Operations Committee

Schedule	Monday, September 28, 2026 10:30 AM — 11:00 AM CDT
Venue	ATRS Board room
Organizer	Tammy Porter

Agenda

1. Call to Order/Roll Call

Presented by Bobby Lester

2. Adoption of Agenda

Presented by Bobby Lester

3. Approval of June 1, 2026, Minutes

For Approval

MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
OPERATIONS COMMITTEE MEETING

Monday, June 1, 2026
10:30 a.m.
1400 West Third Street
Little Rock, AR 72201

ATTENDEES

Operations Committee Members Present
Bobby Lester, Chaira
Anita Bell
Dr. Mike Hernandez
Danny Knight
Jeff Stubblefiel
Kelly Griffin, designee for Sec. Jacob Oliva, Dept. of Education
Jason Brady, designee for Hon. Dennis Milligan, State Auditor

Operations Committee Members Absent
Kelsey Bailey

Board Members Present
Susan Ford
Keri Hamilton
Miachel Johnson
Arthur “Chip” Martin, II
John Ward
Susannah Marshall, Bank Commissioner
Hon. John Thurston, State Treasurer
Hon. John Thurston, State Treasurer

Reporters Present
Mike Wickline, AR Democrat Gazette

ZOOM

ATRS Staff Present
Mark White, Executive Director
Sarah Linam, Deputy Director-Member Services
Rod Graves, Deputy Director-Investments
Tammy Porter, Board Secretary
Anne Marie Berardi, Public Information Coord.
Braeden Duke, IT Infrastructure Analyst
Kevin Chadwick, Internal Audit Supervisor/Expt*
Ryan Hill, Attorney II*
Jennifer Kelly, Attorney III/General Counsel
Manju, Chief Information Officer
Jerry Meyer, Ret. Sys. Investment Coordinator
Stephanie Lilly-Palmer, HR Supervisor/Expert
Steve Parkinson, Ret. System Administrator
Marla Palmer, Investment Analyst
Logan Penter, Attorney II*
Amber Sevilla, Executive Assistant
Misty Yant, Chief Financial Officer I
Stephanie Yoel, Administrative Analyst

Guest Present
Carlos Borromeo*
Cyril Espanol*
Jessie.pound*
Mknapp*
Rush Deacon, ACC*
Sam Walls, ACC*
Sean Hatch, ACC*
Heartsill Ragon, Gill, Elrod, Ragon*
Michael Bacine, Franklin Park*
PJ Kelly, Aon *
Catherine Tong, Aon*
Ben Abramov, Aon*
Ben Sheng, FundFire*
Bill Huffman, State Treasurer’s Office
Michael Harry, State Treasurer’s Office
Jack Dowd, Aon
Swaroopa Manjunath

I. **Call to Order/Roll Call.** Mr. Lester, Chair, called the Operations Committee meeting to order at 11:10 a.m. Roll call was taken. Mr. Bailey was absent

II. **Adoption of Agenda.**

> **Dr. Hernandez *moved* for *adoption* of the Agenda. Mr. Brady *seconded* the *motion,* and the Committee *unanimously approved the motion.***

III. **Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

IV. **Approval of February 2, 2026, Minutes.**

> **Mr. Brady *moved* to *approve* the Minutes of the Operations Committee meeting of February 2, 2026. Mr. Stubblefield *seconded* the *motion*, and the Committee *unanimously approved the motion*.**

V. **Open Forum for Potential Rule and Law Changes by Committee Members and Board Members Present.**

A. **Open Forum**. None

VI. **Preliminary ATRS Legislative Package.** Ms. Jennifer Kelly, General Counsel, presented the Committee with the Preliminary ATRS Legislative Package.

> **Mr. Brady *moved* to approve the Preliminary ATRS Legislative Package, as presented to the Committee. Ms. Bell *seconded* the motion, and the Committee *unanimously approved the motion*.**

VII. **Rules Promulgation.** Ms. Jennifer Kelly, General Counsel, provided the Committee with proposed changes to the ATRS Rules.

