ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

APERS NEWS

ACTIVE AND RETIRED SUMMER 2016

Director's Corner

While this column is usually reserved for discussing how APERS did over the last twelve months, I thought some perspective on how other funds in the country are faring would be instructive. The commentary below is written by my friend Diane Oakley, Executive Director of the National Institute on Retirement Security in Washington DC.

I will be back with comments about APERS specifically in our next issue.
-- Gail H. Stone, Executive Director of APERS

Here's one public pension that survived the 2008 crisis

The 2008 financial crisis hurt retirement savings, but we found public defined-benefit pensions in red states and blue states that survived the market's free-fall in reasonable shape. Surprisingly, one of those well-funded plans is the Illinois Municipal Retirement Fund [IMRF].

What distinguishes financially sound pensions from others? It's simple: mandated, adequate contributions. "Adequate" means contributions from both employees and employers totaling the amount that actuaries calculate will cover benefits—the actuarial determined contribution, or ADC.

IMRF reached over 100 percent funding before 2008 because Illinois requires municipalities to fund their ADCs. At 93 percent today, the plan is almost back to full funding. Legally mandated employee contributions and—as Texas, Idaho and other states require—employer contributions ensure long-term soundness.

Problems arise when elected officials shortchange the ADC. The short-term revenue that's gained to spend on current projects comes with a high price later. The power of compounding can generate a long-term disaster, akin to paying only the minimum credit card payment while continuing to spend. The outstanding balance balloons. Likewise, unfunded pension liabilities, created when politicians contribute less than ADC, ultimately explode skyward as unpaid contributions compound with interest.

It's important to note that benefit levels did not cause Illinois' pensions problems—although fingers often point to them. Pension incomes in Illinois are modest in a state where three-fourths of public employees do not have Social Security.

LONGTIME PROBLEM

Inadequate funding concerns in Illinois date to 1916, and half of the $111 billion underfunding today comes from the state's persistent partial ADC payments. By state law, the unfunded liability keeps growing through 2029.

Switching to a defined contribution plan [e.g. 401k, etc] will not solve the funding problem. Well-documented experience indicates it can exacerbate funding shortfalls and degrade retirement security.

What Distinguishes Financially Sound Pensions From Others? It's Simple: Mandated, Adequate Contributions.

Similar to Illinois, West Virginia chronically underfunded its teacher pension. They closed the West Virginia Teachers' Retirement System [WVTRS] in 1991. Funding never improved and reached just 25 percent in 2005. A generous defined contribution plan and years of a bull market still left older teachers unable to retire, as only 1 out of 10 had over $100,000 in their defined contribution accounts.

Cutting its losses, West Virginia reopened WVTRS after a study found that providing equivalent benefits in the defined benefit plan saved money. The state also committed to contributing the fund's ADC and, in fact, made two early overpayments. Over the last nine years, WVTRS' funding jumped from 25 percent to 66 percent and is on target to reach full funding in 2034.

-- Continued on Page 3

Annual Statements in August

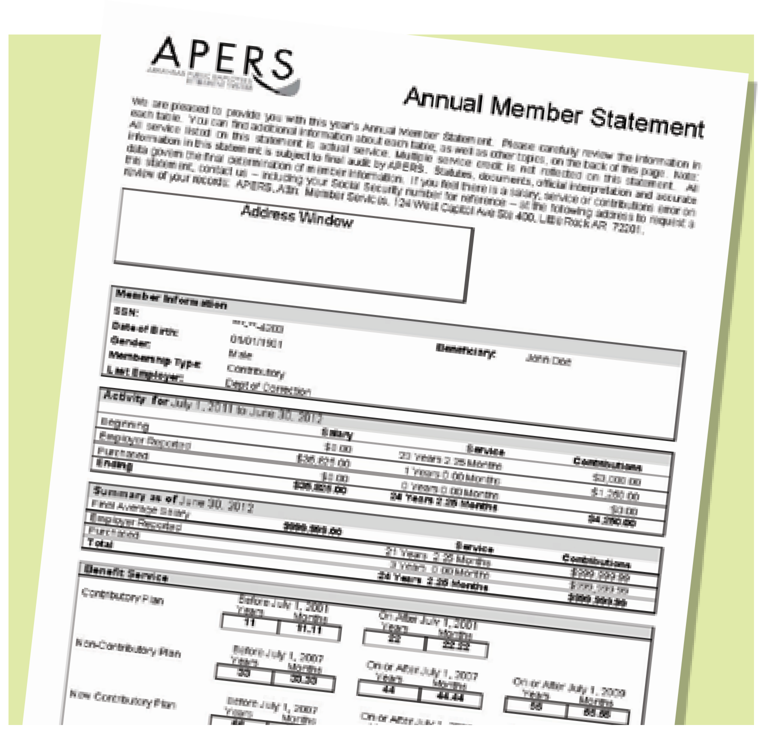
Each August, APERS sends members who are active in April, May, or June, an annual statement that displays the compensation, accumulated service, and contributions they have recorded in the system through the previous fiscal year (July 1 – June 30) and throughout their entire membership. This data can help you judge your progress in meeting retirement goals.

