

1 State of Arkansas  
2 90th General Assembly  
3 Regular Session, 2015  
4

*As Engrossed: 5/21/15*  
**A Bill**

SENATE BILL 50

5 By: Senator E. Cheatham  
6

7 **For An Act To Be Entitled**

8 AN ACT TO MAKE TECHNICAL CORRECTIONS TO THE ARKANSAS  
9 TEACHER RETIREMENT SYSTEM ACT; TO ALLOW FOR A DE  
10 MINIMIS AMOUNT OF MONEY TO BE SET CONCERNING THE  
11 SYSTEM'S OBLIGATIONS; TO AMEND THE LAW CONCERNING THE  
12 DEADLINE FOR THE SYSTEM TO PROVIDE EMPLOYERS WITH  
13 FINANCIAL REPORTS; TO DECLARE AN EMERGENCY; AND FOR  
14 OTHER PURPOSES.  
15

16  
17 **Subtitle**

18 *TO MAKE TECHNICAL CORRECTIONS TO THE*  
19 *ARKANSAS TEACHER RETIREMENT SYSTEM ACT;*  
20 *TO AMEND THE LAW CONCERNING DE MINIMIS*  
21 *AMOUNTS OF MONEY AND FINANCIAL REPORTS;*  
22 *AND TO DECLARE AN EMERGENCY.*  
23

24  
25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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27 SECTION 1. Arkansas Code § 24-7-202, concerning the definitions of  
28 terms used in the Arkansas Code, is amended to add additional subdivisions to  
29 read as follows:

30 (41) "Arkansas Teacher Retirement System" means a state agency  
31 created in 1973 and administered under Act 427 of 1973, as amended, to  
32 provide a system of retirement benefits to its members; and

33 (42) "De minimis amount" means an amount of money so small as to  
34 make accounting for it unreasonable or impractical.  
35

36 SECTION 2. Arkansas Code § 24-7-301 is amended to read as follows:



1 24-7-301. Board of trustees – Members.

2 The general administration and responsibility for the proper operation  
3 of the Arkansas Teacher Retirement System and for making effective the  
4 provisions of this act are vested in a board of trustees of fifteen (15)  
5 persons as follows:

6 (1) The Bank Commissioner, the Treasurer of State, the Auditor  
7 of State, and the Commissioner of Education shall be ex officio trustees;

8 (2)(A) Seven (7) members shall be elected active member  
9 trustees, each of whom shall have at least five (5) years of actual service  
10 in force and be an active member. For the purpose of this section and § 24-7-  
11 302, participants in the Teacher Deferred Retirement Option Plan shall be  
12 considered active members.

13 (B) Four (4) active member trustees shall be employed in a  
14 position that requires state licensure, but not an administrator's license.  
15 One (1) member trustee will be elected from each of the four (4)  
16 congressional districts. The four (4) member trustees shall be elected by the  
17 members employed in positions that require state licensure, but not an  
18 administrator's license.

19 (C) Two (2) active member trustees shall be employed in a  
20 position requiring an administrator's license, one (1) of whom must be a  
21 superintendent or an educational cooperative director. These two (2) active  
22 member trustees shall be elected by members employed in positions requiring  
23 administrator licensure.

24 (D) One (1) active member trustee shall be employed in a  
25 position not requiring state licensure. This member trustee shall be elected  
26 by members employed in positions not requiring state licensure;

27 (3) One (1) trustee shall be ~~a person of a minority, as defined~~  
28 ~~under § 1-2-503, racial-ethnic group who is either an:~~

29 ~~(A) Is an active or retired member of the Arkansas Teacher~~  
30 ~~Retirement System system;~~

31 ~~(B) and shall be Is~~ elected from the active and retired  
32 membership of the system; and

33 (C) Has at least five (5) years of actual service;

34 (4)(A) Three (3) retirants shall be elected retirant trustees by  
35 the retirees of the system.

36 (B) Each retirant trustee shall be a retirant with an

1 annuity being paid by the system at the beginning of his or her term of  
2 office; ~~and~~

3 (5) The member and retirant trustees shall be elected in  
4 accordance with rules as have been adopted by the board to govern the  
5 elections; ~~and~~

6 (6) An employee working for the system is not eligible to be:

7 (A) Elected or appointed to the board; or

8 (B) A candidate to be elected or appointed to the board.

9

10 SECTION 3. Arkansas Code § 24-7-302(a)(2), concerning term of office  
11 and vacancies, is amended to read:

12 (2)(A)(i) A An active member trustee shall be ineligible to serve  
13 after becoming inactive, ~~or upon~~ retiring, or ceasing to be employed by an  
14 Arkansas Teacher Retirement System employer.

15

16 SECTION 4. Arkansas Code § 24-7-305(b), concerning board of trustees  
17 duties and responsibilities, is amended to read as follows:

18 (b)(1) The board shall promulgate rules as it deems necessary from time  
19 to time in the transaction of its business and in administering the Arkansas  
20 Teacher Retirement System.

