



Arkansas Public Employees Retirement System

STATUS OF THE SYSTEM AND STRENGTHENING FOR THE FUTURE

A presentation of the Arkansas Public Employee Retirement System

A large, green, curved graphic element located in the bottom right corner of the slide, mirroring the design of the APERS logo.

Agenda

Arkansas Judicial Retirement System (AJRS)

Arkansas State Police Retirement System (ASPRS)

Arkansas Public Employees Retirement System (APERS)

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

Arkansas Judicial Retirement System (AJRS)

- Created in 1953 and governed by a 5 member board.
- Active – 139 active members at an average salary of \$168,595.
- Retired – 147 retirees with an average monthly benefit of \$7,369.
- Funding:
 - Employee contributions of 6% (Tier 1) or 5% (Tier II).
 - Employer contributions of 12%.
 - Transfers from the State Central Services and Constitutional Officers Fund to reach the actuarially determined rate necessary to fund the plan.
- Funded level of 89%

Arkansas State Police Retirement Sys. (ASPRS)

- Created in 1951 and governed by a 7 member board.
- Active Tier I – 43 active members at an average salary of \$69,197.
- Active Tier II – 424 active members at an average salary of \$52,000.
- Retired – 724 retirees with an average monthly benefit of \$3,191.
- Funding:
 - No contributory members.
 - Employer contributions of 22%.
 - Transfers from the Insurance Premium Tax to reach the actuarially determined rate necessary to fund the plan.
- Funded level of 72%

APERS OVERVIEW

A review of the System



History of APERS

- APERS was established in 1957 as a defined benefit plan for employees of the State of Arkansas.
- APERS serves State Agencies, Counties, Municipalities, and other employers.
- As a Defined Benefit plan, APERS 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.

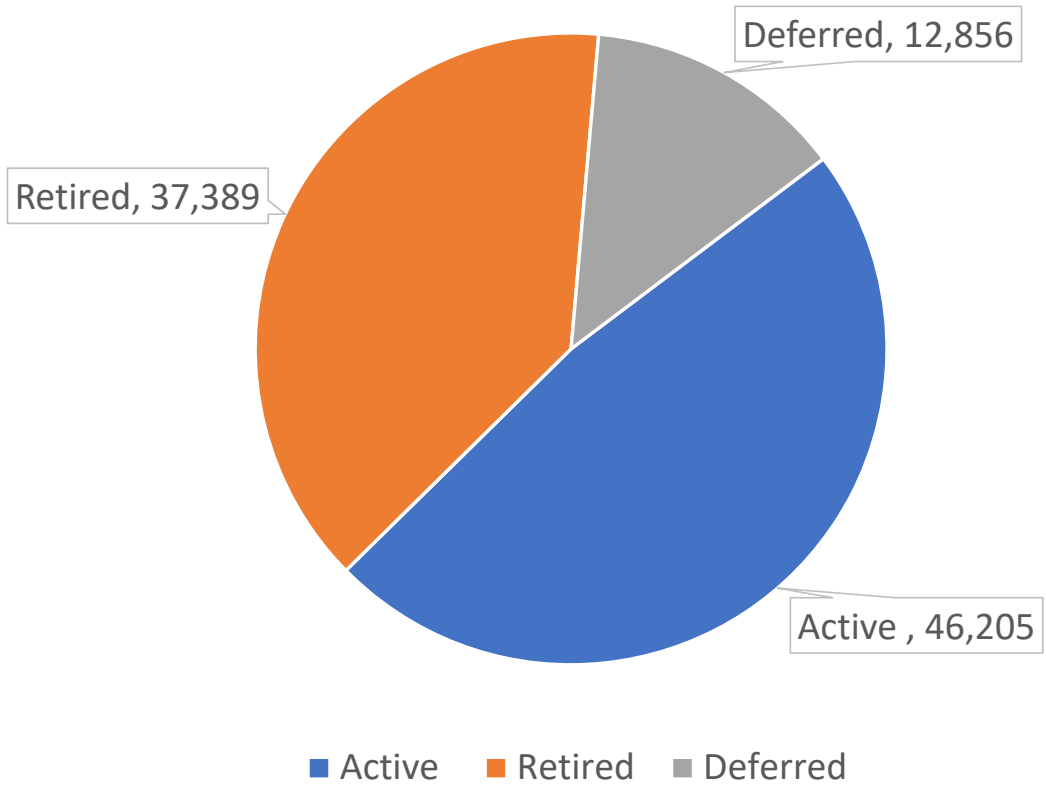
APERS Board of Trustees

APERS is governed by a 9-member Board:

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

Our Board members have a responsibility to act solely in the interest of the fund and the members, and to make sure the fund is able to meet future obligations to plan members.