The statement is divided into five sections. A box at the top shows your mailing address, and the section below contains various details of your membership. In the third section, you will find a summary of the plan "activity" your employer reported for the previous fiscal year, including your compensation, the amount of service you earned, and any contributions you made.

Section four summarizes your total reported service and contributions, and it indicates your Final Average Salary or "FAS" as of June 30, the end of the previous fiscal year.

Finally, section five breaks down all the service you have earned in each of the System's different plans (e.g. original contributory plan, new contributory plan, etc.). You will need these figures to generate an estimate with the online benefit calculator.

Your annual statement is a very important document, and APERS will only mail it to the address we have on record. If you have changed your address in the last year, please let APERS know. To update your address, you need to complete and return an Enrollment Change Request Form, which you can download from the APERS website, or call 501-682-7800 or toll-free at 1-800-682-7377 to request the form by mail.



Check Your Service Credit

When looking over your Annual Statement, it is especially important that you carefully check the "Employer Reported" service total in the "Activity" section of your annual statement every year. This line indicates the amount of service (how much you worked) that your employer reported to APERS for you during the previous fiscal year (July 1 to June 30). If you believe the amount listed is incorrect, you need to contact your employer immediately to resolve the discrepancy.

Your total credited service will be a major factor in determining the amount of any future retirement benefits. If you think you've found a mistake, it will be much easier to verify and correct it right after it happens than it will be years down the road.

Avoiding Some Unhappy Tax Surprises

While APERS cannot advise you about your personal finances or your taxes, we can offer the following cautionary tale. From time to time APERS receives calls from retired members who have gotten an unpleasant surprise while filling out their tax returns. Instead of getting a refund they find that they are going to owe the IRS money! Why? Often it is because they did not consider all of their income when determining withholdings.

As you know, APERS will withhold taxes from your retirement annuity at your request (you can also request that we don't), and unless you specify differently, we withhold at a rate based on the amount of your annuity and the number of exemptions you specify.

If you have another source of income, like a full or part-time job, your employer will also withhold taxes, probably using a rate based on how much income you receive there. However, APERS won't know about that income, and the other employer won't know about your APERS annuity. It is up to you (or your tax adviser) to determine how this combined income affects your rates and whether you need to adjust the amount that is being withheld.

You can adjust, start, or stop your APERS withholding for state and federal income tax with the W-4P and AR4P forms available on the APERS website. This may help you avoid your own unpleasant surprise when tax time rolls around. With regard to your withholding, APERS can only do what you tell us to do. It is up to you to decide what is best for you.

Upcoming Retirement Filing Dates

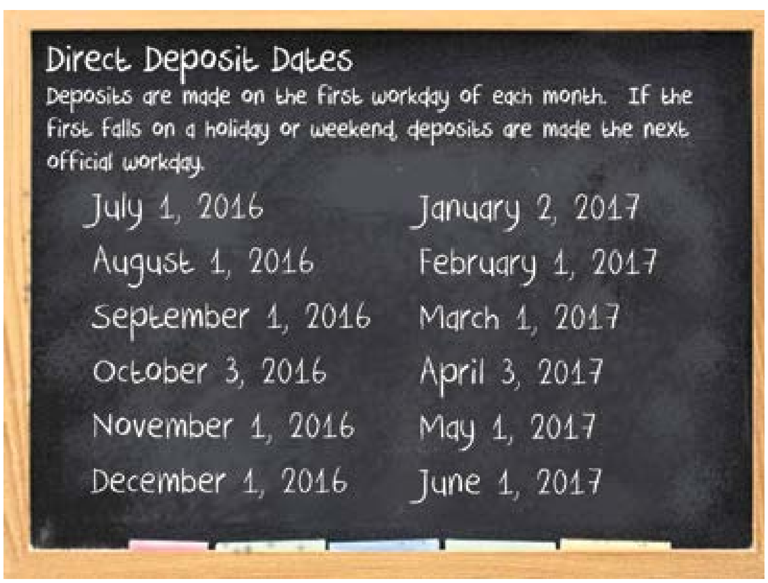
Retirement	Earliest Filing Date	Filing Deadline
October 1, 2016	July 5, 2016	September 1, 2016
November 1, 2016	August 3, 2016	October 3, 2016
December 1, 2016	September 2, 2016	November 1, 2016
January 1, 2017	October 3, 2016	December 2, 2016
February 1, 2017	November 3, 2016	January 3, 2017
March 1, 2017	December 1, 2016	January 30, 2017

Note: For retirement applications only - if a filing date falls during a weekend or on a holiday, the filing deadline becomes the next working day.

