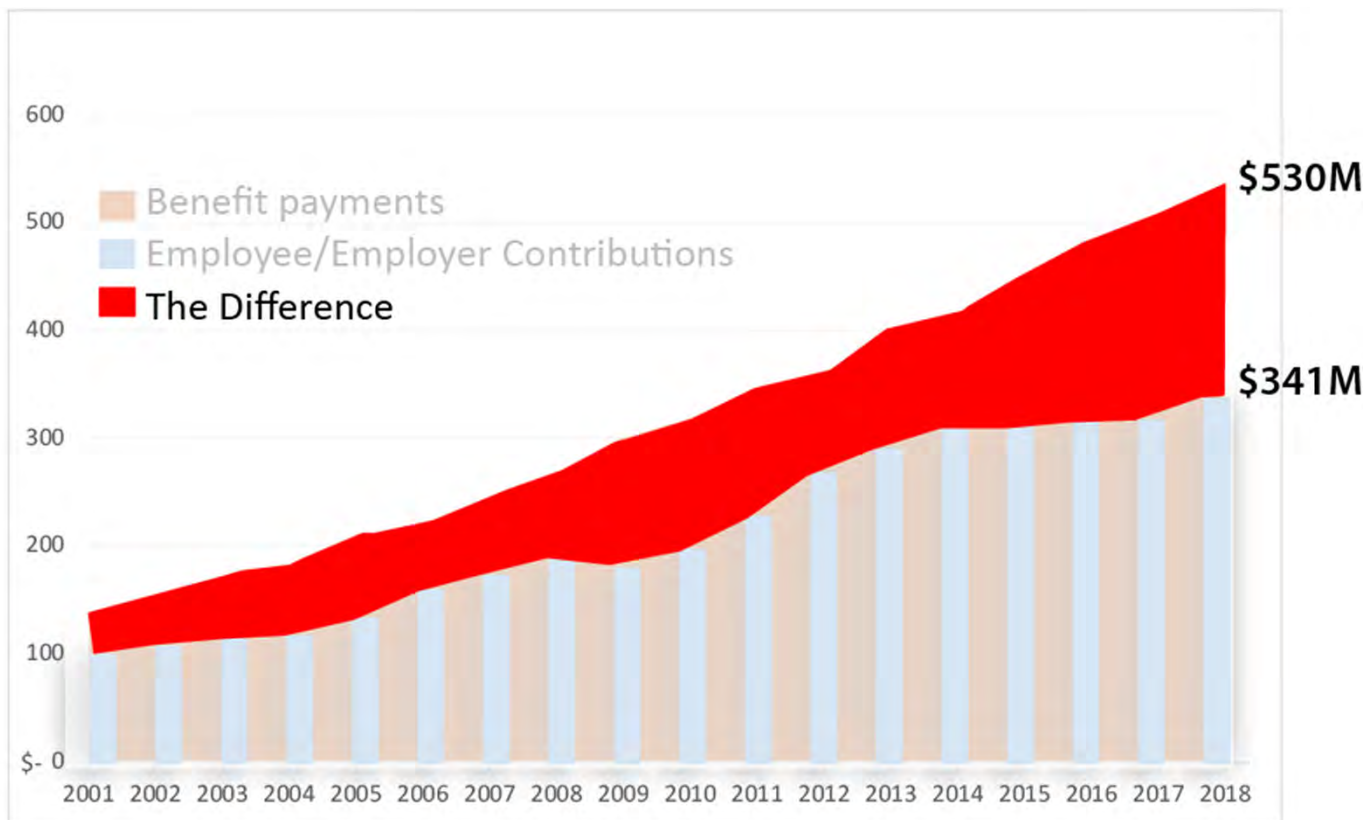
Benefit payments exceed contributions

Approaching a \$200 Million difference in benefit payments and contributions FY18.



