

EXECUTIVE SUMMARY

2013 BILLS AFFECTING ATRS

ATRS closely follows bills that could impact ATRS during the 2013 Legislative Session. ATRS has a 21 bill package. The two of the original 22 were combined to make 21 total bills in the ATRS Package. At this time, 10 of the 21 bills have been formally introduced and have a listed sponsor and bill number. The remaining 11 bills should be introduced early next week by legislators who have graciously agreed to help sponsor the ATRS package bills. This summary provides a brief title and explains the potential impact of all 21 bills in the package and any other bills that impact ATRS. Some of the bills have an emergency clause that makes the bill become effective July 1, 2013. Some of the bills have an emergency clause that makes the bill become effective immediately. A bill without an emergency clause becomes effective 90 days after session ends.

"BOT" below means the ATRS Board of Trustees. **AS REQUIRED** means that the ATRS Board is given the authority to make a change on the item **ONLY** if recommended by the actuary for ATRS in order to address a **critical** funding issue. This authority would **NEVER** be used by the ATRS Board unless absolutely necessary. The return for the current fiscal year on the ATRS Trust Fund is estimated to be 9% by staff with 5 months left in the fiscal year. If this continues ATRS will have no critical funding issue to address! Please understand how much ATRS **respects and appreciates** the legislators who are carrying the "AS REQUIRED" bills since some members may not understand that these are ATRS Package bills to give the "**MEMBER ELECTED**" ATRS BOARD the duty to adjust items when absolutely needed instead of deferring to others the duty to make adjustments!

ATRS PACKAGE BILLS FOR THE 2013 SESSION

<u>Bills</u>	<u>Sponsor</u>	<u>Description</u>	<u>Status</u>
SB 76	Jt. Budget	<i>ATRS Appropriation Bill for 2013-2014</i>	Filed
SB 110	Sen. Thompson	<i>Clarify the meaning of manifest injustice</i>	Filed
SB 111	Sen. Thompson	<i>Ensure ATRS compliance with prudent investor rule</i>	Filed
SB 112	Sen. Thompson	<i>BOT may issue minimum rules for IRS requirements</i>	Filed
SB 113	Sen. Thompson	<i>Compel payment from delinquent ATRS employers</i>	Filed
SB 116	Sen. Thompson	<i>Limit the use of a reciprocal system's salary in FAS</i>	Filed
SB 123	Sen. Maloch	<i>BOT may set member contribution rate AS REQUIRED</i>	Filed
SB 129	Sen. Hutchinson	<i>Appeal of BOT decision to be filed in Pulaski County</i>	Filed
SB 130	Sen. Hutchinson	<i>Allow BOT to modify benefit stipend AS REQUIRED</i>	Filed
HB 1135	Rep. Lenderman	<i>Survivors receive benefits from date of application</i>	Filed
HB 1136	Rep. Lenderman	<i>Clarify disability retirement requirements</i>	Filed
HB 1137	Rep. Lenderman	<i>Allow current salary to be used in FAS calculation</i>	Filed
_____	TBA	<i>Definition of salary, contract buy out provisions</i>	Ready
_____	TBA	<i>Allow deletion of years on which contributions are owed</i>	Ready
_____	TBA	<i>BOT may modify employer contribution rate AS REQUIRED</i>	Ready
_____	TBA	<i>Discounted buyout of service credit</i>	Ready
_____	TBA	<i>Allow BOT to modify multipliers AS REQUIRED</i>	Ready
_____	TBA	<i>Allow BOT to rescind compound COLA AS REQUIRED</i>	Ready
_____	TBA	<i>T-DROP reduction for noncontributory service equalized</i>	Ready
_____	TBA	<i>New PSHE college employees can enroll in ATRS</i>	Ready
_____	TBA	<i>New retirement tier for new hires AS REQUIRED</i>	Ready
_____	TBA	<i>Technical corrections</i>	Ready

