

APERS *pective*

Fall 2011

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A Newsletter for Members of the Arkansas Public Employees Retirement System

What Public Pension Funds Mean To America

Much of this month's Director's Corner is excerpted from a presentation made to the U.S. Senate Committee on Health, Education, Labor and Pensions by the executive director of the National Institute on Retirement Security (NIRS). In the current political environment where public pensions – and public employees – are characterized as greedy, costly and unnecessary, it is important that we all are armed with the real facts of what public pension funds mean to America.

The NIRS presentation made the following points:

- Defined benefit pensions are key to ensuring self-sufficiency for middle class Americans
- Pensions strengthen national and local economies
- Pensions prevent elder poverty and near-poverty
- Pensions are the most economically efficient way to provide for retirement

Over 21 million private-sector American workers and 14.2 million state and local workers have access to defined benefit pension plans like APERS. “For working American families, a key facet of the American Dream is to live in dignity and maintain financial independence in later years. Simply put, Americans do not want to be a financial burden for their families...More specifically, pensions enable nearly 5 million older American households to stay above the poor or near poor threshold levels, and thereby avoid reliance on assistance from family or the government to meet their basic daily living expenses”.

Unfortunately, changing accounting rules in the private sector make it extremely difficult for companies to maintain their defined benefit plans. The rule changes causing these companies to shed their pension plan have been a critical failure for so many people. The 401(k) plans with which so many Americans must make do were originally **supplemental** benefits for highly compensated executives. When these 401(k) vehicles are the only means of support for individuals, a serious market downturn like we experienced in 2008 – 2009 can devastate any plans for retirement. “84 percent of Americans are anxious about their

Contributory Election Available Through Dec. 30, 2011

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**2%
MULTIPLIER**

Act 140 of 2011 opens a “window of opportunity” for current Non-Contributory members to become Contributory members. A public employee hired before July 1, 2005, who was an active member of APERS on July 1, 2011, has until December 30, 2011 to elect coverage under Contributory provisions. Members who switch will see their plan change from Non-Contributory to Contributory the first payroll period that is paid and reported for January 2012. The change will be prospective only. The election to become a Contributory member is irrevocable.

Contributory members contribute 5% of their annual compensation, pre-tax (taxes are deferred) to the System. In return, members will have their final average salary calculated with a larger multiplier (currently 2.0%) than the multiplier used for Non-Contributory service (currently 1.72%)

There is no provision for withdrawal of your contributions except in the form of a monthly annuity or a termination refund (all accumulated Contributory service time will be forfeited).

APERS has added information to its website to help members obtain details about the Contributory program, find forms, and get answers to questions. The new information link can be found at the top menu toolbar on the APERS homepage, titled “Going Contributory.” APERS has been providing ongoing seminars for those who wish to attend. The last seminar of the series is scheduled for **November 15, 2011** in Little Rock at the Office of Child Support Enforcement
400 E. Capitol Ave.

If you choose to switch from Non-Contributory to Contributory service, you are required to complete the one-page Contributory Election Form. The form can be obtained from the APERS website at: **www.apers.org**.



In order to take advantage of the opportunity to be a Contributory Member, the Contributory Election Form must be properly completed by the member (and the employer) and turned into APERS on or before Dec. 30, 2011.

Revised Annual Statements give members more information

Members who get their annual statements this year will notice they look much different than past ones. APERS has redesigned the annual statements to provide members with more useful information, and make it easier to understand. Another plus of the newly designed statements is it has all the information you need to go online and generate your own benefit estimates!

The front of the new form consists of four main sections:

- Member Information.** APERS lists basic information we have on file for you here. This includes your SS number, your date of birth, gender, membership type (Contributory or Non-Contributory), last employer, and any beneficiaries.

- Activity for 7/01/2010 to 6/30/2011.** This section lists your service and contributions on file at the start of the year. The section also lists current year service and contributions, purchased service, and the sum total of all service and contributions by the end of the Fiscal Year.