APERS has over 95,000 members

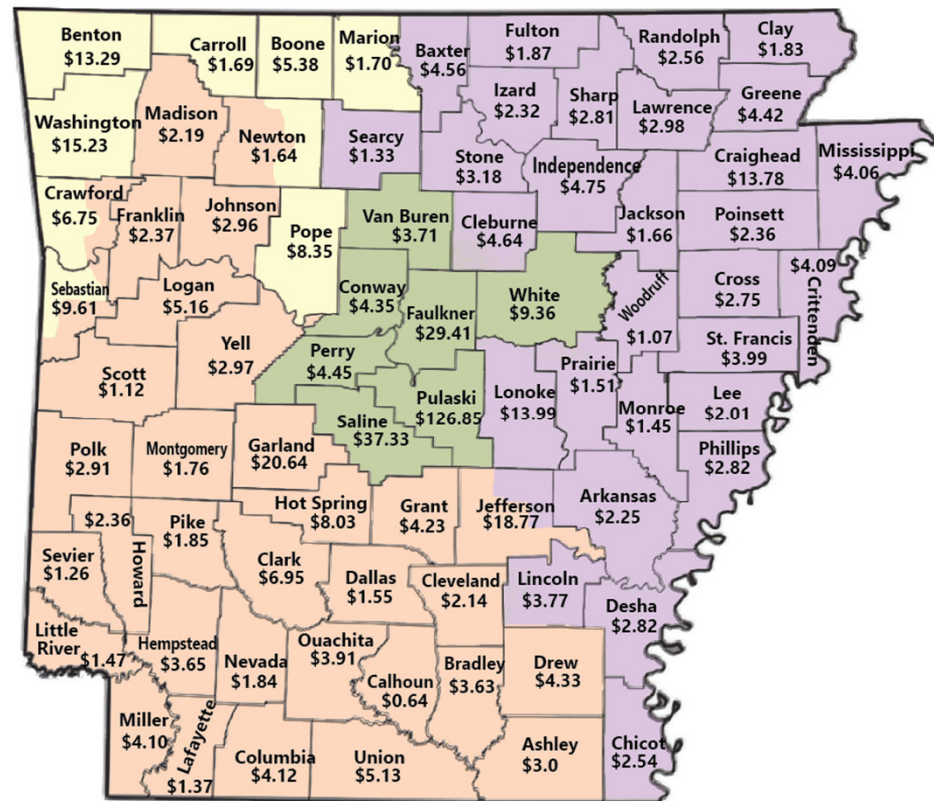


Source: APERS 2018 Annual Report

Benefits paid by County

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

An average benefit of \$1,200 per month.



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

Source: APERS

Expanding Service, Outreach, Communication

- **Service:**
 - Extended office hours (in May) for members seeking a July 1 retirement.
- **Member Educational Outreach:**
 - Added 6 seminars at 3 new locations from July through September.
- **Employer-based Outreach:**
 - Working to increase our educational outreach at employer locations.
- **Communication:**
 - Blog: apers.org/blog
 - Twitter: [@ArkansasPERS](https://twitter.com/ArkansasPERS)
 - Facebook: [Facebook.com/Arkansas.PERS](https://facebook.com/Arkansas.PERS)

APERS FINANCIAL STATUS

A look at APERS Financial Status



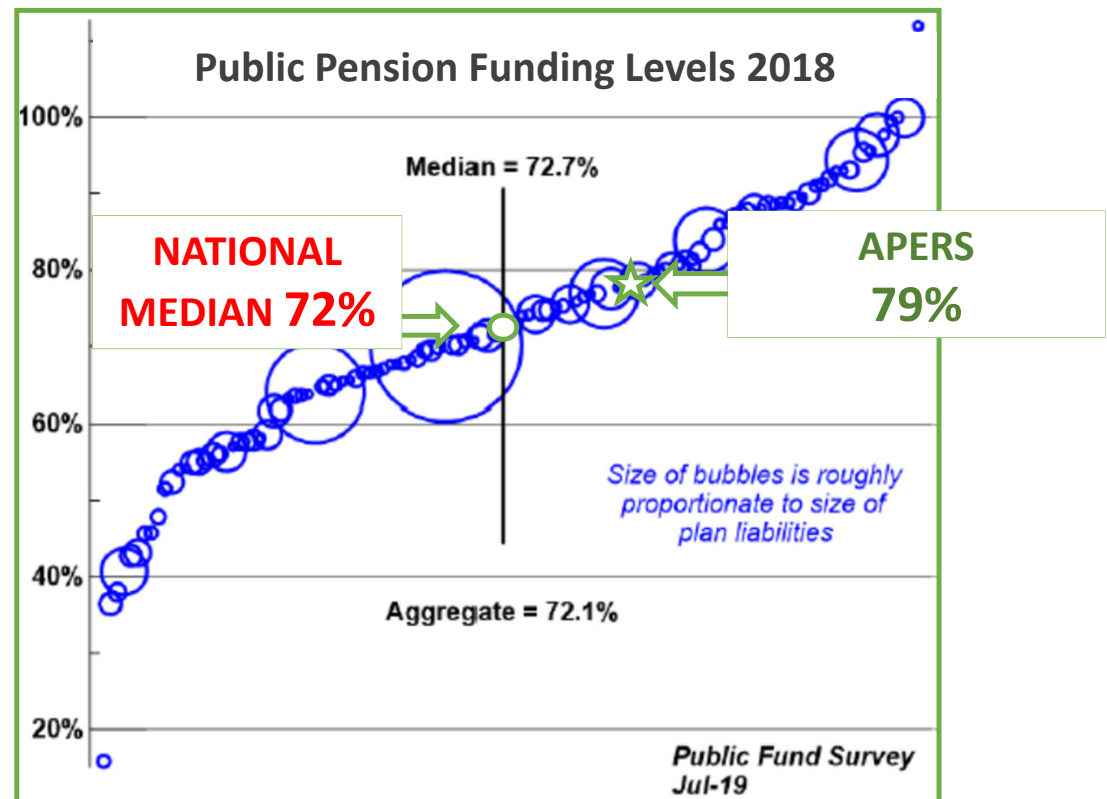
Summary of Financial Condition

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.

