

ATRS 2011 Legislative Session

Senate Bills

<u>Bill#</u>	<u>Sponsor</u>	<u>Bill</u>
SB 63	Sen. J. Hutchinson	An act to expand a member's options for distribution of a member's teacher deferred retirement option plan in the Arkansas Teacher Retirement System to include a partial distribution; to include reciprocal service when calculating plan deposits; to declare an emergency; and for other purposes.

Explanation: This is a cost saving and member oriented bill.

1. First, this bill gives the Board of Trustees authority to clarify how part time T-DROP participants receive T-DROP deposits. Currently, there is no law to give direction on how many T-DROP deposits that a part time member of ATRS can receive in a twelve month period. The Board of Trustees will clarify this after public hearings and analysis on what is appropriate.
2. This bill has a significant cost savings by applying the same reduction for reciprocal years in a system like APERS as a member receives in ATRS. Under current law, an ATRS member with thirty (30) years of ATRS contributory service receives 70% of their annuity placed into a monthly T-DROP deposit account. This is based upon a 1% reduction for every year of contributory service in ATRS. If a member has ten (10) years of ATRS service and twenty (20) years of APERS service, under current law, the reduction is only 10% giving the member 90% of the annuity. This change would have a 1% reduction for every year in the reciprocal system, thereby, giving a reciprocal member 70% of the deposit instead of 90% in the example above. This will save money and bring equity by treating all years of service equally at ATRS.
3. This bill provides members an option of splitting their T-DROP balance when they retire. Currently, they

must roll it all to another administrator like Valic or annuitize the entire balance with ATRS. ATRS wants to give the members the authority to split their balance by leaving 100%, 75%, 50%, or 25% with ATRS to become part of their monthly benefit and roll the remaining balance to another retirement plan. This should give ATRS the ability to keep more balances while, at the same time, giving members more options

Status:

1/18/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

SB 68 Sen. J. Jeffress **An act to specify conditions for calculating service credits under a contract buyout agreement; to declare an emergency; and for other purposes.**

Explanation: There has been some concern due to the short vesting period of ATRS (five years) that some administrators have come to Arkansas and fulfilled a two or three year commitment and then had a buyout of their contract paid over two or three years to cover the vesting period necessary to receive ATRS retirement benefits. The proposed legislation would eliminate this potential loophole by not allowing future service credit unless the member subject to the buyout actually performs onsite employment services. This prevents the contract buyout from establishing service credit when no actual services are performed.

Status:

1/18/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

SB 85 Sen. J. Key **An act to clarify that the onset of a disability must occur while employed as an active member in order to qualify for disability retirement under the Arkansas Teacher Retirement System; to declare an emergency; and for other purposes.**

Explanation: Currently, a member can separate from ATRS and remain active for up to twenty-two (22) months after separation. Under the current law, the member's disability

does not have to begin during employment, but can occur months, or even more than a year later. Example, a member quits working at a school, buys a motorcycle and rides through Central and South America, has a terrible accident in Chile and is now disabled. ATRS would begin paying disability retirement benefits to that member, and the benefits would be paid back to the first month that member was not employed by the school district. This bill would require the member to exhibit symptoms of a physical or mental incapacitation while the member is employed by a system employer as an active member.

Status:

1/20/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

2/3/11 – Withdrawn from Committee for purpose of Amendment #1

2/3/11 – Amendment #1 read the first time, rules suspended, read the second time and adopted, ordered engrossed

2/3/11 – Reported correctly engrossed

2/3/11 – Re-referred to Joint Committee on Public Retirement & Social Security programs

Amend footnote: The amendment was an ATRS amendment to clarify that a member with an illness, disease, or incapacitation that started even before their initial employment would also qualify for ATRS disability. The bill was never intended to only apply to instances of first manifestation during employment.

SB 86 **Sen. J. Key**

An act to increase the number of days employed to earn credited service under the Arkansas Teacher Retirement System each fiscal year; to declare an emergency; and for other purposes.

Explanation: This is a cost savings bill. In 1971, ATRS lengthened the days of service for a year of credit from 85 days of service to 120 days. It has not been lengthened since that time, although the school year has been lengthened several times. In order to save money, ATRS would require 160 days of service for a year of credit versus the 120 days required now. This will save several thousand service years that are being earned by part time members that will not be earned in the future. For instance, members working less than full time currently receiving a full year of service credit

may get three-quarters of a year, members with three-quarters of a year may get one-half year and some members with a half-year of service may only get a quarter-year of service. All of this will amount to savings for ATRS and more fairly represent the actual service at a public school in Arkansas.