BILLS AFFECTING ATRS OUTSIDE OF ATRS PACKAGE FOR THE 2013 SESSION

SB 9	Sen. Elliott	<i>Clarify definition of child</i>	Filed
SB 106	Sen. Irvin	<i>Amend the termination of active membership req.</i>	Filed
SB 126	Sen. King	<i>ATRS Impact – Shell Bill</i>	Filed
SB 127	Sen. King	<i>ATRS Impact – Shell Bill</i>	Filed
SB 128	Sen. King	<i>ATRS Impact – Shell Bill</i>	Filed
HB 1101	Rep. Kerr	<i>T-DROP Impact, Retiree contributions – Shell Bill</i>	Filed

IMPACT AND ANALYSIS OF ATRS PACKAGE BILLS AFFECTING ATRS, MEMBERS, AND EMPLOYERS

Bill# **Sponsor: Joint Budget Committee**
SB 76 An act for the Arkansas Teacher Retirement System appropriation for the 2013-2014 fiscal year.

Effective: 07/01/2013

Explanation: The ATRS appropriation bill has already been reviewed by Governor Beebe and by the General Assembly in the fall budget hearings. The appropriation bill authorizes the payment of retirement benefits, and the administrative costs of operating ATRS.

Bill# **Sponsor: Senator R. Thompson**
SB 110 To clarify the meaning of manifest injustice as it applies to decisions of the Arkansas Teacher Retirement System in correcting errors

Effective: 90 Days After Session Ends

Explanation: This bill gives the Board and through delegation, the executive director, the ability to better help members and other benefit participants when a member makes a mistake or otherwise takes action that causes great harm. The standard for assisting the member under manifest injustice requires a high standard, however, currently many mistakes by members cannot be corrected at all. This rule gives ATRS greater ability to help an innocent member under very strict circumstances. Under certain circumstances the law could be also applied to help an employer.

Bill# **Sponsor: Senator R. Thompson**
SB 111 To ensure that the state retirement systems comply with the prudent investor rule in the renewal and review process for the investment and management of assets of the system and to declare an emergency

Emergency Clause: Effective Immediately Upon Passage

Explanation: This bill still requires ATRS to go through a strict procurement process to enter into investment contracts and other highly specialized contracts with consultants and actuaries. However, once a contract is established, the state's automatic termination requirements after seven years would not apply since ATRS often keeps investment managers for decades with highly favorable fees that could be lost in a mandatory rebidding process. Plus, ATRS constantly monitors these contracts and frequently will terminate an under-performing manager without regard to a contract's duration. The ATRS Board would use prudent investor standards to establish the terms of any extension of a properly procured contract.

Bill# **Sponsor: Senator R. Thompson**

SB 112 **To allow the Board of Trustees of the Arkansas Teacher Retirement System to issue rules necessary to align with the rules of the Internal Revenue Service and to declare an emergency**

Emergency Clause: Effective Immediately Upon Passage

Explanation: ATRS must comply with many IRS requirements, restrictions, and duties. At times, a restriction or requirement may be eliminated or lessened. This bill will allow the ATRS Board to quickly modify the impact on its members to lessen the impact of such restrictions and requirements. The intent of this bill is to give the Board authority to limit the impact of IRS regulations on members' rights and benefits.

Bill# **Sponsor: Senator R. Thompson**

SB 113 **To compel payment of delinquent employer contributions from an Arkansas Teacher Retirement System employer for amounts due and to declare an emergency**

Emergency Clause: Effective 07/01/2013

Explanation: Historically, ATRS has had little problem in collecting employer and member contributions from ATRS employers. With the addition of charter schools that often are operated with a different organizational structure from a standard public school, ATRS has had difficulty collecting contributions at times and has seen members impacted by nonpayment of both employer contributions and even member contributions that were withheld and not remitted to ATRS by the employer. This bill gives ATRS limited authority to obtain payment from the Department of Education from funds due from any public school or charter school.