> **Mr. Stubblefield, *moved* to *approve* the proposed changes to the ATRS Rules. Ms. Bell *seconded* the motion, and the Committee *unanimously approved the motion.***

IX. **Other business:** None

X. **Adjourn.**

> **Mr. Brady *moved* to *adjourn* the Operations Committee Meeting. Ms. Bell *seconded* the *motion*, and the Committee *unanimously approved the motion.***

Meeting adjourned at 11:18 am.

Mr. Mark White, **Executive Director**	**Mr. Bobby Lester, Chair** **Operations Committee**
Tammy Porter, Board Secretary	**Date**

4. Executive Summary

For Discussion

Presented by Bobby Lester

EXECUTIVE SUMMARY

TO: Operations Committee

FROM: ATRS Staff

RE: Executive Summary

DATE: September 28, 2026

I. Operations Committee.

A. Open Forum for Potential Rule or Law Changes by Committee Members and Board Members in Attendance

1. **Open Forum.** This is a standard part of the Committee agenda to allow Committee Members and Board Members in attendance to address topics and issues for consideration.

B. *Rules Promulgation Status Update. *Mark White, Executive Director*, *and Jennifer Kelly, General Counsel*

C. *ATRS 2027 Legislative Package. *Mark White, Executive Director*, *and Jennifer Kelly, General Counsel*
Proposed legislative changes for the upcoming 2027 legislative session will be presented.

5. Open Forum for Potential Rule and Law Changes by Committee Members and Board Members in Attendance

For Discussion

Presented by Bobby Lester

5.1. Open Forum

For Discussion

6. Rule Promulgation Status Update

For Approval

Presented by Mark White and Jennifer Kelly

24 CAR § 10-601. Definitions.

As used in this subpart:

(1) "Act 808 employee" means an employee of a state agency who:

(A) On April 8, 1987, was an active member of the Arkansas Teacher Retirement System;

(B) Qualified to retire before January 1, 1988, under the Early Retirement Incentive Law of 1987 (Acts 1987, No. 187); and

(C) Could elect to become a member of the Arkansas Public Employees' Retirement System and have his or her credited service in the Arkansas Teacher Retirement System transferred to the Arkansas Public Employees' Retirement System;

(2) "Annuity options" means one (1) or more options that:

(A) Concern how an annuity benefit shall be paid, in accordance with Arkansas Code § 24-7-706, to a member for his or her lifetime after the member's retirement; and

(B) Are available for a member's election at the time of the member's retirement;

(3) "Application", for the purposes of retirement eligibility, means an application form and any other documents required by the Arkansas Teacher Retirement System to establish a member's eligibility to retire;

(4) "Covered employer" or "employer" means an employer:

(A) Who participates in the Arkansas Teacher Retirement System; and

(B) Whose employees are eligible for membership in the Arkansas Teacher Retirement System;

~~(5) "Dependent child" means a child of a member or retiree who:~~

~~(A) Is a minor; or~~

~~(B) Has been adjudged physically or mentally incapacitated by a court of competent jurisdiction;~~

~~(6)~~(5) "Effective retirement date" means the first day of the month in which a member requests to receive retirement benefits and for which the member submits a timely retirement application;

~~(7)~~(6) "Eligible employee", for the purposes of salary or compensation limitations concerning the calculation of a final average salary, means a person who was a member of the Arkansas Teacher Retirement System before the first plan year beginning after December 31, 1995;

~~(8)~~(7) "Full service year" means employment with a covered employer for one hundred sixty (160) days or more in a fiscal year;

~~(9)~~(8) "Incapacitated child" means a child who has been adjudged physically or mentally incapacitated by a court of competent jurisdiction;

