

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019
4

As Engrossed: H2/27/19

A Bill

HOUSE BILL 1320

5 By: Representative Maddox
6

For An Act To Be Entitled

8 AN ACT TO MAKE TECHNICAL CORRECTIONS TO TITLE 24 OF
9 THE ARKANSAS CODE CONCERNING RETIREMENT AND PENSIONS
10 UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO
11 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.
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13

Subtitle

14 TO MAKE TECHNICAL CORRECTIONS TO TITLE 24
15 OF THE ARKANSAS CODE CONCERNING
16 RETIREMENT AND PENSIONS UNDER THE
17 ARKANSAS TEACHER RETIREMENT SYSTEM; AND
18 TO DECLARE AN EMERGENCY.
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21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
23

24 SECTION 1. Arkansas Code § 24-2-701(c)(1), concerning employer
25 contribution rates to the state public employee retirement systems, is
26 amended to read as follows:

27 (1)(A) For the Arkansas Teacher Retirement System, ~~for the~~
28 ~~fiscal years ending June 30, 2008, and June 30, 2009,~~ the Board of Trustees
29 of the Arkansas Teacher Retirement System shall establish employer
30 contribution rates prospectively each year.

31 (B) The employer contribution rates shall be based on the
32 actuary's determination of the rate required to fund the plan ~~in accordance~~
33 ~~with the objectives~~ as necessary to meet the general financial objective set
34 forth in subsection (a) of this section.

35 (C) The employer contribution rates shall be the rates
36 determined by the Board of Trustees of the Arkansas Teacher Retirement System



1 under § 24-7-401(c) and based on the annual actuarial valuation of the
2 Arkansas Teacher Retirement System.

3 ~~(D) For the fiscal years ending June 30, 2008, and June 20,~~
4 ~~2009, the employer contribution rate shall not exceed fourteen percent (14%).~~

6 SECTION 2. Arkansas Code § 24-7-202(18), concerning the definition of
7 "final average salary" under the Arkansas Teacher Retirement System Act, is
8 amended to read as follows:

9 (18)(A)(i) "Final average salary" means the average of the
10 ~~remuneration paid to a member by a participating employer during the fiscal~~
11 ~~year ending June 30 of not less than three (3) years nor more than five (5)~~
12 ~~years of credited service producing the highest annual average~~ highest
13 salaries earned by a member in state fiscal years determined in accordance
14 with the rules ~~and regulations~~ of the board as is actuarially appropriate for
15 the Arkansas Teacher Retirement System;

16 ~~(ii) Before reducing the time period used to~~
17 ~~determine final average salary, the board shall file relevant information~~
18 ~~concerning the actuarial appropriateness of the action with the Joint Interim~~
19 ~~Committee on Public Retirement and Social Security Programs, and the action~~
20 ~~shall be reviewed by the Joint Interim Committee on Public Retirement and~~
21 ~~Social Security Programs.~~

22 ~~(B) If a member has less than the minimum of three (3)~~
23 ~~years of credited service, "final average salary" means the annual average of~~
24 ~~salaries paid to him or her during his or her total years of credited~~
25 ~~service, subject to the provisions of subdivision (32) of this section;~~

27 SECTION 3. Arkansas Code § 24-7-202(25), concerning the definition of
28 "nonteacher" under the Arkansas Teacher Retirement System Act, is amended to
29 read as follows:

30 (25) "Nonteacher" means ~~any member except a~~ member who is not a
31 teacher;

33 SECTION 4. Arkansas Code § 24-7-202(30), concerning the definition of
34 "retirant" under the Arkansas Teacher Retirement System Act, is amended to
35 read as follows:

36 (30) ~~"Retirant"~~ "Retiree" or "retirant" means a member receiving

1 an Arkansas Teacher Retirement System annuity;

2
3 SECTION 5. Arkansas Code § 24-7-202, concerning definitions applicable
4 to the Arkansas Teacher Retirement System Act, is amended to add an
5 additional subdivision to read as follows:

6 (43) "Administrator" means:

7 (A) A person who is:

8 (i) Employed by an education related agency that
9 participates in the Arkansas Teacher Retirement System;

10 (ii) An active member employed in a position that is
11 a grade GS13, a grade above a GS13, or the equivalent of a grade GS13; or

12 (B) A person who is:

13 (i) Employed by a participating employer of the
14 Arkansas Teacher Retirement System; and

15 (ii) Any one of the following:

16 (a) A public school superintendent, assistant
17 superintendent, principal, or vice principal;

18 (b) A president, chancellor, or a director of
19 an institution of higher education; or

20 (c) A president, vice president, or a director
21 of a community college vocational, technical, or educational cooperative.

