

EXECUTIVE DIRECTOR UPDATE

2015 BILLS AFFECTING ATRS

January 23, 2015

Overview of Week 2 of the 90th General Assembly and ATRS Processes

The House and Senate are now well past the mainly ceremonial first week of the session and have gotten down to much more business in week two of the session. Both the House and Senate will reconvene on Monday. At the end of week two, 241 bills had been introduced in this session. Of the 241 bills, 95 are appropriation bills to authorize state agencies to spend money and 146 are bills by House and Senate members on general issues and law changes. Of the 146 bills, 6 are bills proposed by the ATRS Board. ATRS has one bill of the 7 bill package that should be introduced early next week.

The committee process is now in full swing with the bills introduced so far now being heard in committees. On Monday morning, the Joint Public Retirement Committee will have its organizational meeting. On Monday, the Joint Public Retirement Committee will hear a presentation on actuarial processes by the committee actuary and hear from the executive directors of the retirement systems. The busy time of the legislative session is quickly approaching!

The ATRS Board's Legislative Package And Session Monitoring

Over the last two years, the ATRS Board and staff have looked through the ATRS laws and operation to look for needed changes and adjustments. In various Board meetings, the Board approved recommendations by the ATRS Operations Committee for potential changes for consideration by the 90th General Assembly. ATRS has a legislative package of 7 bills plus its appropriation bill for a total of 8 bills to be submitted by or on behalf of ATRS. ATRS currently has sponsors for its 7 general bills and the Joint Budget Committee always sponsors the appropriation bills for state agencies. The ATRS appropriation bill is not yet introduced but should be introduced soon. Most of the 7 ATRS Package bills are general "housekeeping" bills. This executive director update will provide a basic summary of each bill.

ATRS will continue to provide weekly updates on the ATRS package bills and all other bills filed that impact ATRS. The report should also give details on the legislative process that applies to legislation affecting ATRS. Typically, members of the General Assembly also propose legislation affecting ATRS that is not a part of the ATRS package. ATRS tries to work closely with members of the General Assembly on legislation to ensure issues of interest to the General Assembly are properly addressed.

In addition to bills that are introduced with substantive language that impacts ATRS, bills that have only a reference to ATRS or retirement issues that have no substantive language but can be amended at any time to have substantive language are called "shell bills". A shell bill can go from no impact to major impact in a few minutes. ATRS often has a shell bill filed as a place holder in case any issue arises in a legislative session and action is needed due to a new concern or issue. Any member of the General Assembly can introduce a retirement shell bill, so ATRS will monitor all retirement shell bills throughout the session.

Retirement legislation is usually introduced in the first 15 to 20 days of the legislative session since bills affecting benefits and operations of retirement systems are evaluated by the General Assembly's actuary and outside actuaries. The early introduction process leaves sufficient time for full actuarial review and legislative action on retirement legislation. This session, the last day to introduce a retirement bill (without a super majority authorization of both the House and the Senate) is Friday, January 30, 2015.

ATRS Board's Legislative Package

The ATRS Board of Trustees has unanimously voted to support a seven (7) bill package for this legislative session:

- Technical Corrections:** Minor clarifications of existing laws.
Now SB50.
Senator Eddie Cheatham.
- Private School Service:** Allow ATRS to make the determination of eligibility to purchase this service credit.
Now SB75
Senator Uvalde Lindsey
- Disability Retirement:** To allow members to retire on disability as they currently do, but require additional requirements for continued eligibility after retirement.
Now SB48
Senator Bill Sample
- Option C Clarification:** To allow members who retirement with a benefit option C, which guarantees 120 payments, to change beneficiaries after retirement if the option beneficiary is a spouse and the marriage ends in divorce or other marriage dissolution.
Now HB1078
Representative Gary Deffenbaugh
- Member Annuities Paid:** Repeal the law that allows a reserve payout of benefits of less than \$20 per month.
SBXX (to be introduced early next week)
Lead Sponsor: Senator Jason Rapert
Co-Sponsor: Representative Lanny Fite
- Non-Spousal Rollover:** Makes ATRS law comply with IRS code that allows a beneficiary that is not the spouse of a member to be eligible for certain rollovers.
Now SB38
Senator Blake Johnson

Recycling Tax Credits: To extend the transferability of recycling tax credits within equity owners of certain investment projects in Arkansas, to encourage more specialized projects and enhance investment returns.
 Now HB1132
Lead Sponsor: Representative Monte Hodges,
Co-Sponsors: Senator David Burnett, Senator Keith Ingram

