

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 85th General Assembly  
3 Regular Session, 2005  
4

*As Engrossed: S3/8/05 H4/6/05*

# A Bill

SENATE BILL 128

5 By: Senators J. Jeffress, Faris  
6 By: Representative Sullivan  
7  
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## For An Act To Be Entitled

10 AN ACT TO ALLOW THE ARKANSAS TEACHER RETIREMENT  
11 SYSTEM TO SET EMPLOYER CONTRIBUTION RATES; AND  
12 FOR OTHER PURPOSES.  
13

## Subtitle

14 AN ACT TO ALLOW THE ARKANSAS TEACHER  
15 RETIREMENT SYSTEM TO SET EMPLOYER  
16 CONTRIBUTION RATES.  
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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 § 24-2-701 is amended to read as follows:

23 24-2-701. Financial objectives and actuarial valuation.

24 (a) The general financial objective of each Arkansas public employee  
25 retirement plan shall be to establish and receive contributions that,  
26 expressed as percentages of active member payroll, will remain approximately  
27 level from generation to generation of Arkansas citizens. More specifically,  
28 contributions received each year shall be sufficient both:

29 (1) To fully cover the costs of benefit commitments being made  
30 to members for their service being rendered in that year; and

31 (2)(A) To make a level payment that, if paid annually over a  
32 reasonable period of future years, will fully cover the unfunded costs of  
33 benefit commitments for service previously rendered.

34 (B) Alternatively, if the costs of benefit commitments for  
35 service previously rendered are overfunded, the plan may deduct a level  
36 payment that, if deducted annually over a reasonable period of future years,



1 will fully liquidate the overfunded portion of such costs.

2 (b) Each Arkansas public employee retirement plan shall cause an  
3 actuarial valuation of the plan or fund to be made at least biennially, and  
4 preferably annually, to determine how well the plan is meeting the objectives  
5 set forth in subsection (a) of this section.

6 (c) The employer contribution rates to the retirement systems shall be  
7 as follows:

8 ~~(1)(A)(i) For the Arkansas Teacher Retirement System, twelve~~  
9 ~~percent (12%) until June 30, 2003, when the Board of Trustees of the Arkansas~~  
10 ~~Teacher Retirement System shall establish the employer contribution rate~~  
11 ~~prospectively for each year.~~

12 ~~(ii) The rates are to be based on the actuary's~~  
13 ~~determination of the rate required to fund the plan in accordance with the~~  
14 ~~objectives under subsection (a) of this section.~~

15 ~~(B)(i) Beginning July 1, 2003, through June 30, 2004, if~~  
16 ~~the Arkansas Teacher Retirement System's unfunded actuarial accrued~~  
17 ~~liabilities exceed a thirty year amortization period, the Board of Trustees~~  
18 ~~of the Arkansas Teacher Retirement System, based on the actuary's~~  
19 ~~determination, may increase the contribution rate, but the increase shall be~~  
20 ~~no more than one percent (1%) above the rate in effect on June 30, 2003.~~

21 ~~(ii) Beginning July 1, 2004, the Board of Trustees~~  
22 ~~of the Arkansas Teacher Retirement System, based on the actuary's~~  
23 ~~determination, may increase or decrease the contribution rate, but the rate~~  
24 ~~shall not be increased by more than one percent (1%) above the rate in effect~~  
25 ~~on June 30, 2004.~~

26 ~~(iii) If the Arkansas Teacher Retirement System's~~  
27 ~~unfunded actuarial accrued liabilities no longer exceed a thirty year~~  
28 ~~amortization period, the Board of Trustees of the Arkansas Teacher Retirement~~  
29 ~~System shall reduce the contribution rate based on the actuary's~~  
30 ~~determination.~~

31 ~~(C) Except for the annual redetermination of benefits for~~  
32 ~~retirees and beneficiaries under § 24-7-713(a):~~

33 ~~(i) No benefit enhancements and no benefit increases~~  
34 ~~shall be implemented by the Board of Trustees of the Arkansas Teacher~~  
35 ~~Retirement System until the contribution rate is reduced to below thirteen~~  
36 ~~percent (13%) based on the actuary's determination; and~~

1                   ~~(ii) The Board of Trustees of the Arkansas Teacher~~  
 2 ~~Retirement System shall not adopt any policy or take any action before July~~  
 3 ~~2, 2005, that would result in any general benefit enhancements or benefit~~  
 4 ~~increases;~~

5                   (1)(A) For the Arkansas Teacher Retirement System, for the  
 6 fiscal years ending June 30, 2006, and June 30, 2007, the Board of Trustees  
 7 of the Arkansas Teacher Retirement System shall establish employer rates  
 8 prospectively each year.