21 (2) In order to fully comply with federal requirements that may  
22 affect the members or the members' benefits under this subchapter, and to  
23 limit the impact of changes in federal requirements on members or the  
24 members' benefits, the board may promulgate rules to:

25 (A) Establish the regular retirement age for members  
26 consistent with the provisions of the Internal Revenue Code, 26 U.S.C. § 411;

27 (B) Maintain the system's retirement plan tax  
28 qualification status by the federal government to remain tax exempt and tax  
29 qualified under the Internal Revenue Code, 26 U.S.C. § 401(a);

30 (C) Modify or eliminate a plan provision that was  
31 originally established to comply with Internal Revenue Code requirements but  
32 is no longer necessary to maintain the plan's tax-qualified status under the  
33 Internal Revenue Code, 26 U.S.C. § 1 et seq., including without limitation  
34 provisions concerning:

35 (i) Penalties;

36 (ii) Restrictions;

1 (iii) Time limitations; and  
2 (iv) Other requirements that impact a member,  
3 members' benefits, or the plan; and

4 (D) The board may adopt rules, procedures, plans,  
5 programs, and actions necessary to enable the system to pay all benefits  
6 earned by the system's members and reduce penalties or restrictions required  
7 by the Internal Revenue Service while maintaining compliance with the  
8 Internal Revenue Service.

9 (3) The board may adopt or amend by motion or resolution at any  
10 board meeting investment policies, investment procedures, and investment  
11 asset allocation targets that are consistent with the board's fiduciary  
12 obligations under the prudent investor rule and other obligations under this  
13 subchapter.

14 (4) The board may set or amend by a motion or resolution at any  
15 board meeting a de minimis amount of twenty-five dollars (\$25.00) or less  
16 concerning the system's obligation to distribute or collect payments,  
17 penalties, interest, funds, or moneys.

18 (5) The rule-making authority specifically granted under this  
19 chapter shall not limit the general rule-making authority of the board under  
20 subdivision (b)(1) of this section.

21

22 SECTION 5. Arkansas Code § 24-7-305(e)(1), concerning the annual  
23 report to employers regarding the financial condition of the Arkansas Teacher  
24 Retirement System, is amended to read as follows:

25 (e)(1) The board shall annually, ~~not later than April 1 of each year,~~  
26 render a report to each employer showing the financial condition of the  
27 system as of the preceding June 30.

28

29 SECTION 6. Arkansas Code § 24-7-410(d), concerning the procedure for  
30 the crediting of interest to the accounts of the Arkansas Teacher Retirement  
31 System, is repealed:

32 ~~(d)(1) At the end of each system fiscal year, the board shall credit~~  
33 ~~each person's individual account in the members' deposit account with regular~~  
34 ~~interest on the mean balance in the account for the fiscal year.~~

35 ~~(2) At the end of each system fiscal year, the board shall~~  
36 ~~credit the employer accumulation account with regular interest on the mean~~

1 ~~balance in the account for the fiscal year and similarly shall credit regular~~  
2 ~~interest to the retirement reserve account and to the survivor benefit~~  
3 ~~account.~~

4 ~~(3) The interest credits shall be transferred from the income-~~  
5 ~~expense account.~~

6  
7 SECTION 7. Arkansas Code § 24-7-602(b), concerning military service  
8 credit, is amended to read as follows:

9 (b) An active or inactive member who entered the armed forces shall  
10 have the period of armed forces service credited as service in the system  
11 without cost to the member if the member ~~satisfies the following conditions:~~

12 ~~(1) He or she completes five (5) or more years of actual service~~  
13 ~~in the system; and~~

14 ~~(2) (A) The armed forces service is not credited as service~~  
15 ~~under any other retirement plan except social security.~~

16 ~~(B) Receipt of a pension from the federal military~~  
17 ~~retirement system paid solely for disability shall not be considered as~~  
18 ~~having service credit with another retirement plan.~~

19  
20 SECTION 8. Arkansas Code § 24-7-706(a)(1), concerning annuity  
21 options, is amended to read as follows:

22 (a)(1) Before the date the first payment of his or her annuity becomes  
23 due, ~~but not thereafter,~~ a member may elect to receive his or her annuity as  
24 a straight life annuity, or he or she may elect to receive the actuarial  
25 equivalent, at that time, of his or her straight life annuity in a reduced  
26 annuity payable throughout his or her life.

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28 SECTION 9. Arkansas Code § 24-7-733(a)(2), concerning limitation on  
29 benefits, is amended to read as follows:

30 (2) The annual benefits, as may be increased in subsequent  
31 years, that are paid to retirants by the system shall not ~~exceed~~ violate the  
32 limitations under the Internal Revenue Code, 26 U.S.C. § 415(b), applicable  
33 to the annuity effective date under the Internal Revenue Code, 26 U.S.C. §  
34 415(d) and benefits shall be paid in a manner that protects the tax qualified  
35 status of the system.

36

1 SECTION 10. Arkansas Code § 24-7-1312(a), concerning federal taxation,  
2 is amended to read as follows:

3 (a) The Teacher Deferred Retirement Option Plan is intended to operate  
4 in accordance with 26 U.S.C. § 415 and other applicable sections of the  
5 Internal Revenue Code in a manner that protects the tax qualified status of  
6 the system.

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8 SECTION 11. EMERGENCY CLAUSE. It is found and determined by the  
9 General Assembly of the State of Arkansas that the operations of a state  
10 public retirement system are complex and the system must be able to meet the  
11 needs of its members as anticipated by the General Assembly; that certain  
12 provisions of the Arkansas Teacher Retirement System Act are imminently in  
13 need of clarification to operate the system efficiently and effectively; that  
14 such clarification is of great importance to members of the Arkansas Teacher  
15 Retirement System and to other citizens of the State of Arkansas; and that  
16 this act is immediately necessary in order to maintain an orderly system of  
17 benefits for the members of the Arkansas Teacher Retirement System.  
18 Therefore, an emergency is declared to exist and this act being necessary for  
19 the preservation of the public peace, health, and safety shall become  
20 effective on:

21 (1) The date of approval by the Governor;

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

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

27  
28 /s/E. Cheatham

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31 **APPROVED: 03/04/2015**