Bill# **Sponsor: Senator R. Thompson**

SB 116 **To limit the use of a reciprocal system's calculation of final average salary for an Arkansas Teacher Retirement System member; to declare an emergency**

Emergency Clause: Effective 07/01/2013

Explanation: ATRS members are subject to a three year final average salary calculation upon retirement. ATRS will currently use a reciprocal system's final average salary for a member with service in ATRS and another Arkansas public retirement system if the other system's final average salary is higher. At times, ATRS is relying upon a member's one-year salary from another system to give a member a higher benefit from ATRS. This bill would only use the reciprocal system's final average salary if it were based upon the same number of years as the ATRS calculation. If less, ATRS would still give credit for the higher salary in the other system, but use that salary in combination with ATRS' salary using the ATRS final average salary formula. This is much fairer to the membership as a whole and prevents a circumstance where a member could literally double their retirement benefit in one year by working for an employer in another Arkansas public retirement system at twice the member's former salary.

Bill# **Sponsor: Senator B. Maloch**

SB 123 **To set the member contribution rate in the Arkansas Teacher Retirement System between 6% and 8% of salary based on actuarial need and to declare an emergency.**

Emergency Clause: Effective Immediately Upon Passage

Explanation: This is one of the "**AS REQUIRED**" bills proposed by the ATRS Board. As a reminder, this is language pulled from the initial explanation at the beginning of this summary: **AS REQUIRED** means that the ATRS Board is given the authority to make a change on the item **ONLY** if recommended by the actuary for ATRS in order to address a **critical** funding issue. This authority would **NEVER** be used by the ATRS Board unless absolutely necessary. The return for the current fiscal year on the ATRS Trust Fund is estimated to be 9% by staff with 5 months left in the fiscal year. If this continues ATRS will have no critical funding issue to address! Please understand how much ATRS **respects and appreciates** the legislators who are carrying the "**AS REQUIRED**" bills since some members may not understand that these are ATRS Package bills to give the "**MEMBER ELECTED**" ATRS BOARD the duty to adjust items when absolutely needed instead of deferring to others the duty to make adjustments!

This bill gives the ATRS Board limited authority to raise the contribution rate above 6% with a hard ceiling of 8% and only as necessary to address a critical funding issue. The bill also authorizes the ATRS Board to reduce the contribution rate back to 6% as soon as possible if it is ever raised. The ATRS Board hopes never to use the authority to raise the contribution rate. The ATRS Board believes it is better for the ATRS Board to have a

"buffet" list of items to have in response to actuarial needs instead of being powerless to make adjustments to protect the long term financial soundness of ATRS which leaves the responsibility on others.

Bill# **Sponsor: Senator J. Hutchinson**

SB 129 **To specify that an appeal of a decision of the Board of Trustees of the Arkansas Teacher Retirement System shall be filed in the Pulaski County circuit court.**

Effective: 90 Days After Session Ends

Explanation: ATRS now has an active appeal process established by the ATRS Board a few years ago. Appeals are now being filed in circuit courts across Arkansas. ATRS does not wish to add legal staff in order to handle the litigation of ATRS administrative appeals in circuit courts throughout the state. The retirement information and ATRS staff are all in Pulaski County; therefore, ATRS is seeking the right to use Pulaski County as the location where appeals from the ATRS Board are litigated. Several state agencies have this provision for this same reason.

Bill# **Sponsor: Senator J. Hutchinson**

SB 130 **To allow the Board of Trustees of the Arkansas Teacher Retirement System to increase or decrease the stipend benefit for members as actuarially appropriate and to declare an emergency.**

Emergency Clause: Effective Immediately Upon Passage

Explanation: This is one of the "**AS REQUIRED**" bills proposed by the ATRS Board. As a reminder, this is language pulled from the initial explanation at the beginning of this summary: **AS REQUIRED** means that the ATRS Board is given the authority to make a change on the item **ONLY** if recommended by the actuary for ATRS in order to address a **critical** funding issue. This authority would **NEVER** be used by the ATRS Board unless absolutely necessary. The return for the current fiscal year on the ATRS Trust Fund is estimated to be 9% by staff with 5 months left in the fiscal year. If this continues ATRS will have no critical funding issue to address! Please understand how much ATRS **respects and appreciates** the legislators who are carrying the "**AS REQUIRED**" bills since some members may not understand that these are ATRS Package bills to give the "**MEMBER ELECTED**" ATRS BOARD the duty to adjust items when absolutely needed instead of deferring to others the duty to make adjustments!

