

APERSpective

RETIRED MEMBERS

WINTER 2021

APERS Director's Update

I want to wish you and your family a Happy New Year from all of us at APERS!

In this new year, we will continue to strive to provide excellent service to each of our nearly 100,000 active, retired and deferred (inactive) members. In addition, a big focus for us will be on improving the financial strength of the system through the changes in our proposed legislative package.

In the fall of 2019, I traveled the state along with our staff to participate in 11 legislative townhall meetings. These meetings were attended by more than 2,000 individuals who participate in Arkansas public retirement systems. We had an opportunity to listen to the concerns, input, ideas, and suggestions from active and retired members regarding potential changes to our benefits and plan provisions. This feedback was heard by the legislators

who participated in the townhalls and was provided to the Board of Trustees.

Today, APERS is 79% funded with a \$2.4 billion Unfunded Actuarial Accrued Liability. The Board has worked diligently over the years to improve the system's financial status without changing member benefits. They have done this by growing the system's investment assets from around \$5 billion a decade ago to over \$10 billion today. They have also raised the employer contribution rate from around 11% to over 15% today.

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Executive Director Duncan Baird

Proposed Legislative Changes

Benefit Provision	Description of Proposal	Group Affected
Member Contributions <i>A member's contribution is currently set at 5% of their salary.</i>	Increase from 5% to 7% — 0.25% per year for 8 years.	All active contributory members
Final Average Compensation (FAC) <i>A Member's FAC is one of the factors determining the member's pension. The FAC is currently set as the average of the 3 highest years earnings.</i>	Increase from 3 to 5 years — The current 3-year FAC of all members would be computed and then frozen at a date to be determined. At the time of retirement a 5-year FAC would be computed. The final FAC being the greater of the frozen 3-year FAC or the 5-year FAC.	All active members
COLA <i>A retired member's cost of living adjustment (COLA) is an annual increase to a retiree's pension. The COLA is currently set at 3%.</i>	To align the COLA more closely with the Consumer Price Index (a measure of inflation). The COLA would be based on the lower of 3% or the Consumer Price index (CPI) when COLA's are paid.	New hires only

APERS WISHES OUR MEMBERS A HAPPY NEW YEAR!

1099-R Tax Forms Coming



APERS wants our Retirees to know that sometime before January 31, we will mail an IRS form 1099-R to members who received benefit payments in 2020. It will be sent to the address we have on file for each member. If your address has changed in the last year please let us know.

If by February 15 you have not received your 1099-R or you need a duplicate, you can retrieve it from our Member Self Service (MSS) portal, or you can call us at 501-682-7800 (or 800-682-7377) to request another one be mailed.

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DIRECT DEPOSIT DATES

Mon., **January 4**, 2021

Mon., **February 1**, 2021

Mon., **March 1**, 2021

Thurs., **April 1**, 2021

Mon., **May 3**, 2021

Tue., **June 1**, 2021

Thurs., **July 1**, 2021

APERS Director's Update

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By making additional adjustments, we can accelerate our financial progress and help mitigate financial risk in the future. The challenge is to make changes that will both benefit the system as a whole while minimizing the impact to our members.

After months of discussion, the Board is proposing three changes for the 2021 Legislative Session. These changes incorporate feedback that was heard at the townhall meetings as well as feedback from our stakeholder groups. The proposed changes are listed in the table on the front page.

By making modest changes to the plan now, we have an opportunity to make progress in improving our funded ratio and reducing our unfunded liabilities over time. These proposed changes will help to financially strengthen the system for the benefit of our members over the long term.

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Executive Director

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