9                   (B) The rates shall be based on the actuary's  
 10 determination of the rate required to fund the plan in accordance with the  
 11 objectives set forth in subsection (a) of this section.

12                   (C) The contribution rates shall be the rates determined  
 13 by the board based on the annual actuarial valuation.

14                   (D) For the fiscal year ending June 30, 2006, the employer  
 15 contribution rate shall not exceed fourteen percent (14%).

16                   (E) For the fiscal year ending June 30, 2007, the employer  
 17 contribution rate shall not be increased by more than one percent (1%) above  
 18 the rate in effect on June 30, 2006.

19                   (2) For the State Police Retirement System, twenty-two percent  
 20 (22%); and

21                   (3) For the Arkansas Public Employees' Retirement System, the  
 22 Board of Trustees of the Arkansas Public Employees' Retirement System shall  
 23 establish employer rates prospectively each year, and the rates shall be  
 24 based on the actuary's determination of the rate required to fund the plan in  
 25 accordance with the objectives set forth in subsection (a) of this section.  
 26 The contribution rates shall be the rates determined by the annual actuarial  
 27 valuation.

28                   (d) Subsection (c) of this section shall not be construed as affecting  
 29 in any way the existing methods of determining the years of credited service  
 30 for computing benefits or determining retirement eligibility.

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 32                   SECTION 2. Arkansas Code 24-7-401 is amended to read as follows:

33                   24-7-401. Effectuation of financial objective.

34                   (a)(1) The financial objective of ~~this act~~ the Arkansas Teacher  
 35 Retirement System is to establish and receive ~~contribution rates~~  
 36 contributions which, expressed as percentages of active member payroll, will

1 remain approximately level from generation to generation of Arkansas  
2 citizens.

3 ~~(2) The contribution rates shall be sufficient to provide that~~  
4 ~~employer contributions each year, together with member contributions,~~  
5 Contributions received each year shall be sufficient:

6 (A) both to To fully cover the costs of benefit commitments  
7 being made to members for their service being rendered in ~~each~~ that year; and

8 (B) to To make a level payment which, if paid annually over  
9 a reasonable period of future years, will fully cover the unfunded costs of  
10 benefit commitments for service previously rendered.

11 (3) If the costs of benefit commitments for service previously  
12 rendered are overfunded, the plan may deduct a level payment which, if  
13 deducted annually over a reasonable period of future years, will fully  
14 liquidate the overfunded portion of the costs.

15 (b) An actuarial valuation of the entire Arkansas Teacher Retirement  
16 System shall be made at least annually by the Board of Trustees of the  
17 Arkansas Teacher Retirement System's actuary.

18 ~~(c)(1)(A) The financial objective of this act shall be maintained for~~  
19 ~~each fiscal year, and the state employer contribution rate shall be expressed~~  
20 ~~as a percent of active member payroll for each fiscal year.~~

21 ~~(B) The state employer contribution rate shall be~~  
22 ~~established for fiscal years beginning July 1, 1989, and thereafter, by the~~  
23 ~~General Assembly upon the advice of the Joint Interim Committee on Retirement~~  
24 ~~and Social Security Programs. In determining such advice, the committee~~  
25 ~~shall use the following input:~~

26 ~~(i) The recommendation of the board based upon~~  
27 ~~consultation with the board's actuary; and~~

28 ~~(ii) Information furnished by an actuary retained by~~  
29 ~~the committee.~~

30 (c)(1) For the fiscal years ending June 30, 2006, and June 30, 2007,  
31 the Board of Trustees of the Arkansas Teacher Retirement System shall  
32 establish employer rates for the Arkansas Teacher Retirement System  
33 prospectively each year.

34 (2) The rates shall be based on the actuary's determination of  
35 the rate required to fund the plan in accordance with the objectives stated  
36 in subsection (a) of this section.

1           (3) The contribution rates shall be the rates determined by the  
2 board based on the annual actuarial valuation.

3           (4) For the fiscal year ending June 30, 2006, the employer  
4 contribution rate shall not exceed fourteen percent (14%).

5           (5) For the fiscal year ending June 30, 2007, the employer  
6 contribution rate shall not be increased by more than one percent (1%) above  
7 the rate in effect on June 30, 2006.