APERS Funded status is above the median

APERS Funded Ratio of 79% is above the national median of 72% for other public pension plans.



Source: NASRA

APERS Funding Details

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

Source: GRS 2018 Actuarial Valuation

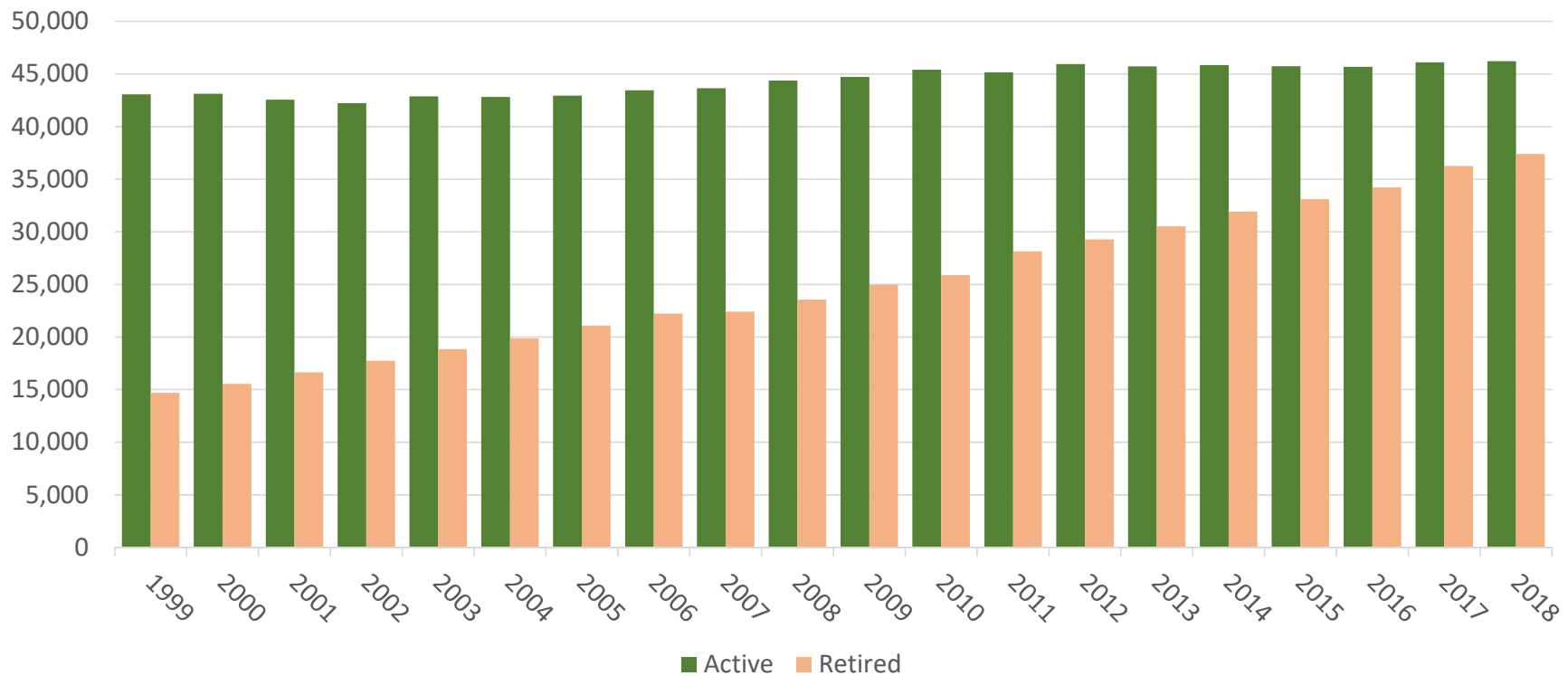
- The unfunded liability is being amortized over 26 years.
- APERS was last 100% funded in 2002.
- APERS Actuarial Funding Policy sets a target of 100% funding.

