

1 State of Arkansas
2 91st General Assembly
3 Regular Session, 2017
4

As Engrossed: S3/22/17

A Bill

SENATE BILL 184

5 By: Senator Hester
6

For An Act To Be Entitled

8 AN ACT TO MODIFY THE METHOD USED TO SET THE TEACHER
9 DEFERRED RETIREMENT OPTION PLAN INTEREST RATE; TO
10 ALLOW BALANCE TRANSFERS BETWEEN RECIPROCAL SYSTEMS;
11 TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.
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Subtitle

15 AN ACT TO MODIFY THE METHOD USED TO SET
16 THE TEACHER DEFERRED RETIREMENT OPTION
17 PLAN INTEREST RATE; TO ALLOW BALANCE
18 TRANSFERS BETWEEN RECIPROCAL SYSTEMS; AND
19 TO DECLARE AN EMERGENCY.
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22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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24 *SECTION 1. Arkansas Code Title 24, Chapter 2, Subchapter 4, is amended*
25 *to add an additional section to read as follows:*

26 *24-2-409. Transfer of deferred retirement option plan balance.*

27 *(a) Except as provided under subsections (b) and (c) of this section,*
28 *each reciprocal system shall administer its deferred retirement option plan*
29 *in accordance with its respective provisions concerning a member who elects*
30 *the deferred retirement option plan and has credited service in two (2) or*
31 *more reciprocal systems.*

32 *(b)(1) A program authorizing a balance transfer of a completed*
33 *Arkansas Public Employees' Retirement System Deferred Retirement Option Plan*
34 *balance to the Teacher Deferred Retirement Option Plan may be established if*
35 *the Board of Trustees of the Arkansas Public Employees' Retirement System and*
36 *the Board of Trustees of the Arkansas Teacher Retirement System approve the*



1 balance transfer program by resolution.

2 (2)(A) If a balance transfer program is approved by resolution
3 of the Board of Trustees of the Arkansas Public Employees' Retirement System
4 and the Board of Trustees of the Arkansas Teacher Retirement System, the
5 Arkansas Public Employees' Retirement System may set a reasonable processing
6 fee either as a set dollar amount or as a percentage of the balance
7 transferred.

8 (B) The balance transfer program shall become effective
9 upon the adoption of the final resolution.

10 (C) A member may elect to transfer his or her deferred
11 retirement option plan balance if the member:

12 (i) Is actively employed under the Arkansas Teacher
13 Retirement System at the time of the simultaneous deferred retirement option
14 plan entry;

15 (ii) Completes the maximum deferred retirement term
16 in the Arkansas Public Employees' Retirement System;

17 (iii) Has at least two (2) years of continuing
18 eligibility to participate in the Teacher Deferred Retirement Option Plan;
19 and

20 (iv) Applies to transfer his or her deferred
21 retirement option plan balance by notifying the Arkansas Public Employees'
22 Retirement System and the Arkansas Teacher Retirement System of the intended
23 balance transfer at least two (2) months before the member completes the
24 maximum deferred retirement term in the Arkansas Public Employees' Retirement
25 System.

26 (D) A member with reciprocal service who has
27 simultaneously entered into the deferred retirement option plan with both the
28 Arkansas Public Employees' Retirement System and the Arkansas Teacher
29 Retirement System may elect to have his or her completed deferred retirement
30 option plan balance from the Arkansas Public Employees' Retirement System
31 transferred to the Arkansas Teacher Retirement System, subject to any
32 reasonable processing fee established and assessed by the Arkansas Public
33 Employees' Retirement System.

34 (3) If at the time the program is approved the member has
35 previously completed the maximum deferred retirement term in the Arkansas
36 Public Employees' Retirement System, the member shall apply to transfer his

1 or her deferred retirement option plan balance by notifying the Arkansas
2 Public Employees' Retirement System and the Arkansas Teacher Retirement
3 System of the intended balance transfer within two (2) months of the
4 effective date of this act.

