

# **EXECUTIVE DIRECTOR UPDATE**

## **ATRS ACTUARIAL STATUS & 2017 BILLS AFFECTING ATRS**

### **January 6, 2017**

#### **Brief Actuarial Status Update and Overview of ATRS Legislation for the 91st General Assembly**

##### **Actuarial Status**

The actuaries recently gave the ATRS Board the actuarial report on ATRS for the fiscal year that ended on June 30, 2016. The report was positive. ATRS now has an amortization period to pay off its unfunded liabilities of **29 years**. This is the shortest the amortization period has been in eight (8) years. The ATRS funded percentage is **81%**, another strong number. The ATRS unfunded liabilities dropped by about \$129 million dollars from the previous fiscal year. At the same time, the actuarial report provided details about the increasing detrimental impact of outsourcing of classified positions from school employees to employees of contractors that have embedded employees within a school district.

The ATRS Board also learned that the ATRS investment returns for the three (3) year and ten (10) year periods from September 30, 2016, were in the top one-percent (1%) of all large pension plans within the country. The ATRS Board has a proven track record in obtaining quality returns and staying the course to obtain the best managers and investment returns possible.

The ATRS Board is committed to always be prepared to address changes in actuarial and accounting standards and requirements. The ATRS Board sees the upcoming legislative session as an opportunity to further strengthen ATRS, to sharpen the Board's ability to address another market downturn like the financial crisis of 2008 and 2009, and to have a more complete set of methods to maintain the financial strength of ATRS at all times. The commitment to protect members and maintain the financial integrity of ATRS at all times has led to the creation of a meaningful package of legislative proposals by the ATRS Board.

##### **The 91<sup>st</sup> General Assembly and the ATRS Bill Package**

On Monday, January 9, 2017, the 91<sup>st</sup> General Assembly of Arkansas will begin. Dozens of new legislators will be sworn in and bills will be introduced for passage to enact new laws for Arkansas. In a general session, laws affecting any and all issues can be introduced as compared to the fiscal session in even numbered years that is essentially limited to fiscal issues and appropriations.

The Speaker of the House of Representatives will be formally named soon. The President Pro Tempore of the Arkansas Senate is Senator Jonathan Dismang of Beebe. ATRS looks forward to the leadership and direction provided by these two hard-working and respected leaders of the 91st General Assembly.

ATRS will work closely with Governor Hutchinson and his staff on legislative issues during the legislative session. Governor Hutchinson always provides leadership and important input on retirement proposals and other issues that affect all Arkansans. ATRS always seeks Governor Hutchinson's input and advice on legislation.

Over the last year, the ATRS Board and staff has researched the ATRS laws and operations to ensure that ATRS was prepared to address any and all fiscal challenges that might arise. Over the last 2 years, the ATRS Board approved recommendations by the ATRS Operations Committee for proposals for the 91<sup>st</sup> General Assembly to consider. ATRS has a legislative package of **19 bills** plus **SB76**, the ATRS appropriation bill for a total of **20 bills** to be considered on behalf of ATRS. ATRS is currently seeking sponsors for its 19 general bills. The Joint Budget Committee always sponsors the appropriation bills for state agencies.

ATRS typically has 15 to 20 general purpose bills in a legislative session, so the 20 bill package is not unusual. This executive director update will provide a basic summary of each bill. As in past sessions, ATRS will provide at least a **weekly update** to keep you totally in the loop on the legislative issues affecting ATRS.

ATRS plans to provide the weekly update on the 19 ATRS package bills, the ATRS appropriation bill, and all other bills filed that impact ATRS or its members. The report will also give details on the legislative process that applies to legislation affecting ATRS. Typically, members of the General Assembly also propose legislation affecting ATRS that is not a part of the ATRS Board of Trustees' package. ATRS works closely with members of the General Assembly on legislation to ensure issues of interest to the General Assembly are properly addressed.

Retirement legislation is usually introduced in the first 15 to 20 days of the legislative session since bills affecting benefits and operations of retirement systems are often complex and must be evaluated by the General Assembly's actuary and the actuaries of the public retirement systems. A quality actuarial report is vital to ensure retirement legislation is fully vetted and has a clear impact. The early introduction process leaves sufficient time for full actuarial review and thoughtful legislative action on retirement legislation.