A MATURING SYSTEM

How APERS is changing over time

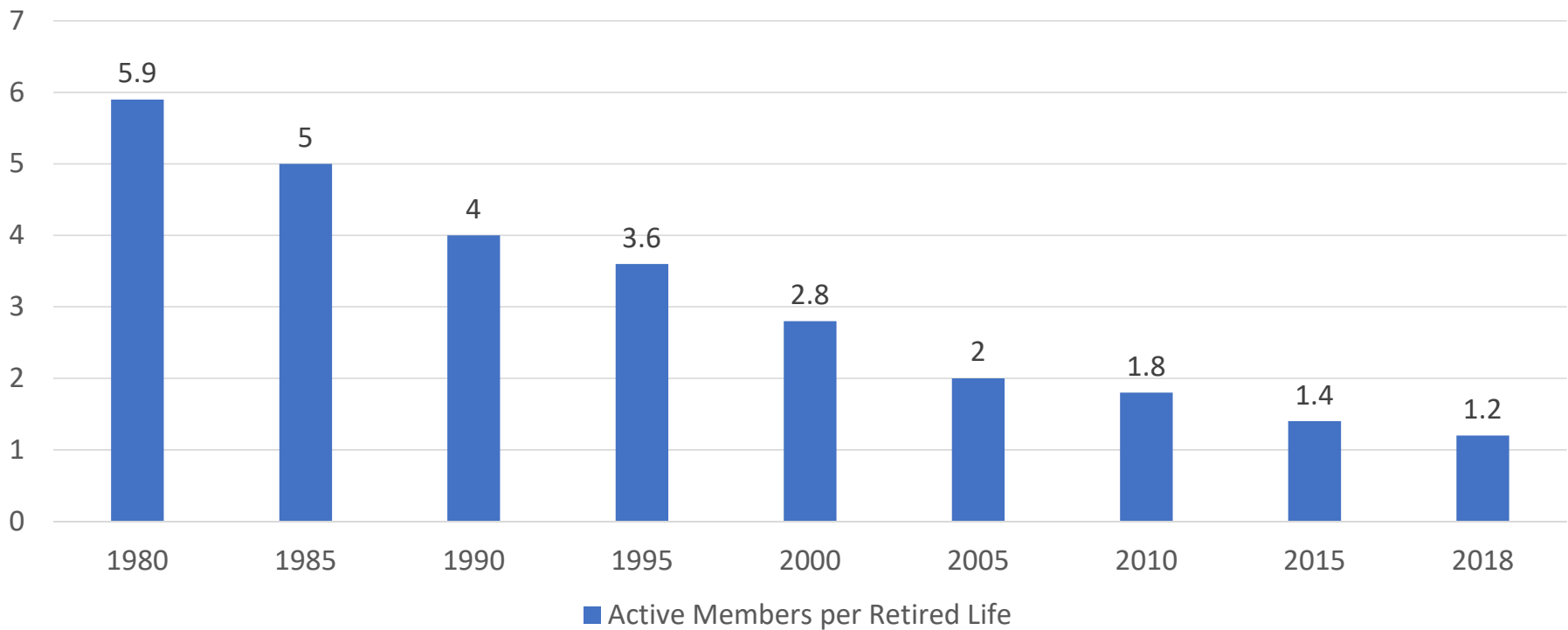


of Retirees growing, while Actives are stable



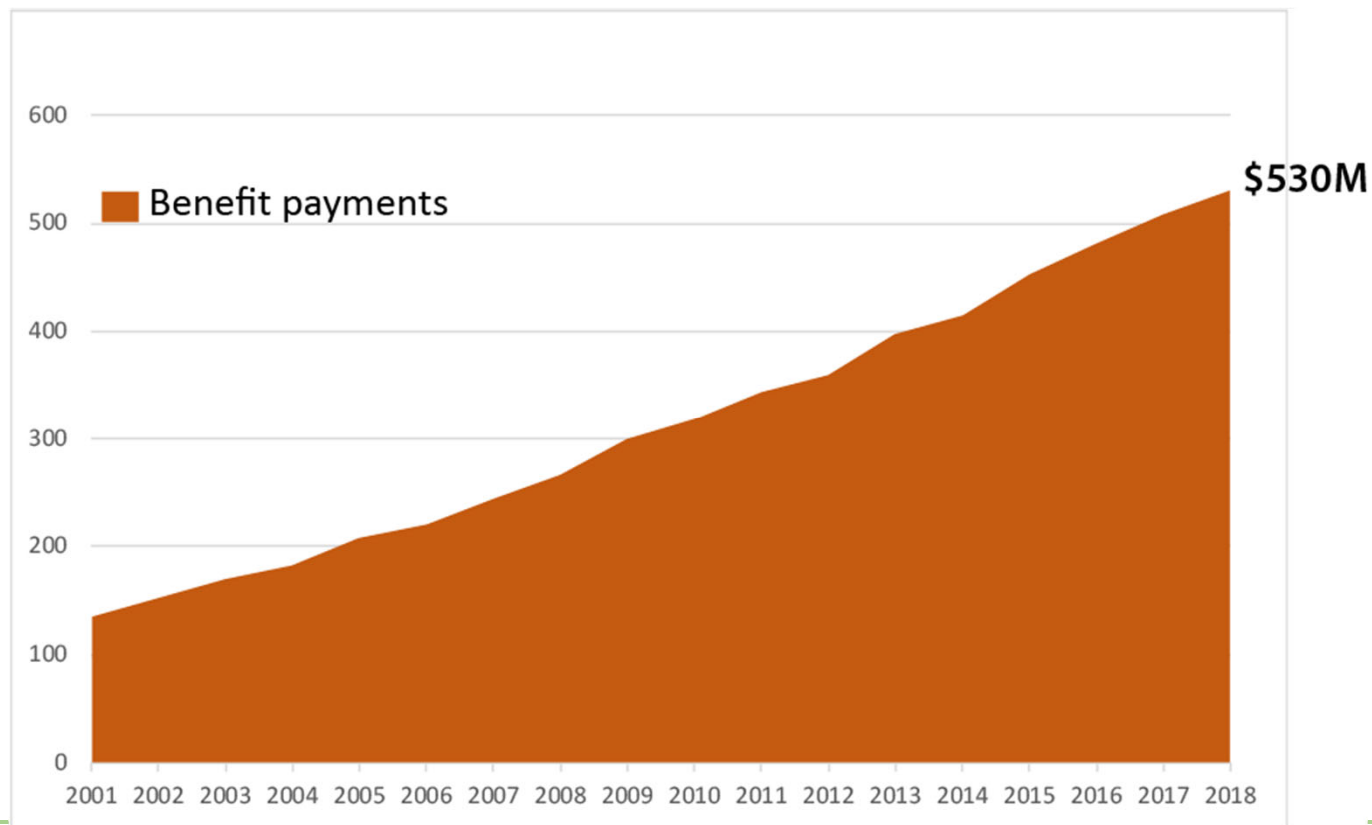