~~(10)~~(9) "Marriage dissolution" means a final decree of divorce, separate maintenance, or annulment executed by a court of competent jurisdiction and filed of record in the Office of the Ex Officio Recorder;

~~(11)~~(10) "Medical committee" means the committee of three (3) physicians appointed by the Board of Trustees of the Arkansas Teacher Retirement System for the purpose of evaluating disability retirement applications;

~~(12)~~(11) "Option beneficiary" means a person who:

(A) A member nominates by written designation, before or after the member's retirement, to receive annuity payments after the member's death in accordance with the annuity option selected by the member; and

(B) If eligible, shall receive annuity payments after the member's death in accordance with the annuity option selected by the member;

~~(13)~~(12) "Partial service year" means employment with a covered employer for less than one hundred sixty (160) days in a fiscal year;

~~(14)~~(13) "Person" means an individual, trust, estate, corporation, partnership, or other legal entity;

~~(15)~~(14) "Residue" means a member's accumulated contributions, including regular interest standing in the member's credit at the time of his or her retirement;

~~(16)~~(15) "Residue beneficiary" means a person who a member nominates by written designation to receive the member's residue, if any, under Arkansas Code § 247-709;

~~(17)~~(16) "Receivable" means moneys due to the Arkansas Teacher Retirement System from a member, former member, covered employer, contributor, retiree, beneficiary, or alternate payee under a qualified domestic relations order (QDRO) as a result of an overpayment of any payment or benefit by the Arkansas Teacher Retirement System; and

~~(18) "Retiree" means a retired member who receives an annuity from the Arkansas Teacher Retirement System; and~~

~~(19)~~(17) "Service" means employment rendered as an employee.

24 CAR § 10-603. Retirement eligibility.

(a) ~~To~~ Except as otherwise provided by law or rule, to be eligible for age and service retirement or disability retirement under the Arkansas Teacher Retirement System, a member shall:

(1) Satisfy the credited service requirements under one (1) of the retirement statutes, Arkansas Code §§ 24-7-701 – 24-7-707;

(2) Be credited with all required covered employer and member contributions in the member's deposit account, with no amounts owed to the system;

(3) Pay all amounts owed to the system for:

(A) Underpayments;

(B) Overpayments; or

(C) Purchase service accounts; and

(4) Terminate employment with each of his or her covered employers or reach the normal retirement age.

(b) A member who enters into a written agreement to repay the system all amounts owed shall be eligible for age and service retirement or disability retirement.

Arkansas Teacher Retirement System

Public Comments
Proposed Rule Amendment to 24 CAR § 10-603 – Retirement Eligibility

1. **24 CAR § 10-603(b)**

   a. **ATRS Staff Comment:** 24 CAR § 10-603(b): Regarding enabling members who owe a balance to ATRS to start drawing retirement benefits by entering a written agreement to repay all amounts owed: I am concerned about the potential liability this change poses to the System for members that "say" they will pay it back but never actually do since there is no incentive if they are still able to draw their retirement benefits. If the answer to question 3 is "yes," the other questions are moot points.

      1. **What happens if there is an agreement to repay, but the member never repays?**

         Response: Ideally, an agreement to repay the System all amounts owed ("payment arrangement") would involve the System and the member agreeing to have the member's monthly benefit temporarily adjusted or reduced by a specified amount over a set period of time until the balance owed is paid in full. A payment arrangement such as this would reduce or altogether eliminate the likelihood that the balance owed would not be paid.

      2. **What happens if there is an agreement to repay, but the member dies before all amounts are repaid?**

         Response: Under current law, if a member dies with a balance owed to the System, ATRS may withhold the amount owed from any benefit payable from the member's ATRS account or collect the amount owed in any other manner provided by law.