## **Joint Public Retirement & Social Security Committee**

Almost all legislation affecting Arkansas' public retirement systems is assigned to the Joint Public Retirement & Social Security Programs Committee, commonly referred to as the Joint Retirement Committee. The Committee has 20 total members with 10 from the Arkansas House of Representatives and 10 from the Arkansas State Senate. The House also has ten (10) alternates to the Public Retirement Committee to serve if a House member is unavailable for the Committee meeting.

The Public Retirement Committee's leadership includes a House Co-Chair and a Senate Co-Chair along with a House Co-Vice Chair and a Senate Co-Vice Chair. The Chairmanship of the Committee alternates between the House and the Senate during the session. This Committee has the difficult but important task of sorting through numerous actuarial reports, pages of financial data, complex formulas, and information to ensure that the public retirement systems operate fairly and efficiently for members, employers, the state, and the public.

The Arkansas State Senate has named the 10 members to the Joint Retirement Committee from the Senate. Six of the Senators are returning members of the Retirement Committee and will provide a deep and experienced pool of knowledge for the Committee. The Senate has also chosen the Senate Co-Chair and Co-Vice Chair. Senators Bart Hester, as Senate Co-Chair, and Blake Johnson, as Senate Co-Vice Chair, provide the Committee with quality, leadership, experience, knowledge of retirement issues, and command of the legislative process.

### **2017 Senate Members of Retirement Committee**

Senator Bart Hester, Chair  
Senator Blake Johnson, Vice Chair  
Senator Larry Teague  
Senator Joyce Elliott  
Senator Jason Rapert  
Senator Bill Sample  
Senator Jeremy Hutchinson  
Senator Eddie Cheatham  
Senator Linda Chesterfield  
Senator Jane English

The Arkansas House of Representatives will name 10 members and 10 alternate members to the Public Retirement Committee from the House. Committee members are selected on January 9<sup>th</sup>, the first day of the General Session, by the House Speaker. The Speaker of House names the Joint Retirement Committee's Chair and Co-Chairs along with members and alternates on the first day of Session.

ATRS looks forward to working with both the House and the Senate members of the Retirement Committee. The process is complex but runs smoothly. Often members of the General Assembly who are not on the Joint Retirement Committee also work extensively on retirement legislation. ATRS hopes to work closely with all members of the General Assembly.

## **ATRS Board's Legislative Package**

The ATRS Board of Trustees has unanimously voted to support a **nineteen (19) bill package** for the 2017 legislative session. ATRS will also closely follow *all* bills that could impact ATRS during session. **Every week**, the new executive director update will detail new bills, amendments, and the status of all ATRS package bills and other bills affecting ATRS.

This summary provides a brief title and explains the potential impact of all 19 bills in the package and any other bills that may impact ATRS. Some bills may have an emergency clause that would make the bill effective July 1, 2017. Some bills have an emergency clause that makes the bill become effective immediately. Some bills have no emergency clause and become effective 90 days after the session ends.

### ATRS PACKAGE BILLS FOR THE 2017 SESSION

<u>Bill #</u>	<u>Sponsor</u>	<u>Description</u>	<u>Status</u>
TBA	TBA	Accrued sick leave to count as service credit if death of an active member occurs.	
TBA	TBA	Disability retirees allowed to file another disability application with ATRS if Social Security denies disability benefits; disability retirees may return to work full-time/part-time, revert to last benefit if unable to continue working; disability retirement to include reciprocal service credit for vesting purposes.	
TBA	TBA	Survivor benefits to use reciprocal service credit for vesting purposes, prorate survivor child benefits in correlation to member's years of service.	
TBA	TBA	Allow members with concurrent reciprocal service to voluntarily waive ATRS service credit.	
TBA	TBA	Pension advance companies prohibition.	
TBA	TBA	Settlement agreements may include purchased annuity salary, discontinue adding settlement amounts as salary to member accounts, and possible addition of air time on value of future benefits.	
TBA	TBA	Automatic spousal survivor benefit rights may be voluntarily waived by member.	
TBA	TBA	Employer contribution rate may be adjusted, if needed, and conditions met.	
TBA	TBA	Modifies process of setting the employee contribution rate.	
TBA	TBA	Multipliers for future service credit may be adjusted, if needed.	
TBA	TBA	Benefit stipend adjustments and removal from benefit base may be adjusted, if needed.	
TBA	TBA	Reversal of the 2009 compounding of the COLA may be adjusted, if needed.	
TBA	TBA	Authority to adjust T-DROP Interest rates by Board resolution and transfers of Deferred Retirement Option Plan (DROP) balances between reciprocal Arkansas public retirement systems.	
TBA	TBA	Authority to adjust final average salary anti-spiking percentage.	
TBA	TBA	Authority to adjust early voluntary retirement or early T-DROP entry reductions, if needed.	
TBA	TBA	Adjustment of Employer early separation incentive programs.	
TBA	TBA	CASH program modifications and expansions may be implemented by ATRS; CASH program benefit designation for certain inactive vested members by ATRS.	
TBA	TBA	Outsourcing election by ATRS employers.	
TBA	TBA	Technical Corrections	