Source: APERS 2018 Annual Report

Ratio of Active members per Retired



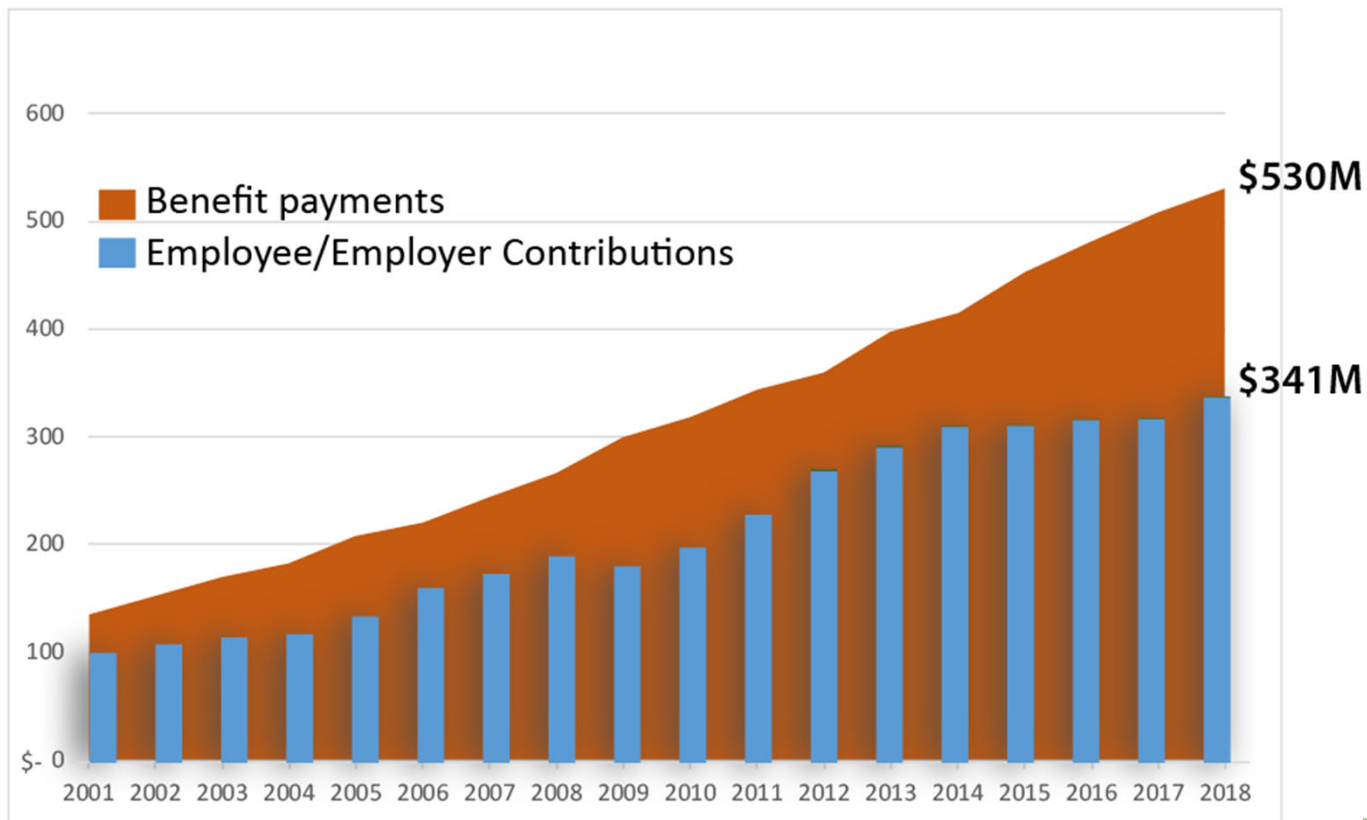
Total Benefit Payments are growing each year