      3. **Is the intent of this change to allow ATRS to garnish amounts owed to ATRS from the member's retirement benefits? If this is the case, I could see how this would be a positive change for the System.**

         Response: This amendment is intended to give ATRS more flexibility with helping members retire or return to retirement status sooner. This may be accomplished by the member and the System agreeing to a payment arrangement in which the member's monthly benefit is temporarily adjusted or reduced by a specified amount

Arkansas Teacher Retirement System

over a set period of time until the balance owed is paid in full. After the full balance owed is paid, the member would begin receiving their full monthly benefit again.

4. **Will this change require more overhead for ATRS (additional staffing or outsourcing) in order to facilitate recovery of ATRS funds that have been disbursed when a member enters the written agreement but does not honor their end?**

   Response: No.

7. ATRS 2027 Legislative Package

For Approval

Presented by Mark White and Jennifer Kelly

State of Arkansas
95th General Assembly
Regular Session, 2027
By: Senator/Representative

A Bill

SENATE/HOUSE BILL

For An Act To Be Entitled

AN ACT AMEND THE LAW CONCERING THE TERMINATION OF ACTIVE MEMBERSHIP AND THE TERMINATION SEPARATION PERIOD UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

CONCERNING THE TERMINATION OF ACTIVE MEMBERSHIP AND THE TERMINATION SEPARATION PERIOD UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 24-7-502(a)(3), concerning termination of active membership under the Arkansas Teacher Retirement System, is amended to read as follows:

(a)(1) A member of the Arkansas Teacher Retirement System who retires under the provisions of §§ 24-7-701, 24-7-702, and 24-7-707 shall terminate covered employment and remain terminated during the member's applicable termination separation period to become and remain eligible for retirement.

SECTION 2. Arkansas Code § 24-7-502(a)(3), concerning termination of active membership under the Arkansas Teacher Retirement System, is amended to read as follows:

(3) A member who fails to meet both the termination of covered employment requirement and the termination separation period requirement of this subsection shall:

(A) ~~Repay~~ Be required to repay retirement benefits paid during the period the member did not meet the requirements; and

(B)(i) Forfeit all future retirement benefits until the member files a new completed retirement application using the standard system process.

(ii) A member is eligible to file a new completed retirement application if they have repaid the retirement benefits owed in full or have entered into a written agreement with the System to repay the retirement benefits.

SECTION 3. Arkansas Code § 24-7-502(6), concerning termination of active membership under the Arkansas Teacher Retirement System, is amended to read as follows:

(6) During the termination separation period, the member shall remain terminated and shall not:

(A) Form an employment relationship with a covered employer;

(B) Render any compensable services to or on behalf of a covered employer, except that ~~a member may perform volunteer activities for a covered employer that do not have the effect of holding a position open for the member during a termination separation period;~~:

(i) A member may perform volunteer activities for a covered employer that do not have the effect of holding a position open for the member during a termination separation period; or

(ii) A member may attend a training provided by a covered employer that does not have the effect of holding a position open for the member during a termination separation period and for which the member does not receive more than two-hundred fifty ($250) as compensation for attending the training;

(C) Exercise any authority to act as a representative of a covered employer or exercise any authority over employees of a covered employer; or

(D) Be indirectly employed by or through an independent contractor, limited liability company, partnership, corporation, or legal entity that is employed by a covered employer if the member has substantial control of the employer-employee relationship, including without limitation the ability to negotiate rates of pay with the covered employer or assign work and work hours to the member.

SECTION 4. Arkansas Code § 24-7-502(d)(1)(C), concerning termination of active membership under the Arkansas Teacher Retirement System, is amended to read as follows:

(C) Providing volunteer activities at a covered employer or attending a training provided by a covered employer that does not have the effect of holding a position open for the member during a termination separation period does not mean that the member is not terminated; and