ATRS closely follows bills that could impact ATRS during the 2015 Legislative Session. ATRS has a 7 bill package. At this time, 6 of the 7 bills have been formally introduced and have a listed sponsor and bill number. The remaining bill should be introduced on or about Monday, January 26, 2015 by Senator Jason Rapert and Representative Lanny Fite who have agreed to sponsor the bill. ATRS appreciates the assistance of all legislators who are sponsoring bills in the ATRS Board's legislative package. The Sponsors include:

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| Senator Blake Johnson | Senator Uvalde Lindsey |
| Senator Eddie Cheatham | Senator Keith Ingram |
| Senator David Burnett | Representative Monte Hodges |
| Senator Jason Rapert | Representative Gary Deffenbaugh |
| Senator Bill Sample | Representative Lanny Fite |

This summary provides a brief title and explains the potential impact of all 7 bills in the package and any other bills that impact ATRS. (At this time, the only bills affecting ATRS are the six (6) package bills. Representative Bill Gossage has introduced HB1107 as a shell bill at ATRS' request to act as a place holder in the event action is needed beyond the current legislative package.) Some bills have an emergency clause that would make the bill effective July 1, 2015. Some bills have an emergency clause that makes the bill become effective immediately. A bill without an emergency clause would become effective 90 days after the session ends.

ATRS PACKAGE BILLS FOR THE 2015 SESSION

<u>Bills</u>	<u>Sponsor</u>	<u>Description</u>	<u>Status</u>
SB38	Sen. B. Johnson	<i>Compliance with Law allowing Direct Rollover</i>	Filed
SB48	Sen. Sample	<i>Disability Retirement Benefit</i>	Filed
SB50	Sen. Cheatham	<i>Technical Corrections</i>	Filed
SB75	Sen. Lindsey	<i>How Private School Service is Recorded</i>	Filed
SBXX	TBA	<i>Member Annuities Page as Lifetime Benefit</i>	Run for Introduction
HB1078	Rep. Deffenbaugh	<i>Option C Clarification</i>	Filed
HB1132	Rep. Hodges	<i>Recycling Tax Credit Clarification</i>	Filed

BILLS AFFECTING ATRS OUTSIDE OF ATRS PACKAGE FOR THE 2015 SESSION

None at this time

ATRS REQUESTED SHELL BILLS

HB1107

Rep. Gossage

ATRS General Legislation

Filed

SHELL BILLS NOT REQUESTED BY ATRS

None at this time.

Bill# **Sponsor: Senator Eddie Cheatham**
SB50 **Makes technical corrections to the Arkansas Teacher Retirement System Act, to allow for a de minimis amount of money to be set concerning the System's obligations, to amend the law concerning the deadline for the System to provide employers with financial reports and other clarifications.**

Emergency Clause: Effective Immediately Upon Passage. The Amendment that was added as shown by the activity shown below was to add the emergency clause to ensure clarifications were effective for the July 1st retirement season.

Explanation: Technical Corrections— This bill makes minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS.

ACTION:

1/21/2015 1:41:54 PM - Senate -- Re-referred to Joint Committee on Public Retirement and Social Security Programs

1/21/2015 1:41:49 PM - Senate -- REPORTED CORRECTLY ENGROSSED

1/21/2015 1:41:41 PM - Senate -- Amendment # 2 read the first time, rules suspended, read the second time and adopted, ordered engrossed.

1/21/2015 1:40:22 PM - Senate -- Withdraw amendment #1.

1/21/2015 1:40:00 PM - Senate -- Withdrawn from Committee for purpose of amendment # 1

1/13/2015 10:28:43 AM - Senate -- Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs

1/13/2015 10:15:00 AM - Senate -- Filed

Bill# **Sponsor:** Representative Hodges
HB1132 Allocation of Recycling Tax Credit

Emergency Clause: Effective Immediately After Passage

Explanation: Tax Credits – This bill is to extend the transferability of Arkansas recycling tax credits to another equity owner if an Arkansas public retirement system is an equity owner of a project eligible for the tax credit. This allows ATRS to share in the tax credit like other investors.

ACTION:

1/22/2015 4:31:21 PM - House -- Read the first time, rules suspended, read the second time and referred to the Committee on REVENUE & TAXATION- HOUSE

1/22/2015 2:14:00 PM - House -- Filed

Bill# **Sponsor:**
Member Annuities are paid as a lifetime benefit by repealing lump-sum payments of reserve value of small annuities in the Arkansas teacher Retirement System.

Emergency Clause: Effective 07/01/2015

Explanation: Lump-Sum Payments of Reserve Value of Small Annuities--- This bill repeals the law that allows a reserve payout of benefits of less than \$20 per month. Most members and ATRS now prefer to pay the member a lifetime benefit, even on smaller annuity amounts since usually the smaller annuity amounts usually are associated with the member also receiving a lifetime benefit from another retirement system, such as APERS at the same time.