Upcoming DROP Filing Dates

DROP Enroll	Earliest Filing Date	Filing Deadline
October 1, 2016	June 30, 2016	August 31, 2016
November 1, 2016	July 29, 2016	September 30, 2016
December 1, 2016	August 31, 2016	October 31, 2016
January 1, 2017	September 30, 2016	November 30, 2016
February 1, 2017	October 31, 2016	December 30, 2016
March 1, 2017	November 30, 2016	January 31, 2017

Note: The filing deadline for DROP applications is always the last working day of the 2nd month before enrollment, not the last day of the month.



-Director's Corner -- continued from page 1

Illinois can have a secure future that can grow its economy. IMRF proves that making the ADC works in Illinois, and policymakers are wise to examine its success. Public pensions deliver economic benefits as retirees spend checks in local communities. In 2012, $1.6 billion came back to the state and local governments in taxes paid, while $25 billion went into Illinois' economy, supporting 165,000 jobs.

Adequate contributions, not switching to a defined contribution plan, generate the funding magic to climb out of the financial hole.

New Dental & Vision Plans for Retired State Employees

A dental and vision plan similar to the one offered to state employees is now available to retired state workers who are receiving benefits from APERS and live in Arkansas. (Sorry, but county and municipal retirees are not eligible for this state-sponsored plan. Please check with your city or county employer for what is available for you.)

The dental plan offers comprehensive coverage that includes a wide range of services from routine cleanings to major procedures. There are no waiting periods for preventative and basic services, and the plan requires only a 6 month waiting period for major services. This waiting period is waived if the application is received within 31 days of terminating coverage with a prior carrier/plan that included major services. The plan has a $1,500 annual maximum benefit.

The vision plan covers a routine vision exam every 12 months with a $10 copay. It includes benefits for frames, lenses, and contact lenses. There is no waiting period, but retirees must participate in the dental plan in order to qualify for vision coverage.

IMPORTANT NOTICE

APERS **cannot** provide any additional information about the plans listed.

If you have any questions, please contact Delta Dental at the number provided below.

Dental Plan	Vision Plan
Coverage at all levels of services from routine cleanings to major services	Routine vision exam every 12 months that is covered after a $10 copay
No waiting periods for preventative and basic services	Benefits for frames, lenses, and contact lenses.
A 6 month waiting period on major services*	No waiting periods
$1500 annual maximum benefit	Must participate in the dental plan to qualify.

** This waiting period is waived if the member's application is received within 31 days of terminating coverage with a prior carrier /plan that included major services.*

The Delta Dental dental and vision plans can be started at the beginning of any month.
To receive more information, or **to enroll** call **(844) 304-7627 (SOAR)**, or consult the plan's website:

www.mysmilecoverage.com/SOAR

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
124 West Capitol Avenue, Suite 400
Little Rock, AR 72201

In This Issue

Retirement Doesn't Mean What It Used To

Instead of an event, retirement is becoming a process. This is apparent in the rise of so-called bridge employment or bridge jobs. Bridge jobs typically follow the end of a full-time career and can be used to pursue a new field of interest, provide necessary income, or continue health benefits. Although the concept of bridge employment is not new, the trend is expected to continue growing as more "baby boomers" (people born between 1946 and 1964) reach retirement age.

APERS recognizes that as a retiree, you may wish to return to work. We encourage you to make the decision that is right for you. If you do choose to return to work in another APERS-covered position, please make sure this move doesn't negatively affect your retirement benefits. Not knowing the rules about when and where you can go back to work can be a costly mistake, and APERS strongly encourages you to contact us prior to returning to work for an APERS covered employer.

Most members simply have to observe a waiting period between retirement and returning to work for an APERS covered employer. However, there are circumstances which prohibit retirees from ever returning to work for an APERS covered employer. For example, Act 38 of 2011 prohibits members who enroll in APERS DROP on or after March 2011 from returning to work for any Arkansas authorized plan after completing their DROP participation. Also, a disability retiree may not return to work in an APERS-covered position.

So, while it's likely you may want to continue working in some capacity after you retire from your APERS-covered job, be sure you understand your options and their consequences. We want you to enjoy a happy, healthy, and productive life before, during, and after your retirement in the System.

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