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



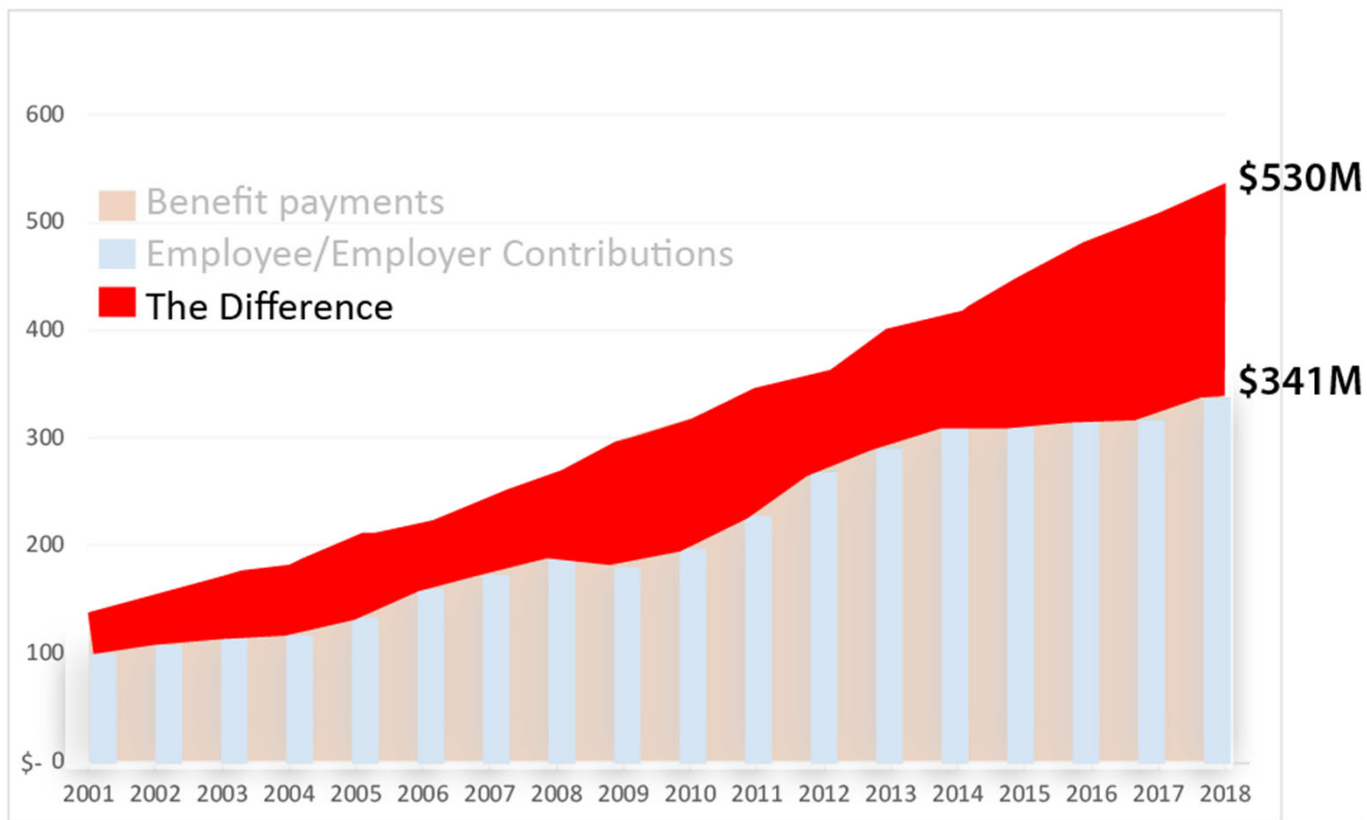
Benefit payments exceed contributions

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



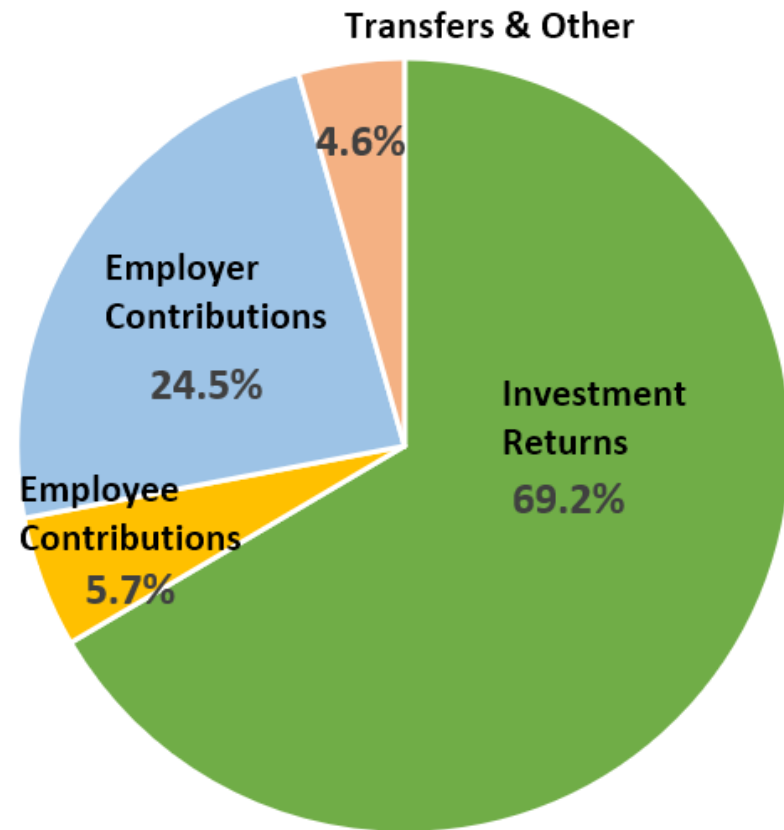
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Funding comes primarily from Investments

