

**EXECUTIVE DIRECTOR UPDATE**  
**2017 BILLS AFFECTING ATRS**  
**February 10, 2017**

**An analysis of all bills that affect ATRS, ATRS Members, and ATRS Employers**

This bill summary attachment will provide an explanation of the **20 ATRS** package bills, the **4 outside** bills introduced, so far, (outside the ATRS Package) that substantively change ATRS law or laws that ATRS must follow, and a list of all the shell bills that could impact ATRS. This attachment also has an action summary showing all action taken on each bill during the legislative process. For the most part, shell bills are just listed except for shell bills that have specific content that would impact an area of concern to ATRS. **Updated information on bills that are new this week are in blue highlight to draw your attention to clarification that has been added due to calls or questions about various bills.**

**ATRS Board's Legislative Package**

The ATRS Board of Trustees has unanimously voted to support a twenty (20) bill package for this legislative session. In addition, the *ATRS Appropriation bill* was filed on behalf of ATRS by the Joint Budget Committee and is now Act 67 Of 2017.

<b><u>Anti-Spiking</u></b>	<i>To adjust the anti-spiking formula used to calculate retirement benefits. Now <b>SB141</b> Senator Cooper</i>
<b><u>Internal Auditor Evaluation</u></b>	<i>Allows the ATRS Board Audit Committee to perform the annual evaluation of Internal Auditor. NOW ACT 127 of 2017 Senator Cooper</i>
<b><u>Adjust T-DROP Interest Rates</u></b>	<i>To adjust T-Drop interest rates and the authorization of transfers of Deferred Retirement Option Plan (DROP) balances between reciprocal retirement systems with varying DROP periods. Now <b>SB184</b> Senator Hester</i>
<b><u>CASH Program Modification</u></b>	<i>CASH program modifications and expansions and CASH program benefit designation for certain inactive vested members. Now <b>SB185</b> Senator Hester</i>
<b><u>Multipliers</u></b>	<i>Benefit multiplier adjustment for future service credit. Now <b>SB186</b> Senator Hester</i>
<b><u>Member Contribution Rate</u></b>	<i>To allow the employee contribution rate to be adjusted, if needed. Now <b>SB187</b></i>

Senator Hester

**Disability Retirement**

*Disability retirees allowed to file another disability application with ATRS if Social Security denies disability benefits; disability retirees may return to work full-time/part-time, revert to last benefit if unable to continue working; disability retirement to include reciprocal service credit for vesting purposes.*

Now **SB192**

Senator Cheatham

**Accrued Sick Leave**

*Accrued sick leave to count as service credit if death of an active member occurs.*

Now **SB193**

Senator Cheatham

**Survivor Benefits**

*To allow survivor benefits to use reciprocal service credit for vesting purposes, prorate benefits in correlation of years of service, and allow a 6-month period after a survivor application is filed to submit all requested documents to ATRS.*

Now **SB194**

Senator Cheatham.

**Early Separation Incentive**

*Employer early separation incentive programs.*

Now **SB203**

Senator Sample

**Concurrent Service**

*To allow members with concurrent reciprocal service to waive ATRS service credit.*

Now **SB205**

Senator Sample

**Employer Contribution Rate**

*To modify the employer contribution rate to allow an adjustment even if ATRS is below a 30 year amortization period, if needed.*

Now **SB218**

Senator Hutchinson

**Pension Advance Companies**

*To protect members by prohibiting pension advance companies from obtaining a retiree's benefit to repay a loan.*

Now **SB233**

Senator Caldwell

**Early Retirement/T-DROP**

*To provide authority for ATRS to adjust early voluntary retirement reductions and early T-DROP participation reductions.*

Now **HB1286**

Representative Rye

**Outsourcing**

*To allow ATRS employers that outsource a service common to the normal daily operation of the employer to choose whether to make outsourced employees become members of ATRS or alternatively, to pay a surcharge on the outsourced employees' salaries.*

