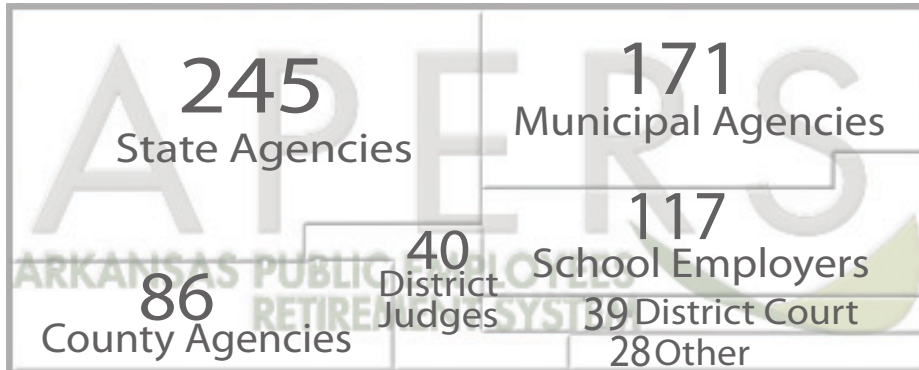


APERS EMPLOYERS

NEWSLETTER

WINTER 2015

Reporting Agencies 2014



2015

APERS Employers News & Information

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Defined Benefit Plans Benefit Employers Too

APERS is a “defined benefit” plan (DB or pension plan), which guarantees eligible retirees a lifetime annuity at a rate based on their average salary and amount of service. This type of retirement plan has been around since 1875 when the first example was introduced by American Express. Far from outmoded, it remains a cornerstone of the benefit packages offered by thousands of public employers today.

“Whereas public employers may have difficulty matching private-sector salaries, those with DB plans can counter with the most desirable benefit package . . .”

DB plans offer a number of advantages to both employers and employees. Perhaps most importantly for employers, it helps them compete for top-quality personnel. Whereas public employers may have difficulty matching private-sector salaries, those with DB plans can counter with the most desirable benefit package providing a strong total compensation package. As real-world results repeatedly show, employees prefer pension plans as part of their overall compensation.

For example, a recent study examined seven major public retirement systems that offered incoming employees a choice between a DB plan and one or more alternatives. During the period studied (2010-2011), the overwhelming majority of new hires in those systems chose the DB pension plan -- from 75 percent in the

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FY2016 Employer Rates

In accordance with the laws regulating the retirement system and based on the annual valuation prepared by the actuary, the Arkansas Public Employees Retirement System Board of Trustees, at its regularly scheduled meeting on November 19, 2014, determined that the employer contribution rate to be effective July 1, 2015 will be:

APERS

Your current employer rate will change to **14.50%**

Wildlife Officers

Your current employer rate will change to **26.50%**

Military Department Civilian Fire Fighters

Your current employer rate will change to **26.50%**

Please contact the Administrative Services Reporting Unit at (501) 682-7818 with any questions.



Calling on APERS

When you have a problem or a question you need answered concerning your responsibilities as an APERS participating employer, our call center can usually route you to the right department, but it might help you to know exactly which section of APERS will best be able to help. More than likely, it will be one of the two that are directly involved in the most typical transactions we have with our employers -- Member Records and Administrative Services.

The Member Records Section is primarily concerned with collecting and maintaining basic member data. They process your enrollment forms. The Administrative Services Section deals primarily with employer data and performs reporting and accounting functions. They process your contribution payments and your earnings and service reports, and they handle reconciliations and refunds of overpayments.

Below is a more detailed breakdown of the sections which work directly with employers:

Member Records

Member Records maintains employee and employer records. Services include the following:

- Membership eligibility issues
- Changes to members' history
- Enrolling new members
- Enrolling new employers
- Delinquent service purchases
- Retroactive wage adjustments
- Court-ordered wage settlements

Administrative Services Section: Reporting Unit

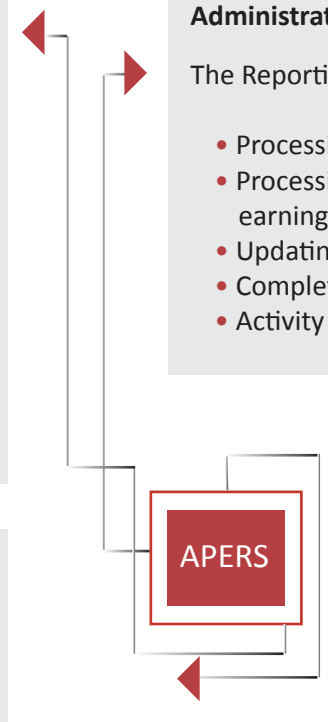
The Reporting Unit is responsible for the following:

- Processing current month remittance forms and payments
- Processing current month reconciliation forms and monthly earning and service reports
- Updating employer contact information
- Completing lump sum payment forms for processing
- Activity statements

Administrative Services Section: Accounting Unit

The Accounting Unit is responsible for the following:

- Maintaining the general ledger
- Employer refund requests for overpayments
- Reconciliation of employer accounts



You can contact APERS, including any of these sections, by calling us locally (in Pulaski County) at 501-682-7800 or toll free at 800-682-7377, or you can visit APERS online at www.apers.org.

www.apers.org

“A defined benefit plan offers the most efficient, cost-effective, and secure method of providing retirement benefits to employees.”

