

EXECUTIVE DIRECTOR UPDATE

WEEK 4 OF THE 90TH GENERAL ASSEMBLY

February 6, 2015

Overview of Week 4 of the 90th General Assembly ATRS Package Bills Advance and Shell Bill Concern

Three ATRS Package Bills Advance From Public Retirement

The second Public Retirement Committee meeting was held on February 2, 2015. Two of ATRS' package bills were heard and given a "Do Pass" by the committee:

SB38 Sponsored by **Senator Blake Johnson**, this bill amends ATRS law to be consistent with federal law (IRS) concerning non-spousal **rollovers**. ATRS has been using the law that complies with IRS regulations regarding the rollovers, this bill simply codifies procedure.

SB75 Sponsored by **Senator Uvalde Lindsey**, this bill amends how **private school** service is determined to be eligible for purchase. This bill shifts the responsibility of determining eligibility from the Arkansas Department of Education to ATRS.

Thanks to the work by the bill sponsors and the Public Retirement Committee, **both bills received a vote of "Do Pass"** out of the Public Retirement Committee. In addition, both bills have now already passed the Senate and have been transmitted to the House to be placed on the House Calendar.

One ATRS Package Bill Advances From House Revenue and Tax

One of the ATRS package bills, HB1132 to reallocate recycling tax credits for public retirement investments was heard in the House Committee on Revenue and Taxation on Tuesday, February 3, 2015:

HB1132 Sponsored by **Representative Monte Hodges** amends the law to extend the transferability of **recycling tax credits** to another equity owner if an Arkansas public retirement is an equity owner of a project eligible for the tax credit.

Thanks to the work of the bill sponsor and the House Committee on Revenue and Taxation, the recycling tax credit bill received a vote of **"Do Pass"** out of the House Committee on Revenue and Taxation. The bill passed the House on Thursday, February 5, 2015 and is now in the Senate and should be heard in the Senate Revenue and Tax Committee.

ATRS Appropriation Bill Receives Favorable Review by the Personnel Sub-Committee

Additionally, ATRS appeared before the Personnel Committee on February 4, 2015, and the committee approved the personnel changes requested by ATRS to reduce overall staffing by 3 positions while changing some staff position duties to better serve members. The Personnel Committee moved the bill out as favorably reviewed so the bill is now before the Joint Budget Committee for action in the future.

Three More ATRS Package Bills Are Ready For Committee Action

On Monday, February 9, 2015, ATRS will have 3 of the package bills from the Board's legislative package on the **Public Retirement Committee's active agenda**, which means the bills have had cost analysis performed by both the ATRS and the Public Retirement Committee's actuary, and are ready to be reviewed by the Public Retirement Committee. The Public Retirement Committee considers ATRS bills before the bills can be considered by either the House or Senate for passage. The bills are:

- **SB48**, sponsored by Senator Bill Sample, is a bill to make revisions to ATRS' **disability** retirement law to require a determination letter from the Social Security administration within 3 years after ATRS' disability is granted to continue eligibility for ATRS disability benefits if a member is under age 60.
- **SB50**, sponsored by Senator Eddie Cheatham, is a **technical corrections** bill that would make minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS.
- **SB137**, sponsored by Senator Jason Rapert, is a bill that would pay monthly retirement benefits to all members, regardless of the amount of the benefit. ATRS would no longer pay the reserve value for monthly **benefits of less than \$20 per month**.

One ATRS Package Bill Remains in Actuarial Study

HB1078, sponsored by Representative Gary Deffenbaugh, is a bill that would allow a retiree who chooses his or her spouse as an Option C (guaranteed 120 payments) beneficiary to change beneficiaries or pop-up to straight life annuity if the retiree's marriage ends by divorce or other marriage dissolution within the first 10 years of retirement. The ATRS Actuary has just finished an actuarial study. The Public Retirement Committee's Actuary is continuing to study the bill.

Next Steps As The Session Continues

ATRS will continue to monitor the 7 ATRS package bills, the ATRS appropriation bill, the one bill technical corrections outside of the ATRS package (no impact to ATRS), the shell bills filed on behalf of ATRS, and any remaining shell bill that could be amended to possibly affect ATRS.

ATRS will continue to provide weekly updates on the ATRS package bills and any shell bills that are amended to impact ATRS. ATRS tries to work closely with members of the General Assembly on legislation to ensure issues of interest to the General Assembly are properly addressed.

SHELL BILL ALERT

New amendment to a shell bill filed this week!

One shell bill that ATRS has been monitoring has been amended. ATRS is confused by the amended bill and its overall purpose.

The bill, as amended, would require ATRS (and the other public retirement plans in Arkansas) to incur additional costs to publish information that provides an incorrect view of the real and historic status of ATRS. For instance, ATRS would be required to publish the impact of ATRS only receiving one half of its historic rate of return and make ATRS publish that result as an ATRS official report as if ATRS actually endorsed, believed, and approved such a report.

ANY state agency that has its income cut in half would NOT win a beauty contest! If the state only had half of the expected and traditional tax revenues from here on out, it would be a train wreck. ATRS is still examining the bill at this time. ATRS is very concerned that members and policymakers will be confused and believe the information required to be published is reliable in some way.

This is a short summary of the bill after the amendment:

The bill, after adoption of the amendment would require all public retirement plans in Arkansas to:

1. Reach an agreement with the General Assembly's actuary on the actuarial assumptions to be used by the system. If an agreement is not reached, a third party actuary would have to be hired to set the assumptions.
2. Pay the system's actuary to perform additional actuarial functions and require the system to publish the value of the system based on a calculation of unfunded accrued liability using the expected future rate of return on the investments of the system at four percent (4%) (4% is one half of the expected and historic return of ATRS) (ATRS had a 19.1% return last year).
3. Publish the 4% report on the same page or following page of the system's annual valuation report (to make it an official ATRS document)