

1 State of Arkansas  
2 92nd General Assembly  
3 Regular Session, 2019  
4

# A Bill

HOUSE BILL 1320

5 By: Representative Maddox  
6

## For An Act To Be Entitled

8 AN ACT TO MAKE TECHNICAL CORRECTIONS TO TITLE 24 OF  
9 THE ARKANSAS CODE CONCERNING RETIREMENT AND PENSIONS  
10 UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO  
11 DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.  
12  
13

## Subtitle

14 TO MAKE TECHNICAL CORRECTIONS TO TITLE 24  
15 OF THE ARKANSAS CODE CONCERNING  
16 RETIREMENT AND PENSIONS UNDER THE  
17 ARKANSAS TEACHER RETIREMENT SYSTEM; AND  
18 TO DECLARE AN EMERGENCY.  
19  
20  
21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
23

24 SECTION 1. Arkansas Code § 24-2-701(c)(1), concerning employer  
25 contribution rates to the state public employee retirement systems, is  
26 amended to read as follows:

27 (1)(A) For the Arkansas Teacher Retirement System, ~~for the~~  
28 ~~fiscal years ending June 30, 2008, and June 30, 2009,~~ the Board of Trustees  
29 of the Arkansas Teacher Retirement System shall establish employer  
30 contribution rates prospectively each year.

31 (B) The employer contribution rates shall be based on the  
32 actuary's determination of the rate required to fund the plan ~~in accordance~~  
33 ~~with the objectives~~ as necessary to meet the general financial objective set  
34 forth in subsection (a) of this section.

35 (C) The employer contribution rates shall be the rates  
36 determined by the Board of Trustees of the Arkansas Teacher Retirement System



1 under § 24-7-401(c) and based on the annual actuarial valuation of the  
 2 Arkansas Teacher Retirement System.

3 ~~(D) For the fiscal years ending June 30, 2008, and June 20,~~  
 4 ~~2009, the employer contribution rate shall not exceed fourteen percent (14%).~~

6 SECTION 2. Arkansas Code § 24-7-202(18), concerning the definition of  
 7 "final average salary" under the Arkansas Teacher Retirement System Act, is  
 8 amended to read as follows:

9 (18)(A)(i) "Final average salary" means the average of the  
 10 remuneration paid to a member by a participating employer during the fiscal  
 11 year ending June 30 of not less than three (3) years nor more than five (5)  
 12 years of credited service producing the highest annual average highest salary  
 13 earned by a member in state fiscal years determined in accordance with the  
 14 rules and regulations of the board as is actuarially appropriate for the  
 15 Arkansas Teacher Retirement System;

16 ~~(ii) Before reducing the time period used to~~  
 17 ~~determine final average salary, the board shall file relevant information~~  
 18 ~~concerning the actuarial appropriateness of the action with the Joint Interim~~  
 19 ~~Committee on Public Retirement and Social Security Programs, and the action~~  
 20 ~~shall be reviewed by the Joint Interim Committee on Public Retirement and~~  
 21 ~~Social Security Programs.~~

22 ~~(B) If a member has less than the minimum of three (3)~~  
 23 ~~years of credited service, "final average salary" means the annual average of~~  
 24 ~~salaries paid to him or her during his or her total years of credited~~  
 25 ~~service, subject to the provisions of subdivision (32) of this section;~~

27 SECTION 3. Arkansas Code § 24-7-202(25), concerning the definition of  
 28 "nonteacher" under the Arkansas Teacher Retirement System Act, is amended to  
 29 read as follows:

30 (25) "Nonteacher" means ~~any member except~~ a member who is not a  
 31 teacher;

33 SECTION 4. Arkansas Code § 24-7-202(30), concerning the definition of  
 34 "retirant" under the Arkansas Teacher Retirement System Act, is amended to  
 35 read as follows:

36 (30) ~~"Retirant"~~ "Retiree" or "retirant" means a member receiving

1 an Arkansas Teacher Retirement System annuity;

