

1 State of Arkansas
2 80th General Assembly
3 Regular Session, 1995

A Bill

HOUSE BILL 1325

4 By: Representative B. Wood

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For An Act To Be Entitled

8 "AN ACT TO AMEND VARIOUS SECTIONS OF THE TITLE 24, CHAPTER
9 7, OF THE ARKANSAS CODE OF 1987 ANNOTATED TO CHANGE THE
10 AMOUNT OF SERVICE REQUIRED FOR ACTIVE MEMBERSHIP; TO MAKE
11 TECHNICAL CORRECTIONS FOR THE TEACHER RETIREMENT SYSTEM;
12 TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."

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Subtitle

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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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22 SECTION 1. Arkansas Code § 24-7-202(14) is amended to read as follows:

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24 "(14)(A) Salary means the recurring remuneration paid an employee
25 for personal services rendered by the employee in a position covered by the
26 system.

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27 (B) Should a portion of an employee's remuneration be paid other
28 than in cash, the cash value of the remuneration shall be established by the
29 system in an amount not to exceed the amount the employee is required to
30 report for federal income tax purposes.

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31 (C) In determining salary, no consideration shall be given to
32 any nonrecurring single-sum payment paid by an employer, any employer
33 contributions to any employee benefit plan, except cafeteria plans as defined
34 in § 21-5-901, or any other unusual or nonrecurring remuneration or stipends
35 paid by an employer or other educational agency which are six hundred dollars
(\$600) or less in amount. For salary purposes, the amounts shall not be

1 cumulative.

2 (D) Money which is in lieu of remuneration and which is used by
3 an employer to purchase a qualified tax-sheltered annuity or a life insurance
4 policy for an employee shall be considered as salary for system purposes.

5 (E) An employee who is receiving remuneration under both a
6 regular contract and a purchased contract or under both a regular contract
7 and a contract won through litigation shall have only the greater of the two
8 (2) amounts considered as salary for system purposes.

9 (F) Should an employee make a charitable donation or return any
10 part of his salary to his employer, the amount of his recurring remuneration
11 otherwise usable as salary shall be reduced by such amount or amounts to
12 arrive at his salary for system purposes.

13 (G) In case of any dispute concerning an employee's salary for
14 system purposes, the system shall have the power to settle the dispute;"

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16 SECTION 2. Arkansas Code § 24-7-406(b) is amended to read as follows:

17 "(b)(1) Except as provided otherwise in this section, the
18 contributions of a member to the system shall be the amounts set forth in
19 this subsection.

20 (2) Each member who first became a member July 1, 1971, or later
21 shall contribute to the system six percent (6%) of his salary.

22 (3) Member contributions before July 1, 1969, shall be in
23 accordance with provisions in force before July 1, 1969.

24 (4) For each member who first became a member before July 1,
25 1971, member contributions for the period after June 30, 1969, shall be six
26 percent (6%) of the first seven thousand eight hundred dollars (\$7,800) of
27 his annual salary, unless he shall have elected, in accordance with rules and
28 regulations established by the board, to contribute six percent (6%) of his
29 full salary for the period after June 30, 1969. If the election is made
30 before July 1, 1984, the member must contribute to the system the difference
31 between full salary member contributions and member contributions based on
32 seven thousand eight hundred dollars (\$7,800) annual covered salary
33 retroactive to July 1, 1969, or to the actual date of employment, whichever
34 is later, plus regular interest from the dates the added contributions would
35 normally have been received by the system to the date of the actual added

1 contributions. If the election is made July 1, 1984, or later, the member
2 must contribute to the system both the added member contributions and the
3 added employer contributions which would have been paid to the system had the
4 member's full salary always been covered, plus regular interest from the
5 dates the added contributions would normally have been received by the system
6 to the date of the actual added contributions. The regular interest and added
7 employer contributions shall be considered member contributions for purposes
8 of the system; provided however, that any former active member who returns to
9 covered employment on or after July 1, 1995, and who elects to make
10 contributions to the system, shall contribute on his full salary.

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

15 (6) Contributions shall be required on all salary earned in
16 covered employment during the fiscal year in which membership begins."

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18 SECTION 3. Arkansas Code § 24-7-406(c) is amended to read as follows:

19 "(c)(1) Each employer shall deduct the member contributions provided
20 for in this section from the salary of each member on each and every payroll,
21 for each and every payroll period, from the date of his entrance into the
22 system until he retires, and the employer shall remit the contributions to
23 the system; however, a member who is receiving remuneration under both a
24 regular contract and a purchased contract, or under both a regular contract
25 and a contract won through litigation, shall have only the greater of the two
26 (2) amounts considered as salary for the purposes of the system. Should the
27 employer fail at any time to report the salary of a member and remit the
28 contributions to the system, the system shall have the right to collect from
29 the employee and the employer the contributions due, if any, from each,
30 together with regular interest beginning with the subsequent fiscal year;
31 provided further, in no case shall a member be given credit for service
32 rendered until any contributions and interest due from each are paid in full.

