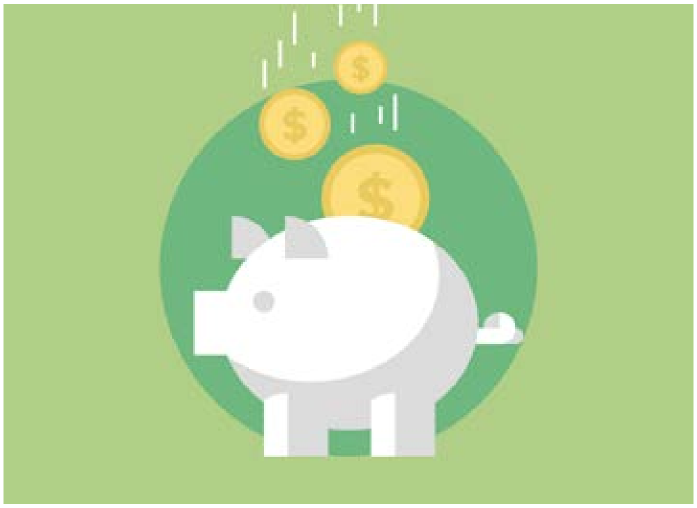
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

APERSpective

ACTIVE MEMBERS

Winter 2019

Defining the Benefits of APERS



Employer-sponsored retirement plans generally fall into two broad categories. APERS operates what is known as a "defined benefits" pension plan whereas most private retirement plans are "defined contribution" plans. The basic difference is what each plan promises its participants. A defined benefit plan (APERS) specifies exactly how much retirement income employees will get once they retire. A defined contribution plan only specifies what each party – the employer and employee – contributes to an employee's retirement account. Of course, it's a bit more complicated, so we will examine each type in more detail.

Defined Benefit (APERS)

A defined benefit or "DB" plan, such as the one offered by APERS, guarantees a specific monthly pension based on a formula. In APERS case, when a member retires the formula calculates a monthly payment based on the member's average salary (highest 3 years), length of service, and a percentage set by law. This payment continues for the life of the retiree. The money comes from the general funds of the plan. The member has no individual retirement account with a fixed amount of money that can be exhausted, so they member cannot outlive his or her retirement funds.

So one of the great advantages of DB plans is their predictability. From the moment employees enter a DB plan, they can calculate exactly what benefits they will receive when retiring under a specific set of circumstances. The longer they work and the higher their salary, the greater their benefit will be, and once it is set it will not change. Of course, the second great advantage is security since the payments continue for life and in some cases beyond if the member chooses a beneficiary option. DB plans like APERS work best on a large scale. They need a high number of contributors to help maintain consistent funding levels, and they require expert statistical analysis to predict trends and guide adjustments. Few private companies possess these resources.

Defined Contribution

Unlike APERS' DB plan, in a defined contribution or "DC" plan each employee has a separate tax-deferred investment account. The account is funded by contributions from the employee and employer at a rate that is usually spelled out or defined in the employment agreement – hence the name. When employees retire, they take their account with them with whatever assets it has accrued. Although the employer's contribution is defined, it is impossible

Continued on page 3

Unretiring Results

In our last issue, we invited you to take a survey on our website about your attitudes towards returning to work after retirement. Well the results are in, and we thought they might interest you. The majority of the respondents were vested members (five or more years of service), so we'll focus on their answers.

The first question we asked was ***do you plan to work after retiring from APERS***:

Not sure	37%
Only if I have to	32%
Definitely	18%
Absolutely not	13%

Next we asked, ***what kind of work you would prefer after retirement***, and most wanted to try something new.

Exactly the same job as before	9%
The same general type of work	18%
A completely different type of work	52%
No work at all	21%

When we asked, ***what is the most likely reason you would return to work***, almost 2/3 of the vested members indicated it would be because they needed the money.

Needing the income	59%
Wanting something to do	29%
Loving my work	4%
Missing fellowship and support	3%

But when we asked, ***what's your top priority in choosing a post-retirement job***, money wasn't the top answer.