# IMPACT AND ANALYSIS OF ATRS PACKAGE

## BILLS AFFECTING ATRS, MEMBERS, AND EMPLOYERS

**Bill#**

**1**            **Accrued sick leave to count as service credit if death of an active member occurs.**

**Emergency Clause: Effective Immediately**

**Explanation: Sick Leave Credit Upon Death - This bill would allow ATRS to recognize unused accrued sick leave, whether paid or unpaid, as credited service to determine retirement eligibility, to calculate final average salary, and for eligibility for other system benefits. The deceased member's account is to be credited one day of service for each day of unused accrued sick leave and one day for any remaining partial day of sick leave to be added to the fiscal year in which the member dies. Unused catastrophic leave and other unused donated leave available to the member shall not be credited as service.**

**The purpose of this bill is to reward deceased members' efforts who have saved sick leave and to encourage work attendance by all ATRS members.**

**Bill#**

**2**            **Disability retirees allowed to file another disability application with ATRS if Social Security denies disability benefits; disability return to work full-time/part –time, revert to last benefit if unable to continue working; disability retirement to include reciprocal service credit for vesting purposes.**

**Emergency Clause: Effective Immediately.**

**Explanation: Disability — This bill would do four things. First it will help prevent a disability retiree's loss of ATRS disability by allowing a review by the ATRS' medical committee within three months of disability benefits ceasing due to the lack of a Social Security Administration favorable disability determination letter. A member who fails to be declared disabled by the Social Security Administration may seek a review not sooner than three months before the date that the member's disability retirement would otherwise end and until three months after termination of disability retirement. All applications for review will be heard by ATRS' medical committee consistent with the current definition of disability by ATRS. The committee's decision will be submitted for final order of the Board, consistent with rules for initial disability retirement. The Board's approval would be the final disposition. Second, the bill would allow a disability retiree to work and also receive monthly disability benefits if he or she works less than forty days during a fiscal year or works more than 40 days but the work is substantially different than the work the member did when retiring because of disability and has a computed salary that is less than the final average salary used to compute the**

monthly disability benefit. The covered employer may request a waiver within 3 months of employment of the member. The system shall grant the waiver unless the member has already worked 40 or more days. If more than 40 days have been worked, the system shall grant the waiver based upon review of the request and supporting documentation, if the requirements of substantially different work are met. If waiver is granted, the member will continue to receive the monthly disability retirement and would not accrue additional service credit. The covered employer would remit contributions on all salary paid in an amount equal to the employer contribution rate applicable to active members. **Third**, the bill encourages a disability retiree to try to return to work on a full time basis. Currently, if a member goes back to work, disability benefits cease. If the member then returns to disability retirement with the system, the disability retirement benefit may be lower than the disability benefit paid last due to loss of COLAs. This bill will allow the higher amount that the member would receive if they had not returned to regular work or recalculated based on additional salary and additional service credit earned while working. **Fourth**, this bill would also recognize all reciprocal service credit with another Arkansas public retirement system to be counted for vesting purposes for disability retirement.

The purpose of this bill is to streamline the ATRS disability process and to encourage disability retirees to return to work on a full time or part-time basis to assist schools in meeting critical staffing needs.

**Bill#**

**3** Survivor benefits to use reciprocal service credit for vesting purposes, prorate benefits in correlation of years of service, and allow a 6-month period after a survivor application is filed to submit all requested documents to ATRS.

**Emergency Clause: Effective Immediately.**

**Explanation: Survivor/Reciprocal Service** — This bill would grant a surviving dependent child of the member an annuity in the amount equal to one percent of the member's highest salary year for each quarter of a year credited as actual service in the system, up to a maximum of twenty quarters of a year that are credited as actual service in the system up to a maximum of \$20,000 per year. (Previously a minor child obtained the full benefit or not benefit at all. This modification allows a proration of the benefit based on actual ATRS service while recognizing reciprocal service to vest.) If there are three or more dependent children, the benefit would be limited to sixty percent of member's highest salary year or \$60,000 per year, whichever is less, and prorated among the dependent children. This bill would also make an application by a survivor, survivor's guardian, or legal representative void if the application process is not completed within six calendar months after the application is filed, unless an extension has been granted by the system. The same will apply to an eligible spouse.