Now **HB1287**

Representative Rye

<b><u>Technical Corrections</u></b>	<i>To make minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS while not making changes to how laws are used or implemented.</i> Now <b><u>HB1304</u></b> Representative Maddox
<b><u>Spousal Survivor Benefits</u></b>	<i>To allow spousal survivor benefit rights to be redirected by member, if specifically designated by the member to another person.</i> Now <b><u>HB1305</u></b> Representative Maddox
<b><u>Settlement Agreements</u></b>	<i>To allow settlement agreements to include purchased annuity, discontinue adding settlement amounts to member, and can add air time or value of future benefits.</i> Now <b><u>HB1365</u></b> Representative Coleman
<b><u>Benefit Stipend</u></b>	<i>To allow benefit stipend adjustments and removal from benefit base, if needed.</i> Now <b><u>HB1373</u></b> Representative Deffenbaugh
<b><u>Uncompounding COLA</u></b>	<i>To allow the reversal of the 2009 compounding of the Cost of Living Adjustment (COLA), if needed.</i> Now <b><u>HB1374</u></b> Representative Deffenbaugh
<b><u>*ATRS Appropriation</u></b>	<i>ATRS appropriation for the 2017-2018 fiscal year</i> Now Act 67 of 2017 Sponsor: Joint Budget Committee

ATRS closely follows bills that could impact ATRS during the 2017 Legislative Session. ATRS has a 20 bill package. At this time, all 20 bills have been formally introduced and have a listed sponsor and bill number. ATRS appreciates the assistance of all legislators who are sponsoring bills in the ATRS Board's legislative package. Senator Bruce Maloch introduced 2 shell bills at the request of ATRS. The sponsors include:

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

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

This summary provides a brief title and explains the potential impact of all 20 bills in the package and any other bills that impact ATRS. (Shell bills may be filed on behalf of ATRS to act as place holders in the event action is needed beyond the current legislative package.) Some bills have an emergency clause that would make the bill effective July 1, 2017. Some bills have an emergency clause that makes the bill become effective immediately. A bill without an emergency clause would become effective 90 days after the session ends.

## **FLASH REPORT ON ATRS PACKAGE BILLS FOR THE 2017 SESSION**

<b><u>Bill#</u></b>	<b><u>Sponsor</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
SB141	Cooper	Anti-Spiking	Filed
SB142	Cooper	Internal Auditor Evaluation	Act 127
SB184	Hester	Adjust T-Drop	Filed
SB185	Hester	CASH Program Modification	Filed
SB186	Hester	Multipliers	Filed
SB187	Hester	Member Contribution Rate	Filed
SB192	Ceatham	Disability	Filed
SB193	Ceatham	Accrued Sick Leave	Filed
SB194	Ceatham	Survivor Benefits Reciprocal Service	Filed
SB203	Sample	Early Separation Incentive	Filed
SB205	Sample	Concurrent Reciprocal Service	Filed
SB218	Hutchinson	Employer Contribution	Filed
SB233	Caldwell	Pension Advance Companies	Filed
HB1286	Rye	Early Retirement/T-DROP	Filed
HB1287	Rye	Outsourcing	Filed
HB1304	Maddox	Technical Corrections	Filed
HB1305	Maddox	Spousal Survivor Benefit	Filed
HB1365	Coleman	Settlement Agreements	Filed
HB1373	Deffenbaugh	Benefit Stipend	Filed
HB1374	Deffenbaugh	Uncompounding COLA	Filed

## ATRS APPROPRIATION/SPENDING AUTHORITY BILL

<u>Bill#</u>	<u>Sponsor</u>	<u>Description</u>
SB76	JBC	ATRS appropriation for the 2017-2018 fiscal year. <b>Now Act 67</b>

## SHELL BILLS ON BEHALF OF ATRS

<u>Bill#</u>	<u>Sponsor</u>	<u>Description</u>	<u>Status</u>
SB231	Maloch	To amend provisions of the Arkansas Code Pertaining to ATRS	Filed
SB232	Maloch	To amend laws concerning ATRS	Filed

## SUBSTANTIVE BILLS AFFECTING ATRS THAT ARE NOT PART OF THE ATRS LEGISLATIVE PACKAGE

<u>Bill#</u>	<u>Sponsor</u>	<u>Description</u>	<u>Status</u>
SB11	Hester	To Prohibit Certain Transactions By Public Retirement Systems.	Filed
HB1290	Tosh	To require the Arkansas Teacher Retirement System to Correct an Error that Understates the Service Credit of a Member; and to Declare An Emergency.	Filed
HB1336	Tosh	<b>To Provide for the Forfeiture of Benefits under a Public Retirement System by Certain Persons.</b>	Filed
HB1355	Shepherd	To make Technical Corrections to Title 24 of the Arkansas Code concerning Retirement and Pensions.	Filed

