

EXECUTIVE DIRECTOR UPDATE
Week 9 of the 91st General Assembly
March 10, 2017

Overview of Week 9 of the 91st General Assembly
ATRS Package Bills Are Back on the Move

Week 9 at the General Assembly continued to be very busy and productive on retirement issues. On Monday, March 6, 2017, ATRS had four (4) package bills up for consideration before the Joint Retirement Committee, SB186 (Multipliers), SB187 (Member Contributions), SB192 (Disability) and HB1287 (Outsourcing). All four (4) bills received a "DO PASS" out of Committee and have now passed the chamber of introduction and are currently on the calendar of the other chamber for final consideration. SB186, SB187 and SB192 have passed the Senate and are currently on the House calendar. HB1287 passed the House and is currently on the Senate Calendar. If all four pass the final vote, then 12 bills of ATRS' 20 bill package will have completed the legislative process.

On Monday, March 13, 2017, ATRS will have three (3) bills to be presented in the Joint Retirement Committee: SB141 (Anti-Spiking), SB185 (CASH Program) and SB205 (Concurrent Reciprocal Service). ATRS actuaries and the Retirement Committee actuaries still continue to work diligently on cost studies for legislation. ATRS continues to negotiate amendments and details on the remaining 8 ATRS package bills that remain in the Joint Retirement Committee. At this time, 6 package bills are law after having completed the legislative process. Two (2) bills are on the Governor's desk under his review.

Below is the list of hard working legislators who are carrying the 20 bill package of the ATRS Board on behalf of ATRS members. Some members have mistakenly thought that the bills were attacking ATRS. In reality, the bills are actually designed to help ATRS navigate any future stormy financial markets and actuarial changes with the ability to restore any adjustments.

Senator Ronald Caldwell
Senator Eddie Cheatham
Senator John Cooper
Senator Bart Hester
Senator Jeremy Hutchinson
Senator Bill Sample
Senator Bruce Maloch

Representative Bruce Coleman
Representative Gary Deffenbaugh
Representative John Maddox
Representative Johnny Rye

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

In a previous update, we reported that **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 (now Act 265 of 2017) 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. This bill seems to have been replaced by SB513 that has many of the same requirements but shifts the monitoring to the Arkansas Development Finance Authority and has ATRS and the other state retirement systems paying for the costs of the consultants and costs of the process.

HB1290 by Representative Tosh (now Act 241 of 2017) 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 does appreciate Representative Tosh working with ATRS to reach a fair compromise on this new Act.

Last is HB1336 by Representative Tosh. Representative Tosh is working with ATRS and the other retirement systems to address concerns. This bill has been amended 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". ATRS has no objection to adopting a slayer statute provision.

A new bill that will require ATRS compliance on investments requires divestiture of certain companies that would be identified, and has some costs to ATRS to have the Arkansas Development Finance Authority to hire experts to monitor and report on companies that boycott Israel is now **SB513**. After negotiations and discussions with agencies directors, an Amendment was filed to SB513. The amendment was engrossed and received a recommendation that it "DO PASS" out of the Senate State Agencies and Governmental Affairs Committee. ATRS is monitoring this bill. ATRS supports the changes that Senator Hester graciously made to the bill.

An Explanation About Shell Bills and a Shell Bill Update

The GOOD NEWS is that only one (1) shell bill has been amended to impact ATRS. HB1328 has been amended to indicate that ATRS investments should not be based upon a consideration of an asset being located in Israel. ATRS uses investment managers to make investments in the stock market. The ATRS staff is not directly involved with stock market investments. ATRS is evaluating the costs and impact of this bill on ATRS. No position on this bill has been taken at this time. ATRS will constantly monitor this bill and the other shell bills to quickly address the issue and to notify members if the content might adversely impact members. The mission on shell bills is to ALWAYS STAY PREPARED!

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.