

Hall of the House of Representatives
84th General Assembly - Regular Session, 2003
Amendment Form

Subtitle of House Bill No. 1222

"AN ACT TO INCREASE THE EMPLOYER CONTRIBUTION RATES TO THE ARKANSAS
TEACHER RETIREMENT SYSTEM FROM TWELVE PERCENT (12%) TO FOURTEEN
PERCENT (14%)."

Amendment No. 1 to House Bill No. 1222.

Amend House Bill No. 1222 as originally introduced:

Page 1, delete lines 10 through 13, and substitute the following:
"AN ACT TO PROVIDE STATUTORY AUTHORITY FOR THE ARKANSAS TEACHER RETIREMENT
SYSTEM TO MANAGE ITS ASSETS AND LIABILITIES TO MEET ITS PENSION OBLIGATIONS
BY UTILIZING A PORTION OF FUNDS UNDER ITS CONTROL TO PROVIDE THE SOURCE OF
PAYMENT AND SECURITY FOR ARKANSAS TEACHER RETIREMENT SYSTEM REVENUE BONDS;
AND FOR OTHER PURPOSES."

AND

Page 1, delete lines 16 through 19, and substitute the following:
"TO PROVIDE STATUTORY AUTHORITY FOR THE TEACHER RETIREMENT SYSTEM TO MEET ITS
PENSION OBLIGATIONS BY USING FUNDS UNDER ITS CONTROL TO PAY FOR ARKANSAS
TEACHER RETIREMENT SYSTEM REVENUE BONDS."

AND

Delete Section 1. of the bill and substitute new sections to the bill to read
as follows:

"SECTION 1. Arkansas Code § 24-7-403 is amended to read as follows:
24-7-403. Restrictions on use of assets.

(a) All assets of the Arkansas Teacher Retirement System shall be held
for the sole purpose of paying benefits and making disbursements in
accordance with the provisions of this act, paying debt service requirements
on Arkansas Teacher Retirement System Revenue Bonds, and shall be used for
no other purpose whatsoever, unless the assets are used to purchase or
construct a building to be used for the permanent offices of the system upon
approval of the Board of Trustees of the Arkansas Teacher Retirement System.

(b) Except as to the rights of a member, retirant, or beneficiary, no
trustee and no officer or employee of the board shall have any interest,
direct or indirect, in the gains or profits of any investment made by the



board. Nor shall any of them, directly or indirectly, for himself or as an agent, in any manner use the assets of the system except to make such current and necessary payments as are authorized by the board; nor shall any of them become an endorser or surety or become in any manner an obligor for moneys loaned by or borrowed from the board.

SECTION 2. Arkansas Code § 24-7-405 is amended to read as follows:
24-7-405. Retirement fund assets accounts generally.

All the assets of the Arkansas Teacher Retirement System shall be recorded in ~~five (5)~~ six (6) accounts, namely:

- (1) The members' deposit account;
- (2) The employer accumulation account;
- (3) The retirement reserve account;
- (4) The survivor benefit account; ~~and~~
- (5) The income-expense account; and
- (6) The debt service account.

SECTION 3. Arkansas Code § 24-7-406(a)(1), concerning the Arkansas Teacher Retirement System accounts and contributions, is amended to read as follows:

(a)(1) The members' deposit account shall be the account in which shall be accumulated at regular interest the members' contributions to the Arkansas Teacher Retirement System and from which shall be paid refunds of accumulated contributions, ~~and~~ transfers as provided in this act, and any debt service requirement on the Arkansas Teacher Retirement System Revenue Bonds. However, employer contributions which are paid by an employee instead of an employer shall be credited to the members' deposit account. Those contributions shall be subject to refund under the same conditions that regular member contributions are refundable.

SECTION 4. Arkansas Code § 24-7-407 is amended to read as follows:
24-7-407. Retirement fund assets accounts - Employer accumulation account.

(a) The employer accumulation account is the account in which shall be accumulated the employer's contributions to the Arkansas Teacher Retirement System, and from which shall be made transfers for any debt service requirement on the Arkansas Teacher Retirement System Revenue Bonds and any other transfers as provided in this act.

