

1 State of Arkansas  
2 94th General Assembly  
3 Regular Session, 2023  
4

# A Bill

HOUSE BILL 1183

5 By: Representative Maddox  
6 By: Senator K. Hammer  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND AND UPDATE PROVISIONS FOR OUTSOURCING  
10 UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO  
11 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.  
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## Subtitle

14 TO AMEND AND UPDATE PROVISIONS FOR  
15 OUTSOURCING UNDER THE ARKANSAS TEACHER  
16 RETIREMENT SYSTEM; AND TO DECLARE AN  
17 EMERGENCY.  
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
22

23 SECTION 1. Arkansas Code § 24-7-506 is amended to read as follows:  
24 24-7-506. Outsourcing – Election to participate – Definitions.

25 (a) As used in this section:

26 (1)(A) “Covered employer” means any public school, public  
27 educational agency, or other eligible employer participating in the Arkansas  
28 Teacher Retirement System.

29 (B) “Covered employer” does not include a:

30 (i) Nonmandatory employer or a PSHE employer as  
31 defined under § 24-7-1602; or

32 (ii) Covered employer that reports through the  
33 Arkansas Administrative Statewide Information System;

34 (2)(A) “Embedded employee” means a person who:

35 (i) Provides an outsourced service on the premises  
36 of a covered employer; and



1 (ii) Is employed and paid by an outsource  
 2 contractor.

3 (B) "Embedded employee" does not include a person who is  
 4 employed by:

5 (i) A covered employer listed under § 24-7-202; or

6 (ii) An employer that offers the Arkansas Teacher  
 7 Retirement System as an optional retirement plan as of the date of  
 8 outsourcing;

9 (3) "Outsource" or "outsourcing" means the use of a contractor  
 10 by a covered employer for the performance of a service common to the normal  
 11 daily operation on the premises of the covered employer;

12 (4) "Outsource contractor" means a person who is contractually  
 13 obligated under an outsourcing agreement to provide a covered employer with a  
 14 service common to the normal daily operation of the covered employer;

15 (5) "Participating employer" means a covered employer that  
 16 outsources and opts for the embedded employees of all of ~~its~~ the covered  
 17 employer's outsource contractors to become members of the Arkansas Teacher  
 18 Retirement System;

19 (6)(A) "School nursing" means a nursing service that is required  
 20 to be offered in a public school under § 6-18-706 or the Standards for  
 21 Accreditation of Arkansas Public Schools and School Districts.

22 (B) "School nursing" does not include nursing services  
 23 provided by a:

24 (i) School-based health clinic under § 6-18-703;

25 (ii) Medical clinic operated on a public school  
 26 campus by a hospital or physician's office that is under contract with the  
 27 public school;

28 (iii) Healthcare provider other than a nurse; or

29 (iv) Healthcare service reimbursed or paid for by  
 30 Medicaid, Medicare, health insurance, or any other third-party payer;

31 (7) "Service common to the normal daily operation" means and is  
 32 limited to a service that:

33 (A) Is provided by an outsource contractor or embedded  
 34 employee to a covered employer;

35 (B) Is physically provided or based on the premises of a  
 36 covered employer;

1 (C) Is paid for with public funds and not with private  
 2 grant funds; and

3 (D) Consists of one (1) or more of the following:

4 (i) The maintenance and operation of:

5 (a) One (1) or more vehicles used for the  
 6 regular and daily transport of passengers; and

7 (b) A facility that provides support for the  
 8 maintenance and operation of one (1) or more vehicles described under  
 9 subdivision (a)(7)(D)(i)(a) of this section;

10 (ii) The maintenance and operation of a cafeteria or  
 11 other food service operation;

12 (iii) Custodial or maintenance services for the  
 13 regular and continuous maintenance, repair, and upkeep of grounds or  
 14 facilities;

15 (iv) Security services that are not covered by  
 16 another retirement system;

17 (v) School nursing;

18 (vi) Substitute teaching; or

19 (vii) Service as a teacher's aide; and

20 (8) "Surcharge employer" means a covered employer that  
 21 outsources and pays a surcharge to the Arkansas Teacher Retirement System ~~in~~  
 22 ~~lieu of opting for the embedded employees of outsource contractors to accrue~~  
 23 ~~service credit in the Arkansas Teacher Retirement System.~~