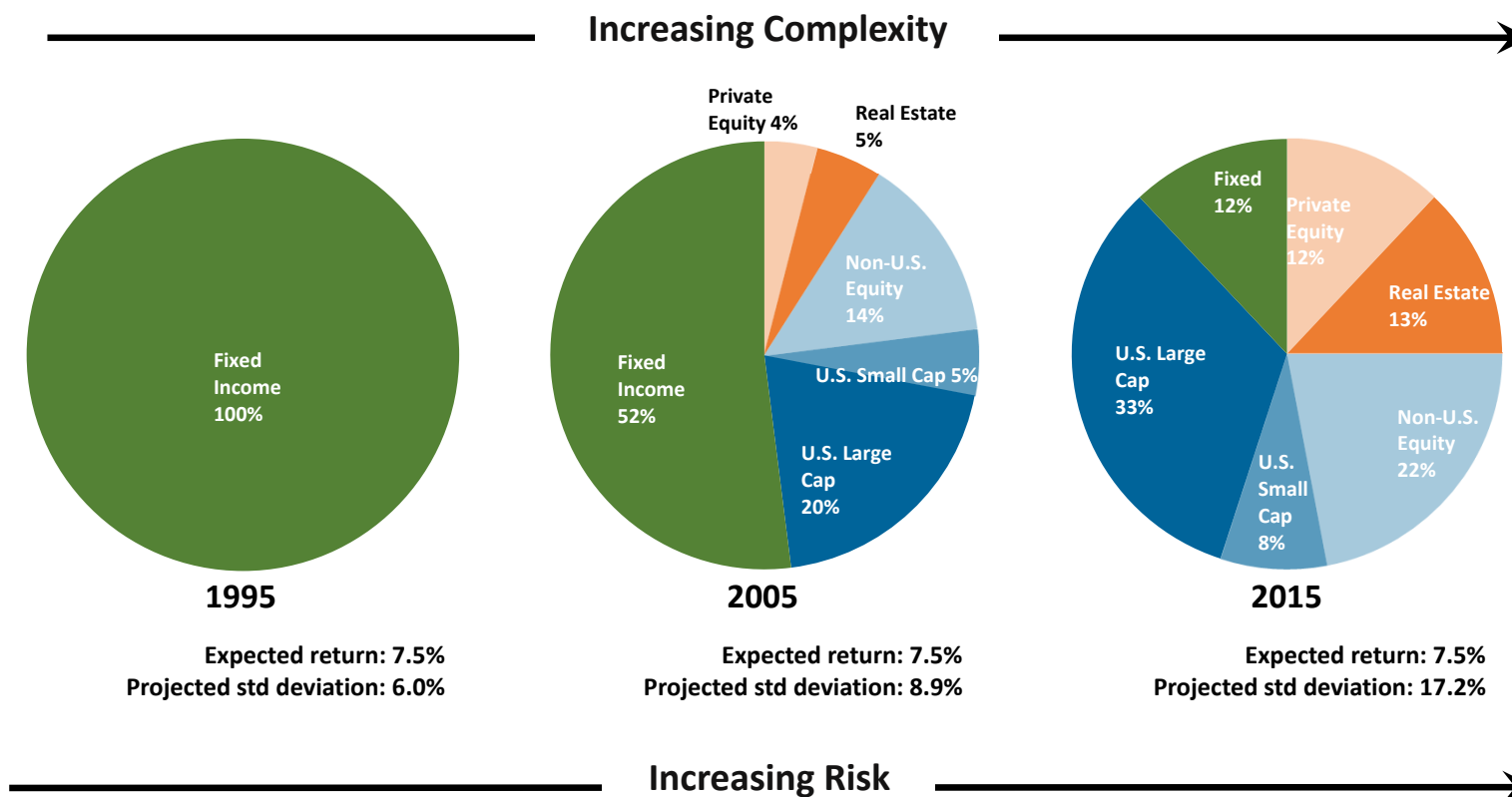
- Employer Contributions
- Employee Contributions
- Investment Returns