SECTION 5. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the operations of a state public retirement system are complex; that the Arkansas Teacher Retirement System must be able to meet the needs of its members as anticipated by the General Assembly; that certain provisions of the Arkansas Teacher Retirement System Act, § 24-7-201 et seq., need immediate revision and updating to bring them into conformance with sound public pension policy and actuarial requirements; that the revisions and updates are of great importance to members of the Arkansas Teacher Retirement System and to other citizens of the State of Arkansas; that as the Arkansas Teacher Retirement System operates on a fiscal year of July 1 to June 30, a July 1, 2027, effective date is necessary in order to allow the provisions within this act to begin on the first day of the fiscal year and to allow for a structured and proper administration of the procedures referenced in this act; that the updates and revisions to the Arkansas Teacher Retirement System Act are of great importance for actuarial purposes and for the improvement and protection of member benefits under the Arkansas Teacher Retirement System; and that this act is necessary in order to maintain an orderly system of benefits for the members of the Arkansas Teacher Retirement System. Therefore, an emergency is declared to exist and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2027.

State of Arkansas
95th General Assembly
Regular Session, 2027
By: Senator/Representative

A Bill

SENATE/HOUSE BILL

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERING THE DEFINITION OF "MANIFEST INJUSTICE" UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, COVERED EMPLOYER ACCESS TO MEMBER RECORDS UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, THE APPOINTMENT OF A MEDICAL COMMITTEE UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, PERMISSIVE SERVICE CREDIT FOR GAP YEAR SERVICE UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, THE DESIGNATION OF AN OPTION BENEFICIARY UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, THE EFFECTIVE DATE OF BENEFITS PAYABLE TO AN IMMEDIATELY ELIGIBLE SURVIVING SPOUSE UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, BENEFITS RIGHTS THAT ARE NOT SUBJECT TO LEGAL PROCESS UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM, AND OTHER VARIOUS PROVISIONS APPLICABLE TO THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO ENACT THE ARKANSAS TEACHER RETIREMENT SYSTEM'S GENERAL OMNIBUS; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 24-7-202(28)(A), concerning the definition of "manifest injustice" under the Arkansas Teacher Retirement System, is amended to read as follows:

(28)(A) "Manifest injustice" means an obvious unfairness that has a direct and observable unconscionable effect that will occur as a result of a technical error or error of judgment, when the error made by the system, <u>a reciprocal system,</u> a benefit participant, or employer, and the disparity of outcome to the parties, when taken together and supported by clear and convincing evidence, show a great harm to the integrity of the system as a whole, the benefit participant, or an employer, unless the system is afforded the discretion to resolve the matter in a fair manner.

SECTION 2. Title 24, Chapter 7, Subchapter 2 of the Arkansas Code is amended to add a new section to read as follows:

<u>24-7-213. Covered employer access to member records.</u>

The Arkansas Teacher Retirement System may disclose member records or information to a covered employer if the disclosure is necessary for the proper operation and administration of the System or the covered employer.

SECTION 3. Arkansas Code § 24-7-303(f), concerning the appointment of a medical committee by the Board of Trustees of the Arkansas Teacher Retirement System, is amended to read as follows:

(f)(1) The board shall appoint a medical committee consisting of ~~three (3) physicians~~ no more than five (5) physicians or medical health professionals to review applications for disability retirement.

(2) At least three (3) members of the medical committee shall be present during a meeting of the medical committee.

SECTION 4. Arkansas Code § 24-7-613(a), concerning permissive service credit for gap year service under the Arkansas Teacher Retirement System, is amended to read as follows:

(a) A member of the Arkansas Teacher Retirement System may purchase permissive service credit for one (1) or more gap periods if the member:

(1) Has five (5) years of actual service in the system;

(2) Has left his or her position ~~as a classroom teacher~~ with a covered employer immediately before each nonconsecutive gap period or the initial gap period of consecutive gap periods;

(3) Returns to ~~his or her position as a classroom teacher~~ a position with a covered employer after one (1) or more gap periods;

(4) Accrues at least one-half (1/2) year of service credit after returning to ~~his or her position as a classroom teacher~~ a position with a covered employer;

(5) Was inactive during the gap period or gap periods; and

(6) Is ineligible to receive free service credit for each gap period under another provision of the law applicable to the system.