24 (b) A covered employer that enters into an agreement to outsource a  
 25 service common to the normal daily operation shall ~~make an irrevocable~~  
 26 ~~election to be either a participating employer or~~ become a surcharge employer  
 27 within sixty (60) days of the outsourcing agreement ~~on a form provided by or~~  
 28 ~~in a manner established by the Arkansas Teacher Retirement System.~~

29 (c)(1) ~~If a covered employer elects to become a surcharge employer~~  
 30 ~~under this section, then the covered employer~~ A surcharge employer shall  
 31 account for and remit to the Arkansas Teacher Retirement System a ~~monthly~~  
 32 surcharge of no more than four percent (4%) on the total salaries paid to all  
 33 the embedded employees on an aggregate basis ~~as follows:~~

34 ~~(A) Five tenths of one percent (0.5%) during the 2018~~  
 35 ~~fiscal year;~~

36 ~~(B) One percent (1%) during the 2019 fiscal year;~~

1                   ~~(C) Two percent (2%) during the 2020 fiscal year;~~  
 2                   ~~(D) Three percent (3%) during the 2021 fiscal year; and~~  
 3                   ~~(E) An amount not to exceed four percent (4%) during the~~  
 4 ~~2022 fiscal year and succeeding fiscal years as established by a resolution~~  
 5 ~~of the Board of Trustees of the Arkansas Teacher Retirement System at a~~  
 6 ~~meeting of the board.~~

7                   (2) ~~If the covered employer is outsourcing on August 1, 2017,~~  
 8 ~~the surcharge shall be payable beginning in the 2018 fiscal year. The Board~~  
 9 ~~of Trustees of the Arkansas Teacher Retirement System may establish by~~  
 10 ~~resolution the surcharge rate for any fiscal year following the 2022 fiscal~~  
 11 ~~year.~~

12                   (3) A surcharge adopted by the board applies to an entire fiscal  
 13 year and shall be adopted ~~prior to~~ before the beginning of the fiscal year.

14                   ~~(d) If a covered employer elects to become a participating employer as~~  
 15 ~~provided under this section, then the covered employer shall account for and~~  
 16 ~~remit each of the covered employer's contributions in the same amount and in~~  
 17 ~~the same manner as required for covered employer contributions under § 24-7-~~  
 18 ~~401 and member contributions under § 24-7-406.~~

19                   ~~(e)(1)(A) A covered employer that begins outsourcing after August 1,~~  
 20 ~~2017, and elects to become a participating employer may phase in the election~~  
 21 ~~by selecting an effective date that is no later than the beginning of the~~  
 22 ~~third fiscal year after the effective date of the outsourcing agreement.~~

23                   ~~(B) During the phase in of becoming a participating~~  
 24 ~~employer, the covered employer shall account for and remit a phase in~~  
 25 ~~surcharge in the same amount and manner required of a surcharge employer~~  
 26 ~~under subsection (c) of this section.~~

27                   ~~(2)(A) If a covered employer is outsourcing on August 1, 2017,~~  
 28 ~~and the covered employer elects to become a participating employer, then the~~  
 29 ~~covered employer may phase in the election by selecting an effective date~~  
 30 ~~that is no later than the beginning of the fourth fiscal year after August 1,~~  
 31 ~~2017.~~

32                   ~~(B) During the phase in of becoming a participating~~  
 33 ~~employer, the covered employer shall account for and remit a phase in~~  
 34 ~~surcharge in the same amount and manner as required of a surcharge employer~~  
 35 ~~under subsection (c) of this section.~~

36                   ~~(f)(1)(d)(1)~~ The Arkansas Teacher Retirement System may require a

1 ~~covered employer that makes an election under this section~~ surchage employer  
 2 to provide any documentation necessary to collect and account for the  
 3 surcharge ~~or contributions~~ as is consistent with the covered employer's  
 4 election.

5 (2) The Arkansas Teacher Retirement System ~~may~~ shall collect an  
 6 unremitted surcharge amount due, including interest, from a surcharge  
 7 employer under § 24-7-401 or contribution due from a participating employer  
 8 under § 24-7-406 in any manner allowed by law.