8           ~~(C)(d)~~ The employer contribution rate shall be such that the  
9 amortization period for all unfunded liability shall not exceed thirty (30)  
10 years.

11           ~~(2) For each fiscal year beginning July 1, 1993, or later, the~~  
12 ~~dollar amount of state employer contributions to be paid during the fiscal~~  
13 ~~year shall be the lesser of the result of multiplying the applicable percent~~  
14 ~~of active member payroll for the fiscal year by the total covered salaries~~  
15 ~~during the fiscal year, including any required prior year reported salaries,~~  
16 ~~of members whose positions are financed by the Public School Fund, taking the~~  
17 ~~result to the nearest dollar, or the amount appropriated by the General~~  
18 ~~Assembly during each biennium.~~

19           ~~(3) The percent of active member payroll to be paid in each year~~  
20 ~~of the biennium shall be adjusted to reflect any benefit changes.~~

21           ~~(d)(1) The board shall certify annually to the Treasurer of State the~~  
22 ~~amounts calculated at the rate established by law or appropriated, whichever~~  
23 ~~is less, for employer contributions to be paid by the state, which~~  
24 ~~contributions shall be paid from the Public School Fund or federal funds~~  
25 ~~administered by the State Board of Education.~~

26           ~~(2) The Treasurer of State is authorized and directed to pay the~~  
27 ~~system the state's employer contributions for each fiscal year, as follows:~~  
28 ~~Ten million dollars (\$10,000,000) on or before September 1 of the fiscal year~~  
29 ~~and, on or before the first day of each succeeding month, at least ten~~  
30 ~~percent (10%) of the remainder due until there is no remainder due at the end~~  
31 ~~of the fiscal year.~~

32           ~~(e)(1) The annual employer contributions to be paid in each year~~  
33 ~~beginning July 1, 1975, for all other employees by each other employer shall~~  
34 ~~be the most current state contribution percent multiplied by the total~~  
35 ~~covered salaries in the current fiscal year of the employer's members.~~

36           ~~(2) For purposes of this subsection, "state contribution~~

1 percent" means, for a fiscal year, including any required prior year reported  
2 salaries, the result of dividing the dollars of the state's employer  
3 contributions for the fiscal year by the total covered salaries for the  
4 fiscal year of members employed by the public school districts, by the  
5 system, and by the General Education Division of the Department of Education  
6 whose positions are financed by the Public School Fund, taking the result to  
7 the nearest one-tenth of one percent (0.1%).

8 ~~(3) The annual employer contributions to be paid in each year~~  
9 ~~beginning July 1, 1977, for all employees by each other employer shall be~~  
10 ~~computed in the manner prescribed in subsection (c) of this section.~~

11 (e)(1) The board shall annually notify the local school districts, the  
12 Department of Education, and other employers of the employer contribution  
13 rate established by the board for the upcoming fiscal year.

14 (2) Local school districts shall pay the teacher retirement  
15 employment contribution for any eligible employee in accordance with rules  
16 established by the Board of Trustees of the Arkansas Teacher Retirement  
17 System.

18 (3) The Department of Education shall pay from the Public School  
19 Fund the teacher retirement employer contributions for eligible employees of  
20 participating employers as required by the department's biennial  
21 appropriations act and in accordance with rules established by the Board of  
22 Trustees of the Arkansas Teacher Retirement System.

23 (4) The annual employer contributions to be paid in each year  
24 for all other employees by each participating employer shall be the current  
25 state contribution percent multiplied by the total covered salaries of the  
26 employer's members in the fiscal year.

27 ~~(4)(5) The employer's employers' contributions shall be remitted~~  
28 ~~to the system in such manner and form and in such frequency and shall be~~  
29 ~~accompanied by such supporting data as the board shall prescribe from time to~~  
30 ~~time.~~

31 ~~(5)(6) Timely payment of the contributions shall be a condition~~  
32 ~~of continuance of participation in the system.~~

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34 SECTION 3. EMERGENCY CLAUSE. It is found and determined by the  
35 General Assembly of the State of Arkansas that certain changes are necessary  
36 to allow the Arkansas Teacher Retirement System to set employer contribution

1 rates; that the members of the system will benefit from these changes; and  
2 that the most effective time to make changes to the retirement system is at  
3 the beginning of the state's fiscal year. Therefore, an emergency is  
4 declared to exist and this act being immediately necessary for the  
5 preservation of the public peace, health, and safety shall become effective  
6 on July 1, 2005.

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8 */s/ J. Jeffress, et al*  
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