SECTION 5. Arkansas Code § 24-7-706(a)(2)(B)(ii)(c), concerning the designation of an option beneficiary under the Arkansas Teacher Retirement System, is amended to read as follows:

(c) A ~~dependent~~ child of a retiree may be designated as an Option B beneficiary of the retiree if the ~~dependent~~ child has been adjudged physically or mentally incapacitated by a court of competent jurisdiction; or

SECTION 6. Arkansas Code § 24-7-710(b)(1)(B), concerning the effective date of benefits payable to an immediately eligible surviving spouse under the Arkansas Teacher Retirement System, is amended to read as follows:

(B)(i) ~~If a surviving spouse is immediately eligible to receive a monthly benefit immediately after the death of an active member, the immediately eligible surviving spouse is entitled to receive monthly benefits beginning the month after the death of the active member if the survivor application and all other required additional information is filed with the system by the end of the sixth full calendar month following the date of the active member's death, otherwise the monthly benefits shall begin the month that the survivor application is filed with the system if at the time of the active member's death the active member had:~~

~~*(a)* Accumulated twenty-five (25) years or more of credited service and qualified as eligible to receive a retirement annuity under §§ 24-7-701 or 24-7-702; or~~

~~*(b)* Reached sixty (60) years of age and qualified as eligible to receive a retirement annuity under § 24-7-707.~~ A surviving spouse is immediately eligible to begin receiving a monthly benefit if, at the time of the active member's death, the active member had:

(a) Accumulated twenty-five (25) years or more of credited service and qualified as eligible to receive a retirement annuity under §§ 24-7-701 or 24-7-702; or

(b) Reached sixty (60) years of age and qualified as eligible to receive a retirement annuity under § 24-7-707.

(ii) A surviving spouse who is immediately eligible to receive a monthly benefit is entitled to receive monthly benefits:

(a) Beginning the month after the death of the active member if the survivor application and all other required additional information is filed with the system by the end of the sixth full calendar month following the date of the active member's death; or

(b) Beginning the month in which the survivor application is filed with the system.

~~(ii)~~(iii) If an immediately eligible spouse fails to complete the application process by the end of the sixth full calendar month following the date on which the survivor application and additional documentation required under ~~subdivision (b)(1)(B)(i)~~ subdivision (b)(1)(B)(ii)*(a)* of this section is filed, the survivor application shall be void unless an extension is granted by the executive director.

(C)(i) If the surviving spouse is not immediately eligible to receive monthly benefits under subdivision (b)(1)(B) of this section, ~~the surviving spouse's benefits shall begin the later of either the month following the date the active member would have been eligible to receive benefits had the active member survived or the date that a survivor application is filed with the system~~ the surviving spouse is entitled to receive monthly benefits after the active member would have been eligible to receive benefits had they survived beginning the later of either:

(a) The month following the date the active member would have been eligible to receive benefits; or

(b) The month in which a survivor application is filed with the system.

(ii) If a surviving spouse becomes eligible for surviving spouse benefits and fails to complete the application process by the end of the sixth full calendar month following the date on which the survivor application and additional documentation required under ~~subdivision (b)(1)(B)(i)~~ subdivision (b)(1)(B)(ii)*(a)* of this section is filed, the survivor application shall be void unless an extension is granted by the executive director.

SECTION 7. Arkansas Code § 24-7-715(b), concerning benefit rights that are not subject to legal process, is amended to read as follows:

(b)(1) ~~Except as provided in subsection (e) of this section, a~~ A benefit participant's right to an annuity, to the return of accumulated contributions, to the annuity itself, to any annuity option, to a plan benefit, and to any other right accrued or accruing under the provisions of this act, and all moneys belonging to the Arkansas Teacher Retirement System, shall not be:

(A) Subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other legal or equitable process; or

(B) Assignable or transferable.