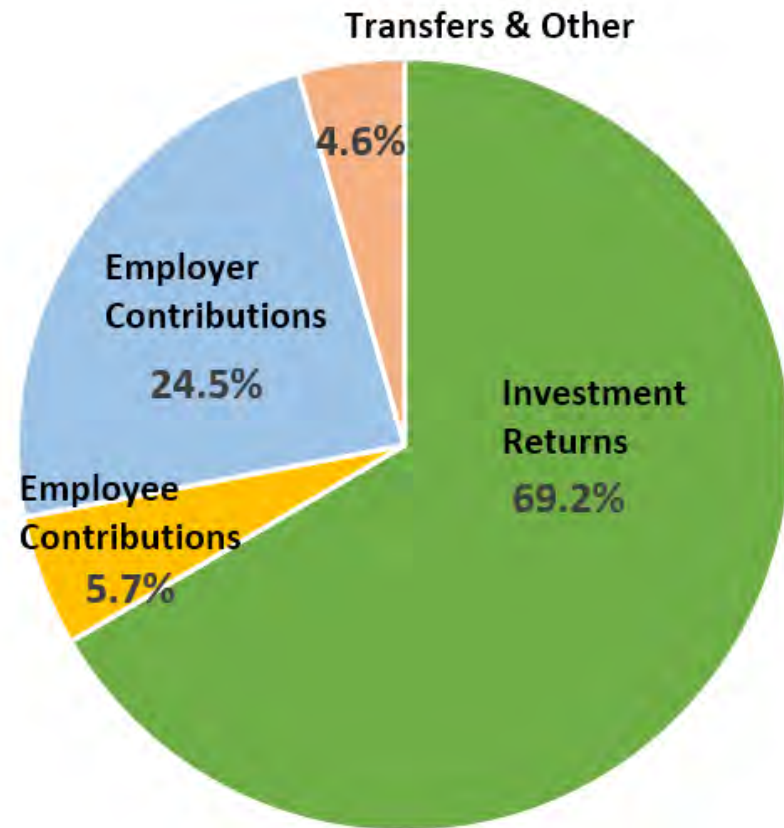
Benefit payments exceed contributions

Approaching a \$200 Million difference in benefit payments and contributions FY18.



Where does our funding come from?