In 1999, almost all the public retirement systems in Arkansas were given authority to pay a stipend. ATRS still has a stipend, although some have eliminated it. This bill would allow the ATRS Board to lower the stipend below the current \$75 level if needed due to the financial condition of ATRS and to raise it back to \$75 if it were ever lowered. The ATRS Board hopes that the stipend will remain at \$75 without being cut, but understands that it needs to have flexibility in various ways to address any critical funding issues.

Bill# **Sponsor: Representative H. Lenderman**

HB 1135 **To allow eligible survivors to receive benefits from the date an application for survivor benefits is filed; to clarify surviving spouse benefits; and to declare an emergency.**

Emergency Clause: Effective 07/01/2013

Explanation: ATRS works very hard to contact the family of a deceased member immediately after death. In most instances, ATRS becomes aware of a member's death in less than a week after death. Most families know that ATRS pays a death benefit which causes a lot of contact with ATRS. More importantly, ATRS uses specialized services, including state wide obituaries to track deaths daily. ATRS also uses state wide and national data bases on a frequent basis to find any that may otherwise have been missed. Due to specialized issues, occasionally ATRS has a family that will not file for survivor benefits due to some other payment program or some other potential advantage. Often, after a long period of time, an application is filed resulting in a lump sum amount for several years of survivor benefits. This bill provides that benefits are only paid from the date of application to discourage large lump sum payments outside normal administrative processes.

Bill# **Sponsor: Representative H. Lenderman**

HB 1136 **To clarify disability retirement requirements and eligibility for administration in the Arkansas Teacher Retirement System and to declare an emergency.**

Emergency Clause: Effective 07/01/2013

Explanation: This bill requires that a member have five years of service credit in ATRS in order to be paid an ATRS disability benefit. Under current law, ATRS would pay a disability benefit to a member with one-quarter year of service credit if the member had at least 4.75 years of service credit in a reciprocal Arkansas public retirement system. This bill would ensure that members obtaining ATRS disability benefits have a stronger connection to the System in order to receive a potential lifetime benefit from the System. This bill also only pays benefits back to the time of a disability application instead of allowing a member to have a year or more

of benefits paid between the time of last work and the application as occurs now. Most programs only pay to the date of application and ATRS would also have that provision if this bill passes.

Bill# **Sponsor: Representative H. Lenderman**

HB 1137 **To allow service credit and current salary to be used in the calculation of final average salary for members retiring other than the first day of a calendar quarter within a fiscal year and to declare an emergency.**

Emergency Clause: Effective 07/01/2013

Explanation: Certain limitations exist when a member retires in the middle of a fiscal year. It is possible to earn a full year of service credit in ATRS in six months. The law is written to discourage members from reaching that one year of service credit and retiring in the middle of a school year and leaving students without the benefit of the same teacher for the rest of the year. For service credit, a member can only get service credit for the percent of the fiscal year actually worked. Members retiring on January 1 can only get one-half year of service credit, even if a full year has been earned. The current law allows a last year's salary to be used to calculate final average salary only if a member retires at the beginning of a quarter (October 1, January 1, April 1). This actually penalizes a member who completes a school year in May and retires on June 1. This bill recognizes the unintended consequence and eliminates salary as the basis for ensuring a member stays through the school year of the member's last year of employment. This protects members and actually helps schools when a member can be just as benefitted by retiring on June 1 instead of April 1 and not leaving a classroom open the last six weeks of school as the current law indirectly encourages.

Bill# **Sponsor: TBA**

_____ **Definition of salary, contract buy out**

Emergency Clause: Effective immediately Upon Passage

Explanation: This bill is aimed at narrowing the definition of salary to wages earned. It would eliminate nonmonetary compensation such as housing, vehicles, perks, and allowances. In addition, it clarifies how contract buyouts and judgments may be used as salary. This prevents confusion and often large payments by employers for payments in litigation. Importantly, it helps members and employers by allowing a terminated employee and or the employer to purchase service for the "terminated time". This is only available for claims that the wrongful termination results in resolution of that claim by a mutual agreement or successful

litigation. This prevents difficult damage calculations in court, encourages parties to resolve these cases when retirement benefits become a sticking point, prevents harm to a member whose termination prevented service credit from growing, and limits an employer's liability to restore the member's rights in the retirement system.