**NON-ATRS SHELL BILLS WITH SPECIFIC SUBJECT TITLES WHICH COULD IMPACT  
ATRS AND ITS MEMBERS**

<b><u>Bill#</u></b>	<b><u>Sponsor</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
SB228	Irvin	To amend the law concerning the Employment of Retired Member of the Arkansas Teacher Retirement System.	Filed
HB1327	House	To amend the law concerning the Board of Trustees of The Arkansas Teacher Retirement System.	Filed
HB1328	House	To amend the law concerning the Investment Practices of the Arkansas Teacher Retirement System.	Filed
HB1329	House	To amend the law concerning Benefit Payments under the Arkansas Teacher Retirement System.	Filed
HB1330	House	To amend the law concerning the Accounting and Auditing Practices of the Arkansas Teacher Retirement System.	Filed
HB1333	House	To amend the law concerning the Administration of the Arkansas Teacher Retirement System.	Filed

**NON-ATRS SHELL BILLS WITH NON-SPECIFIC SUBJECT TITLES THAT COULD IMPACT  
ATRS AND ITS MEMBERS**

<b><u>Bill#</u></b>	<b><u>Sponsor</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
SB212	Hester	To amend the law concerning the Arkansas Teacher Retirement System.	Filed
SB215	Hester	To amend the law to Facilitate Recovery of Fund by Public Retirement Systems.	Filed
SB217	Hester	To review the law concerning the Arkansas Public Employees' Retirement System; and To Revise the law concerning Retirement and Pensions.	Filed
SB220	Sample	To amend the law concerning the Arkansas Public Employees' Retirement System.	Filed
SB221	Sample	To modify the law concerning State Employee Retirement.	Filed

## IMPACT AND ANALYSIS OF ATRS PACKAGE BILLS AFFECTING ATRS, MEMBERS, AND EMPLOYERS

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**BILL#**            **Sponsor:** Senator J. Cooper  
**SB141:**            ATRS authority to adjust final average salary anti-spiking percentage to prevent salary spiking.

**Emergency Clause:** Effective Immediately

**Explanation: Anti-spiking** – This bill would allow the Board to adjust the anti-spiking formula used to calculate retirement benefits to maintain actuarial soundness. The bill would allow the percentage to be adjusted from a high of 120% to a low of 105% per year, and the automatic salary differential allowance to be set from a high of \$5,000 to a low of \$1,250 per year. ATRS has an actuarial assumption that active member salary increase by just over 3% a year. The current spiking formula allows a much wider increase of 20% to count for final average salary. This bill allows, but does not require, the ATRS Board to lessen the variance between the assumed salary increases and the actual variances. The current law and bill take into consideration that low income members may have a large percentage increase that is not a large dollar increase, so an allowed dollar increase is also in the bill. As salaries get larger, a 20% variance in the formula can allow a large dollar increase (a \$150,000 salary can increase by 30,000 or to 180,000 the next year). This bill gives the ATRS Board the ability to lower that range to prevent excessive spiking of salary. **If this bill becomes law, no change occurs unless the ATRS Board adjusts the formula. Most members do not have more than a 5% change in the highest 3 year salaries used to set a member's final average salary. The highest three salaries are used regardless of the year earned. Currently, starting at the lowest and comparing it to the middle salary, the second salary is not adjusted unless it is more than 20% higher than the lowest salary. The increase is capped at 20% unless the total difference is less than \$5,000. Then the same calculation is made between the middle salary and highest salary. Few members ever have even a 5% variance in the 3 high salaries and would be unaffected by any authorized change.**

The purpose of this bill is to maintain the financial strength of ATRS in order to protect its members and **to keep fairness in the benefit formula.** The bill also limits the ability of some to have major salary spikes that will be borne by the membership as a whole over time.

**ACTION:**

<b>1/18/2017 3:07:36 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/18/2017 2:57:00 PM</b>	<b>- Senate</b>	<b>Filed</b>

**BILL#**            **Sponsor:** Senator J. Cooper  
**SB142**            Internal Employee Evaluation for Internal Auditor

**Emergency Clause: None**

**Explanation: Internal Employee Evaluation** – This bill would allow the audit committee of the ATRS Board of Trustees, instead of the Executive Director, to perform the annual employee evaluation of the internal auditor, so long as the Board has an Audit Committee. This is a best practices bill that is designed to ensure the internal auditor is not pressured to refrain from investigating any and all issues that the internal auditor determines should be performed. **THIS IS NOW ACT 127**

