

EXECUTIVE DIRECTOR UPDATE

WEEK 6 OF THE 90TH GENERAL ASSEMBLY

February 19, 2015

Overview of Week 6 of the 90th General Assembly ATRS Package Bills Advance

Week 6 at the General Assembly was another busy week on ATRS legislation. A significant amount of focus has been on working on recycling tax credits and ATRS package bill HB1132 that allows ATRS to benefit from recycling tax credits on e-waste recycling and other recycling facilities. HB1132 has passed the House, but remains in the Senate committee as recycling issues are discussed at the Capitol. SB171 was a shell bill by Senator Bill Sample that is now amended into an active bill to assist ATRS in clarifying military service credit. This means that the original seven ATRS package bills are now increased to eight package bills and one of the ATRS friendly shell bills has become the 8th package bill. All but two of the ATRS bills (HB1078 and SB171) are out of committee and two have been signed into Acts by Governor Hutchinson.

The last two ATRS bills are on the Public Retirement Committee's agenda to be heard on Monday, February 23, 2015, and hopefully will be favorably viewed by the Public Retirement Committee. ATRS is hopeful wintry weather does not impact the Public Retirement Committee meeting on Monday. ATRS staff remains very busy working on legislative issues and working with legislators to provide updates and input on projects involving ATRS. ATRS appreciates the help of many legislators this session.

Three ATRS Package Bills Are Now Acts

- SB38** Sponsored by **Senator Blake Johnson**, this bill makes ATRS law comply with IRS code that allows a beneficiary that is not the spouse of a member to be eligible for certain rollovers. It was signed by Governor Hutchinson on 2/17/2015 and became Act 87.
- SB75** Sponsored by **Senator Uvalde Lindsey**, this bill allows ATRS to make the determination of eligibility to purchase service credit. It was signed by Governor Hutchinson on 2/17/2015 and became Act 90.
- SB113** ATRS Appropriation Bill was signed by Governor Hutchinson on 2/17/2015 and became Act 93. This Act now allows ATRS to pay all member benefits and operational costs. ATRS appreciates the legislature passing this bill so early in the General Assembly.

One ATRS Package Bill Advances From House Revenue and Tax

One of the ATRS package bills, HB1132 to reallocate recycling tax credits for public retirement investments in Arkansas recycling facilities was heard in the House Committee on Revenue and Taxation on Monday, February 9, 2015. The legislature has spent some time looking at the recycling program and process that has caused the ATRS package bill to be held up for overall review of tax credits as a program. Hopefully progress is being made to allow this bill to move forward soon.

HB1132 Sponsored by **Representative Monte Hodges** amends the law to extend the transferability of **recycling tax credits** to another equity owner if an Arkansas public retirement is an equity owner of a project eligible for the tax credit. (Passed House)

Two ATRS Package Bills on Agenda for Monday, February 23, 2015

HB1078, sponsored by **Representative Gary Deffenbaugh**, is a bill that would allow a retiree who chooses his or her spouse as an Option C (guaranteed 120 payments) beneficiary to change beneficiaries or pop-up to straight life annuity if the retiree's marriage ends by divorce or other marriage dissolution with the first 10 years of retirement. The ATRS Actuary has just finished an actuarial study. The Public Retirement Committee's Actuary is continuing to study the bill. This bill will be ready for the active agenda on Monday, February 23, 2015. If **Representative Gary Deffenbaugh**, the sponsor of HB1078 is not be available to run the bill for ATRS, **Representative Lanny Fite** has agreed to handle the bill for **Representative Deffenbaugh**, subject to the permission of the Committee Co-Chairs.

SB171, sponsored by **Senator Bill Sample**. This ATRS law on free military service for service when a mandatory draft was in effect and to generally purchase military service has not been changed in several years and the wording has become outdated. The Public Retirement Committee discussed the ATRS Technical Corrections bill that led to a suggestion that the military service provisions also needed clarification. Based on that discussion, ATRS staff drafted a clarification of the existing law to better state it in an easier to read format. The ATRS Board Chair concurred in the clarification and **Senator Bill Sample** activated his shell bill he filed on behalf of ATRS to make the clarification. ATRS appreciates the assistance of **Representative Douglas House** on reviewing the clarification in SB171.

Next Steps As The Session Continues

Now that two of the original seven ATRS package bills are law and ATRS added a new package bill, ATRS has six package bills still in the legislative process. ATRS will continue to monitor the remaining six ATRS package bills. The ATRS appropriation bill is now law and no further

monitoring is required. This leaves one ATRS friendly shell bill that could become active. ATRS will continue to monitor HB1215 that was a shell bill and now requires specialized reporting and publishing of information that is explained below.

ATRS will continue to provide weekly updates on the ATRS package bills and any shell bills that are amended to impact ATRS and the one bill that effects ATRS outside of the ATRS package (HB1215). ATRS tries to work closely with members of the General Assembly on legislation to ensure issues of interest to the General Assembly are properly addressed.

PREVIOUS UPDATE ON HB1215

HB1215 was changed from a shell bill to an active bill a few weeks ago. ATRS remains concerned about HB1215. ATRS has no additional information at this time. Concerns previously are stated below.

Concerns about HB1215

HB1215, as amended, would require ATRS (and the other public retirement plans in Arkansas) to incur additional costs to publish information that provides an incorrect view of the real and historic status of ATRS. For instance, ATRS would be required to publish the impact of ATRS only receiving one half of its historic rate of return and make ATRS publish that result as an ATRS official report as if ATRS actually endorsed, believed, and approved such a report.

ANY state agency that has its income cut in half would NOT win a beauty contest! If the state only had half of the expected and traditional tax revenues from here on out, it would be a train wreck. ATRS is still examining the bill at this time. ATRS is very concerned that members and policymakers will be confused and believe the information required to be published is reliable in some way.

HB1215 as amended would require all public retirement plans in Arkansas to:

1. Pay the system's actuary to perform additional actuarial functions and require the system to publish the value of the system based on a calculation of unfunded accrued liability using the expected future rate of return on the investments of the system at four percent (4%) (4% is one half of the expected and historic return of ATRS) (ATRS had a 19.1% return last year).
2. Publish the 4% report on the same page or following page of the system's annual valuation report (to make it an official ATRS document).