22
23 SECTION 6. Arkansas Code § 24-7-208 is amended to read as follows:
24 24-7-208. Benefit enhancements – Restrictions.

25 (a) No benefit enhancement provided for by this act shall be
26 implemented if it would cause the publicly supported retirement system's
27 unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an eighteen-
28 year amortization.

29 (b) No benefit enhancement provided for by this act shall be
30 implemented by any publicly supported system which has unfunded actuarial
31 accrued liabilities being amortized over a period exceeding ~~thirty~~ (30)
32 eighteen (18) years until the unfunded actuarial accrued liability is reduced
33 to a level less than the standards prescribed by § 24-1-101 et seq.

34
35 SECTION 7. Arkansas Code § 24-7-301(2)(C), concerning active member
36 trustees employed in a position requiring an administrator's license as

1 members of the Board of Trustees of the Arkansas Teacher Retirement System,
2 is amended to read as follows:

3 (C)(i) Two (2) active member trustees shall be employed in
4 a position requiring an administrator's license, one (1) of whom ~~must~~ shall
5 be ~~a superintendent or an educational cooperative director~~ an administrator.

6 (ii) These two (2) active member trustees shall be
7 elected by members employed in positions requiring ~~administrator licensure an~~
8 administrator's license.

9

10 SECTION 8. Arkansas Code § 24-7-406(b)(5), concerning members who left
11 covered employment under the Arkansas Teacher Retirement System before July
12 1, 1985, is amended to read as follows:

13 (5) Members who ~~left~~ leave covered employment ~~before July 1,~~
14 ~~1985,~~ and who had annual compensation of seven thousand eight hundred dollars
15 (\$7,800) or less shall have, upon their return to covered employment, full
16 salary considered for purposes of the system.

17

18 SECTION 9. Arkansas Code § 24-7-601(c)(2)(A), concerning when days of
19 paid sick leave cannot be considered service under the Arkansas Teacher
20 Retirement System, is amended to read as follows:

21 (2)(A) Except as provided under subdivision (c)(2)(B) of this
22 section, ~~days of paid sick leave shall not be considered service if the~~
23 ~~payment is for unused sick leave~~ paid or unpaid accrued, unused sick leave
24 shall not be credited as service in the Arkansas Teacher Retirement System.

25

26

27 SECTION 10. Arkansas Code § 24-7-605 is amended to read as follows:

28 24-7-605. Service in General Assembly.

29 (a)(1)(A)(i) Any member of the Senate or House of Representatives of
30 the General Assembly who is a member of the Arkansas Teacher Retirement
31 System shall be eligible, upon application, to receive credited service and
32 salary in the system for his or her full contract salary in the event that a
33 cut in pay is required by the school district during his or her attendance at
34 regular or extraordinary sessions of the General Assembly or during his or
35 her attendance at meetings of regular or special committees of the General
36 Assembly during the interim.

1 (ii) These meetings shall include, but not be
2 limited to, the Legislative Council, the Legislative Joint Auditing
3 Committee, the interim committees, and special legislative committees.

4 (B) The member shall receive credited service and salary
5 upon payment by him or her of the necessary member contribution and upon
6 appropriation from the Public School Fund of the necessary employer
7 contribution for the amount of the salary reduction during periods of
8 attending regular or extraordinary sessions of the General Assembly or
9 sessions of legislative committees.

10 (2) The amount of credited ~~service~~ salary shall not exceed the
11 contract salary of the member for the school year contract period.

12 (3)(A) Any member of the House of Representatives or the Senate
13 currently serving in the General Assembly or the legislative committees for
14 any year prior to July 6, 1977, not to exceed five (5) years, may make
15 application for and receive credited service and salary in the system for his
16 or her full contract salary as an employee with respect to any reduction
17 therein during attendance at regular or extraordinary sessions of the General
18 Assembly or sessions of legislative committees in which he or she served.

