

EXECUTIVE DIRECTOR UPDATE
Week 4 of the 91st General Assembly
February 3, 2017

Overview of Week 4 of the 91st General Assembly

It was a typical 4th week of the session for ATRS retirement legislation. The first ATRS bill to be heard in the Joint Retirement Committee was recommended from the Committee with a "do pass" motion on Monday, January 30, 2017. SB142 has now been approved by both the Senate and House and is now on Governor Hutchinson's desk. Again, thank you, **Senator Cooper**, for sponsoring this important legislation of ATRS.

Much of this week's work was behind the scenes working on amendments that some legislators have asked ATRS to consider, providing input on bills outside the ATRS legislative package that could impact ATRS, and performing other day to day tasks that a retirement system faces during a legislative session.

On Monday, February 6, 2017, ATRS has three (3) package bills to be heard before the Joint Retirement Committee. **HB1304 by Representative Maddox, HB1305 by Representative Maddox, and SB233 by Senator Caldwell**. The main activity ATRS has underway at this time is considering amendments to package bills, monitoring all legislation that could impact ATRS, having lengthy discussions with actuaries about retirement bills, and attending meetings at the Capitol and other places with legislators and groups of members.

The pace is significantly picking up both visibly and behind the scenes. From a legislative procedural standpoint, this week remained fairly light on retirement bill activity. Importantly, no shell bill that could impact ATRS was amended into substantive bills this week. Typically, this is very good news.

ATRS is now working closely with **Representative Dwight Tosh** on HB1336 that was discussed in last week's executive director update. Representative Tosh has stated his clear intent to amend the bill to address several of ATRS' objections. As a recap, the bill as originally drafted would cause a forfeiture of benefits in a retirement system if a felony conviction occurred connected to a member's public employment in any way. ATRS **appreciates** Representative Tosh's willingness to work with ATRS and the other retirement systems to make modifications to the forfeiture bill to address some of the concerns that have been expressed.

As you read these weekly executive director updates and do not have time to read the entire update, you may want to look for any part of the update that is written in **red**. You may find **red wording** on both the Executive Director Update and on the Bill Summary attachment. **Red wording** indicates that ATRS staff believes the information is **important to know** or of **concern**. Due to the nature of having 25-30 substantive bills that affect ATRS and its members in this session's updates, the update will tend to be very long. Each bill will have an explanation and a status update. To the extent your time is limited, the **red wording** will attempt to highlight what ATRS staff thinks may be of greatest interest or concern for ATRS employers and members to focus upon. ATRS also understands that some members will be focused on specific bills that may be of major interest but not highlighted. It is understood that the 20 bill package of ATRS is closely watched since it is designed to allow ATRS to react to market changes and new financial standards.

Update on Four Substantive Bills Affecting ATRS Law

At this time, **four (4)** additional bills have been filed (**not part of the ATRS package**) with substantive language that would change laws affecting ATRS and its members. HB1355 is a technical correction bill on behalf of the Code Revision Commission that only clarifies language such as changing "the system" to the "Arkansas Teacher Retirement System" and has no operational or fiscal impact.

Of the remaining three (3) bills, SB11 by Senator Hester would require ATRS to monitor its investments and hire a consultant to determine if any company in the ATRS stock portfolio has taken certain positions against Israel. This bill is still under review and analysis by ATRS. HB 1290 by Representative Tosh has language that Representative Tosh and ATRS worked together on that allows an additional exception in the five (5) year lookback law (statute of limitations) for under-reported service of a member upon which all contributions were paid at the time. ATRS is neutral on this bill. ATRS does appreciate Representative Tosh working with ATRS before filing a bill on the important 5 year lookback law.

Already addressed above, is HB1336 by Representative Tosh. As stated above, Representative Tosh is working with ATRS and the other retirement systems to address concerns. Scheduling a meeting that all retirement directors can attend has been a difficult task, but the commitment of Representative Tosh and the directors to work on the betterments of the bill continue. HB1336 is a bill that would require forfeiture of a member's retirement benefits if certain criminal events occur. ATRS **remains concerned about HB1336** and will provide additional updates as any amendment is made to the bill. The bill remains in original form due to a scheduling issue and not an indication the bill will remain as written.

An Explanation About Shell Bills and a Shell Bill Update

Shell bills are bills that without an amendment would have no impact on the law. Legislators may introduce a shell bill intending to amend it later in the session to address a specific issue. At other times, members may introduce a shell bill to be helpful in order to assist a retirement system or the General Assembly to address an issue that **might** arise later in the session. A typical shell bill will have wording like "a bill to amend the law regarding the Arkansas Teacher Retirement System".

There are 2 kinds of shell bills, a **specific subject matter** shell bill and a **generic** shell bill. A **specific matter** shell bill has indication within its title that the shell bill will only be used to make a change in a specific area such as benefits, board composition, investment policy, or operations. If a shell bill has a specific subject matter, the shell bill is limited to be used for that purpose only due to constitutional standards. A **generic** shell bill is written without a specific subject matter and potentially could impact any or all parts of ATRS.

A shell bill is like **a race car without an engine**. Unless an engine is placed in it, it sits there and does nothing. An engine can be quickly placed in a shell bill. An amendment can make that inoperative race car into **a rocket powered race car**. A bill can go from a shell bill to a substantive bill in **a day**. ATRS always carefully monitors all shell bills to ensure that a shell bill that becomes substantive is evaluated and properly addressed by ATRS on behalf of its employers and members. Shell bills can be very **helpful** and potentially very **hurtful**. That is why ATRS will list each shell bill that could be amended to impact ATRS each week in the weekly executive director update.

This session, ATRS asked **Senator Bruce Maloch** to introduce two (2) generic shell bills on behalf of ATRS to be held in the event an unexpected issue is discovered that needs to be addressed by a change in ATRS law that cannot be amended into an existing ATRS package bill. Six (6) additional **specific subject matter** shell bills were introduced that name the Arkansas Teacher Retirement System in the title. The subject matters on the 6 bills are **employment of retired members, Board of Trustees, investment practices, benefit payments, accounting and auditing, and administration**.

The Next Steps For Retirement Legislation

One ATRS bill, SB142 is on Governor Hutchinson's desk after passage by both the Senate and House. The remaining 19 ATRS package bills have been referred to the Joint Public Retirement Committee for future consideration. Three of those bills are on the Joint Retirement Committee's agenda for Monday. All three have actuarial studies in the form of written reports by the actuaries. Retirement bills almost always have a **fiscal impact** which means the bills must be studied by both the Joint Public Retirement Committee actuary and the ATRS actuary. These studies often take a few weeks to complete due to the complexity of determining how changes may impact ATRS, its employers and members.