2  
 3 SECTION 5. Arkansas Code § 24-7-202, concerning definitions applicable  
 4 to the Arkansas Teacher Retirement System Act, is amended to add an  
 5 additional subdivision to read as follows:

6 (43) "Administrator" means:

7 (A) A person who is:

8 (i) Employed by an education related agency that  
 9 participates in the Arkansas Teacher Retirement System;

10 (ii) An active member employed in a position that is  
 11 a grade GS13, a grade above a GS13, or the equivalent of a grade GS13; or

12 (B) A person who is:

13 (i) A participating employer of the Arkansas Teacher  
 14 Retirement System; and

15 (ii) Any one of the following:

16 (a) A public school superintendent, assistant  
 17 superintendent, principal, or vice principal;

18 (b) A president, chancellor, or a director of  
 19 an institution of higher education; or

20 (c) A president, vice president, or a director  
 21 of a community college vocational, technical, or educational cooperative.

22  
 23 SECTION 6. Arkansas Code § 24-7-208 is amended to read as follows:  
 24 24-7-208. Benefit enhancements – Restrictions.

25 (a) No benefit enhancement provided for by this act shall be  
 26 implemented if it would cause the publicly supported retirement system's  
 27 unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an eighteen-  
 28 year amortization.

29 (b) No benefit enhancement provided for by this act shall be  
 30 implemented by any publicly supported system which has unfunded actuarial  
 31 accrued liabilities being amortized over a period exceeding ~~thirty~~ (30)  
 32 eighteen (18) years until the unfunded actuarial accrued liability is reduced  
 33 to a level less than the standards prescribed by § 24-1-101 et seq.

34  
 35 SECTION 7. Arkansas Code § 24-7-301(2)(C), concerning active member  
 36 trustees employed in a position requiring an administrator's license as

1 members of the Board of Trustees of the Arkansas Teacher Retirement System,  
2 is amended to read as follows:

3 (C)(i) Two (2) active member trustees shall be employed in  
4 a position requiring an administrator's license, one (1) of whom ~~must~~ shall  
5 be ~~a superintendent or an educational cooperative director~~ an administrator.

6 (ii) These two (2) active member trustees shall be  
7 elected by members employed in positions requiring ~~administrator licensure~~ an  
8 administrator's license.

9  
10 SECTION 8. Arkansas Code § 24-7-401(e)(7)(B), concerning the  
11 contribution rate that must be paid by a public school employer under the  
12 Arkansas Teacher Retirement System, is amended to read as follows:

13 (B) A public school employer shall pay the employer  
14 contribution rate up to fourteen percent (14%), and any additional employer  
15 contribution up to fifteen percent (15%) required by a public school employer  
16 shall be paid from additional funds appropriated ~~to the Department of~~  
17 ~~Education~~ for the purpose of paying Arkansas Teacher Retirement System  
18 employer contributions.

19  
20 SECTION 9. Arkansas Code § 24-7-406(b)(5), concerning members who left  
21 covered employment under the Arkansas Teacher Retirement System before July  
22 1, 1985, is amended to read as follows:

23 (5) Members who ~~left~~ leave covered employment ~~before July 1,~~  
24 ~~1985,~~ and who had annual compensation of seven thousand eight hundred dollars  
25 (\$7,800) or less shall have, upon their return to covered employment, full  
26 salary considered for purposes of the system.

27  
28 SECTION 10. Arkansas Code § 24-7-601(c)(2)(A), concerning when days of  
29 paid sick leave cannot be considered service under the Arkansas Teacher  
30 Retirement System, is amended to read as follows:

31 (2)(A) Except as provided under subdivision (c)(2)(B) of this  
32 section, ~~days of paid sick leave shall not be considered service if the~~  
33 ~~payment is for unused sick leave~~ paid or unpaid accrued, unused sick leave  
34 shall not be credited as service in the Arkansas Teacher Retirement System.