Flexible scheduling	53%
Money	32%
Feeling of accomplishment	9%
Supportive environment	6%

We also had a few retired members complete the quiz, and although the sample was small the answers were much more uniform. Almost 3/4 said they planned to return to work, and all of them listed "money" as the reason they would do it. Money was also their top priority in choosing a post-retirement job.

www.apers.org

New Seminars for 2019

APERS has finalized its schedule of retirement seminars for this year. They will be held at State Police Headquarters in Little Rock and other locations around the state. You can view the complete schedule and register online at our website, **www.apers.org\seminars**.

We are offering four different programs, and each includes elements designed for members in different stages of their careers. You only need to attend ONE seminar, so look for the program that matches your member status:

The **Road to Retirement** general information seminar is for any vested APERS member who wants to know more about the retirement system and understand what benefits and options are available. Topics include reciprocity, service credit purchases, the benefit formula, and retirement eligibility.

The **Retirement Readiness** workshops are ONLY for APERS members within one year of retirement. They will provide information intended to help members make retirement decisions. Attendees will also receive a personalized benefit estimate during this session.

The **Deferring Your Exit** DROP entry workshops are only for members with at least 27 years actual service who are interested in the DROP. You will receive information about DROP eligibility, annuity options, and beneficiary designation. We will also provide each registered attendee an estimate and information about Partial Annuity Withdrawal or PAW.

The **Planning Your Exit** DROP workshop is ONLY for members already in DROP and within one year of exit. Each registered attendee will receive an updated DROP projection and information about distribution options.

Note that only two DROP sessions are currently scheduled, both to be held in Little Rock. But keep an eye on the seminar page on our website **www.apers.org/seminars** for the latest news about seminars and future dates.

www.apers.org/seminars

Who Funds the Fund?

APERS' two greatest responsibilities are paying the benefits it owes its members and managing the trust fund from which those payments are drawn. That trust fund relies on three sources of income: investment earnings, member contributions, and employer contributions.

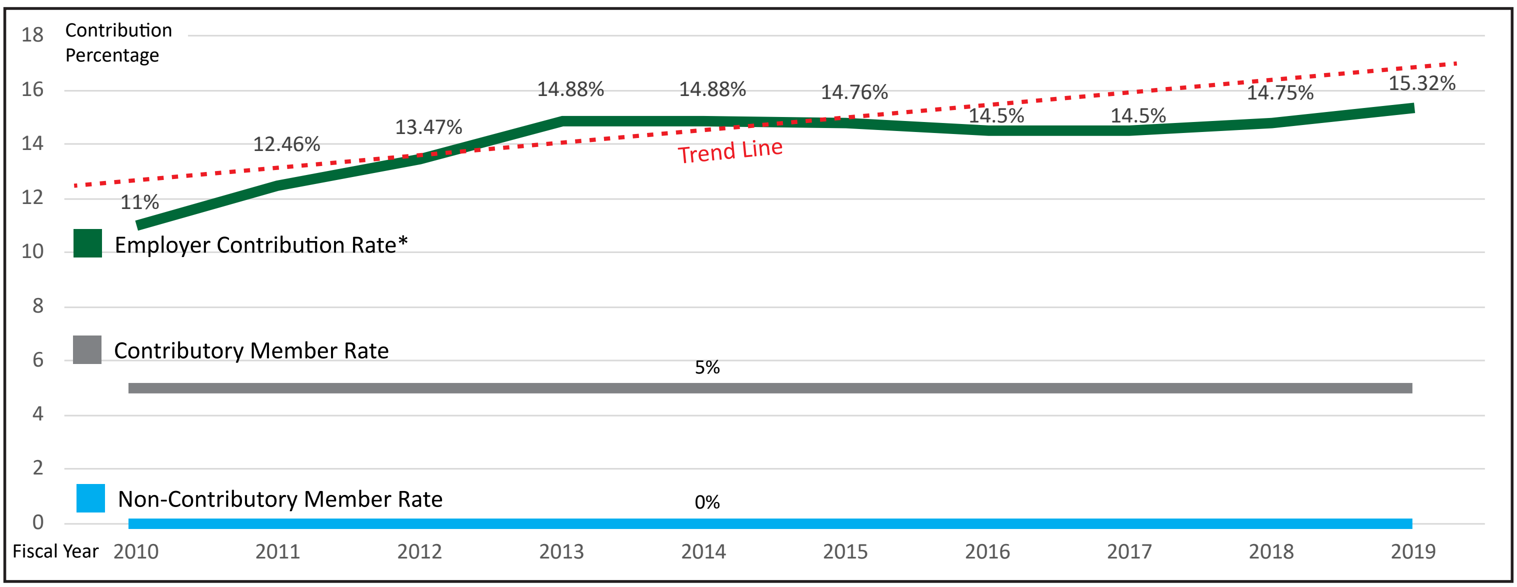
Although investment earnings have contributed the greatest share over the life of the fund, they are also the least predictable and most variable of the income sources. It is the contributions of members and employers that seeded the fund and are the easiest to plan for and control.