**ACTION:**

2/6/2017 3:56:53 PM	- Senate	Notification that SB142 is now Act 127
2/6/2017 2:32:16 PM	- Senate	DELIVERED TO GOVERNOR
2/2/2017 4:44:24 PM	- Senate	Reported corrected enrolled and ordered delivered to the Governor.
2/2/2017 4:44:22 PM	- Senate	ORDERED ENROLLED.
2/2/2017 4:44:12 PM	- Senate	Returned from the House as passed.
2/2/2017 2:50:01 PM	- House	Returned to the Senate as passed.
2/2/2017 2:49:32 PM	- House	Read the third time and passed and ordered transmitted to the Senate.
1/31/2017 3:45:53 PM	- House	Read the first time, rules suspended, read the second time and placed on the CALENDAR.
1/31/2017 2:39:59 PM	- House	RECEIVED FROM THE SENATE
1/31/2017 2:05:27 PM	- Senate	Ordered immediately transmitted to the House.
1/31/2017 2:03:19 PM	- Senate	Read the third time and passed.
1/30/2017 1:12:53 PM	- Senate	Returned by the Committee, with the recommendation that it Do Pass
1/18/2017 3:07:58 PM	- Senate	Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.
1/18/2017 2:59:00 PM	- Senate	Filed.



**BILL#**  
**SB184**

**Sponsor: Senator Hester**

Clarified ATRS Authority to adjust T-Drop interest rates, by resolution, and the authorization of transfers of Deferred Retirement Option Plan (DROP) balances between reciprocal retirement systems with varying DROP periods

**Emergency Clause:** Effective Immediately

**Explanation: T-DROP Interest & authorization for Reciprocal Transfers** – This bill would allow the Board to determine the T-DROP plan interest rate using a variable rate formula (like used today) or use a fixed interest rate adopted by Board resolution prior to the beginning of a fiscal year and applied to all subsequent fiscal years unless or until modified by the Board. A variable interest rate formula would likely be based upon investment returns and other similar factors. If the Board adopts a variable interest rate formula, the plan interest rate is established prior to the beginning of a fiscal year to which the plan interest rate applies. The Board may adopt a T-DROP participation incentive rate during a fiscal year, in addition to the applicable interest rate, if investment returns and financial conditions justify an incentive rate for the fiscal year.

This bill also is designed to save money by delaying retirements and encouraging experienced employees to work longer. It allows a member with reciprocal service who simultaneously enters the DROP of two reciprocal retirement systems with varying lengths of time for DROP participation to transfer the DROP balance from the system with the shortest term of participation (when the DROP is fully completed) to the retirement system with the longest term of participation. In order to make this transfer, the member would have to be actively employed by an employer of the retirement system with the longest DROP period at the time of entry in both plans and at the time of completion of the DROP plans), the member would have to have completed the participation term of the plan from which the transfer would occur; the member would have at least two years of continuing eligibility to participate in the DROP to which the transfer occurred; and would have to apply for the transfer and notify both the transferring system and receiving system of the intended transfer at least one month before the transfer effective date.

The member would not be eligible to draw a monthly retirement benefit from either system until twelve months after completion of the DROP transfer. The transfer would be treated as a rollover. The transferring system and receiving system would not pay a monthly retirement benefit to the member until he or she officially retires from the receiving system or for 12 months, whichever is later. The transferring system will calculate a monthly retirement benefit as if the member had retired at the end of the plan term and chosen one hundred percent lump sum payment of the DROP balance. Once transferred, the receiving system's law or rules shall apply to the DROP account. This ensures the member will either remain employed or at least not draw a monthly benefit for a year after the transfer. This saves money for both systems and helps retain experienced employees.

The purpose of this bill is to allow the ATRS Board to adopt either a fixed or variable T-DROP interest rate and to make a change to encourage experienced members to continuing working and delay retirement when participating in two DROP plans and the maximum participation period has been reached in the plan with the shortest participation period.

**ACTION:**

<b>1/24/2017 2:49:20 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/24/2017 1:44:00 PM</b>	<b>- Senate</b>	<b>Filed.</b>

**BILL#:**           **Sponsor: Senator Hester**

**SB185:**           CASH program modifications and expansions and CASH program benefit designation for certain inactive vested members by Board resolution, if needed.

**Emergency Clause:** Effective Immediately

**Explanation: CASH Modification** – This bill would allow a buyout plan established by the Board, to be extended, modified or expanded. The Board could also designate the buyout plan benefit for certain inactive vested members as the available plan benefit to maintain actuarial soundness.

The purpose of this bill is to maintain the financial strength of ATRS in order to protect its members.

**ACTION:**

<b>1/24/2017 2:49:34 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/24/2017 1:45:00 PM</b>	<b>- Senate</b>	<b>Filed.</b>

**BILL#**            **Sponsor: Senator Hester**  
**SB186:**            Benefit multiplier adjustment for future service credit, if needed.