1 SECTION 11. Arkansas Code § 24-7-605 is amended to read as follows:  
2 24-7-605. Service in General Assembly.

3 (a)(1)(A)(i) Any member of the Senate or House of Representatives of  
4 the General Assembly who is a member of the Arkansas Teacher Retirement  
5 System shall be eligible, upon application, to receive credited service and  
6 salary in the system for his or her full contract salary in the event that a  
7 cut in pay is required by the school district during his or her attendance at  
8 regular or extraordinary sessions of the General Assembly or during his or  
9 her attendance at meetings of regular or special committees of the General  
10 Assembly during the interim.

11 (ii) These meetings shall include, but not be  
12 limited to, the Legislative Council, the Legislative Joint Auditing  
13 Committee, the interim committees, and special legislative committees.

14 (B) The member shall receive credited service and salary  
15 upon payment by him or her of the necessary member contribution and upon  
16 appropriation from the Public School Fund of the necessary employer  
17 contribution for the amount of the salary reduction during periods of  
18 attending regular or extraordinary sessions of the General Assembly or  
19 sessions of legislative committees.

20 (2) The amount of credited ~~service~~ salary shall not exceed the  
21 contract salary of the member for the school year contract period.

22 (3)(A) Any member of the House of Representatives or the Senate  
23 currently serving in the General Assembly or the legislative committees for  
24 any year prior to July 6, 1977, not to exceed five (5) years, may make  
25 application for and receive credited service and salary in the system for his  
26 or her full contract salary as an employee with respect to any reduction  
27 therein during attendance at regular or extraordinary sessions of the General  
28 Assembly or sessions of legislative committees in which he or she served.

29 (B) This shall be done only if he or she pays to the  
30 system the member contribution required by law, and if appropriation is made  
31 from the Public School Fund for the necessary employer contribution required  
32 by law for that portion of his or her contract salary for any period for  
33 which he or she suffered a reduction in pay during legislative service.

34 (b)(1) Any member of the Senate or House of Representatives of the  
35 General Assembly who is an employee and is a member of the system shall be  
36 eligible, upon application, to receive credited service and salary in the

1 system for his or her full contract salary in the event that either the  
 2 member or the school district decides it is in the best interest of the  
 3 school district for the member to take a leave of absence for up to one (1)  
 4 full calendar year at a time to attend to his or her duties as a General  
 5 Assembly member.

6 (2) Service and salary shall be credited upon payment by the  
 7 member of the necessary member contribution and the necessary employer  
 8 contribution for the amount of the member's contract salary during periods of  
 9 attending regular or extraordinary sessions of the General Assembly or  
 10 sessions of legislative committees.

11 (3) The amount of credited ~~service~~ salary shall not exceed the  
 12 member's contract salary for the school year contract period.

13  
 14 SECTION 12. Arkansas Code § 24-7-608 is amended to read as follows:

15 24-7-608. Limitation on benefit enhancement.

16 (a) ~~No~~ A benefit enhancement provided for by this act shall not be  
 17 implemented if it would cause the publicly supported retirement system's  
 18 unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an eighteen-  
 19 year amortization.

20 (b) ~~No~~ A benefit enhancement provided for by this act shall not be  
 21 implemented by any publicly supported system which has unfunded actuarial  
 22 accrued liabilities being amortized over a period exceeding ~~thirty (30)~~  
 23 eighteen (18) years until the unfunded actuarial accrued liability is reduced  
 24 to a level less than the standards prescribed by § 24-1-101 et seq.

25  
 26 SECTION 13. Arkansas Code § 24-7-610(c), concerning the amount of  
 27 purchased service credit a member receives for service in the National Guard  
 28 or armed forces reserve under the Arkansas Teacher Retirement System, is  
 29 amended to read as follows:

30 (c) ~~Members shall receive one (1) year of purchased service credit for~~  
 31 ~~each one (1) year of service in the National Guard or the armed forces~~  
 32 ~~reserve~~ A member may, one (1) time each fiscal year, purchase one (1) year of  
 33 service credit for each one (1) year of service in the National Guard or  
 34 armed forces reserve.