9 (3) If a ~~covered employer~~ surchage employer reasonably accepts  
 10 a written statement from an outsource contractor reporting the salaries paid  
 11 by the outsource contractor to embedded employees for services common to the  
 12 normal daily operation of the ~~covered employer~~ surchage employer, it shall  
 13 be conclusively presumed that the written statement accurately reflects the  
 14 salaries subject to surcharge under this section.

15 ~~(g)(1) A covered employer or an outsource contractor may request a~~  
 16 ~~determination from the Arkansas Teacher Retirement System as to whether an~~  
 17 ~~embedded employee performs or will perform a service common to the normal~~  
 18 ~~daily operation of a covered employer.~~

19 ~~(2) A request made under subdivision (g)(1) of this section~~  
 20 ~~shall include:~~

21 ~~(A) Information about the employment relationship and~~  
 22 ~~contract provisions that are necessary for the Arkansas Teacher Retirement~~  
 23 ~~System to evaluate the service provided to the covered employer; and~~

24 ~~(B) Any additional information requested by the Arkansas~~  
 25 ~~Teacher Retirement System to make the determination.~~

26 ~~(3) The board may promulgate rules necessary to administer this~~  
 27 ~~section.~~

28 ~~(h)(1)(e)(1)~~ (e)(1) The Division of Youth Services Education System shall be  
 29 a participating employer and may designate any or all of its embedded  
 30 employees as eligible for membership in the Arkansas Teacher Retirement  
 31 System.

32 (2) An embedded employee of a contractor for the Division of  
 33 Youth Services Education System who becomes a member of the Arkansas Teacher  
 34 Retirement System shall remain a member of the Arkansas Teacher Retirement  
 35 System as long as the member remains an embedded employee of a contractor for  
 36 the Division of Youth Services Education System.

1           ~~(i)~~(f) The use of the terms “employee” and “employer” in this section  
 2 does not:

3                   (1) Create or modify an employment relationship between an  
 4 embedded employee and a covered employer;

5                   (2) Create, permit, expand, or modify any liability or  
 6 obligation by a covered employer to an embedded employee; or

7                   (3) Create, permit, expand, or modify any cause of action by an  
 8 embedded employee against a covered employer under any employment, labor,  
 9 civil rights, or other law.

10           (g) The board may promulgate rules to implement this section.

11  
 12                   SECTION 2. EMERGENCY CLAUSE. It is found and determined by the  
 13                   General Assembly of the State of Arkansas that the operations of a state  
 14                   public retirement system are complex; that the Arkansas Teacher Retirement  
 15                   System must be able to meet the needs of its members as anticipated by the  
 16                   General Assembly; that certain provisions of the Arkansas Teacher Retirement  
 17                   System Act, need revision and updating to address reporting, contribution,  
 18                   and other administrative complexities caused by these provisions and to bring  
 19                   these provisions into conformance with sound public pension policy and  
 20                   actuarial requirements; that the revisions and updates are of great  
 21                   importance to members and covered employers of the Arkansas Teacher  
 22                   Retirement System and to other citizens of the State of Arkansas; that as the  
 23                   Arkansas Teacher Retirement System operates on a fiscal year of July 1 to  
 24                   June 30, a July 1, 2023, effective date is necessary in order to allow the  
 25                   provisions within this act to begin on the first day of the fiscal year and  
 26                   to allow for a structured and proper administration of the procedures  
 27                   referenced in this act; that the updates and revisions to the Arkansas  
 28                   Teacher Retirement System Act are of great importance and necessary for  
 29                   protecting member benefits and clarifying the reporting and contribution  
 30                   requirements of employers participating in the Arkansas Teacher Retirement  
 31                   System; and that this act is necessary in order to maintain an orderly system  
 32                   of benefits for the members of the Arkansas Teacher Retirement System.  
 33                   Therefore, an emergency is declared to exist, and this act being necessary  
 34                   for the preservation of the public peace, health, and safety shall become  
 35                   effective on July 1, 2023.

36                   APPROVED: 2/13/23