**Emergency Clause:** Effective Immediately

**Explanation: Benefit Multipliers** – ATRS already can adjust the benefit multiplier if the ATRS amortization period is over 30 years. This bill would allow the ATRS Board greater flexibility to adjust the multiplier used in benefit calculations, if needed in order to maintain actuarial soundness. This bill does so by eliminating the requirement that an amortization period in excess of thirty (30) years exist for the Board to make modifications to the benefit multipliers. **This bill does not reduce any multiplier already earned. Until 2013, any change in the multiplier reduced all past and future multipliers. In 2013, the ATRS Board requested that the General Assembly LOCK IN all earned multipliers to be fair to members. Since 2013, the ATRS has had authority to reduce the multiplier but has not done so. Any change in the future would only impact future multipliers and not any already earned.**

The purpose of this bill is to maintain and provide a more flexible mechanism to protect the financial strength of ATRS in order to protect its members. At times ATRS may see the need to adjust the multiplier and would be below a 30 year amortization. Plus actuaries are now recommending that public retirement plans have amortization periods of closer to 20 years.

**ACTION:**

<b>1/24/2017 2:49:51 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/24/2017 1:46:00 PM</b>	<b>- Senate</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Senator Hester**  
**SB187**                    Employee contribution rate adjustment, if needed.

**Emergency Clause:** Effective Immediately

**Explanation Member Contributions** – ATRS already can increase the member contribution rate if the ATRS amortization period is over 30 years. This bill would allow the employee contribution rate to be adjusted if needed to maintain actuarial soundness. This bill also eliminates an amortization period in excess of thirty (30) years requirement in order for the Board to change the employee contribution rate.

The purpose of this bill is to maintain and provide a more flexible mechanism to allow the ATRS Board to make a needed change to protect the financial strength of ATRS in order to protect its members. At times ATRS may see the need to adjust the rate and would be below a 30 year amortization. Plus actuaries are now recommending that public retirement plans have amortization periods of closer to 20 years.

**ACTION:**

<b>1/24/2017 2:50:05 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/24/2017 1:46:00 PM</b>	<b>- Senate</b>	<b>Filed.</b>

**BILL#**  
**SB192**

**Sponsor: Senator Cheatham**

Disability retirees are allowed to file another disability application with ATRS if Social Security denies disability benefits; disability return to work full-time/part-time, revert to last benefit if unable to continue working; disability retirement to include reciprocal service credit for vesting purposes.

**Emergency Clause:** Effective Immediately

**Explanation: Disability** — This bill would do four things. First it will help prevent a disability retiree's loss of ATRS disability by allowing a review by the ATRS' medical committee within three months of disability benefits ceasing due to the lack of a Social Security Administration favorable disability determination letter. All ATRS disability retirees under age 57 would still be required **to file** for Social Security Disability. A member who fails to be declared disabled by the Social Security Administration may seek a review not sooner than three months before the date that the member's disability retirement would otherwise end and until three months after termination of disability retirement. All applications for review will be heard by ATRS' medical committee consistent with the current definition of disability by ATRS. The committee's decision will be submitted for final order of the Board, consistent with rules for initial disability retirement. The Board's approval would be the final disposition.

Second, the bill would allow a disability retiree to work and also receive monthly disability benefits if he or she works less than forty days during a fiscal year or works more than 40 days but the work is substantially different than the work the member did when retiring because of disability and has a computed salary that is less than the final average salary used to compute the monthly disability benefit. The covered employer may request a waiver within 3 months of employment of the member. The system shall grant the waiver unless the member has already worked 40 or more days. If more than 40 days have been worked, the system shall grant the waiver based upon review of the request and supporting documentation, if the requirements of substantially different work are met. If waiver is granted, the member will continue to receive the monthly disability retirement and would not accrue additional service credit. The covered employer would remit contributions on all salary paid in an amount equal to the employer contribution rate applicable to active members.

Third, the bill encourages a disability retiree to try to return to work on a full time basis. Currently, if a member goes back to work, disability benefits cease. If the member then returns to disability retirement with the system, the disability retirement benefit may be lower than the disability benefit paid last due to loss of COLAs. This bill will allow the higher amount that the member would receive if they had not returned to regular work or recalculated based on additional salary and additional service credit earned while working. Fourth, this bill would also recognize all reciprocal service credit with another Arkansas public retirement system to be counted for vesting purposes for disability retirement.

The purpose of this bill is to streamline the ATRS disability process and to encourage disability retirees to return to work on a full time or part-time basis to assist schools in meeting critical staffing needs and providing disability retirees a chance to help schools and children again.