35  
 36 SECTION 14. Arkansas Code § 24-7-710(d), concerning amounts received

1 in the form of a survivor annuity from the deposit account of a member of the  
 2 Arkansas Teacher Retirement System, is amended to read as follows:

3 (d) For the purposes of § 24-7-709 related to the disposition of a  
 4 member's residue amount, any amounts a survivor annuity received from the  
 5 member's deposit account ~~in the form of a survivor annuity~~ under this section  
 6 shall be considered annuity payments received by the member or his or her  
 7 designated beneficiary and shall offset any disposition of residue payable  
 8 under § 24-7-709 to the estate of the member or to an alternate payee.

9  
 10 SECTION 15. Arkansas Code § 24-7-713(b), concerning a modification of  
 11 the amount of a benefit stipend by the Board of Trustees of the Arkansas  
 12 Teacher Retirement System, is amended to read as follows:

13 (b)(1) A member with at least ten (10) years of actual service in the  
 14 Arkansas Teacher Retirement System is eligible to receive a benefit stipend  
 15 in addition to his or her monthly retirement benefit.

16 ~~(2)~~ (2) ~~Effective July 1, 2013, the~~ The Board of Trustees of the  
 17 Arkansas Teacher Retirement System may modify the amount of the benefit  
 18 stipend from a maximum of seventy-five dollars (\$75.00) per month to not less  
 19 than one dollar (\$1.00) per month for eligible benefit participants as a  
 20 benefit supplement in addition to the cost of living adjustment under  
 21 subsection (a) of this section.

22 ~~(2)(3)~~ (3) A benefit stipend increase or decrease adopted by the  
 23 board shall apply to a complete fiscal year and shall remain in effect until  
 24 adjusted by the board subject to the limitations under subdivision ~~(b)(4)~~  
 25 (b)(5) of this section.

26 ~~(3)(4)~~ (4) The board may adjust the benefit stipend amount by  
 27 resolution at a meeting of the board.

28 ~~(4)(5)~~ (5) The board shall not reduce the benefit stipend unless  
 29 the:

30 (A) Arkansas Teacher Retirement System's actuary certifies  
 31 to the board that the amortization period exceeds eighteen (18) years; and

32 (B) Board determines that a reduction in the benefit  
 33 stipend is prudent to maintain actuarial soundness.

34 ~~(5)(6)~~ (6) The board may phase in an increase or decrease of the  
 35 benefit stipend.

36 (7) If a member was eligible for a benefit stipend, the benefit

1 stipend shall be applied to the monthly benefit of the member's designated  
 2 survivor and option beneficiary.

3  
 4 SECTION 16. Arkansas Code § 24-7-718(a), concerning the requirements  
 5 for an increase in benefit formulas to be effective under the Arkansas  
 6 Teacher Retirement System, is amended to read as follows:

7 (a) For an increase in benefit formulas to be effective, the regular  
 8 annual actuarial valuation for the calendar year immediately preceding the  
 9 effective date of the increase shall be based upon an investment rate  
 10 assumption of no more than ~~eight percent (8%)~~ seven and five-tenths percent  
 11 (7.5%) and shall indicate that up to and including a fourteen percent (14%)  
 12 of pay employer contribution rate is sufficient to amortize all unfunded  
 13 actuarial accrued liabilities for members over a period of ~~thirty (30)~~  
 14 eighteen (18) years or less unless the required contribution rate would  
 15 exceed fourteen percent (14%).  
 16

17 SECTION 17. Arkansas Code § 24-7-720(e), concerning the implementation  
 18 of a benefit enhancement under the Arkansas Teacher Retirement System, is  
 19 amended to read as follows:

20 (e)(1) ~~No~~ A benefit enhancement provided for ~~by~~ under this section  
 21 shall not be implemented if it would cause the ~~publicly supported retirement~~  
 22 system's unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an  
 23 eighteen-year amortization.