Bill# **Sponsor: TBA**
_____ Delete years on which contributions are owed

Emergency Clause: Effective immediately Upon Passage

Explanation: This bill is designed to help members who for various reasons owe for mandatory contributions before the member can retire from ATRS. These sums have been previously billed to the member without the member finding a way to pay the contributions. Under the current law, until the contributions are paid, the member's retirement application cannot be processed. This bill will allow the ATRS Board to set up a process for the member to either pay the contribution or to allow the member to waive the service credit in the fiscal year involved to allow the member to retire without the financial burden of paying an often large sum caused by the original contributions due and 8% compound interest over many years.

Bill# **Sponsor: TBA**
_____ Increase or decrease employer contribution rate

Emergency Clause: Effective immediately Upon Passage

Explanation:
This is one of the "**AS REQUIRED**" bills proposed by the ATRS Board. As a reminder, this is language pulled from the initial explanation at the beginning of this summary: **AS REQUIRED** means that the ATRS Board is given the authority to make a change on the item **ONLY** if recommended by the actuary for ATRS in order to address a **critical** funding issue. This authority would **NEVER** be used by the ATRS Board unless absolutely necessary. The return for the current fiscal year on the ATRS Trust Fund is estimated to be 9% by staff with 5 months left in the fiscal year. If this continues ATRS will have no critical funding issue to address! Please understand how much ATRS **respects and appreciates** the legislators who are carrying the "**AS REQUIRED**" bills since some members may not understand that these are ATRS Package bills to give the "**MEMBER ELECTED**" ATRS BOARD the duty to adjust items when absolutely needed instead of deferring to others the duty to make adjustments!

ATRS has not had an employer contribution rate increase in several years. In 2005, the General Assembly froze the ATRS employer contribution rate at a maximum of 14%. Due to the financial crisis and the resulting stock market disruption, the ATRS employer rate has been less than what is required to maintain a 30 year amortization to pay unfunded liabilities of the System. For example, since July 1, 2008, the APERS employer contribution rate as of July 1, 2013, will have increased 3.87% while the ATRS employer contribution rate has increased 0.0%. This bill would increase the ceiling for the employer rate to 15%. In addition, ATRS could only remain above 14% if the amortization period remains over 30 years. While the employer contribution rate is above 14%, ATRS could not enhance any benefits. Very importantly, any contribution increase would not be paid directly by the ATRS employers under this bill, rather, any contribution above 14% for public schools would be paid from a line item on the Department of Education's budget since ATRS expects any rate above 14% to be a temporary increase. If funds are not available in 2013-2014, ATRS at least requests the ability to increase contribution rates on July 1, 2015 in order that any actuarial needs of ATRS not be totally borne by ATRS members just like the state has allowed the other retirement systems to limit member cuts by increasing the employer contribution rate to help stabilize the other trust funds after the devastating financial crisis in 2008-2009.

Bill#

Sponsor: TBA

Discounted buyout of service credit for inactive vested and nonvested members

Emergency Clause: 90 Days After Session Ends

Explanation: This bill would give the ATRS Board authority to develop buyout plans for inactive members. ATRS has over 11,000 inactive vested members. ATRS carries a liability of \$700 million dollars for these inactive vested members. Many inactive members have only noncontributory service credit and would like the opportunity to be paid money for surrendering the members' interest in ATRS to either help with family finances or to roll into a retirement account. This bill will allow the ATRS Board to create a win-win for inactive members and the ATRS Board by allowing inactive members to obtain value for service credit that could become worthless while at the same time ATRS is removing actuarial liability at a good discount. The legislation would allow the Board to also have some mandatory aspects in a buyout plan in very narrow instances. Based upon staff contact, this should be a popular program once it is established by the Board if authorized by this bill.