(b) Upon the retirement of a member, the difference between his annuity reserve and his accumulated contributions standing to his credit in the members' deposit account at that time shall be transferred from the employer accumulation account to the retirement reserve account.

(c) Upon the death of a member, if survivor benefits become payable on account of his death, the difference between the reserve for the survivor benefits payable and the member's accumulated contributions standing to his credit in the members' deposit account at the time of his death shall be transferred from the employer accumulation account to the survivor benefit account.

SECTION 5. Arkansas Code Title 24, Chapter 7, Subchapter 4 is amended to add additional sections to read as follows:

24-7-412. Arkansas Teacher Retirement System Debt Service Account.

(a)(1) There is created and established an account, designated as a cash fund and held separate and apart from the State Treasury, to be known as the "Arkansas Teacher Retirement System Debt Service Account."

(2) The account shall be used to pay debt service requirements on the Arkansas Teachers Retirement System Revenue Bonds.

(3) All moneys deposited into the Arkansas Teacher Retirement System Debt Service Account are cash funds under § 19-6-103, restricted in their use and to be used solely as provided in this section.

(b)(1) Funds shall be transferred from the members' deposit account or the employer accumulation account to the Arkansas Teacher Retirement System Debt Service Account in amounts necessary to meet the debt service requirements of the Arkansas Teachers Retirement System Revenue Bonds as are then outstanding.

(2) Amounts received in the Arkansas Teacher Retirement System Debt Service Account shall be held until needed to make payments on debt service requirements.

(3) The Board of Trustees of the Arkansas Teacher Retirement System may invest any amounts held in the Arkansas Teacher Retirement System Debt Service Account in suitable investments maturing not later than when the moneys are needed to pay debt service requirements, provided that the investment of the moneys may be limited by the provisions of any trust indenture under which bonds are issued or any related non-arbitrage certificate or tax regulatory agreement.

(c)(1) Amounts in the Arkansas Teacher Retirement System Debt Service Account shall be transferred to funds and accounts established and held by the trustee for the bonds at the time and manner specified in the trust indenture or funds transfer agreement securing the bonds.

(2) If required by the trust indenture or funds transfer agreement under which the bonds have been issued, amounts deposited to the Arkansas Teacher Retirement System Debt Service Account may be immediately deposited into funds or accounts established by the trust indenture and held by the bond trustee.

(3) The board is authorized to execute any funds transfer agreement, consent, pledge, or other document, reasonably required under a trust indenture to affirm the pledge of amounts held in the Arkansas Teacher Retirement System Debt Service Account to secure Arkansas Teach Retirement System Revenue Bonds.

(d)(1) Any amounts held in the Arkansas Teacher Retirement System Debt Service Account, to the extent those amounts are not needed to pay debt service requirements shall be transferred in the appropriate pro rata proportion to either the members' deposit account or the employer accumulation account.

(2) The pro rata distribution is based upon the source of the funds.

(e)(1) If there are no longer any bonds outstanding, and all debt service requirements and other contractual obligations have been paid in full, any amounts remaining in the Arkansas Teacher Retirement System Debt Service Account shall be transferred in the appropriate pro rata proportion to members' deposit account or the employer accumulation account.

(2) The pro rata distribution shall be based upon the source of the funds.

24-7-413. Authority of the system board of trustees.

(a) With respect to the Arkansas Teacher Retirement System Debt Service Account, the Board of Trustees of Arkansas Teacher Retirement System is authorized and directed to perform the following duties:

- (1) Manage and invest the amounts held in the Arkansas Teacher Retirement System Debt Service Account;
- (2) Invest and reinvest the moneys in the account;
- (3) Hold, purchase, sell, assign, transfer, or dispose of any of the investments and the proceeds of the investments and moneys.

(b) These duties shall be performed in compliance with the prudent investor and other applicable standards under §§ 24-3-408, 24-3-414, 24-3-415, and 24-3-417 through 24-3-425, and § 19-3-518.

24-7-414. Issuance of Arkansas Teacher Retirement System Revenue Bonds by Arkansas Development Finance Authority.