24 (2) ~~No~~ If the system's unfunded actuarial accrued liabilities  
 25 exceed an eighteen-year amortization, a benefit enhancement provided for ~~by~~  
 26 under this section shall not be implemented ~~by any publicly supported system~~  
 27 ~~that has unfunded actuarial accrued liabilities being amortized over a period~~  
 28 ~~exceeding thirty (30) years~~ until the unfunded actuarial accrued liability is  
 29 reduced to a level less than the standards prescribed by § 24-1-101 et seq.  
 30

31 SECTION 18. Arkansas Code § 24-7-725 is amended to read as follows:  
 32 24-7-725. Limitation on benefit enhancement of § 24-7-702.

33 (a) ~~No~~ A benefit enhancement provided by § 24-7-702 shall not be  
 34 implemented if it would cause ~~the publicly supported retirement system's~~  
 35 unfunded actuarial accrued liabilities of the Arkansas Teacher Retirement  
 36 System to exceed ~~a thirty-year~~ an eighteen-year amortization.



1           **(b) No** ~~If the system's unfunded actuarial accrued liabilities exceed~~  
 2 ~~an eighteen-year amortization, a~~ benefit enhancement provided for by § 24-7-  
 3 702 shall not be implemented ~~by any publicly supported system which has~~  
 4 ~~unfunded actuarial accrued liabilities being amortized over a period~~  
 5 ~~exceeding thirty (30) years~~ until the unfunded actuarial accrued liability is  
 6 reduced to a level less than the standards prescribed by § 24-1-101 et seq.

7  
 8           SECTION 19. Arkansas Code § 24-7-736(c)(1) and (2), concerning the  
 9 computation of a final average salary for retirement benefits received under  
 10 the Arkansas Teacher Retirement System, are amended to read as follows:

11           (c)(1) The Board of Trustees of the Arkansas Teacher Retirement System  
 12 shall set annually the applicable number of years to be used in computing  
 13 final average salary for retirement benefits at not less than three (3) years  
 14 and not more than five (5) years.

15           (2)(A) Full service years that are recorded as service credit  
 16 shall be used in the calculation ~~unless the member has a partial service year~~  
 17 ~~that is higher than a full service year~~ of the final average salary.

18           (B) If the member does not have full service years for the  
 19 total years of service used in the calculation of final average salary, then  
 20 the board may establish by rule a fair base year for a member's final average  
 21 salary for purposes of comparison under subdivision (c)(3) of this section.

22           (C) If a member has less than the minimum number of years  
 23 of credited service required for the final average salary formula, the final  
 24 average salary of the member shall be the total salary paid to the member for  
 25 his or her years of credited service divided by the member's total credited  
 26 years of service.

27           (D) Before reducing the number of years that is used to  
 28 determine the final average salary, the board shall file relevant information  
 29 concerning the actuarial appropriateness of the action with the Joint Interim  
 30 Committee on Public Retirement and Social Security Programs for review by the  
 31 Joint Interim Committee on Public Retirement and Social Security Programs.

32  
 33           SECTION 20. Arkansas Code § 24-7-736(f), concerning final average  
 34 salary calculations under the Arkansas Teacher Retirement System, is amended  
 35 to read as follows:

36           (f)(1) The board may adjust the final average salary calculated in

1 accordance with subsection (c) of this section by board resolution provided  
2 that:

3 ~~(1)(A)~~ The percentage increase under subdivision (c)(3)(D)  
4 of this section is adjusted no lower than one hundred five percent (105%) per  
5 year and no higher than one hundred twenty percent (120%) per year; and

6 ~~(2)(B)~~ The salary differential permitted under subdivision  
7 (c)(3)(D) of this section is set no lower than one thousand two hundred fifty  
8 dollars (\$1,250) per year and no higher than five thousand dollars (\$5,000)  
9 per year.