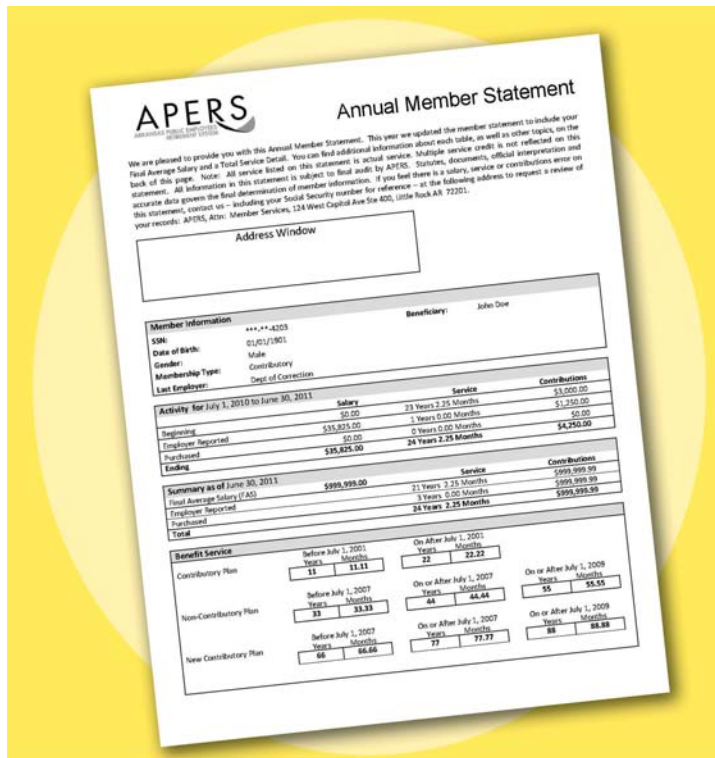
- Summary as of 6/30/11.** The Summary table on the form shows your Final Average Salary (FAS). Your FAS is the sum of your three highest fiscal year earnings divided by three. This number is important as the FAS is used to calculate a benefit. You can use the FAS to calculate a benefit using the Benefit Calculator at www.apers.org, or by calculating your benefit manually. Other information includes total service and contributions on record for the member as of June 30th of the year the statement is issued.

- Benefit Service.** This section will list service you have accrued in the Contributory Plan, the Non - Contributory Plan and the New Contributory Plan. The service will be listed as years and months for various time periods. The service is listed in this fashion in order to reflect how the benefit service information needs to be placed in the benefit calculator in order to do a benefit estimate. The online calculator benefit service area looks just like this.

APERS can generate a benefit estimate for you. All benefit estimate requests must be submitted in writing. Please use the Benefit Estimate Request found on the APERS website or contact APERS and we will be glad to mail you the form.

APERS encourages you to use the online benefit calculator to generate your own benefit estimate.

On the back side of the statement, you will find system information which includes definitions and explanations of the minimum service needed to qualify for normal retirement, reduced retirement or disability retirement.



YOU LIVE WHERE??

APERS sends the Annual Member's Statement to the address we have on file for you. If you have moved or changed your address in the last year, you need to let APERS know. Simply notifying your employer is not enough. You can find the "Change of Address" form on the website, or contact APERS and we will send you one.

Final Seminars for 2011	
Date	City
Oct. 21, 2011	Hardy (Morning)
Oct. 26, 2011	Little Rock (Full Day)
Nov. 16, 2011	Little Rock (Women's Seminar)
You can find details on location and additional information online on the "Seminars" page at:	
WWW.APERS.ORG	

Members who have questions or comments about the new Member Annual Statements are encouraged to contact the APERS Call Center at: 501-683-6049 or 501-683-6050.

What Public Pension Funds Mean To America *(continued from page 1)*

retirement prospects. An overwhelming majority also believe the nation's retirement infrastructure is crumbling and that stock market volatility makes it impossible to predict retirement savings".

As I have stated repeatedly in past columns, our pension plans strengthen national and local economies. Each dollar that public employers contribute to state and local pensions supports \$11.45 in total economic activity, both in increased tax revenue and in spending for goods and services at local stores and industries. "Pension payments are particularly vital to small communities and economies across the country where there is a lack of diverse local industries or where other steady sources of income may not be readily found". A good example of this economic engine is Montgomery County here in Arkansas. Most of that county is made up of national forest land that generates low or no revenue for the county. APERS pays nearly \$1 million annually to retirees residing in the county. This is money that is then used to pay taxes and to purchase goods at locally-run stores. If \$1 million were to vanish from the collective pockets of Montgomery County's citizens, the county would greatly suffer.