Bill#

Sponsor: TBA

Increase or decrease multipliers for contributory and noncontributory service in the benefit formula, remove minimum benefits

Effective: 07/01/2013

Explanation: This is one of the "**AS REQUIRED**" bills proposed by the ATRS Board. As a reminder, this is language pulled from the initial explanation at the beginning of this summary: **AS REQUIRED** means that the ATRS Board is given the authority to make a change on the item **ONLY** if recommended by the actuary for ATRS in order to address a **critical** funding issue. This authority would **NEVER** be used by the ATRS Board unless absolutely necessary. The return for the current fiscal year on the ATRS Trust Fund is estimated to be 9% by staff with 5 months left in the fiscal year. If this continues ATRS will have no critical funding issue to address! Please understand how much ATRS **respects and appreciates** the legislators who are carrying the "**AS REQUIRED**" bills since some members may not understand that these are ATRS Package bills to give the "**MEMBER ELECTED**" ATRS BOARD the duty to adjust items when absolutely needed instead of deferring to others the duty to make adjustments!

This is a bill to give the ATRS Board authority to decrease the multiplier for contributory and noncontributory service for future years of service credit earned. All service credit earned through June 30, 2013, would be locked in at the current very strong rates for multipliers. Even if the Board had to reduce a multiplier, this not only allows the multiplier to be increased back to the original level, but it also allows the Board to increase the multipliers earned in previous years at a lower level to the highest level authorized. The wording of this bill further establishes the ATRS Board's intent to not cut benefits or the accrual of benefits unless absolutely necessary and even it becomes necessary, the Board seeks authority to reinstate any cut that is no longer necessary. Hopefully, the markets will bring ATRS back to a 30 year or less amortization period. If not, this bill provides another option to the Board prior to cuts made by others that could possibly go beyond what is absolutely required.

In addition, this bill give the Board authority to consider establishing rules that would allow the Board to pay a lower multiplier to members in their first 10 years of service, and would also authorize the Board to increase the multiplier after 10 years of service credit. This could encourage retention and address other issues of concern about some members coming to Arkansas only long enough to get vested and obtain a lifetime benefit without a long term commitment to Arkansas. Even if this bill is passed, the Board would not necessarily adopt this rule, but would have the authority to do so.

Finally, this bill limits benefits to what is established by the formula and eliminates a lot of complex minimum benefit language from the ATRS law.

Bill# **Sponsor: TBA**
_____ **Rescind compound COLA**

Effective: 07/01/2013

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ATRS has compounded the simple COLA in the past. If it became absolutely necessary, another tool the ATRS Board could consider to bring ATRS back to a 30 year amortization is to reverse a previous compounding of the COLA. Although very complex in administration, it is one benefit change that could be considered and would only affect retirees who had been retired at least one year prior to the compounding. Hopefully, this provision, like the other provision with the as required in red will never be necessary.

Bill# **Sponsor: TBA**
_____ **T-DROP reduction for noncontributory service is 1%**

Effective: 07/01/2013

Explanation: When a member enters T-DROP, the member has a 1% reduction for every contributory year and reciprocal year of service credit. However, noncontributory service credit is only reduced by 0.6%. This bill makes a simple change to make all years of service credit a standard 1% reduction for administrative ease and to take away an incentive for members to remain noncontributory. This bill ensures that all members, regardless of the type of service credit, are treated the same.

Bill#

Sponsor: TBA

_____ **New employees of PSHE colleges can join ATRS and employees not allowed to join from 2011-2013 can buy back time at a special rate.**

Effective: 07/01/2013

Explanation: After July 1, 2011, some colleges no longer allow new employees to participate in ATRS. Some colleges do allow new employees to participate in ATRS. This bill loosens the requirement for a new employee of participating colleges to become an ATRS member. Currently, a member has to have five years of ATRS service credit to select ATRS when hired by a participating college. This bill will allow a new employee without any service credit in ATRS to become a member and provides a special one-time program to allow those originally prohibited from becoming a member of ATRS, due to the five-year rule, to become members and purchase service credit from July 1, 2011, or their hire date, whichever is later.

Bill#

Sponsor: TBA

_____ **New retirement tier.**

Emergency Clause: Effective immediately Upon Passage

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This bill would only apply to members first obtaining service credit after July 1, 2013, or at some later date. The bill authorizes the ATRS Board to modify certain retirement benefit factors for this group of future members. Essentially, the ATRS Board by rule making could make the adjustments in the benefit factors for new employees subject to the limitations in the bill. In addition, the bill authorizes the ATRS Board to lessen the differences in Tier II over time. For instance, if Tier II initially had a lower multiplier than Tier I, the Board could bring the Tier II up to the Tier I level for the current and past years for a Tier II participant.