(a)(1) If requested by a resolution of the Board of Trustees of Arkansas Teacher Retirement System, the Arkansas Development Finance Authority is directed and authorized to issue Arkansas Teacher Retirement System Revenue Bonds, the proceeds of which are to be used for financing the pension obligations.

(2) These bonds may be issued in series, and shall be special obligations only of the Arkansas Development Finance Authority, secured solely by the Arkansas Teachers Retirement System Debt Service Account.

(b)(1) Before issuance of any bond series, the Arkansas Development Finance Authority shall adopt a resolution authorizing the issuance of the series of bonds.

(2) The resolution shall contain the terms, covenants, conditions, as deemed desirable and consistent with this section together with provisions of subchapters 1, 2, and 3 of Chapter 5 of Title 15 of the Arkansas Code Annotated, including without limitation, those pertaining to the establishment and maintenance of funds and accounts, deposit and investment of bond proceeds and the rights and obligations of the Arkansas Development Finance Authority and the registered owners of the bonds.

(3) In authorizing, issuing, selling the bonds and in the investment of all funds held under the resolution or indenture securing the bonds, the Arkansas Development Finance Authority shall have the powers and be governed under §§ 15-5-309 and 15-5-310.

(c)(1) The bonds shall be special obligations of the Arkansas Development Finance Authority, secured and payable from deposits in the Arkansas Teacher Retirement System Debt Service Account.

(2) In pledging revenues to secure the bonds, the provisions of § 15-5-313 shall apply.

(d) Each bond shall state plainly on the face that it has been issued under this section, and subchapters 1, 2, and 3 of Chapter 5 of Title 15 of the Arkansas Code Annotated, that the bond is an obligation only of the Arkansas Development Finance Authority secured as specified in this section, and that, in no event, shall the bonds constitute an indebtedness of the State of Arkansas or an indebtedness for which the faith and credit of the State of Arkansas or any of its revenues are pledged or an indebtedness secured by lien, or security interest in any property of the State.

(e)(1) The bonds may be issued in one (1) or more series, as determined by the Arkansas Development Finance Authority.

(2) Additional bonds may be issued in one (1) or more series to fund additional pension obligations, so long as the Arkansas Development Finance Authority determines that revenues transferred to the Arkansas Teacher Retirement System Debt Service Account, in combination with other revenues available to secure the bonds, are sufficient to meet all debt service requirements on the additional bonds and any other bonds then outstanding.

(f)(1) Any funds remaining and available to the Arkansas Development Finance Authority or the trustees under any indenture or resolution after the retirement of all bonds outstanding under the indenture or resolution, and the satisfaction of all contractual obligations related thereto and all current expenses of the Arkansas Development Finance Authority related thereto, shall be transferred to the members' deposit account or the employer accumulation account in the appropriate pro rata proportion.

(2) The pro rata distribution shall be based upon the source of the funds.

(g) The Arkansas Development Finance Authority may issue bonds for the purpose of refunding bonds previously issued under section, and in doing so shall be governed by the provisions of § 15-5-314.

(h)(1) Bonds and interest on the bonds are exempt from all taxes of the state of Arkansas, including income, inheritance, and property taxes.

(2) The bonds shall be eligible to secure deposits of all public funds, and shall be legal for investment of municipal, county, bank, fiduciary, insurance company and trust funds.

(i) The State of Arkansas pledges to and agrees with the holders of any Arkansas Teacher Retirement System Revenue Bonds issued under this section that the State shall not:

(1) Limit or alter the distribution of the members' contributions or the employers' contributions to the Arkansas Teacher Retirement System Debt Service Fund if the action would materially impair the rights of the holders of the Bonds;

(2) Limit or alter the rights vested in the Arkansas Development Finance Authority to fulfill the terms of any agreements made with the holders of the bonds; or

(3) Impair the rights and remedies of the holders of the bonds, unless and until all bonds issued under this section, together with interest on the bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of the bonds, have been paid, fully met, and discharged.

(j) The Arkansas Development Finance Authority is authorized to include the pledge and agreement of subsection (i) of this section in any agreement with the holders of the bonds."

The Amendment was read _____
By: Representative R. Smith
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Chief Clerk