As you know, your salary is only part of your compensation. It also includes other benefits like health insurance and leave time. You are reminded of these benefits and your contributions to them in every pay stub. The benefit you don't see is the contributions your employer makes to the APERS retirement fund on your behalf.

Most APERS members first hired before July 2005 are non-contributory and do not pay into the retirement fund. Those first hired after July 2005 are contributory and 5% of their paycheck is withheld pre-tax and paid into the fund (in return for a slightly higher benefit). However, their APERS employers* currently pay an additional 15.32% of their payroll into the fund. That means for every dollar your employer pays to you, that employer contributes another 15.3 cents to APERS on your behalf.

As you see in the graph below, that percentage has been trending upwards over the last 10 years while your employee contributions have remained flat.

Schedule of Rate Changes for Employers, FY 2010-2019



*Does not include Wildlife Officers, Military Department, Civilian Firefighters, District Judges, or School Employers

–**Defining the Benefits, continued from page 1**

to know at any given point how much the account will be worth when the employee retires because the investments in it will be influenced by market forces and other variables beyond the control of employer or employee. The familiar IRA and 401(k) accounts work this way.

DC plan members usually have some control over where and how the funds in their accounts are invested. If the investments perform well, the employee prospers accordingly, but if they don't then the benefits suffer. Even short-term losses can be significant if they occur when the funds are needed. The amount accrued in the employee's account at retirement constitutes the whole of the retirement benefits. If the account is ever exhausted, then so are the benefits, and members can outlive their retirement fund.

Stability and Predictability

Any retirement plan will be affected by the general health of the economy and by the performance of the investments that it makes. However, a DB plan removes the risk from the individual and places it on the plan itself. Although APERS members aren't going to get rich overnight with some clever investment in their retirement account; they're not going to lose it all in a crash either. They enjoy the security that only a defined benefit can bring.

APERS
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

124 West Capitol Avenue, Suite 400
Little Rock, AR 72201

PRSRT STD
U.S. Postage
PAID
Little Rock, AR
Permit No. 00483

Facebook Confidential

APERS regularly posts announcements on Facebook, and we're thrilled when you follow us, but we do not enter into conversations with members on Facebook. This is because Facebook isn't a secure place for those discussions. So please, ***NEVER enter things like your mailing address, social security number, or phone number on a Facebook message or comment post to us (or anyone)***. Not everyone on Facebook is your friend.

www.facebook.com/apers

In This Issue

Retirement and DROP Filing Dates

Retirement Date	Earliest Filing Date	Latest Filing Date
April 1, 2019	January 2, 2019	March 4, 2019
May 1, 2019	January 31, 2019	April 1, 2019
June 1, 2019	March 4, 2019	May 2, 2019
July 1, 2019	April 2, 2019	June 3, 2019
August 1, 2019	May 3, 2019	July 2, 2019
September 1, 2019	June 3, 2019	August 2, 2019
October 1, 2019	July 3, 2019	September 3, 2019
November 1, 2019	August 5, 2019	October 2, 2019
December 1, 2019	September 3, 2019	November 1, 2019
January 1, 2020	October 3, 2019	December 2, 2019

APERS NEWS Volume 16, Issue 1

APERS NEWS is a publication of the Arkansas Public Employees Retirement System (APERS), produced and distributed for APERS members.