19 (B) This shall be done only if he or she pays to the
20 system the member contribution required by law, and if appropriation is made
21 from the Public School Fund for the necessary employer contribution required
22 by law for that portion of his or her contract salary for any period for
23 which he or she suffered a reduction in pay during legislative service.

24 (b)(1) Any member of the Senate or House of Representatives of the
25 General Assembly who is an employee and is a member of the system shall be
26 eligible, upon application, to receive credited service and salary in the
27 system for his or her full contract salary in the event that either the
28 member or the school district decides it is in the best interest of the
29 school district for the member to take a leave of absence for up to one (1)
30 full calendar year at a time to attend to his or her duties as a General
31 Assembly member.

32 (2) Service and salary shall be credited upon payment by the
33 member of the necessary member contribution and the necessary employer
34 contribution for the amount of the member's contract salary during periods of
35 attending regular or extraordinary sessions of the General Assembly or
36 sessions of legislative committees.

1 (3) The amount of credited ~~service~~ salary shall not exceed the
2 member's contract salary for the school year contract period.

3
4 SECTION 11. Arkansas Code § 24-7-608 is amended to read as follows:
5 24-7-608. Limitation on benefit enhancement.

6 (a) ~~No~~ A benefit enhancement provided for by this act shall not be
7 implemented if it would cause the publicly supported retirement system's
8 unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an eighteen-
9 year amortization.

10 (b) ~~No~~ A benefit enhancement provided for by this act shall not be
11 implemented by any publicly supported system which has unfunded actuarial
12 accrued liabilities being amortized over a period exceeding ~~thirty~~ (30)
13 eighteen (18) years until the unfunded actuarial accrued liability is reduced
14 to a level less than the standards prescribed by § 24-1-101 et seq.

15
16 SECTION 12. Arkansas Code § 24-7-610(c), concerning the amount of
17 purchased service credit a member receives for service in the National Guard
18 or armed forces reserve under the Arkansas Teacher Retirement System, is
19 amended to read as follows:

20 (c) ~~Members shall receive one (1) year of purchased service credit for~~
21 ~~each one (1) year of service in the National Guard or the armed forces~~
22 ~~reserve~~ A member may, one (1) time each fiscal year, purchase up to one (1)
23 year of service credit for each one (1) year of service in the National Guard
24 or armed forces reserve.

25
26 SECTION 13. Arkansas Code § 24-7-710(d), concerning amounts received
27 in the form of a survivor annuity from the deposit account of a member of the
28 Arkansas Teacher Retirement System, is amended to read as follows:

29 (d) For the purposes of § 24-7-709 related to the disposition of a
30 member's residue amount, any amounts a survivor annuity received from the
31 member's deposit account ~~in the form of a survivor annuity~~ under this section
32 shall be considered annuity payments received by the member or his or her
33 designated beneficiary and shall offset any disposition of residue payable
34 under § 24-7-709 to the estate of the member or to an alternate payee.

35
36 SECTION 14. Arkansas Code § 24-7-713(b), concerning a modification of

1 the amount of a benefit stipend by the Board of Trustees of the Arkansas
2 Teacher Retirement System, is amended to read as follows:

3 (b)(1) A member with at least ten (10) years of actual service in the
4 Arkansas Teacher Retirement System is eligible to receive a benefit stipend
5 in addition to his or her monthly retirement benefit.

6 (2) ~~Effective July 1, 2013, the~~ The Board of Trustees of the
7 Arkansas Teacher Retirement System may modify the amount of the benefit
8 stipend from a maximum of seventy-five dollars (\$75.00) per month to not less
9 than one dollar (\$1.00) per month for eligible benefit participants as a
10 benefit supplement in addition to the cost of living adjustment under
11 subsection (a) of this section.

12 ~~(3)~~ (3) A benefit stipend increase or decrease adopted by the
13 board shall apply to a complete fiscal year and shall remain in effect until
14 adjusted by the board subject to the limitations under subdivision ~~(b)(4)~~
15 (b)(5) of this section.

16 ~~(4)~~ (4) The board may adjust the benefit stipend amount by
17 resolution at a meeting of the board.