33 (2) The member's contributions provided for in this section
34 shall be made notwithstanding that the minimum salary provided by law for any
35 member shall be thereby changed.

1 (3) Each member shall be deemed to consent and agree to the
2 deductions made and provided for in this section. Payment of his salary less
3 the deductions shall be a full and complete discharge and acquittance of all
4 claims and demands whatsoever for the services rendered by the member during
5 the period covered by the payment, except as to benefits provided by the
6 system.

7 (4) The members' contributions, so deducted from their salaries,
8 shall be remitted to the system in such manner and form and in such frequency
9 and shall be accompanied by such supporting data as the board shall prescribe
10 from time to time.

11 (5) Money used by an employer to purchase a qualified tax-
12 sheltered annuity or a life insurance policy for a member in lieu of salary
13 shall be considered as salary for purposes of the system. Retainers,
14 consultant's fees, lump sum payments for unused sick leave, special payments
15 not in the form of regular remuneration, and stipends paid by an employer or
16 other educational agency which are six hundred dollars (\$600) or less in
17 amount shall not be considered salary for the purposes of the system.
18 Further, stipend amounts shall not be cumulative."

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20 SECTION 4. Arkansas Code § 24-7-502 is amended to read as follows:
21 "24-7-502. Termination of active membership.

22 (a)(1) When a member is no longer employed by an employer in a
23 position covered by the system, he shall thereupon cease to be an active
24 member of the system. Unless he becomes a retirant or an inactive member as
25 provided in this act, his credited service shall be forfeited by him upon
26 termination of his active membership.

27 (2) If a former active member has not become a retirant and
28 later becomes reemployed by an employer in a position covered by the system,
29 he shall again become an active member upon reemployment.

30 (3) If he becomes reemployed from inactive member status, he
31 shall immediately begin adding to his previous credited service; but if his
32 service during his last such reemployment is for fewer than thirty (30) days,
33 he shall be considered to be an inactive member at the termination of such
34 reemployed service, and the only monthly benefits payable shall be those
35 provided by § 24-7-707.

1 (4) If he becomes reemployed from neither retirant nor inactive
2 member status, after completing thirty (30) days of service during his last
3 such reemployment, the active member shall receive the indicated credited
4 service for the credited service forfeited by him if he returns to the system
5 the indicated amount, as follows:

6 (A) He shall receive his total forfeited credited service
7 if he returns the amount he received therefrom, together with regular
8 interest from the date of withdrawal to the date of repayment; or

9 (B) If a portion of his forfeited credited service has
10 been credited him under the provisions of a publicly supported teacher
11 retirement system of another state, he shall receive the portion of his
12 forfeited credited service not so credited by the other system if he returns
13 the amount he received from this system for that portion of his credited
14 service not so credited by the other system, together with regular interest
15 from the date of withdrawal to the date of repayment.

16 (5) In addition to the forfeited credited service, the active
17 member shall receive credit for his other previous service after July 1,
18 1937, upon his paying to the system the member contributions in effect during
19 the previous service, together with regular interest from the dates of the
20 service to the date of payment; for previous service rendered before July 1,
21 1971, service credit shall be permitted for service in a fiscal school year
22 only if at least one hundred twenty (120) days of service were rendered in
23 the fiscal school year. To establish credit for previous service, a member
24 must pay to the system both member and employer contributions, plus regular
25 interest from the dates the contributions would normally have been received
26 by the system to the date of actual payment.

27 (b) Upon a member's retirement, he shall cease to be a member and,
28 except as otherwise provided in this act, he shall not again become a member
29 of the system."

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31 SECTION 5. Arkansas Code § 24-7-606 is amended to read as follows:

32 "24-7-606. Service for leave of absence to obtain advanced degree.

33 (a) From and after June 28, 1985, any public school teacher or
34 administrator who is a member of the system and takes a leave of absence from
35 a school in order to obtain an advanced degree at an institution of higher

1 learning or to fulfill the requirements of a scholarship or grant shall be
2 eligible, upon application, to receive credited service in the system for the
3 time of actual enrollment in the institution. Evidence of at least one
4 hundred twenty (120) days' enrollment shall be presented with the
5 application.

6 (b) The service shall be credited in accordance with § 24-7-601.