When older Americans with pensions are able to be self-sufficient in retirement, the financial burdens on governments ease. In 2006, 1.35 million fewer households received means-tested public assistance as a result of having pension income. This translated into a \$7.3 billion savings in public assistance expenditures". This point is closely correlated with the economic engine described above. When retirees are confident that they won't outlive their retirement income, they will spend it into the local economy rather than hoard money for a rainy day emergency.

Defined benefit pension plans are the most efficient means of providing retirement security due to the pooling of risks. Aside from the better-known and understood Market Risk where you might lose on all your investments right before you intend to retire, there is also Longevity Risk wherein you might outlive your savings no matter how carefully you plan. Multiple studies have concluded that defined benefit plans outperform 401(k) investors by between 1.21% and 3.22% annually.

Over time, this compounds to at least a 26% cost advantage for the traditional pension. Also, a pension plan does not age like an individual, meaning that the pension can remain invested in higher risk/higher return assets even as a portion of its membership is ready to retire. **APERS investments returned 26% in the fiscal year just concluded.** An individual preparing to retire in the near

future could not have prudently earned such a healthy return as his or her investments would necessarily be more heavily weighted to safer investments like government bonds that currently yield just 1.98%.

When you hear the frantic claims that states can't afford to maintain defined benefit plans, keep in mind those are states that over-promised on benefits and then never paid for them. That is a very sad fact. But also keep in mind that APERS has been fairly modest in its benefit promises and the participating employers have always paid their required contributions.

It is truly unfortunate that so many private sector workers have lost the security of a defined benefit pension, and all Americans should push for ways in which to reinstitute them. But to demand that public sector workers forfeit those protections as well is simply a race to the bottom.

APERS PROFILE

Cathy Shipley



Cathy Shipley, an employee of APERS since 2007, is the agency's Reporting Section and Accounting Unit Manager. She oversees operations and processes for reporting of agency/member information/contributions, and for Accounting for the three retirement systems that APERS oversees (APERS, the Arkansas Judicial Retirement System, and the Arkansas State Police Retirement System).

Cathy came to the agency with 31 years of work experience in the private sector and in state government. Through her work with four other state agencies, Cathy gained experience with agency budgeting, human resources, grants, and other administrative duties.

Cathy obtained her BA and MBA degrees from the University of Arkansas, and continued her education in areas of budgeting and grants management. She is the mother of two grown sons, one a pathologist and one an attorney. Cathy's also the proud grandmother of two granddaughters, ages 2 years and 2 months, with a third grandchild on the way.

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UPCOMING FILING DATES

Retirement Filing Dates

Retirement Date	Earliest Filing Date	Latest Filing Date
December 2011	September 2	November 1
January 2012	October 3*	December 2
February 2012	November 3	January 3*
March 2012	December 2	January 31
April 2012	January 3*	March 2
May 2012	February 1	April 2*
June 2012	March 5	May 5

* For retirement applications only - if a Filing Date falls during a weekend or on a holiday, the filing deadline becomes the next working day.

DROP Filing Dates

DROP Enroll Date	Earliest Filing Date	Latest Filing Date
December 2011	August 31	October 31
January 2012	September 30	November 30
February 2012	October 31	December 30
March 2012	November 30	January 31
April 2012	December 30	February 29
May 2012	January 31	March 30
June 2012	February 29	April 30

* The Filing Deadline for DROP applications is always the last working day of the 2nd month before enrollment, **not the last calendar day of the month!**

APERSpective is a publication of the Arkansas Public Employees Retirement System and is distributed for the information of APERS active members.

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WWW.APERS.ORG

The APERS “Going Contributory” Page - What’s There?

On the APERS.ORG website you will find a link to the Going Contributory Page. On this page you will find information such as :

- Schedule of upcoming **Contributory Seminars**, including a registration form
- Brochures and Newsletters explaining highlights of Contributory program
- Act 140 of 2011, the official legislation that reopened an application period to join the Contributory Program, and more!