SECTION 8. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the operations of a state public retirement system are complex; that the Arkansas Teacher Retirement System must be able to meet the needs of its members as anticipated by the General Assembly; that certain provisions of the Arkansas Teacher Retirement System Act, § 24-7-201 et seq., need immediate revision and updating to bring them into conformance with sound public pension policy and actuarial requirements; that the revisions and updates are of great importance to members of the Arkansas Teacher Retirement System and to other citizens of the State of Arkansas; that as the Arkansas Teacher Retirement System operates on a fiscal year of July 1 to June 30, a July 1, 2027, effective date is necessary in order to allow the provisions within this act to begin on the first day of the fiscal year and to allow for a structured and proper administration of the procedures referenced in this act; that the updates and revisions to the Arkansas Teacher Retirement System Act are of great importance for actuarial purposes and for the improvement and protection of member benefits under the Arkansas Teacher Retirement System; and that this act is necessary in order to maintain an orderly system of benefits for the members of the Arkansas Teacher Retirement System. Therefore, an emergency is declared to exist and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2027.

State of Arkansas
95th General Assembly A Bill
Regular Session, 2027 SENATE/HOUSE BILL
By: Senator/Representative

For An Act To Be Entitled

AN ACT TO CLARIFY THE USE OF RETIREMENT SYSTEM TRUST FUNDS; TO GOVERN LEGISLATIVE REVIEW OF STATE RETIREMENT SYSTEM INVESTMENT AGREEMENTS; TO CLARIFY BUDGETING FOR THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO CLARIFY THE USE OF RETIREMENT SYSTEM TRUST FUNDS AND GOVERN REVIEW OF INVESTMENT AGREEMENTS; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 24-2-607 is amended to read as follows:

24-2-607. Investment authority and limitations — Trust account.

(a) In addition to the various retirement systems funds established as trust funds in the State Treasury, a bank trust fund or funds may be established and maintained in such depository bank or banks as may be designated by the boards of trustees of the respective retirement systems.

(b) Each bank fund shall consist of and there may be deposited into the fund:

(1) All employer contributions, including any interest;

(2) All employee contributions, including any interest;

(3) Interest, dividend, and other incomes or moneys realized from investments and reinvestments;

(4) Interest earned upon any moneys in the fund; ~~and~~

(5) Such other proceeds as may be derived from the sale, exchange, redemption, transfer, or disposition of any securities or investments; and

(6) Any and all other operating income, proceeds, or moneys received by the system.

(c) The following disbursements may be made from the bank funds:

(1) Payments for all securities and investments, the purchase of which is authorized by law, which may include principal, accrued interest, commission, taxes, and fees;

(2) Payments for money manager and custodian bank fees;

(3) The deposit to the appropriate State Treasury fund for the payment of annuities, ~~and~~ refunds, and other benefits as authorized by law that are paid on vouchers issued by the respective retirement systems and on warrants issued thereon by the Auditor of State;

(4) The payment of annuities, ~~and~~ refunds, and other benefits as authorized by law that are paid ~~on cash fund vouchers issued~~ by the respective retirement systems ~~and~~ on checks or ~~wire transfers~~ electronic funds transfers issued from bank funds; ~~and~~

(5) The deposit to the appropriate State Treasury fund for the payments of salaries, maintenance, and operating expenses of the retirement systems supported from investment earnings;

(6) The payment of administrative expenses of the retirement systems, including without limitation salaries, maintenance, operating expenses, and capital expenditures, on checks or electronic funds transfers issued from bank funds; and

(7) The payment of investment expenses of the retirement systems on checks or electronic funds transfers issued from bank funds.

SECTION 2. Title 24, Chapter 2, Subchapter 6 of the Arkansas Code is amended to add a new section to read as follows:

24-2-620. Submission and review of investment agreements.

