

APERSpective

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Fall 2011

A Newsletter for Retired 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 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".

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Can DROP retirees return to work ?

If you are an individual who is currently participating in the Deferred Retirement Option Plan (DROP), or has ended participation in DROP, you may be considering returning to work with an APERS covered employer. The big question is "Can I return to work for an APERS covered employer after retirement?" The answer could be yes or no, depending on the date you entered the DROP program. The period of time you must remain retired before returning to work is dependent upon this date.

As can be seen on the chart, the date you entered the DROP program will determine the period of time you must remain retired before you can return to work for an APERS covered employer. For those members entering DROP March 1, 2011, or later, the member cannot return to covered employment under any Arkansas Authorized plan.

These rules apply to those retiring out of DROP and returning to work for an Arkansas Authorized plan. You may return to work in the private sector or the federal government at any time.

Retirement with DROP Participation	
Entered DROP on	Before I can return upon exiting DROP
January 1, 2009 or before	30 Days
ELECTED OFFICIALS ONLY In DROP before (and still an Active member on) January 1, 2009	90 Days
February 1, 2009 through February 1, 2011	180 Days
March 1, 2011 and forward (includes employers covered under reciprocal plans)	NO! YOU CANNOT RETURN TO COVERED EMPLOYMENT!!

Would you like a Retiree Seminar in 2012?

APERS is considering developing a seminar devoted solely to retirees and their issues. APERS would really like your thoughts on the subject, and as such have created an online survey for that purpose.

We would like any of our retirees, beneficiaries, survivors and DROP participants, who are interested in a seminar to go online and do a short survey telling us what you would like to see in regards to topics and locations.

To access this survey, go to **www.apers.org**, and click the Retirement icon (the one with the coffee mug)

at the top of the home page. On the Retirement page, you will see a link to go to the online survey.

Some suggested topics may include: the importance of Direct Deposit, or the importance of establishing a power of attorney. What life changes will allow retirees to change their beneficiary or benefit options is a consideration as well.

Go online and tell us what you think. It'll only take a moment and APERS would really like to know your thoughts on this idea.

www.apers.org

Insurance Questions

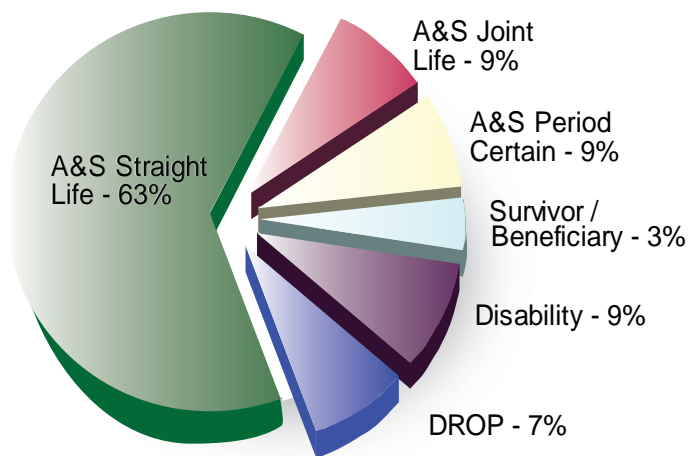
APERS Retiree Services will be changing how they do certain processes in the near future. One of the effects of that change is the APERS staff will no longer have access to information about our member's insurance. That information will go directly from Employee Benefit Division into the APERS system.

If you have questions about your state health insurance coverage, you will need to call Employee Benefits Division at (501) 682-9656, or at 1-877-815-1017.

Or visit the EBD website at:

www.ARBenefits.org

Snapshot of 2010 benefits paid to retirees, survivors and beneficiaries



Statistics for building the pie graphic came from the 2010 APERS Actuarial Valuation and Experience Gain/(Loss) Analysis, June 30, 2010, prepared by actuaries Gabriel Roeder Smith & Company.

Every month APERS sends out monthly annuity payments to our retired members. The amounts of those payments vary based on factors such as work history, type of service (Contributory or Non-contributory) and which option was chosen at the time of retirement.

As the pie chart illustrates, roughly two-thirds of all APERS retirees receive their benefits through the Straight Life option. The remaining retiree benefits being paid are:

- 9 percent opt to receive retirement through the A&S Joint Life (B-75 and B-50 options)
- 9 percent receive their benefits via the A&S Period Certain (A-120 or A-60 Option)
- 3 percent receive Survivor/Beneficiary payments
- 9 percent receive a Disability retirement
- 7 percent are receiving a DROP benefit

Change in status after retirement

Once a member has chosen their benefit option preferences, those preferences are permanent except in certain circumstances.

For a retiree who has chosen the Straight life option, getting married after retirement is an acceptable reason to change their retirement option.

For a retiree who has chosen A-60

or A-120, a divorce or the death of a beneficiary, is an acceptable reason to change their beneficiary.

For a retiree who has chosen B-50 or B-75, a divorce or the death of a spouse, is an acceptable reason to change their retirement option.

A retiree must initiate this action by notifying APERS of the event in writing.

We will then advise the member of the available options and send the required forms to the member for completion.

Proof of the change in status (a certified copy of a death certificate, copy of a marriage license, or a copy of a divorce decree) will have to be submitted with the completed form. Any changes will take place the month following the receipt of the required form.

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

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.

APERS offers free parking

If you're coming to APERS for business (applying for retirement, meeting with Benefit Accounting, etc.), you may be able to get free parking in the Union Building parking deck, if space is available. To get to the deck, drive south on Louisiana Avenue. Between 4th Avenue and Capitol Avenue, you will find the parking deck on the left-hand side of the block in the APERS Building at 124 West Capitol Avenue. After you've parked and finished your business have the APERS Receptionist validate your parking ticket and present the ticket to the parking attendant.

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Retirees Seminar in 2012?
Benefits paid to Retirees in 2010, and More!

2011-2012 APERS Direct Deposit Dates

November 1, 2011
December 1, 2011
January 3, 2012
February 1, 2012
March 1, 2012
April 2, 2012
May 1, 2012

Deposits are made on the first workday of each month. If the first falls on a holiday or weekend, deposits are made the next official workday.

Moved recently?

When you move, please inform APERS in writing. You can use the Change of Address form at: www.apers.org or send a handwritten letter with your signature stating your new address. Remember to post your Social Security number on correspondence you mail APERS. A form can be mailed if you call us at (501) 682-7800. Persons outside Pulaski County can call toll-free, 1-800-682-7377.

Call EBD about insurance

If you have questions about your state health insurance coverage, call Employee Benefits Division at (501) 682-9656, or at 1-877-815-1017. Or visit the EBD website at:

www.ARBenefits.org

APERSpective is a publication of the Arkansas Public Employees Retirement System and is distributed for the information of APERS annuitants, beneficiaries and survivors.

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