Status:

1/20/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

2/2/11 – Withdrawn from Committee for purpose of Amendment #1

2/2/11 – Amendment #1 read the first time, rules suspended, read the second time and adopted, ordered engrossed

2/2/11 – Reported correctly engrossed

2/2/11 – Re-referred to Joint Committee on Public Retirement & Social Security programs

Amendment footnote: The amendment is an ATRS sponsored amendment that clarified conflicting language with another ATRS sponsored bill and was pure technical clarification.

SB 88

Sen. G. Jeffress

An act to allow the Board of Trustees of the Arkansas Teacher Retirement System to fill a vacancy for an unexpired term of an elected trustee; to reimburse a trustee for reasonable expenses to attend an official board meeting; and for other purposes.

Explanation: This bill has three main provisions. One, it allows the Board of Trustees to name a replacement Trustee in the event a Trustee dies or becomes ineligible if the Board determines it is best at that time to appoint someone rather than have a special election. Depending upon the position, a special election can cost ATRS \$30,000 or more. The appointment would remain in place only until the next regular election.

Provision two is due to the ATRS Board going to paperless meetings and often sends hundreds of pages of documents electronically to Trustees to read before a meeting. Some Trustees have limited income and ATRS has paid the cost for high speed internet and wanted to confirm that such was allowed to keep the Board informed. In addition, the Department of Finance and Administration asked ATRS to

clarify the right of ATRS to reimburse a teacher trustee for substitute teachers at a district when a teacher attends an ATRS meeting and the district requires the Trustee to pay for the cost of a substitute for their class. These expenses are minimal and are necessary for ATRS operational activity.

The third provision is for the active teacher members of the Board, that a school district cannot prohibit them from coming to a Board meeting as a Trustee elected by other teachers and that they cannot have a negative job action due to attendance at a Board meeting. This is to ensure that members, who are elected to the Board, are allowed to attend and not be excluded from participating as an ATRS Trustee.

Status:

1/20/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

SB 89 Sen. G. Jeffress

An act to clarify that a member who elects to receive a refund of member contributions also elects to cancel any service credit for noncontributory years; to declare an emergency; and for other purposes.

Explanation: Currently, if a member at ATRS has six years of noncontributory service, and ten years of contributory service, and quits their job and asks for a refund of their contributions, ATRS will refund the contributions, but leave in place the noncontributory service. This means that this member will actually receive a retirement benefit since they are vested with the noncontributory service. On the other hand, if a member with sixteen (16) years of only contributory service quits work and asks for a refund, it cancels the entire service. The purpose of this bill is that if someone asks for a refund, it cancels all service, not just contributory service. This is a cost saving measure that prevents a member from splitting their contributory and noncontributory service in a way to allow them to receive both a refund and a retirement benefit when leaving employment.

Status:

1/20/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

SB 95 **Sen J. Jeffress**

An act to allow the maximum lump-sum death benefit to be paid to members who have accrued fifteen (15) years of contributory service, regardless of noncontributory years of service; and for other purposes.

Explanation: Currently, the ATRS death benefit varies between \$6,667 for totally noncontributory members, up to \$10,000 for totally contributory members. Currently, a ratio is established between contributory and noncontributory years and the difference of \$3,333 is proportioned between the two. For instance, if a person has ten (10) years of service with five (5) contributory and five (5) noncontributory, the person would receive \$6,667 plus one-half of \$3,333. In addition, a person with fifty (50) years of service that has forty-nine (49) contributory years and one (1) noncontributory year would not get the full \$10,000 but would get \$6,667 plus 49/50ths of \$3,333. This bill has a cutoff that says once a person has fifteen (15) years of contributory service, the person is entitled to the full death benefit without reduction since many people receive the full death benefit with between ten (10) and fifteen (15) years of total service if it is all contributory. This bill has a slight cost but any cost should be minimal.