18 ~~(5)~~ (5) The board shall not reduce the benefit stipend unless
19 the:

20 (A) Arkansas Teacher Retirement System's actuary certifies
21 to the board that the amortization period exceeds eighteen (18) years; and

22 (B) Board determines that a reduction in the benefit
23 stipend is prudent to maintain actuarial soundness.

24 ~~(6)~~ (6) The board may phase in an increase or decrease of the
25 benefit stipend.

26 (7) If a member was eligible for a benefit stipend, the benefit
27 stipend shall be applied to the monthly benefit of the member's designated
28 survivor and option beneficiary.

29
30 SECTION 15. Arkansas Code § 24-7-718(a), concerning the requirements
31 for an increase in benefit formulas to be effective under the Arkansas
32 Teacher Retirement System, is amended to read as follows:

33 (a) For an increase in benefit formulas to be effective, the regular
34 annual actuarial valuation for the calendar year immediately preceding the
35 *effective date of the increase shall be based upon an investment rate*
36 *assumption of no more than eight percent (8%) as recommended by the system's*

1 actuary as financially sound for the Arkansas Teacher Retirement System and
2 set by the Board of Trustees of the Arkansas Teacher Retirement System and
3 shall indicate that up to and including a fourteen percent (14%) of pay
4 employer contribution rate is sufficient to amortize all unfunded actuarial
5 accrued liabilities for members over a period of ~~thirty (30)~~ eighteen (18)
6 years or less unless the required contribution rate would exceed fourteen
7 percent (14%).

8
9 SECTION 16. Arkansas Code § 24-7-720(e), concerning the implementation
10 of a benefit enhancement under the Arkansas Teacher Retirement System, is
11 amended to read as follows:

12 (e)(1) ~~No~~ A benefit enhancement provided for ~~by~~ under this section
13 shall not be implemented if it would cause the ~~publicly supported retirement~~
14 ~~system's unfunded actuarial accrued liabilities to exceed a thirty-year~~ an
15 eighteen-year amortization.

16 (2) ~~No~~ If the system's unfunded actuarial accrued liabilities
17 exceed an eighteen-year amortization, a benefit enhancement provided for ~~by~~
18 under this section shall not be implemented ~~by any publicly supported system~~
19 ~~that has unfunded actuarial accrued liabilities being amortized over a period~~
20 ~~exceeding thirty (30) years~~ until the unfunded actuarial accrued liability is
21 reduced to a level less than the standards prescribed by § 24-1-101 et seq.

22
23 SECTION 17. Arkansas Code § 24-7-725 is amended to read as follows:
24 24-7-725. Limitation on benefit enhancement of § 24-7-702.

25 (a) ~~No~~ A benefit enhancement provided by § 24-7-702 shall not be
26 implemented if it would cause the ~~publicly supported retirement system's~~
27 unfunded actuarial accrued liabilities of the Arkansas Teacher Retirement
28 System to exceed ~~a thirty-year~~ an eighteen-year amortization.

29 (b) ~~No~~ If the system's unfunded actuarial accrued liabilities exceed
30 an eighteen-year amortization, a benefit enhancement provided for by § 24-7-
31 702 shall not be implemented ~~by any publicly supported system which has~~
32 ~~unfunded actuarial accrued liabilities being amortized over a period~~
33 ~~exceeding thirty (30) years~~ until the unfunded actuarial accrued liability is
34 reduced to a level less than the standards prescribed by § 24-1-101 et seq.

35
36 SECTION 18. Arkansas Code § 24-7-736(c)(1) and (2), concerning the

1 computation of a final average salary for retirement benefits received under
2 the Arkansas Teacher Retirement System, are amended to read as follows:

3 (c)(1) The Board of Trustees of the Arkansas Teacher Retirement System
4 shall set annually the applicable number of years to be used in computing
5 final average salary for retirement benefits at not less than three (3) years
6 and not more than five (5) years.

7 (2)(A) Full service years that are recorded as service credit
8 shall be used in the calculation ~~unless the member has a partial service year~~
9 ~~that is higher than a full service year~~ of the final average salary.

10 (B) If the member does not have full service years for the
11 total years of service used in the calculation of final average salary, then
12 the board may establish by rule a fair base year for a member's final average
13 salary for purposes of comparison under subdivision (c)(3) of this section.

14 (C) If a member has less than the minimum number of years
15 of credited service required for the final average salary formula, the final
16 average salary of the member shall be the total salary paid to the member for
17 his or her years of credited service divided by the member's total credited
18 years of service.