The purpose of this bill is to allow reciprocal service to count to vest for survivor benefits but prorate

the amount until a full 5 years in ATRS are reached and also to limit the survivor benefit to begin at no more than \$20,000 per surviving child. (The existing law, for instance, would allow a minor child of a deceased member making \$250,000 a year a survivor benefit of \$50,000 a year until age 23. This change limits the survivor benefit of a maximum of \$20,000 per year per child.) The bill also requires applicants to complete the application process with a reasonable time or start the process over.

**Bill#**

**4 Allow members with concurrent reciprocal service to waive ATRS service credit.**

**Emergency Clause: Effective Immediately.**

**Explanation: Concurrent Service—** This bill would allow members who have concurrent service with an Arkansas reciprocal public retirement system the opportunity to voluntarily elect to waive ATRS service instead of just the other system's service. Under the proposal, a member may elect to waive all or part of their ATRS service credited to the member if the member has concurrent service in another reciprocal plan. The member's employer and employee accrued contributions will remain with the system.

**The purpose of this bill is to allow a member to use a higher final average salary or service credit from the reciprocal retirement system or ATRS to compute benefits.**

**Bill#**

**5 Pension advance companies prohibition.**

**Emergency Clause: Effective Immediately.**

**Explanation: Pension Advance Companies Prohibition –** The purpose of this proposal is to protect members by prohibiting pension advance companies from obtaining a retiree's benefit to repay a loan. The interest rates to repay a very small loan may exceed 100%, and may take years to repay. No device, transfer, pension advance, or related scheme would be used to circumvent the prohibition against pension advances, assignments, or transfer of benefits to a person other than a benefit participant.

**The purpose of this law is to protect members from predatory benefit practices.**

**Bill#**

**6 Settlement agreement to include purchased annuity, discontinue adding settlement amounts to member, and can add air time or value of future benefits.**

**Emergency Clause: Effective Immediately.**

**Explanation: Settlements - This bill would assist employers and members in legal disputes by allowing salary or service credit to be purchased as a part of the settlement. The additional salary would be added to the calculated salary at the time of purchase. The member's official salary record will include the purchased additional salary years in computing the final average salary at the time of retirement if the salary in any of the additional purchased salary years qualify for the final average salary calculation. The system will use the same factors to determine the cost of the additional salary purchase that is used to calculate an additional monthly benefit in the annuitization of a T-DROP distribution. The calculation shall be made with the assumption the member would have immediately retired at the time of the purchase.**

**The purpose of this bill is assist employers and members in reaching settlements in legal disputes and to eliminate employer and employee contributions on a settlement of claims or judgments and to make the process more certain and user friendly.**



**Bill#**

**7**            **Modifies the employer contribution rate adjustment to allow an adjustment even if ATRS is below a 30 year amortization period, if needed. Currently, ATRS must be above a 30 year amortization period**

**Emergency Clause: Effective Immediately.**

**Explanation: Employer Contributions – ATRS already has the authority to raise the employer contribution rate. This bill would allow an employer contribution rate adjustment even when below a 30 year amortization if needed to maintain actuarial soundness. This bill essentially eliminates an amortization period in excess of thirty (30) years requirement in order for the Board to make a modification to the employer rate.**

**The purpose of this bill is allow a change if needed at any time in order to protect financial soundness.**

**Bill#**

**8**            **Spousal survivor benefit rights may be redirected by member, if specifically designated by the member to another person.**

**Emergency Clause: Effective Immediately.**

**Explanation: Survivor Spousal Rights— This bill eliminates the automatic statutory designation that residual benefits must go to a spouse. This bill would allow a member of ATRS to voluntarily designate an alternative residual beneficiary in lieu of an automatic spousal designation to receive a lump sum payment of the member's residue amount upon death of an active or T-DROP member. This means no spousal survivor benefit shall be payable if an alternative beneficiary is named.**

**The purpose of this bill is to give members the right to overcome the statutory presumption that a spouse always receives the benefit in the event of death and lets each member decide.**