Florida Retirement System all the way to 98 percent in the North Dakota Public Employees Retirement System. In five of the seven systems reviewed, at least 88 percent of the incoming workers chose the defined benefit pension plan.

The preference for DB plans is well founded because they have a number of advantages over other approaches. Some of the more important advantages for employees include the following:

- DB plans provide predictable, consistent income that can never be reduced or exhausted.
- DB plans typically include survivor benefits as a standard feature.
- DB plans can often provide significant benefits even for early retirees.

DB plans are able to offer these attractive benefits because of their efficient and productive investment of assets. By pooling their assets in one trust fund which can then be managed as a single portfolio, DB plans incur the lowest possible administrative cost per member. At the same time, they can employ highly skilled investment professionals with the discipline, training, and resources to use proven long-term strategies. Because they emphasize diversification, promote stability, and minimize risk, DB plans can consistently earn relatively high rates of return on their investments for relatively low cost.

As the evidence continues to demonstrate, a defined benefit plan offers the most efficient, cost-effective, and secures method of providing retirement benefits to employees. It's the plan that employees overwhelmingly prefer, and it allows employers to provide the greatest benefit to their employees at the lowest cost.

Retirement Option: Partial Annuity Withdrawal

APERS-covered employers will often ask what options are available to our members upon retirement. While many employers are familiar with the Deferred Retirement Option Plan, or DROP, they are not always as familiar with the Partial Annuity Withdrawal, or PAW, as an alternative to the DROP.

Unlike the DROP, a PAW recipient can return to work after meeting their termination requirements.

For members who work beyond the date they are eligible for “full” retirement with an unreduced monthly benefit, the PAW offers qualified PAW applicants the ability to choose to receive a payment for each full month they worked beyond their eligibility date up to a maximum of 60 months. For example, if a member worked for 10 months past normal retirement age and is going to receive a monthly annuity of \$1,000, that member would be eligible for a PAW lump sum of \$10,000.

Those choosing the PAW option will have their lifetime annuity reduced by an actuarial factor tied to their age and the amount of their PAW.

A PAW recipient can expect payment within 90 days after the retirement date, and can choose between three payment options:

- A lump-sum payment directly to Jane
- A rollover distribution to a qualified retirement plan
- A partial lump sum with the remainder rolled over to a qualified retirement plan

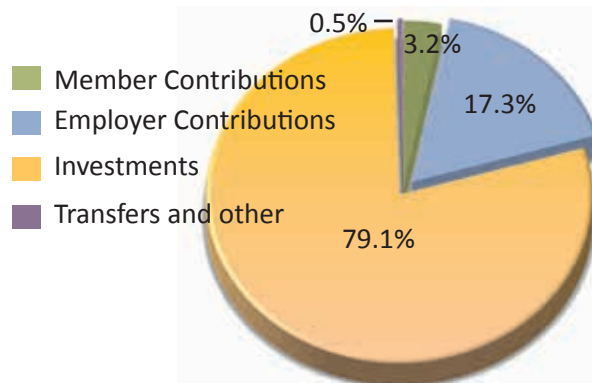
Unlike the DROP, a PAW recipient can return to work after meeting their termination requirements.

You will find a more comprehensive explanation of this option, including its income tax implications, in our PAW brochure, in the APERS member handbooks, and in online FAQs (all of these are available at www.apers.org), or you can call us with any questions.

APERS Revenue by Source

As an APERS-covered employer you are required to make contributions into the system based on a percentage of your total payroll. In addition members who participate in the contributory plan also contribute as well. The contributions plus investment returns make up the bulk of APERS revenue.

While the percentages vary from year to year, for fiscal year 2013, employer and member contributions made up over 20% of APERS revenue. A strong investment return contributed almost 80% of all revenue for APERS as well.



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Employer COMPASS

As we have recently announced, APERS is currently developing a state-of-the-art computerized pension administration system called COMPASS. Among its many advantages, it will provide employers with an easy-to-use online interface where they can transact their business with us. It promises to make fulfilling your responsibilities as a participating employer easier, faster, and more secure than ever.

Access to the Future

“...we are migrating all of our databases to this system and we want to ensure that our records are accurate and complete.”

The system will be operational in 2017, but in the meantime you may find us asking you to verify certain data or provide supplemental information more frequently than we have in the past. That's because we are migrating all of our databases to this system and we want to ensure that our records are accurate and complete. We are grateful for your help and confident that you will appreciate the results.



Questions?

Please call APERS at **501-682-7800** or toll-free at **1-800-682-7377**.