Bill#

Sponsor: TBA

Technical corrections

Effective: 07/01/2013

Explanation: This bill makes no substantive change but clarifies language to prevent confusion and to delete duplicated provisions.

IMPACT AND ANALYSIS OF OTHER BILLS AFFECTING ATRS, MEMBERS, AND EMPLOYERS

Bill# **Sponsor: Senator J. Elliott**

SB 9 **To clarify the definition of child under the Arkansas Teacher Retirement System.**

Effective: 90 Days After Session Ends

Explanation: The bill as currently drafted would expand survivors (the minor children) of an active members and T-DROP participants when the member dies. ATRS pays each survivor 20% of the member's best one year salary up to 60% (three survivors) and thereafter prorates the benefit payable of 60% among all survivors (four survivors get 15% each). ATRS has concerns with the bill as currently written and expects that over the next eight years, the number of survivors would double at ATRS. ATRS currently has 627 survivors being paid \$8 million dollars per year. The ATRS Board has not had an opportunity to take a position on this bill. It is difficult to consider increasing the benefit payments to additional survivors at ATRS when, without strong returns in this and the next couple of fiscal years, ATRS might have to consider cutting member benefits and benefit accruals.

ATRS staff has had good discussions with Senator Elliott about changes in the bill that would tighten the bill and provide a workable mechanism to expand covered survivors when actuarially appropriate.

Bill# **Sponsor: Senator M. Irvin**

SB 106 **To amend the termination of active membership requirements under the Arkansas Teacher Retirement System and to declare an emergency.**

Emergency Clause: Effective Immediately Upon Passage

Explanation: This would carve a special exception for retiring ATRS members subject to a termination separation period to begin negotiations to become a working retiree at a public college in Arkansas during the member's termination separation period. The ATRS Board has not taken a position on this legislation. This bill is under current review to determine if the bill would constitute a violation of the IRS "in service distribution" regulations. ATRS staff has had quality discussions with Senator Irvin about this bill.

Bill# **Sponsor: Senator B. King**
SB 126 To amend provisions of Title 24 concerning the Arkansas Teacher Retirement System.
 (Shell Bill)

Effective: xx/xx/xxxx

Explanation: A shell bill is a bill without enacting language that can be amended at any time to put in favorable or unfavorable provisions affecting ATRS. The sponsor has not provided any guidance as to the purpose of this shell bill.

Bill# **Sponsor: Senator B. King**
SB 127 To modify provisions of the Arkansas Code concerning teacher retirement
 (Shell Bill)

Effective: xx/xx/xxxx

Explanation: A shell bill is a bill without enacting language that can be amended at any time to put in favorable or unfavorable provisions affecting ATRS. The sponsor has not provided any guidance as to the purpose of this shell bill.

Bill# **Sponsor: Senator B. King**
SB 128 To revise provisions of Title 24 of the Arkansas Code related to the Arkansas Teacher
 Retirement System
 (Shell Bill)

Effective: xx/xx/xxxx

Explanation: A shell bill is a bill without enacting language that can be amended at any time to put in favorable or unfavorable provisions affecting ATRS. The sponsor has not provided any guidance as to the purpose of this shell bill.

Bill# **Sponsor: Representative A. Kerr**

HB 1101 **To amend the law concerning the employment of a terminated employee; to require an employee returning to employment and an employer that participates in a state-supported retirement system to make contributions
(Shell Bill)**

Effective: xx/xx/xxxx

Explanation: Unlike the three shell bills above, this shell bill has some language to indicate the focus of the bill. If this shell bill is further developed, it would impact members retiring from any or all DROP plans, including potentially the ATRS T-DROP plan. In addition, the bill appears to potentially require a working retiree of retirement systems to pay a contribution while the retiree is working. ATRS staff has not obtained information about this bill beyond the wording within the bill itself. ATRS staff is reviewing the information to the extent it is available.