Source: NASRA, APERS

Investments have become complex, volatile

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

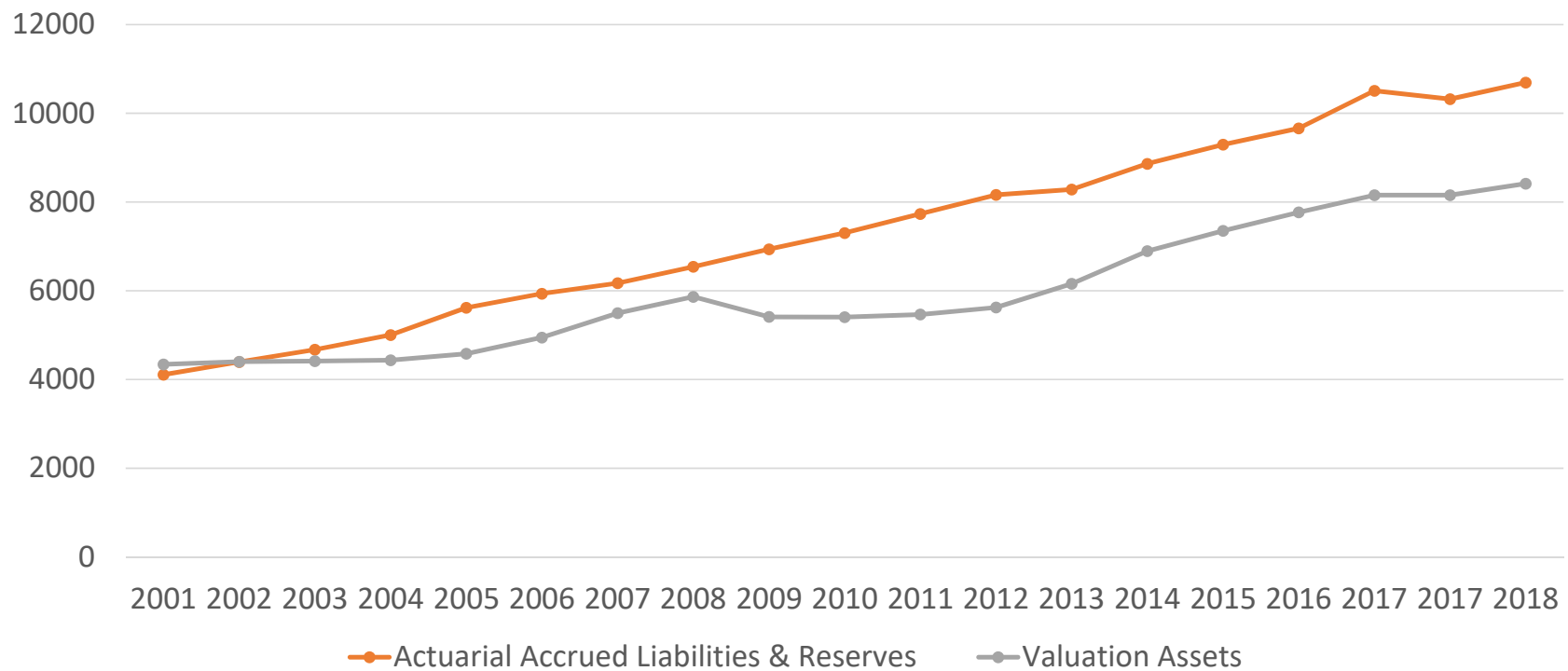


Investment returns are volatile



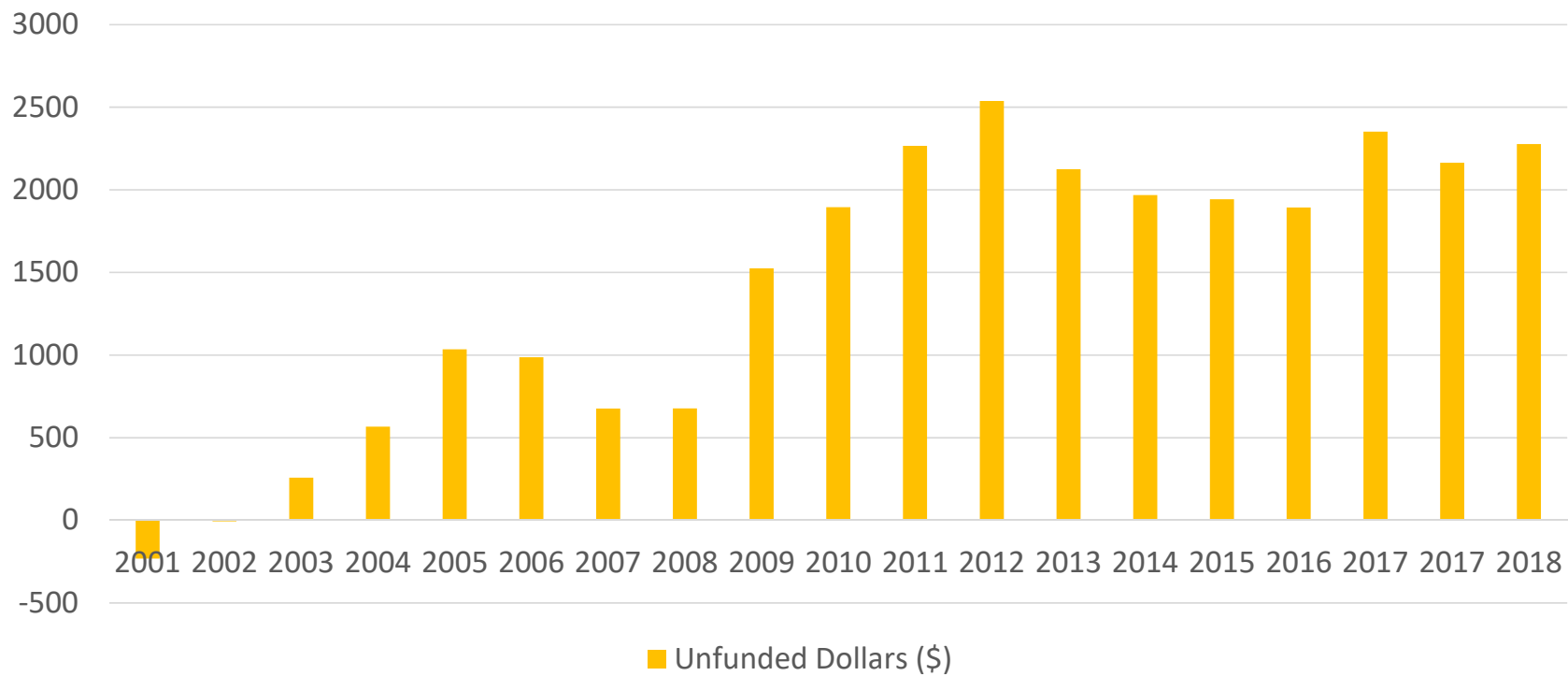
Source: APERS

Liabilities have grown faster than assets



Source: GRS 2018 Actuarial Valuation

Unfunded liability has developed over time



Source: GRS 2018 Actuarial Valuation

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.

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.

Considerations when looking to 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.