- Employer Contributions
- Employee Contributions
- Investment Returns

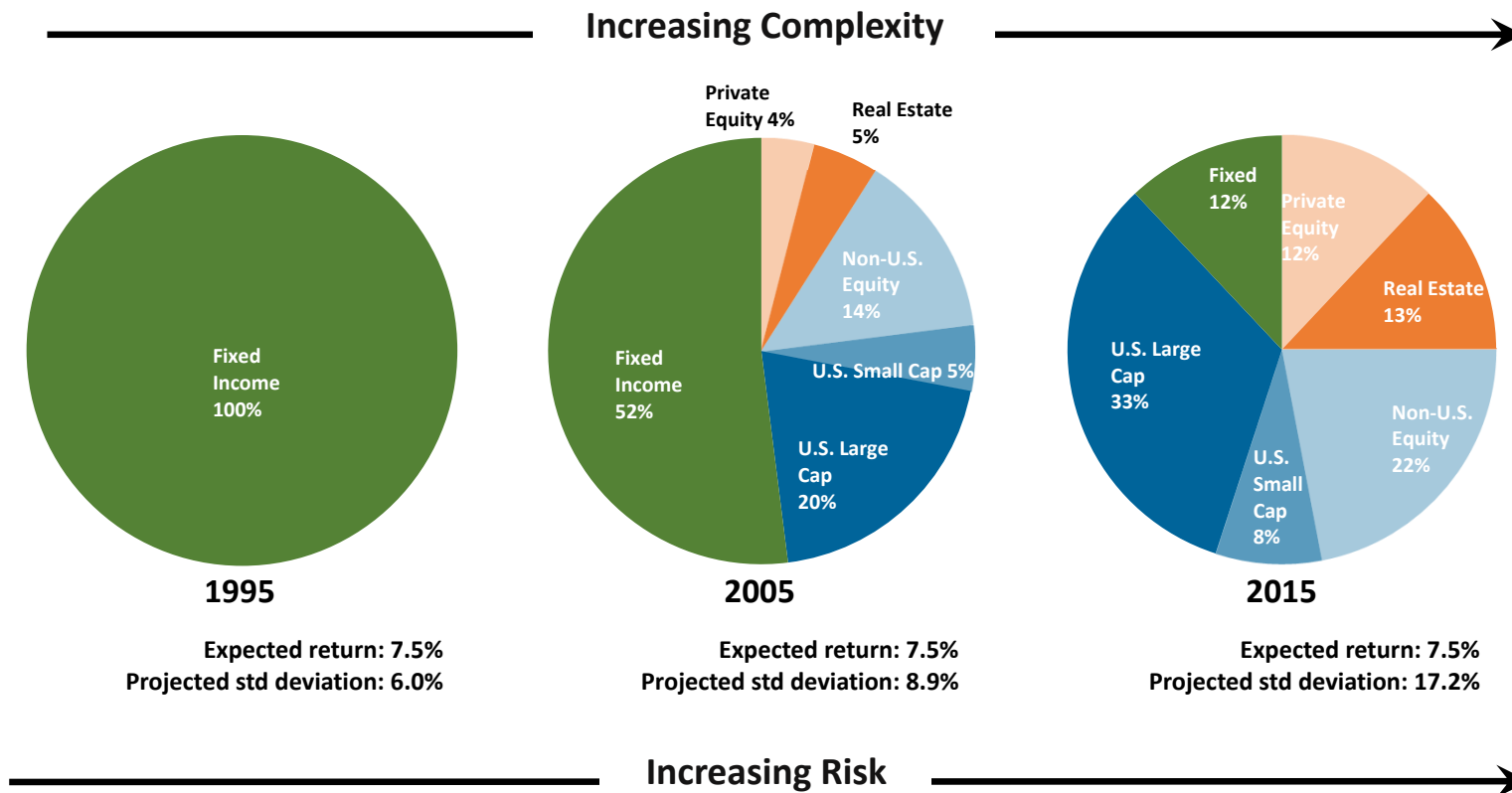


APERS AVERAGES

Source: NASRA, APERS

Investments have become complex, volatile

Pension investments have become more complex and volatile as funds seek returns.