5 (c) If a balance transfer under subsection (b) of this section is
6 authorized, then:

7 (1) A member who elects a balance transfer under subdivision
8 (b)(2)(C) of this section is not eligible to draw a monthly retirement
9 benefit from the Arkansas Public Employees' Retirement System or the Arkansas
10 Teacher Retirement System until twenty-four (24) months after the completion
11 of the Arkansas Public Employees' Retirement System deferred retirement term;

12 (2) A member who elects a balance transfer under subdivision
13 (b)(2)(D) of this section is not eligible to draw a monthly retirement
14 benefit from the Arkansas Public Employees' Retirement System or the Arkansas
15 Teacher Retirement System until twenty-four (24) months after the month in
16 which the balance transfer occurs;

17 (3) The balance transferred shall be subject to the requirements
18 of the Teacher Deferred Retirement Option Plan in effect at the time of the
19 balance transfer;

20 (4) The Arkansas Public Employees' Retirement System and the
21 Arkansas Teacher Retirement System shall treat the transferred balance of the
22 member as a benefit component of the Arkansas Teacher Retirement System after
23 the date of the transfer;

24 (5) The Arkansas Public Employees' Retirement System shall not
25 pay a monthly retirement benefit to the member until the member officially
26 retires from the Arkansas Teacher Retirement System;

27 (6) The Arkansas Public Employees' Retirement System shall
28 calculate the monthly retirement benefit of the member as if the member
29 retired at the expiration of the Arkansas Public Employees' Retirement
30 System's plan deferred retirement option plan participation term; and

31 (7) The requirement of the Arkansas Teacher Retirement System
32 Deferred Retirement Option Plan shall apply to a member when the balance of
33 the member is transferred under this section.

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35 SECTION 2. Arkansas Code § 24-7-1307(c), concerning account credit
36 under the Teacher Deferred Retirement Option Plan, is amended to read as

1 follows:

2 (c)(1) ~~For the purposes of this section, plan interest shall be at the~~
3 ~~rate determined by the board from time to time.~~ The board shall determine the
4 plan interest rate to members' plan accounts based on:

5 (A) A fixed interest rate that is adopted by board
6 resolution prior to the beginning of the fiscal year and which applies to
7 subsequent fiscal years unless modified by the board; or

8 (B)(i) A variable interest rate formula that is based on
9 investment returns and other factors adopted by board resolution prior to the
10 beginning of the fiscal year.

11 (ii) If the board uses a variable interest rate
12 formula, the board shall adopt by board resolution the plan interest rate
13 prior to the beginning of the fiscal year in which the plan interest rate
14 applies.

15 (2) In addition to the applicable interest rate for the fiscal
16 year, the board may adopt by board resolution a Teacher Deferred Retirement
17 Option Plan participation incentive rate during a fiscal year if investment
18 returns justify an incentive rate for the fiscal year.

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20 SECTION 3. Arkansas Code § 24-7-1307(e), concerning account credit
21 under the Teacher Deferred Retirement Option Plan, is amended to read as
22 follows:

23 (e) For the purposes of this section, the ten (10) year plus plan
24 interest rate shall be the rate determined ~~by the board as appropriate~~ to be
25 appropriate by the board and adopted by board resolution prior to the
26 beginning of the fiscal year in which the interest rate shall apply.

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28 SECTION 4. EMERGENCY CLAUSE. It is found and determined by the
29 General Assembly of the State of Arkansas that the operations of the Arkansas
30 Teacher Retirement System are complex; that the system must be able to meet
31 the needs of its members as anticipated by the General Assembly; that certain
32 provisions of the Arkansas Teacher Retirement System Act are imminently in
33 need of revision and updating to bring them into conformance with sound
34 public pension policy and actuarial requirements; that such revision and
35 updating is of great importance to members of the system and to other
36 citizens of the State of Arkansas; that the system needs to have the ability

1 to make immediate changes to maintain and improve its actuarial status; and
2 that this act is immediately necessary in order to maintain an orderly
3 management of benefits for the members of the system. Therefore, an emergency
4 is declared to exist, and this act being immediately necessary for the
5 preservation of the public peace, health, and safety shall become effective
6 on:

7 (1) The date of its approval by the Governor;

8 (2) If the bill is neither approved nor vetoed by the Governor,
9 the expiration of the period of time during which the Governor may veto the
10 bill; or

11 (3) If the bill is vetoed by the Governor and the veto is
12 overridden, the date the last house overrides the veto.

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14 */s/Hester*
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