Status:

1/20/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

SB 126 **Sen. J. Key**

An act to establish the right of an Arkansas Teacher Retirement System member to remain an active member when employed by an institution of higher education; to enable institutions of higher education to recruit experienced public school employers by allowing the employer to enroll vested members of the Arkansas Teacher Retirement System after July 1, 2011; to provide accurate verification and reporting requirements; to declare an emergency; and for other purposes.

Explanation: The attorney general issued an opinion in 2009

that made college participation problematic and difficult. This bill greatly reduces the ability of colleges to offer ATRS, while at the same time, allowing colleges to participate in ATRS on a fair but more limited basis. Essentially, this bill provides that all current employees at a college can remain (grandfather) in ATRS regardless of whether full time, part time, or positions they may hold. After July 1, 2011, colleges may only add new employees into ATRS if the employee is already vested with ATRS, a full time employee, and the employee makes an irrevocable election to stay in ATRS while employed at any public college in Arkansas. This bill also prohibits stacking of salary at a college and a public school to prevent an arbitrage against ATRS during a teacher's last three years of employment by going to work at a college, while employed at a school district and stacking the salaries for a big boost in the final average salary. ATRS is prepared to compromise on this bill to obtain passage. ATRS does not have a hard and fast line on any specific provision of the bill.

Status:

1/24/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

House Bills

<u>Bill#</u>	<u>Sponsor</u>	<u>Bill</u>
HB 1111	Rep. R. Stewart	<p>An act to allow members of the Arkansas Teacher Retirement System to purchase armed forces reserve Service credit; to allow the purchase of one year of credit in the Arkansas Teacher Retirement System for one year of service in the national guard and armed forces reserve up to a maximum of five years; and for other purposes.</p> <p>Explanation: This is a military service bill that allows members of the military reserve and national guards from other states to also be able to purchase ATRS service. Arkansas currently only allows Arkansas National Guard service, no out of state national guard and no military armed forces reserve service. In addition, ATRS requires five (5) years of part time military service for each one (1) year to purchase, whereas, APERS and others allow one for one. This</p>

bill would also bring ATRS to a one for one basis. However, if another bill passes, all the service would be purchased at actuarial cost, which means ATRS will not have any cost related to these purchases.

Status:

1/13/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB 1117 Rep. R. Stewart

An act to permit the Arkansas Teacher Retirement System to create appropriate accounts to properly manage the system; to accurately reflect the accounting of the assets of the system; to allow the Board of Trustees of the Arkansas Teacher Retirement System to create additional accounts as needed; to declare an emergency; and for other purposes.

Explanation: This is a simple bill caused by contact with legislative auditors. ATRS has archaic account designations in the law, which are no longer used due to modern accounting principles. This law simply says ATRS will follow prudent accounting principles and do not have to use the accounts as established by the old law.

Status:

1/18/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB 1135 Rep. R. Stewart

An act to repeal the choice to rescind retirement; to make the Arkansas Teacher Retirement System statutes consistent with other state pension plans; to declare an emergency; and for other purposes.

Explanation: ATRS is one of the few retirement plans in the country that allow members to retire and thereafter, change their mind, unretired, and go back and obtain additional service credit. It is an administrative nightmare and is only used by a handful of members a year who walk away after returning to active service under the current law with baskets full of money based upon some arbitrage opportunity. This would repeal the right of a member to rescind retirement and obtain additional service credit. It should be noted that **ATRS members are already able to return to work and receive both a retirement check and a pay check.** By

rescinding they give up a retirement check until they reretire. Few members would ever want to give up retirement benefits while returning to an ATRS employer UNLESS there were big dollar returns in store. This is a cost saving measure and an administrative efficiency measure.

Status:

1/18/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB 1140 Rep. J. Nickels

An act to prevent inequity in the calculation of final average salary by removing the anti-spiking provisions for a major gap of employment under the Arkansas Teacher Retirement System; to declare an emergency; and for other purposes.