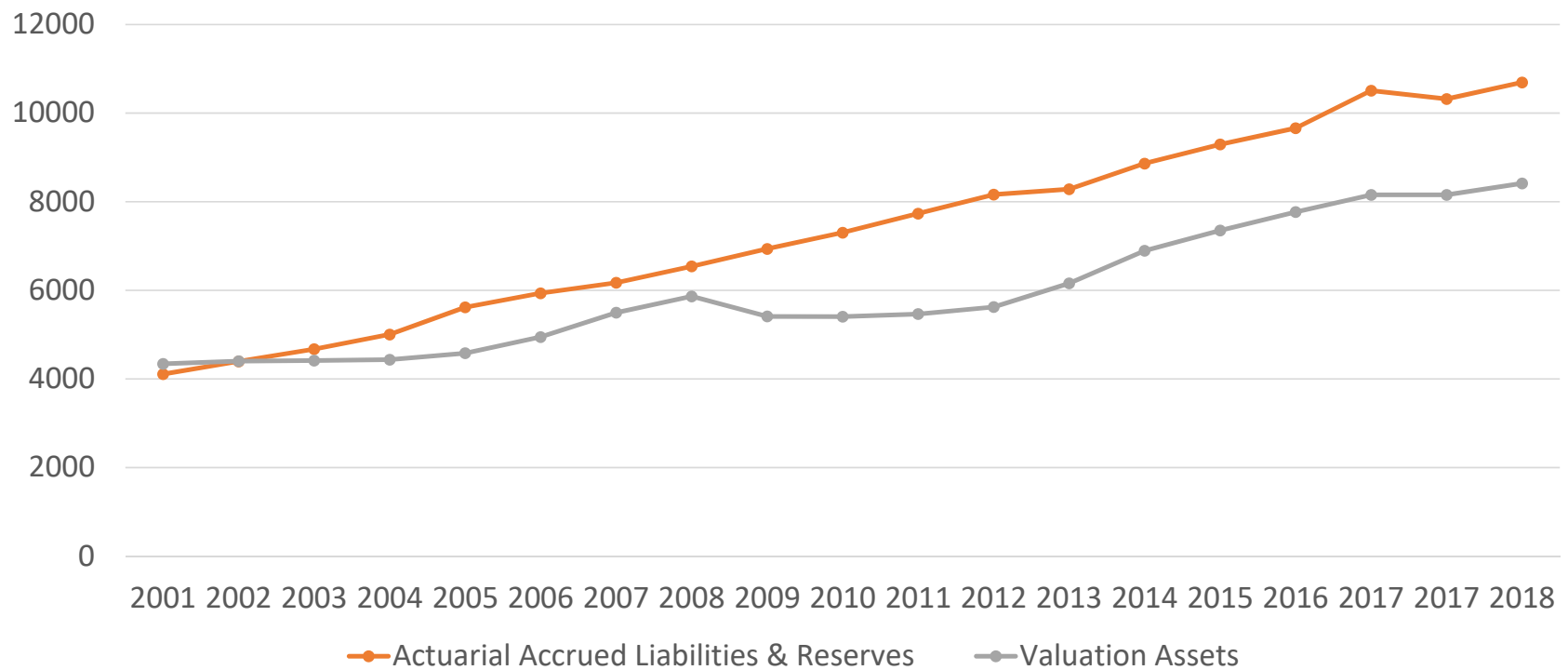
Investment returns are volatile



Source: APERS



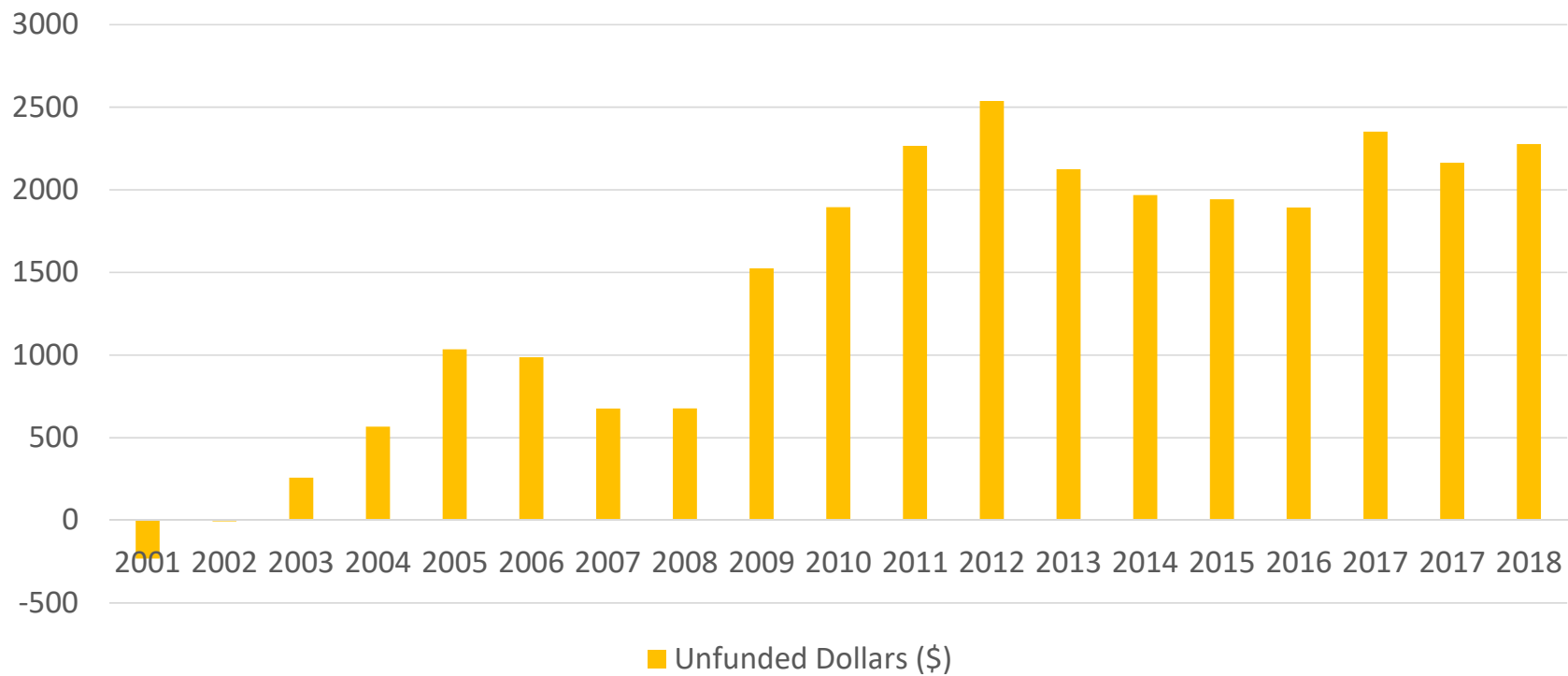
Liabilities have grown faster than assets



