

# APERSpective

ACTIVE MEMBERS

Winter 2022

## Director's Update: Legislative Changes Being Implemented in 2022

As we enter 2022, I wanted to take an opportunity to look back at the legislative changes that were implemented in 2021 and talk about the resulting changes that will occur this year.

As you know, there were many discussions over the last few years about strengthening APERS from a financial standpoint. While the funded level of APERS exceeds both the national average and the level of many of our peers, and while the fundamentals of our system are solid, there is still work to be done to achieve our long-term goal of a fully funded system.

*...many members expressed a preference for an increase in the employee contribution rate rather than changes to benefit provisions.*

These discussions culminated in a series of 11 legislative town hall meetings that were held around the state in 2019. Based on the feedback that members and retirees provided at those meetings, the legislature enacted changes during its 2021 session that will help strengthen our system while maintaining a great retirement benefit for our members. Over time, these changes will help bridge the gap between the system's assets and liabilities to become fully funded, and that will help ensure that our system remains strong well into the future.

### Employee contribution rate change

At the town hall meetings, many members expressed a preference for an increase in the employee contribution

rate rather than changes to benefit provisions. Members also said that a gradual increase in the contribution rate would ease the implementation over time.

As a result of the enacted legislation, which goes into effect on July 1, 2022, the employee contribution rate will increase from the current 5% to 5.25% -- a difference of 0.25% for contributory members. Over the next 8 years, the APERS employee contribution rate will continue to increase by 0.25% per year until it reaches 7%.

Date	Contributory Rate
Current	5.00%
July 1, 2022	5.25%
July 1, 2023	5.50%
July 1, 2024	5.75%
July 1, 2025	6.00%
July 1, 2026	6.25%
July 1, 2027	6.50%
July 1, 2028	6.75%
July 1, 2029	7.00%

For a member earning the average salary in our system, the change from 5% to 5.25% would likely amount to about \$4 per pay period. Current active members will see no other change to their benefits.

### Changes for new members

In addition to the change in the contribution rate, there were also changes made to benefit provisions for members who first join the system on or after July 1, 2022. For these new members, there are new provisions for the calculation

*(Continued on page 3)*

## Choosing Early Retirement

Retirement plans must define the age at which their members qualify for normal retirement. By reaching normal retirement age, members usually receive the maximum, unreduced benefit to which they are entitled. While unreduced benefits are ideal, members often want or need to retire before they attain normal retirement age.

APERS early retirement benefits are reduced from the benefits members would receive by waiting until normal retirement age. It is important to note that this reduction for early retirement is permanent. To help you decide if it's worth it to take a reduced benefit, permanently, let's review the benefit considerations and personal considerations of retiring early.

### Benefit Considerations

Generally there are two measures for members to qualify for early retirement:

- 1.) By age - Age 55 with at least 5 years of actual service
- 2.) By service - Any age with 25 actual years of service

Reduction calculations are also based on age or service, and the lesser reduction will apply

- By age - 0.5% for each month away from age 65 (60% maximum)
- By service - 1% for each month away from 28 years of service (36% maximum)

The following illustrates each reduction -

- By age - A member with 5 years of service retiring at age 60 years 0 months would have a 30% reduction (60 months x .5%). The normal retirement age benefit of \$1,000 a month would be reduced to \$700 a month for early retirement.
- By service - A member retiring with 27 years and 0 months of service would have a 12% reduction (12 months x 1%). The normal retirement age benefit of \$1,000 a month would be reduced to \$880 a month for early retirement.



### Personal Considerations

There are myriad reasons why people choose early retirement, and sometimes early retirement chooses them due to health or other factors. However, if you are considering early retirement, the following list of questions might be helpful in determining if you are really ready.

- Why do I want to retire?
- How will I fill my time?
- Do I have another job waiting on me?
- Can I afford to retire now?

Deciding when to retire is a big decision. We simply want to encourage members to think through all aspects of that decision and make the best decision for their individual circumstances.

## Member Education Opportunities

APERS' Education Services continues into the new year with new and exciting additions to the current educational seminar topics. APERS offers training for our members who are new to the system as well as a number of topics on retirement choices and planning for our members who are considering retirement.

Throughout the year we will continue to offer new training topics and opportunities to learn.

We encourage our members to go to our Educational Service page for a complete listing of training topics offered, as well as a schedule of dates and times.

**[www.apers.org/education](http://www.apers.org/education)**

 [www.facebook.com/Arkansas.PERS/](http://www.facebook.com/Arkansas.PERS/)

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# Retirement Income

## Do You Have A Plan?

To retire, you need to have the means to replace the income earned while you were working. As an APERS member, once you become vested, you will be eligible for a future lifetime retirement benefit. However, your APERS benefit is not designed to replace 100% of your pre-retirement income. Most people will need a 3-tiered approach for income replacement, of which your APERS benefit will be one tier. The 3-tiered approach is commonly referenced by financial planners as the “three-legged stool.” The three most common sources of retirement are

- Social Security
- employer retirement (APERS benefit)
- and personal savings

According to the Social Security Administration, Social Security is only designed to replace up to 40% of your pre-retirement income. While there is great value and security in having 2 sources of lifetime benefits, this may not be enough to maintain your standard of living during retirement. You may need to have a plan for accumulating additional funds that could be drawn from during retirement. How can you accumulate funds without changing your existing budget or cash flow?

*The 3-tiered approach is commonly referenced by financial planners as the “three-legged stool”.*

The following are just a few ways that may be beneficial for building the “third-leg” of your retirement to go along with your employee retirement and Social Security:

- Reducing expenses such as electronic subscriptions (i.e., entertainment)
- Reducing the number of meals eaten out
- Using coupons
- Starting a side business
- Paying off debts (credit cards, vehicles, etc.) and once paid, continuing to pay that amount into a savings or Individual Retirement Account (IRA).



APERS has a new retirement planning webinar which will include tools to help you figure out where you stand today, determine where you’d like to be in the future, and help you prioritize how to get there. The 2022 webinar dates will be posted soon to our website at [APERS.org](http://APERS.org), under the Retirement Education quick link [www.apers.org/education](http://www.apers.org/education)

### **Director's Update: Legislative Changes in 2022** *(Continued from page 1)*

of the Final Average Compensation (FAC) and the Cost of Living Allowance (COLA) when they retire. These changes will help strengthen the plan into the future while maintaining benefit provisions like those APERS has offered historically.

These changes will impact future members of the plan, but they may also impact certain current members. When current contributory members terminate employment and request a refund of their contributions, they forfeit the service credit and any future benefits associated with that service. That forfeiture resets their first hired date should they later return to covered employment and may subject them to the new benefit provisions. Current contributory members should watch their mailboxes for more detailed information about how these provisions may affect them.

Thank you for your service as a public employee and for your continued membership in APERS. Please let us know if there is any way that we can be of assistance to you during this new year.

For more information on APERS legislative changes, please visit [www.apers.org/law](http://www.apers.org/law)





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# ▶ 65 YEARS OF SERVICE TO OUR MEMBERS

*APERS was established in 1957 and will be marking 65 years of service this year. Old enough to retire with a full benefit!*

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## RETIREMENT AND DROP FILING DATES

Retirement Date	Earliest Filing Date	Latest Filing Date
May 1, 2022	January 31, 2022	April 1, 2022
June 1, 2022	March 3, 2022	May 2, 2022
July 1, 2022	April 4, 2022	June 1, 2022
Aug. 1, 2022	May 3, 2022	July 5, 2022
Sept. 1, 2022	June 3, 2022	Aug. 2, 2022
Oct. 1, 2022	July 5, 2022	Sept. 1, 2022

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