19 (D) Before reducing the number of years that is used to
20 determine the final average salary, the board shall file relevant information
21 concerning the actuarial appropriateness of the action with the Joint Interim
22 Committee on Public Retirement and Social Security Programs for review by the
23 Joint Interim Committee on Public Retirement and Social Security Programs.

24
25 SECTION 19. Arkansas Code § 24-7-736(f), concerning final average
26 salary calculations under the Arkansas Teacher Retirement System, is amended
27 to read as follows:

28 (f)(1) The board may adjust the final average salary calculated in
29 accordance with subsection (c) of this section by board resolution provided
30 that:

31 ~~(1)(A)~~ (A) The percentage increase under subdivision (c)(3)(D)
32 of this section is adjusted no lower than one hundred five percent (105%) per
33 year and no higher than one hundred twenty percent (120%) per year; and

34 ~~(2)(B)~~ (B) The salary differential permitted under subdivision
35 (c)(3)(D) of this section is set no lower than one thousand two hundred fifty
36 dollars (\$1,250) per year and no higher than five thousand dollars (\$5,000)

1 per year.

2 (2) A partial service year is excluded from the calculation of
3 the final average salary under this subsection.

4
5 SECTION 20. Arkansas Code § 24-7-1307(d), concerning interest applied
6 to the Teacher Deferred Retirement Option Plan account of a participant, is
7 amended to read as follows:

8 (d) If a participant continues covered employment after completing ten
9 (10) consecutive years in the plan, the participant's plan account shall be
10 credited on June 30 of each year or through the date of retirement, whichever
11 occurs first, with ten (10) year plus plan interest as set by the board.

12

13 SECTION 21. Arkansas Code § 24-7-1313 is amended to read as follows:

14 24-7-1313. Limitation on benefit enhancement – Acts 1997, No. 953.

15 (a) ~~No~~ A benefit enhancement provided for by § 24-7-1306 shall not be
16 implemented if it would cause the ~~publicly supported retirement system's~~
17 Arkansas Teacher Retirement System's unfunded actuarial accrued liabilities
18 to exceed ~~a thirty-year~~ an eighteen-year amortization.

19 (b) ~~No~~ A benefit enhancement provided for by § 24-7-1306 shall not be
20 implemented by ~~any publicly supported~~ the system which has unfunded actuarial
21 ~~accrued liabilities being amortized over a period exceeding thirty (30) years~~
22 until the unfunded actuarial accrued liability is reduced to a level less
23 than ~~the standards prescribed by § 24-1-101 et seq.~~ an eighteen-year
24 amortization.

25

26 SECTION 22. Arkansas Code § 24-7-1504(b), concerning the
27 implementation of ad hoc benefits under the Retirants' Ad Hoc Increase Act,
28 is amended to read as follows:

29 (b) An ad hoc benefit under this subchapter shall not be implemented
30 if the ad hoc benefit would cause the Arkansas Teacher Retirement System's
31 unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an eighteen-
32 year amortization.

33

34 SECTION 23. EMERGENCY CLAUSE. It is found and determined by the
35 General Assembly of the State of Arkansas that certain provisions of the
36 Arkansas Teacher Retirement System Act, an act that created a state agency

1 for the purpose of providing retirement benefits to school employees of the
2 state, are in need of revision and updating to maintain the teacher
3 retirement laws in conformance with sound public pension policy; that the
4 Arkansas Teacher Retirement System operates on a fiscal year of July 1 to
5 June 30; that a July 1, 2019 effective date is necessary to allow the
6 provisions of this act to begin on the first day of the fiscal year and to
7 provide for the proper administration of the Arkansas Teacher Retirement
8 System; that the updates and revisions to the Arkansas Teacher Retirement
9 System Act are of great importance for actuarial purposes and the protection
10 of member benefits under the Arkansas Teacher Retirement System; and that
11 this act is necessary in order to maintain an orderly system of benefits for
12 the members of the Arkansas Teacher Retirement System. Therefore, an
13 emergency is declared to exist, and this act being necessary for the
14 preservation of the public peace, health, and safety shall become effective
15 on July 1, 2019.

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17 */s/Maddox*

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20 **APPROVED: 3/12/19**
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