

Executive Director Update: The 90th General Assembly Begins on Monday and Two New Board Members for ATRS on Tuesday

ATRS Welcomes Two New Board Members

Treasurer-Elect Dennis Milligan and **Auditor-Elect Andrea Lea** are to be sworn in on Tuesday as the new Arkansas Treasurer and Arkansas Auditor respectively. As they enter these constitutional offices, both also become members of the ATRS Board of Trustees. Both have already been monitoring ATRS communications and are ready to begin full service on Tuesday. The ATRS Board and ATRS staff welcome both Treasurer-Elect Dennis Milligan and Auditor-Elect Andrea Lea to ATRS.

90th General Assembly begins on Monday, January 12, 2015

On Monday, January 12, 2015, the 90th General Assembly of Arkansas begins. This is the regular session of the General Assembly that includes the swearing in of dozens of new legislators and the introduction of bills and passage of acts to enact new general laws for Arkansas. In a general session, bills affecting any and all issues can be introduced as compared to bills in a fiscal session (in even numbered years) that are essentially limited to fiscal issues and appropriations.

The Speaker-Elect of the House of Representatives is **Representative Jeremy Gillam** of Judsonia. The President Pro Tempore of the Arkansas Senate is **Senator Jonathan Dismang** of Searcy. ATRS looks forward to the strong leadership and direction provided by these two hard-working and well respected leaders of the 90th General Assembly.

Over the last two years, the ATRS Board and staff have looked through ATRS laws and operations to find needed changes and adjustments. In various Board meetings, the Board approved recommendations by the ATRS Operations Committee for potential changes for the 90th General Assembly to consider. ATRS has a legislative package of 7 bills plus its appropriation bill for a total of eight bills to be submitted by or on behalf of ATRS. ATRS is currently seeking sponsors for its seven ATRS package bills. The Joint Budget Committee sponsors the appropriation bills for state agencies like ATRS.

ATRS began the Fall Budget Hearings for the current appropriation budget cycle with 104 authorized positions as of the end of the 2014-2015 fiscal year. The ATRS executive staff was asked to closely examine the requirements of each department of ATRS. As a result of the evaluation, ATRS was able to surrender 3 staff positions for the 2015-2016 fiscal year appropriation request.

Many may have been expecting ATRS to have 15 to 20 general purpose bills in this legislative session. The 7 package bills are fewer bills than in recent sessions. Importantly, recent sessions have addressed many of the major issues facing ATRS and the changes are still being integrated into the ATRS processes. Most of the 7 new package bills are general "housekeeping" bills. This executive director update will provide a basic summary of each bill.

As in past sessions, ATRS plans to provide weekly updates on the ATRS package bills and all other bills filed that impact ATRS. The weekly reports should also give details on the legislative process that applies to all legislation affecting ATRS. Typically, members of the General

Assembly also propose legislation affecting ATRS that is not a part of the ATRS package. ATRS tries to work closely with members of the General Assembly on such legislation to ensure issues of interest to the General Assembly are properly addressed and ATRS provides any needed input and assistance.

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 evaluated by the General Assembly's actuary and the outside actuaries of the retirement systems. The early introduction process for retirement legislation leaves sufficient time for full actuarial review and legislative action on needed retirement legislation.

Joint Public Retirement & Social Security Committee

Almost all bills affecting Arkansas' public retirement systems are assigned to the Joint Public Retirement & Social Security Committee, commonly referred to as the Joint Retirement Committee. The Joint Retirement Committee has a total of 20 members with 10 from the Arkansas House of Representatives and 10 from the Arkansas State Senate. The Joint 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 Joint Retirement Committee alternates each meeting between the House and the Senate during the session.

The Joint Retirement Committee has the difficult but important task of sorting through numerous actuarial reports, pages of financial data, complex formulas, testimony, and information to ensure that the public retirement systems operate fairly and efficiently for members, employers, and the public. The meetings are often early in the day to provide time for input from the actuaries, members of the systems, 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 Joint Retirement Committee and will provide a deep and experienced pool of knowledge for the Joint Retirement Committee. The Senate has also chosen the Senate Co-Chair and Co-Vice Chair. **Senator David Johnson** and **Senator Joyce Elliott** provide the Joint Retirement Committee with quality experience, knowledge of retirement issues, legal expertise, and command of the legislative process. The 10 Senate members named to the Joint Retirement Committee are:

Senator David Johnson, Co-Chair
Senator Joyce Elliott, Co-Vice Chair
Senator Eddie Cheatham
Senator Blake Johnson
Senator Uvalde Lindsey
Senator Bruce Maloch
Senator Jason Rapert
Senator Bill Sample
Senator Larry Teague
Senator Jon Woods

The House members to the Joint Retirement Committee are always named after the legislative session begins to allow the Speaker-Elect to be officially elected Speaker before members to the Joint Retirement Committee are named. This means the House members to the Joint Retirement

Committee will be named next week. The new House Speaker also determines the House leadership on the Committee. Speaker-Elect Jeremy Gillam will appoint the House leadership and members of the Joint Retirement Committee to ensure the independence, capability, and experience needed for the Joint Retirement Committee.

ATRS Package

1. **Technical Corrections**— This bill makes minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS
2. **Private School Service**— This bill allows ATRS to make the determination of eligibility to purchase certified teaching service credit, instead of the Department of Education due to responsibility changes at the Department of Education. The Department of Education no longer has staff responsibility to certify private school teachers, so a request was made to shift certification responsibility to ATRS. ATRS already certifies all other types of service and this will bring uniformity to the process.
3. **Disability Retirement**-- This bill is to allow members to retire on ATRS disability as they currently do, but would add requirements for continued eligibility after three years of disability retirement for those still under age 60. Essentially, ATRS disability retirees under age 60 will be required to obtain Social Security Disability status within three (3) years of being approved for ATRS disability unless an extension is granted for good cause. This change is designed to allow a quick disability decision and at the same time provide more meaningful oversight after disability retirement is approved.
4. **Option C Clarification**— This bill is to allow members who retire with an Option C benefit election (guaranteed 120 monthly benefit payments even if the member dies) to change beneficiaries after retirement if the option beneficiary is a spouse and the marriage ends in divorce or other marriage dissolution before the 120 months have passed. This brings Option C in line with the other lifetime options available to ATRS members. Under current law, a divorce does not allow a member to remove a new former spouse as the Option C beneficiary.
5. **Lump-Sum Payments of Reserve Value of Small Annuities**--- This bill repeals the law that allows a reserve payout of benefits of less than \$20 per month. Most members and ATRS now prefer to pay the member a lifetime benefit, even on smaller annuity amounts since usually the smaller annuity amounts usually are associated with the member also receiving a lifetime benefit from another retirement system, such as APERS at the same time.
6. **Non-Spousal Rollover Provisions**—This bill makes ATRS law comply with IRS tax code provisions that allow a beneficiary that is not the spouse of a member to be eligible for certain rollovers like those made by ATRS. This law change needs to be made to ensure ATRS remains compliant with newer IRS regulations that expand the group of family members eligible for a rollover of an ATRS residual balance.
7. **Tax Credits** – This bill is to extend the transferability of Arkansas recycling tax credits to another equity owner if an Arkansas public retirement system is an equity owner of a

project eligible for the tax credit. This allows ATRS to share in the tax credit like other investors.

The 90th General Assembly will be a busy one, but ATRS will try to keep you updated on anything that impacts ATRS, its members, and employers. It is a busy but important time!