**ACTION:**

1/24/2017 4:11:02 PM	- Senate	Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.
1/24/2017 3:55:00 PM	-Senate	Filed.

**BILL# Sponsor: Senator Cheatham**

**SB193:** Accrued sick leave to count as service credit if death of an active member occurs.

**Emergency Clause:** Effective Immediately

**Explanation: Sick Leave Credit Upon Death** - This bill would allow ATRS to recognize unused accrued sick leave, whether paid or unpaid, as credited service to determine retirement eligibility, to calculate final average salary, and for eligibility for other system benefits. The deceased member's account is to be credited one day of service for each day of unused accrued sick leave and one day for any remaining partial day of sick leave to be added to the fiscal year in which the member dies. Unused catastrophic leave and other unused donated leave available to the member shall not be credited as service.

The purpose of this bill is to reward deceased members' efforts who have saved sick leave and to encourage work attendance by all ATRS members.

**ACTION:**

1/24/2017 4:11:15 PM	- Senate	Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.
1/24/2017 3:56:00 PM	-Senate	Filed.



**BILL#**  
**SB194**

**Sponsor: Senator Cheatham**

Survivor benefits to use reciprocal service credit for vesting purposes, prorate benefits in correlation of years of service, and allow a 6-month period after a survivor application is filed to submit all requested documents to ATRS.

**Emergency Clause:** Effective Immediately

**Explanation: Survivor/Reciprocal Service** — This bill would grant a surviving dependent child of the member an annuity in the amount equal to one percent of the member's highest salary year for each quarter of a year credited as actual service in the system, up to a maximum of twenty quarters of a year that are credited as actual service in the system up to a maximum of \$20,000 per year. (Previously a minor child **obtained the full benefit or no benefit at all**. This modification allows a **proration** of the benefit based on actual ATRS service while recognizing reciprocal service to vest.) If there are three or more dependent children, the benefit would be limited to sixty percent of member's highest salary year or \$60,000 per year, whichever is less, and prorated among the dependent children. This bill would also make an application by a survivor, survivor's guardian, or legal representative void if the application process is not completed within six calendar months after the application is filed, unless an extension has been granted by the system. The same will apply to an eligible spouse. The application could be refiled using the date of the new application to commence benefits.

The purpose of this bill is to allow reciprocal service to count to vest for survivor benefits but prorate the amount until a full 5 years in ATRS are reached. For instance, if a member dies and had 5 years of APERS service and 1 year of ATRS service, the child would receive 1/5<sup>th</sup> of the full survivor which is 8% of the deceased member's best salary year. A surviving child currently receives 20% of a member's best one year salary up to age 23. The bill also limits the survivor benefit to be at no more than \$20,000 per surviving child. (The existing law, for instance, would allow a minor child of a deceased member making \$250,000 a year a survivor benefit of \$50,000 a year until age 23 based upon 20% of \$250,000. This change limits the survivor benefit of a maximum of \$20,000 per year per child.) The bill also requires applicants to complete the application process with a reasonable time or start the process over.

**ACTION:**

<b>1/24/2017 4:11:27 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/24/2017 3:59:00 PM</b>	<b>-Senate</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Senator Sample**  
**SB203**                    Employer early separation incentive programs.

**Emergency Clause:** Effective Immediately

**Explanation: Employer Early Separation Incentive Programs Modification.** – This bill would end the requirement in some ATRS employers' early separation programs that members must retire from ATRS in order to participate in the employers' programs. If passed, the early retirement incentive plans are still allowed but would **not** allow a condition that the employee had to retire from ATRS. The plan would require the employee to terminate employment at the employer without a condition of actual retirement.

The purpose of the bill is to lessen the cost impact of early retirement plans of ATRS employers. It would allow the use of early retirement plans while not forcing members to retire from ATRS to participate. It should not impact either the employer or member. It does give a member the option to continue accruing retirement benefits at another ATRS employer.

**ACTION:**

<b>1/25/2017 1:21:15 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/25/2017 10:54:00 AM</b>	<b>- Senate</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Senator Sample**

**SB205**                    Allow members with concurrent reciprocal service to waive ATRS service credit.

**Emergency Clause:** Effective Immediately

**Explanation: Concurrent Service**— This bill would allow members who have concurrent service (service in 2 systems at the same time) with ATRS and an Arkansas reciprocal public retirement system the opportunity to voluntarily elect to waive ATRS service instead of just the other system's service. Under current law, the member is always required to waive the other system's service. Under the proposal, a member may elect to waive all or part of their ATRS service credited or the other system's service for concurrent service in the two plans. The member's employer and employee accrued contributions will remain with the system. This gives the member the choice and does not dictate one outcome but defers to the member.