**Bill#**

**9 Employee contribution rate adjustment, if needed.**

**Emergency Clause: Effective Immediately.**

**Explanation: Member Contributions – ATRS already can increase the member contribution rate if the ATRS amortization period is over 30 years. This bill would allow the employee contribution rate to be adjusted if needed to maintain actuarial soundness. This bill also eliminates an amortization period in excess of thirty (30) years requirement in order for the Board to change the employee contribution rate.**

**The purpose of this bill is to provide a mechanism to help maintain the financial strength of ATRS as needed in order to protect its members.**

**Bill#**

**10**            **Benefit multiplier adjustment for future service credit, if needed.**

**Emergency Clause: Effective Immediately**

**Explanation:    Benefit Multipliers – ATRS already can already adjust the benefit multiplier if the ATRS amortization period is over 30 years. This bill would allow the ATRS Board greater flexibility to adjust the multiplier used in benefit calculations, if needed in order to maintain actuarial soundness. This bill does so by eliminating the requirement that an amortization period in excess of thirty (30) years exist for the Board to make modifications to the benefit multipliers.**

**The purpose of this bill is to maintain provide a mechanism to protect the financial strength of ATRS in order to protect its members.**

**Bill#**

**11**            **Benefit stipend adjustments and removal from benefit base, if needed.**

**Emergency Clause: Effective Immediately**

**Explanation: Stipends: ATRS can already adjust the benefit stipend if the ATRS amortization period is over 30 years. This bill would allow the ATRS Board greater flexibility to adjust the benefit stipend, if needed in order to maintain actuarial soundness. This bill does so by eliminating the requirement that an amortization period in excess of thirty (30) years exist for the Board to make modifications to the benefit stipend. The bill also allows the Board to remove the benefit stipend from the base amount used to calculate cost of living adjustments for current retirees and option beneficiaries, if needed to maintain actuarial soundness. The bill allows the Board to phase in adjustments to the benefit stipend in order to prevent a retiree from receiving a reduction of benefits at any time. The bill does not change the requirement of ten years of actual service needed to qualify for the benefit stipend.**

**The purpose of this bill is to provide a mechanism to maintain the financial strength of ATRS in order to protect its members.**

**Bill#**

**12**            **Reverse 2009 compounding of the Cost of Living Adjustment (COLA), if needed.**

**Emergency Clause: Effective Immediately.**

**Explanation: Reverse the 2009 Compounding of the COLA - The ATRS Board may already reverse the 2009 compounding of the COLA. This bill would allow the Board to reverse the 2009 compounding of the COLA, if needed in order to maintain actuarial soundness. The reversal may include a chart or proxy formula to be applied for members that have complicated changes in their benefits due to divorce, remarriage, death of the member, or death of a spouse. This bill would also allow the Board to phase in the reversal in order to prevent a retiree from receiving a reduction of benefits at any time.**

**The purpose of this bill is to provide a mechanism to maintain the financial strength of ATRS in order to protect its members.**

**Bill#**

**13** Clarified ATRS Authority to adjust T-Drop interest rates, by resolution, and the authorization of transfers of Deferred Retirement Option Plan (DROP) balances between reciprocal retirement systems with varying DROP periods.

**Emergency Clause: Effective Immediately.**

**Explanation: T-DROP Interest & authorization for Reciprocal Transfers – This bill would allow the Board to determine the T-DROP plan interest rate based using a variable rate formula (like used today) or use a fixed interest rate adopted by Board resolution prior to the beginning of a fiscal year and applied to all subsequent fiscal years unless or until modified by the Board. A variable interest rate formula would likely be based upon investment returns and other similar factors. If the Board adopts a variable interest rate formula, the plan interest rate is established prior to the beginning of a fiscal year to which the plan interest rate applies. The Board may adopt a T-DROP participation incentive rate during a fiscal year, in addition to the applicable interest rate, if investment returns and financial conditions justify an incentive rate for the fiscal year.**

