

EXECUTIVE DIRECTOR UPDATE
Week 5 of the 91st General Assembly
February 10, 2017

Overview of Week 5 of the 91st General Assembly
Holding Pattern and Negotiation Week

Week 5 was a "3 steps forward and 2 steps back" week. ATRS had three (3) bills for consideration by the Joint Retirement Committee on Monday, February 6, 2017. HB1304 and HB1305 were voted out of the Committee "DO PASS" and SB233 was held in Committee for consideration next week. On Wednesday, both HB1304 and HB1305 were returned to the Joint Retirement Committee for additional review and clarification. Concerns arose that HB1304 would impact local property taxes on real property held by ATRS and otherwise could give ATRS an unfair competitive advantage over private owners. HB1304 does not impact the payment of property taxes by ATRS and was a clarification bill.

ATRS looks forward to better explaining the bill on Monday, February 13, 2017, back in the Joint Retirement Committee. If you would like to see a very detailed analysis of HB1304 that was sent to the members of the General Assembly on Thursday, February 9, 2017, a copy of the email with attachments that was sent to members of the General Assembly is attached to this update.

ATRS did have several meetings and telephone calls with school officials, members of the General Assembly, ATRS members, and other school advocates to discuss the 20 bill ATRS legislative package. ATRS is working on amendments to certain bills to reflect agreements and to further clarify language and intent.

ATRS staff met with Representative Tosh on HB1336 and now expects that amendments are underway to remove ATRS concerns about the bill. This is the bill that originally contained forfeiture of benefit language in the event a retirement system member committed certain crimes. ATRS thanks Representative Tosh for his assistance and cooperation with ATRS on this bill.

On Monday, ATRS will likely have four (4) package bills on the Joint Retirement Committee agenda, SB193, SB233, HB1304, and HB1305. In addition, a bill by Representative Tosh addressing the ATRS five (5) year lookback law is also expected to be on the agenda. ATRS worked with Representative Tosh to find acceptable language and is neutral on this bill. Monday is stacking up to be a busy day in the Joint Retirement Committee for ATRS. SB142 is now an official act of the 91st General

Assembly. SB142 became Act 127 of 2017. Again, thank you Senator Cooper for sponsoring this bill that ensures the independence of the ATRS Internal Auditor.

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, each 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. This bill is also addressed above. 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. This bill has not been amended yet, but the work is underway to amend the bill to prevent a person who intentionally causes the death of a retirement system member from receiving benefits that become available due to the member's death. This is also often called a "slayer statute".

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**.

Five (5) additional **generic** shell bills were filed that could impact ATRS. One is specific as to ATRS with a generic title. Four (4) shell bills are with titles that could impact all retirement systems or employee groups that include an employee group of ATRS.