The purpose of this bill is to allow a member the ability to use a higher final average salary or service credit from the reciprocal retirement system or ATRS to compute benefits since both were earned by the member at the same time.

**ACTION:**

<b>1/25/2017 1:21:50 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/25/2017 10:55:00 AM</b>	<b>-Senate</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Senator Hutchinson**

**SB218:**                    Modifies the employer contribution rate adjustment to allow an adjustment even if ATRS is below a 30 year amortization period, if needed. Currently, ATRS must be above a 30 year amortization period.

**Emergency Clause:** Effective Immediately

**Explanation: Employer Contributions** – ATRS already has the authority to raise the employer contribution rate. This bill would allow an employer contribution rate adjustment even when below a 30 year amortization if needed to maintain actuarial soundness. This bill essentially eliminates an amortization period in excess of thirty (30) years requirement in order for the Board to make a modification to the employer rate.

The purpose of this bill is to maintain and provide a more flexible mechanism to adjust the rate to protect the financial strength of ATRS in order to protect its members. At times ATRS may see the need to adjust the rate and would be below a 30 year amortization. Plus actuaries are now recommending that public retirement plans have amortization periods of closer to 20 years. With this change, ATRS can be proactive instead of reactive.

**ACTION:**

<b>1/26/2017 10:18:30 AM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/25/2017 5:20:00 PM</b>	<b>- Senate</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Senator Caldwell**  
**SB233**                    Pension advance companies prohibition.

**Emergency Clause:** Effective Immediately

**Explanation: Pension Advance Companies Prohibition** – The purpose of this proposal is to protect members by prohibiting pension advance companies from obtaining a retiree's benefit to repay a loan. The interest rates to repay a very small loan may and usually would exceed 100%, and may take years to repay. No device, transfer, pension advance, or related scheme would be used to circumvent the prohibition against pension advances, assignments, or transfer of benefits to a person other than a benefit participant.

The purpose of this law is to protect members from predatory benefit practices of typically out of state predatory companies.

**ACTION:**

<b>1/26/2017 3:41:10 PM</b>	<b>-Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs</b>
<b>1/26/2017 12:43:00 PM</b>	<b>-Senate</b>	<b>Filed.</b>

**BILL#:**           **Sponsor: Representative Rye**  
**HB1286**           Provides authority for ATRS to adjust early voluntary retirement reductions and early T-DROP participation reductions.

**Emergency Clause:** Effective Immediately

**Explanation: Early Voluntary Retirement and Early T-DROP Reductions** – This bill would allow the Board to set the early voluntary retirement reduction, to be prorated monthly, from a low of five percent to fifteen percent per year to maintain actuarial soundness. The bill would also allow the early T-DROP participation reduction to be adjusted from 6% to 12% to maintain actuarial soundness.

The purpose of this bill is to recognize that since the mortality tables show that members are living longer, then the early retirement/T-DROP reductions may need to be adjusted to maintain the financial strength of ATRS in order to protect all of its members and more properly place the cost of earlier retirement and T-DROP entry on the ones who benefit from it. **This would NOT affect any current T-DROP participants.**

**ACTION:**

<b>1/25/2017 2:03:03 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs – Joint.</b>
<b>1/25/2017 12:25:00 PM</b>	<b>- House</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Representative Rye**  
**HB1287**                    Outsourcing election by employers.

**Emergency Clause:** Effective Immediately

**Explanation: Outsourcing Election by Employers** – This bill would allow ATRS employers that outsource a service common to the normal daily operation of the employer to choose whether to make outsourced employees **become members of ATRS** or alternatively, to **pay a surcharge** on the outsourced employees' salaries. Employers currently outsourcing would have 60 days after the effective date of the bill to make a one-time decision. Employers that begin outsourcing after the effective date would make a decision at that time. The bill would define "outsourcing" to mean employment for a covered employer through a third party, a private employer, an independent contractor or other contractual relationship. ATRS would collect information on outsourced employees from employers after passage of the bill, and prior to any collection of money. The collections of contributions or surcharges from an employer may be phased in and would not begin earlier than the 2018 fiscal year. If an employer decides to have the outsourced employees become members, that change could be implemented up to 3 fiscal years later. During that time, the surcharge would be paid. The surcharge is intended to be phased in over time.