Explanation: An anti-spiking law is a law that is aimed at preventing manipulation of salaries at the end of a career before retirement to greatly enhance retirement benefits. Examples would include large bonuses, and large payments of salary in the last year or two of employment. The anti-spiking law limits the three best salaries to be 120% of each other year-to-year. ATRS imposed a very effective anti-spiking law in 2009. However, ATRS has found some issues exist with some part time employees in that ATRS currently requires full years of service to be used in the calculation of final average salary and some people do not have three (3) or more years of full time service. In addition, since full years are used, often, partial years that are much later, have more salary than full years from ten (10) or more years ago. This bill attempts to bring fairness to this process by allowing non-complete years to be used in the final average salary calculation, and also provide that if there is an eight (8) or more year difference between two of the salaries in the anti-spiking calculation, that the anti-spiking formula will not be used to reduce the next salary. This brings fairness in that no one will be thinking of using a salary decision spread eight (8) years apart to spike salary and further, inflation usually represents the difference in salary and not a spike.

Status:

1/18/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB 1142 Rep. B. Wilkins

An act to specify that interest on a deceased Arkansas Teacher Retirement System member's accumulated contributions when no survivor annuity is payable ceases after the first full fiscal year following the member's death; to declare an emergency; and for other purposes.

Explanation: Currently, when a member dies, ATRS works hard to try to find the deceased member's relatives to pay accrued benefits. If a member is not vested, and the member has contributory service, ATRS quickly tries to pay the balance of all contributions and accrued interest. Some families have refused to take the payment when ATRS locates them because ATRS pays between 2% and 6% per year. In order to save money and to create administrative efficiency, ATRS proposes that ATRS only pay interest on the July 1 after the member's death, and no more interest thereafter, in order to encourage families to withdraw the residual balance and to prevent large amounts of interest accruing on these residual balances when member's families cannot be located.

Status:

1/19/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB 1143 Rep. Lenderman

An act to allow a member to be eligible for disability benefits, survivor benefits, and lump-sum death benefits under the Arkansas Teacher Retirement System for an additional fiscal year after the last fiscal year of actual service; to declare an emergency; to authorize the Board of Trustees of the Arkansas Teacher Retirement System to promulgate rules concerning annuity options; and for other purposes.

Explanation: This bill helps put into the code the standard ATRS has used for years on what constitutes eligibility for disability and survivor benefits. Since it was not in the law, some confusion has occurred. This allows members to be considered active for one fiscal year after the last year in which they get at least one-quarter year of service credit. This allows a person who has a health difficulty to have an

amount of time to determine whether the difficulty is something that can be overcome or whether it will require a disability retirement application. In addition, some members leave and are in the process of applying for disability and may die. This ensures that minor survivors are also covered when the member is still not actively working but recently had worked. Further, this bill allows the ATRS Board to determine when marriage options are available. The current law is inconsistent and needs significant adjustment and policy consideration. Instead of placing the marriage qualifications in the law, the ATRS Board decided it would be more effective for the Board to consider this change after public input and careful review. Until the Board changes the marriage options, the options will remain in place as they exist.

Status:

1/19/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB 1147 Rep. Carnine

An act to limit the number of years that the Arkansas Teacher Retirement System, a benefit participant, or an employer may look back when adjusting records, correcting overpayments, correcting underpayments, correcting contribution calculations, or correcting benefit calculations to the system; to declare an emergency; and for other purposes.

Explanation: This is one of the most important bills of the session for ATRS. Under current law, there is no statute of limitations or administrative end of adjustments to benefits, service credit, or obligations of ATRS, a system employer or a member. It is not uncommon for ATRS to be looking at benefit issues that are twenty-five (25) or thirty (30) years old such as unreported service or a member overpayment. This type activity is an administrative nightmare and can become a financial nightmare for members and system employers due to compound 8% interest on 25 years on an obligation to ATRS. This five (5) year look back bill will limit any party's ability to seek adjustments or additional payments or credits if the adjustment sought is more than four (4) fiscal years

after the current fiscal year. However, there is an exception for fraud, criminal acts, and intentional concealment.

Status:

1/19/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

Amendment footnote: An amendment has been prepared for this bill that grants the ATRS Board the right to make a discretionary adjustment in a retirement decision beyond the look-back period if inaction would result in a manifest injustice to a participant.

HB 1212 Rep. Carnine

An act to provide that the actuarial-equivalent shall be used for the purchase of service credit in the Arkansas Teacher Retirement System; to simplify accounting procedures by allowing existing service purchase accounts at the Arkansas Teacher Retirement System to be paid within a time certain; and for other purposes.