10 (2) A partial service year is excluded from the calculation of  
11 the final average salary under this subsection.

12  
13 SECTION 21. Arkansas Code § 24-7-1307(d), concerning interest applied  
14 to the Teacher Deferred Retirement Option Plan account of a participant, is  
15 amended to read as follows:

16 (d) If a participant continues covered employment after completing ten  
17 (10) consecutive years in the plan, the participant's plan account shall be  
18 credited on June 30 of each year or through the date of retirement, whichever  
19 occurs first, with ten (10) year plus plan interest as set by the board.

20  
21 SECTION 22. Arkansas Code § 24-7-1308(b)(1), concerning the cessation  
22 of participation in the Teacher Deferred Retirement Option Plan ceases, is  
23 amended to add an additional subdivision to read as follows:

24 (D)(i) Rollover any remaining lump sum to an interest-  
25 bearing cash balance account within the system as established by the Board of  
26 Trustees of the Arkansas Teacher Retirement System under rules that are  
27 adopted by the system.

28 (ii) The board may set rules for a member to  
29 withdraw amounts from his or her cash balance account.

30  
31 SECTION 23. Arkansas Code § 24-7-1313 is amended to read as follows:  
32 24-7-1313. Limitation on benefit enhancement – Acts 1997, No. 953.

33 (a) ~~No~~ A benefit enhancement provided for by § 24-7-1306 shall not be  
34 implemented if it would cause the ~~publicly supported retirement system's~~  
35 Arkansas Teacher Retirement System's unfunded actuarial accrued liabilities  
36 to exceed ~~a thirty-year~~ an eighteen-year amortization.

1 (b) ~~No~~ A benefit enhancement provided for by § 24-7-1306 shall not be  
 2 implemented by ~~any publicly supported~~ the system which has unfunded actuarial  
 3 ~~accrued liabilities being amortized over a period exceeding thirty (30) years~~  
 4 until the unfunded actuarial accrued liability is reduced to a level less  
 5 than ~~the standards prescribed by § 24-1-101 et seq.~~ an eighteen-year  
 6 amortization.

7  
 8 SECTION 24. Arkansas Code § 24-7-1504(b), concerning the  
 9 implementation of ad hoc benefits under the Retirants' Ad Hoc Increase Act,  
 10 is amended to read as follows:

11 (b) An ad hoc benefit under this subchapter shall not be implemented  
 12 if the ad hoc benefit would cause the Arkansas Teacher Retirement System's  
 13 unfunded actuarial accrued liabilities to exceed ~~a thirty-year~~ an eighteen-  
 14 year amortization.

15  
 16 SECTION 25. EMERGENCY CLAUSE. It is found and determined by the  
 17 General Assembly of the State of Arkansas that certain provisions of the  
 18 Arkansas Teacher Retirement System Act, an act that created a state agency  
 19 for the purpose of providing retirement benefits to school employees of the  
 20 state, are in need of revision and updating to maintain the teacher  
 21 retirement laws in conformance with sound public pension policy; that the  
 22 Arkansas Teacher Retirement System operates on a fiscal year of July 1 to  
 23 June 30; that a July 1, 2019 effective date is necessary to allow the  
 24 provisions of this act to begin on the first day of the fiscal year and to  
 25 provide for the proper administration of the Arkansas Teacher Retirement  
 26 System; that the updates and revisions to the Arkansas Teacher Retirement  
 27 System Act are of great importance for actuarial purposes and the protection  
 28 of member benefits under the Arkansas Teacher Retirement System; and that  
 29 this act is necessary in order to maintain an orderly system of benefits for  
 30 the members of the Arkansas Teacher Retirement System. Therefore, an  
 31 emergency is declared to exist, and this act being necessary for the  
 32 preservation of the public peace, health, and safety shall become effective  
 33 on July 1, 2019.