Source: GRS 2018 Actuarial Valuation

DRAFT

Unfunded liability has developed over time



Source: GRS 2018 Actuarial Valuation

DRAFT

Scenario (Slide 1 of 2): Negative market return

Year	Market Return
2019	5.32%
2020	(4.00)%
2021	7.15%
2022	7.15%
2023	7.15%

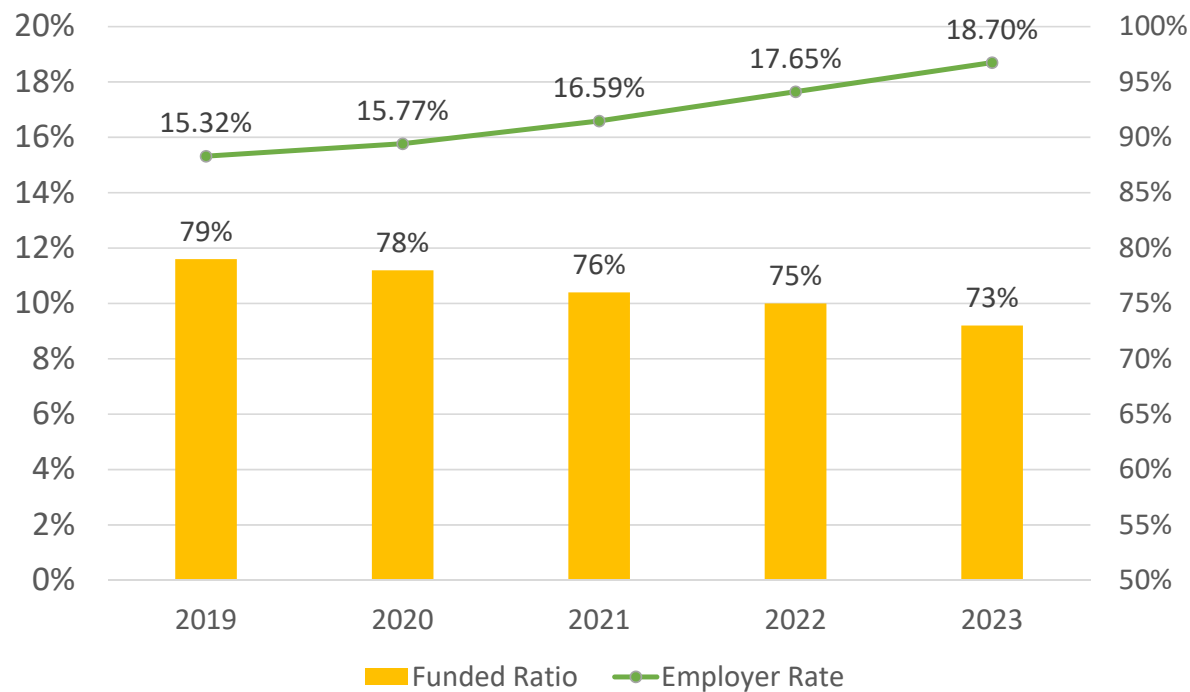
Closed 24-year amortization period
Source: GRS 2019 Preliminary Valuation Results

DRAFT



Scenario (Slide 2 of 2): Costs could increase

This scenario is one of many possible outcomes, holding everything else constant.




Closed 24-year amortization period
Source: GRS 2019 Preliminary Valuation Results

Summary of challenges and risks

The system is maturing over time:

- Growing number of retirees for every active member.
- Paying out more in benefits than receiving in contributions.
- Our liabilities are increasing at a steady pace, while assets are volatile.

That means:

- If assumptions are not met, the cost of the plan could increase significantly.
-
- 

LOOK TOWARD THE FUTURE

Discussion of considerations for the future



Previous discussion of APERS


2018:

- The Joint Retirement Committee heard testimony from various policy groups on pensions.

2018 – 2019:

- The APERS Board proposed a package of benefit legislation.
- The Board worked with GRS, the system's actuary, to develop the proposals.

2019 Legislative Session:

- The Joint Retirement Committee looked at the APERS proposals, and decided to study them in the interim.
-
- 

Many States have adjusted benefits recently

40 states have adjusted benefits lower between 2009 and 2018 according to NASRA.



Source: NASRA

Considerations when looking to the future

Financial considerations:

- Financial challenges compound in size over time.
- Small adjustments sooner can help avoid larger adjustments in the future.

Policy considerations:

- Work to minimize the impact to members:
 - No reduction in previously earned service.
 - No reduction to the amount of a benefit currently received.
 - Make changes that are equitable across the generations.
 - Study and learn from the actions taken by other Arkansas pensions.
-



Bills discussed in the 2019 Regular Session

- **Final average salary:**
 - Extend from 3 years to 5 years for new employees.
- **Multiplier:**
 - Set at 1.8% for new employees.
- **Employee contribution rate:**
 - Raise to 6% for all employees.
- **COLA:**
 - Various proposals discussed.

QUESTIONS?



THE END