Explanation: This is also one of the most important bills for ATRS in the session. Currently, when a member purchases service from ATRS, the average member purchases service at a 55% discount to what the real value is to the member. This bill will require the members to pay the real value of this purchased service. In addition, ATRS has hundreds of old purchase accounts that have been inactive for years but cannot be closed down. This bill will also give members a year to submit to ATRS a reasonable payment plan to purchase the service. If a payment plan is not provided, the purchase account would be closed. In addition, if the member fails to comply with their purchase plan, the account would be closed. This will eliminate purchase accounts over time and create greater administrative efficiency at ATRS.

Status:

1/24/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

HB1223 Rep. B. Wilkins

An act to make technical corrections to Arkansas Code Title 24, Chapter 7 concerning the Arkansas Teacher Retirement System; and for other purposes.

Explanation: This bill is just that. The changes in this bill do not change operational activity at ATRS but rather cleans up

words and the statutes, and puts into the code the actual processes at ATRS. It also references required federal provisions. There is no change to ATRS operations processes or procedures (unless due to federal preemption), but rather clarification of terms in the Technical Corrections Bill.

Status:

1/24/11 – Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement & Social Security programs

2/3/11 – Placed on second reading for the purpose of amendment

2/3/11 – Amendment #1 read and adopted and the bill ordered engrossed

2/3/11 – Reported correctly engrossed

Amendment footnote: The amendment is a clarifying amendment to specify that the time to have all retirement application documents to ATRS unless extended, is in the six months after the official retirement date and did not mean six months before the official retirement date. In addition, the amendment clarified that the ATRS T-DROP period is one consecutive ten-year term.

Shell Bills

The bills noted as "shell bills" will be tracked along with the bills supported by the ATRS Board of Trustees. You may be wondering what is meant by "shell bill". Due to the short deadlines the General Assembly must operate under, sometimes there is not enough time for a legislator to get a bill written in final form before the deadline for introducing retirement bills. If a retirement bill is not introduced by the deadline, it can't be considered. A shell bill usually specifies an area of retirement law it may change but does not contain language that makes changes to the law. It usually includes nothing more than a title that describes the section of law the bill is intended to ultimately address. An amendment to make a shell bill into an operational bill may be made at any time. Once a shell bill is amended to be an operational bill, it can make material changes to the area of law first identified in the shell bill as the target for change.

<u>Bill#</u>	<u>Sponsor</u>	<u>Description</u>
SB 64	Sen. J. Jeffress	ATRS General
SB 90	Sen. G. Jeffress	ATRS General
SB 91	Sen. G. Jeffress	State Retirement Systems – General
SB 93	Sen. J. Jeffress	ATRS Benefits
SB 94	Sen. J. Jeffress	ATRS Operations

SB 120	Sen. J. Key	ATRS General
SB 121	Sen. J. Key	ATRS General
SB 122	Sen. J. Key	ATRS General
SB 123	Sen. J. Key	ATRS General
SB 128	Sen. J. Key	ATRS General
SB 140	Sen. J. Key	Retirement and Pensions – General
SB 145	Sen. J. Key	AR Retirement Systems – General
SB 161	Sen. Wyatt Sen. McLean	Employees of Particular Institutions – Retirement Options
HB 1148	Rep. Wilkins	ATRS General
HB 1173	Rep. Nickels	State Retirement Systems – Contribution Rates
HB 1174	Rep. Nickels	State Retirement Systems – General
HB 1175	Rep. Nickels	State Retirement Systems – General
HB 1176	Rep. Nickels	Adjust Years of Service Needed for Retirement Purposes
HB 1178	Rep. Kerr	State Retirement Systems – General
HB 1179	Rep. Kerr	Amend Calculation of Retirement Benefits
HB 1184	Rep. English	State Supported Retirement Systems – Define Benefit Plans
HB 1236	Rep. Summers	AR Retirement Systems – COLA
HB 1238	Rep. Summers	ATRS T-DROP
HB 1239	Rep. Summers	AR Retirement Systems – Service Credit Required for Retirement Benefits
HB 1240	Rep. Summers	AR Retirement Systems – Board of Trustees
HB 1241	Rep. Summers	AR Retirement System – Cap Retirement Contributions by City/County/the State
HB 1250	Rep. Stewart	Amend Retirement Law as it Relates to General Assembly
HB 1251	Rep. Nickels	Applicable Retirement System – Provide Service Credit for Employees with Grounds for a Grievance