**This bill also is designed to save money by delaying retirements and encouraging experienced employees to work longer. It allows a member with reciprocal service who simultaneously enters the DROP of two reciprocal retirement systems with varying lengths of time for DROP participation to transfer the DROP balance from the system with the shortest term of participation (when the DROP is fully completed) to the retirement system with the longest term of participation. In order to make this transfer, the member would have to be actively employed by an employer of the retirement system with the longest DROP period at the time of entry in both plans and at the time of completion of the DROP plans); the member would have to have completed the participation term of the plan from which the transfer would occur; the member would have at least two years of continuing eligibility to participate in the DROP to which the transfer occurred; and would have to apply for the for the transfer and notify both the transferring system and receiving system of the intended transfer at least one month before the transfer effective date. The member would not be eligible to draw a monthly retirement benefit from either system until twelve months after completion of the DROP transfer. The transfer would be treated as a rollover. The transferring system and receiving system would not pay a monthly retirement benefit to the member until he or she officially retires from the receiving system or for 12 months, whichever is later. The transferring system will calculate a monthly retirement benefit as if the member had retired at the end of the plan term and chosen one hundred percent lump sum payment of the DROP balance. Once transferred, the receiving system's law or rules shall apply to the DROP account.**

**The purpose of this bill is to allow the ATRS Board to adopt either a fixed or variable T-DROP interest rate and to make a change to encourage experienced members to continuing working and delay retirement when participating in two DROP plans and the maximum participation period has been reached in the plan with the shortest participation period.**

**Bill#**

**14            ATRS authority to adjust final average salary anti-spiking percentage to prevent salary spiking.**

**Emergency Clause: Effective Immediately.**

**Explanation: Anti-spiking – This bill would allow the Board to adjust the anti-spiking formula used to calculate retirement benefits to maintain actuarial soundness. The bill would allow the percentage to be adjusted from a high of 120% to a low of 105% per year, and the automatic salary differential allowance to be set from a high of \$5,000 to a low of \$1,250 per year.**

**The purpose of this bill is to maintain the financial strength of ATRS in order to protect its members.**

**Bill#**

**15** Provides authority for ATRS to adjust early voluntary retirement reductions and early T-DROP participation reductions.

**Emergency Clause: Effective Immediately.**

**Explanation: Early Voluntary Retirement and Early T-DROP Reductions – This bill would allow the Board to set the early voluntary retirement reduction, to be prorated monthly, from a low of five percent to fifteen percent per year to maintain actuarial soundness. The bill would also allow the early T-DROP participation reduction to be adjusted to maintain actuarial soundness.**

**The purpose of this bill is to recognize that since the mortality tables show that members are living longer, then the early retirement/T-DROP reductions may need to be adjusted to maintain the financial strength of ATRS in order to protect all of its members.**

**Bill#**

**16**                    **Employer early separation incentive programs.**

**Emergency Clause: Effective Immediately.**

**Explanation: Employer Early Separation Incentive Programs Modification. – This bill would end the requirement in some ATRS employers' early separation programs that members must retire from ATRS in order to participate in the employers' programs. If passed, the early retirement incentive plans are still allowed but would not allow a condition that the employee had to retire from ATRS. The plan would require the employee to terminate employment at the employer.**

**The purpose of the bill is to lessen the cost impact of early retirement plans of ATRS employers. It would allow the use of early retirement plans while not forcing members to retire from ATRS to participate.**

**Bill#**

**17**                    **CASH program modifications and expansions and CASH program benefit designation for certain inactive vested members by Board resolution, if needed.**

**Emergency Clause: Effective Immediately.**

**Explanation: CASH Modification – This bill would allow a buyout plan established by the Board, to be extended, modified or expanded. The Board could also designate the buyout plan benefit for certain inactive vested members as the available plan to maintain actuarial soundness.**

**The purpose of this bill is to maintain the financial strength of ATRS in order to protect its members.**



**Bill#**

**18                    Outsourcing election by employers.**

**Emergency Clause: Effective Immediately.**

**Explanation: Outsourcing Election by Employers – This bill would allow ATRS employers that outsource a service common to the normal daily operation of the employer to choose whether to make outsourced employees become members of ATRS or alternatively, to pay a surcharge on the outsourced employees' salaries. Employers would have 60 days after the effective date of the bill to make a one-time decision. The bill would define "outsourcing" to mean employment for a covered employer through a third party, a private employer, an independent contractor or other contractual relationship. ATRS would collect information on outsourced employees from employers after passage of the bill, and prior to any collection of money. The collections of contributions or surcharges from an employer may be phased in and would not begin earlier than the 2018 fiscal year.**

**The purpose of this bill is to ensure ATRS has the contributions provided for the employment of employees who are embedded in the public schools and a part of the typical school operation as is contemplated in the structure of ATRS and its operations.**

**Bill#**

**19                    Technical corrections.**

**Emergency Clause: Effective Immediately.**

**Explanation: Technical Corrections – This bill would make minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS while not making changes to how laws are used or implemented.**