7 (c) Payment for the service shall be based on the annual salary earned
8 for the fiscal year preceding the leave and the total of the member
9 contribution percent in effect during that fiscal school year plus the
10 employer contribution percent necessary to meet the financial objective of
11 this section at that time, as determined by the actuary's most recent
12 actuarial valuation, plus regular interest from the end of the fiscal year in
13 which the leave is taken until payment is made in full.

14 (d) The payment shall be credited to the member's account in the
15 members' deposit account but shall be in addition to regular member
16 contributions to the account."

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18 SECTION 6. Arkansas Code § 24-7-705 is amended to read as follows:

19 "24-7-705. Life annuity.

20 (a)(1) Upon a member's retirement, he shall receive a straight life
21 annuity equal to his number of years of credited service for which member
22 contributions were made as provided in § 24-7-406, multiplied by two and five
23 hundredths percent (2.05%) of his final average salary; or a straight life
24 annuity equal to his number of years of credited service rendered after June
25 30, 1986, for which no member contributions were made as provided in § 24-7-
26 406, multiplied by one and twenty-nine hundredths percent (1.29%) of his
27 final average salary, or a combination of both.

28 (2) For a member contributing on only the first seven thousand
29 eight hundred dollars (\$7,800) of each annual salary after June 30, 1969,
30 each annual salary used in computing his final average salary shall be
31 limited to a maximum of seven thousand eight hundred dollars (\$7,800). The
32 limit shall apply to his total credited service;

33 (3) For a member retiring with benefits to be computed on both
34 contributory and noncontributory service under subsection (a) of this
35 section, and free military service first credited after July 1, 1986, under §

1 24-7-602, the amount of military service to be used in the computation of
2 benefits under subsection (a) shall be prorated on the ratio of membership
3 service under each plan to his total membership service, notwithstanding the
4 fact that some of the military service shall be credited as noncontributory
5 service before July 1, 1986.

6 (4) All purchased military service, all out-of-state service
7 credited under § 24-7-603, and all overseas service credited under § 24-7-604
8 shall be counted as contributory service, and benefits based on this service
9 shall be computed using the contributory percent of final average salary set
10 forth in subsection (a) of this section;

11 (b)(1) The minimum straight life annuity for a member
12 retiring after June 30, 1965, but before July 1, 1986, shall be one hundred
13 fifty dollars (\$150) per month.

14 (2) For a member retiring July 1, 1986, or later, the minimum
15 straight life annuity shall be:

16 (A) One hundred fifty dollars (\$150) per month if the
17 member has no noncontributory credited service of the type specified in
18 subdivision (a)(1) of this section;

19 (B) Ninety-four dollars (\$94.00) per month if the member
20 has only credited service of the noncontributory type specified in
21 subdivision (a)(1) of this section; or

22 (C) If the member has a mixture of credited service, the
23 monthly amount shall be prorated between ninety-four dollars (\$94.00) and one
24 hundred fifty dollars (\$150) according to the relationship between his
25 noncontributory credited service and his total credited service; provided,
26 however, if the member has at least ten (10) years of contributory service,
27 regardless of his number of years of noncontributory service, his monthly
28 amount shall not be less than one hundred fifty dollars (\$150).

29 (c) As of 1986, the member contributory benefit program and the member
30 noncontributory benefit program were related by requiring the same employer
31 contribution rate; it is intended that this relationship be preserved by
32 future changes, if any, in benefit programs.

33 (d) Upon a member's retirement, as provided in this act, he shall have
34 the right to elect an option provided for in § 24-7-706.

35 (e) A member retiring before July 1, 1987, shall receive an annuity in

1 accordance with provisions of law in force before July 1, 1987."

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3 SECTION 7. All provisions of this act of general and permanent nature
4 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
5 Revision Commission shall incorporate the same in the Code.

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7 SECTION 8. If any provisions of this act or the application thereof to
8 any person or circumstance is held invalid, the invalidity shall not affect
9 other provisions or applications of the act which can be given effect without
10 the invalid provisions or application, and to this end the provisions of this
11 act are declared to be severable.

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13 SECTION 9. All laws and parts of laws in conflict with this act are
14 hereby repealed.

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16 SECTION 10. Emergency. It is hereby found and determined by the
17 Eightieth General Assembly of the State of Arkansas that changing conditions
18 have dictated that certain provisions of the Teacher Retirement System law
19 need to be revised and updated, that these changes are necessary for the
20 System to continue with proper management and administration, and that the
21 revisions in the law are essential to the continued effective operation of
22 the Teacher Retirement System. Therefore, an emergency is hereby declared to
23 exist and this act being necessary for the immediate preservation of the
24 public peace, health and safety shall be in full force and effect from and
25 after July 1, 1995.

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