(a)(1) As used in this SECTION, “investment agreement” means an agreement or contract entered into by the board of trustees of a state retirement system to delegate the investment, management, or custody of trust assets to an agent.

(2) “Investment agreement” does not include a partial equity ownership agreement reviewed under § 19-69-101 et seq.

(b)(1) In lieu of review under §§ 19-61-116 and 24-2-618, a state retirement system may seek review of an investment agreement by submitting the initial investment agreement to the Legislative Council under this SECTION.

(2) When submitting an initial investment agreement for review, the state retirement system shall provide information that includes without limitation:

(A) The parties to the investment agreement;

(B) A description of the mandate and legal structure;

(C)(i) For an agreement to invest trust assets, the amount of the initial investment commitment;

(ii) For an agreement to manage or hold custody of trust assets, a description of the trust assets to be managed or held in custody;

(D) The fees to be charged under the investment agreement; and

(E) Other information that the Legislative Council may reasonably require for an adequate review.

(c)(1) The board of trustees of a state retirement system may immediately enter into an investment agreement if the board of trustees passes a resolution that:

(A) Determines an imminent need to immediately enter into the investment agreement;

(B) Deems it financially appropriate to immediately form or enter into the investment agreement; and

(C) Concludes that to forego the opportunity to promptly form or enter into the investment agreement would be inconsistent with the board of trustees' fiduciary duty of care to the retirants.

(2) The state retirement system shall provide the Legislative Council with:

(A) A copy of the resolution under this subsection (c) of this section within five (5) business days of the passage of the resolution; and

(B) The information required under subsection (b) of this section within thirty (30) days of the passage of the resolution.

(d) As may be reasonably required by the Legislative Council, a member of the board of trustees, the director of the respective state retirement system, or the director's appointee shall appear at the next scheduled meeting of the Legislative Council to explain the details of the investment agreement.

(e) No additional review or submission shall be required for an investment agreement entered into or renewed by a state retirement system if the agreement is reviewed under this SECTION or if the agreement was previously reviewed under §§ 19-61-116, 19-69-101 et seq., or 24-2-618.

(f) Since the purpose of an investment agreement is fundamentally and substantially different from a state contract for commodities, goods, or services reviewed under the Arkansas Procurement Law, § 19-61-101 et seq., and uses retirement trust funds that are not appropriated by the General Assembly, an investment agreement is exempt from the Arkansas Procurement Law, § 19-61-101 et seq. and from any:

(1) Limitation of the term or duration;

(2) Annual renewal clause; or

(3) Use of any standard forms prescribed by the State Procurement Director.

SECTION 3. Arkansas Code § 24-7-410(c), concerning retirement fund assets accounts and income-expense account of the Arkansas Teacher Retirement System, is amended to read as follows:

(c) Each year, ~~the General Assembly shall appropriate the amounts of money certified by the board~~ the board shall budget and make bank fund transfers as required to pay the proper administrative expenses of the system.

SECTION 4. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the operations of a state public retirement system are complex; that state retirement systems must be able to meet the needs of their members as anticipated by the General Assembly; that certain provisions of Arkansas law need immediate revision and updating to address administrative and financial complexities inherent to these retirement systems and to bring these provisions into conformance with sound public pension policy and actuarial requirements; that the revisions and updates are of great importance to members of these retirement systems and to other citizens of the State of Arkansas; that as these retirement systems operate on a fiscal year of July 1 to June 30, an effective date of July 1, 2027, is necessary in order to allow the provisions within this act to begin on the first day of the fiscal year and to allow for a structured and proper administration of the procedures referenced in this act; that the updates and revisions are of great importance and necessary for protecting member benefits; and that this act is necessary in order to maintain an orderly system of benefits for the members of these retirement systems. Therefore, an emergency is declared to exist, and this act being necessary for the preservation of the public peace, health, and safety, shall become effective on July 1, 2027.

8. Other Business

9. Adjourn