**This bill is being amended next week to allow outsourced school personnel at the Division of Youth Services School Systems to also participate in ATRS on a flexible basis. Currently 7 of the 8 DYS facilities use teachers who work for an outside contractor. DYS approached ATRS to have some teachers covered by ATRS to help recruit more teachers.**

The purpose of this bill is to ensure ATRS has the contributions or financial support provided for the employment of employees who are embedded in the public schools and a part of the typical school operation as is contemplated in the structure of ATRS and its actuarial assumptions.

**ACTION:**

<b>1/25/2017 2:03:24 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs – Joint.</b>
<b>1/25/2017 12:27:00 PM</b>	<b>- House</b>	<b>Filed.</b>

**BILL#**            **Sponsor: Representative Maddox**  
**HB1304:**        Technical corrections

**Emergency Clause:** Effective Immediately

**Explanation: Technical Corrections** – This bill would make minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS while not making changes to how laws are used or implemented.

**ACTION:**

<b>2/8/2017 2:01:02 PM</b>	<b>- House</b>	<b>Re-referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT</b>
<b>2/6/2017 11:55:38 AM</b>	<b>- House</b>	<b>Returned by the Committee Do Pass</b>
<b>1/25/2017 4:11:23 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs – Joint.</b>
<b>1/25/2017 2:08:00 PM</b>	<b>- House</b>	<b>Filed.</b>



**BILL#**                    **Sponsor: Representative Maddox**

**HB1305:**                Spousal survivor benefit rights may be redirected by member, if specifically designated by the member to another person.

**Emergency Clause:** Effective Immediately

**Explanation: Survivor Spousal Rights—** This bill eliminates the current automatic statutory designation that residual benefits must go to a spouse, even if the member objects. This bill would allow a member of ATRS to voluntarily designate an alternative residual beneficiary in lieu of an automatic spousal designation to receive a lump sum payment of the member's residue amount upon death of an active or T-DROP member. This means no spousal survivor benefit shall be payable if an alternative beneficiary is named.

The purpose of this bill is to give members the right to override the statutory presumption that a spouse always receives the benefit in the event of death and lets each member decide.

**ACTION:**

<b>2/8/2017 2:11:15 PM</b>	<b>- House</b>	<b>Re-referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT</b>
<b>2/6/2017 9:17:53 AM</b>	<b>- House</b>	<b>Returned by the Committee Do Pass</b>
<b>1/25/2017 4:11:41 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to Committee on Public Retirement and Social Security Programs - Joint.</b>
<b>1/25/2017 2:10:00 PM</b>	<b>- House</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Representative Coleman**  
**HB1365**                    Settlement agreement to include purchased annuity, discontinue adding settlement amounts to member, and can add air time or value of future benefits. .

**Emergency Clause:** Effective Immediately

**Explanation: Settlements** - This bill would assist employers and members in legal disputes by allowing salary or service credit to be purchased as a part of the settlement. The additional salary would be added to the calculated salary at the time of purchase. The member's official salary record will include the purchased additional salary years in computing the final average salary at the time of retirement if the salary in any of the additional purchased salary years qualify for the final average salary calculation. The system will use the same factors to determine the cost of the additional salary purchase that is used to calculate an additional monthly benefit in the annuitization of a T-DROP distribution. The calculation shall be made with the assumption the member would have immediately retired at the time of the purchase.

The purpose of this bill is assist employers and members in reaching settlements in legal disputes and to eliminate employer and employee contributions on a settlement of claims or judgments and to make the process more certain and user friendly for both the ATRS employer and the member.

**ACTION:**

<b>1/26/2017 2:55:34 PM</b>	<b>-House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on PUBLIC RETIREMENT AND SOCIAL SECURITY</b>
<b>1/26/2017 12:05:00 PM</b>	<b>-House</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Representative Deffenbaugh**  
**HB1373:**                Benefit stipend adjustments and removal from benefit base, if needed.

**Emergency Clause:** Effective Immediately

**Explanation: Stipends:** ATRS can already adjust the benefit stipend if the ATRS amortization period is over 30 years. This bill would allow the ATRS Board greater flexibility to adjust the benefit stipend, if needed in order to maintain actuarial soundness. This bill does so by eliminating the requirement that an amortization period in excess of thirty (30) years exist for the Board to make modifications to the benefit stipend. The bill also allows the Board to remove the benefit stipend from the base amount used to calculate cost of living adjustments for current retirees and option beneficiaries, if needed to maintain actuarial soundness. The bill allows the Board to phase in adjustments to the benefit stipend in order to prevent a retiree from receiving a reduction of benefits at any time. The bill does not change the requirement of ten years of actual service needed to qualify for the benefit stipend.

The purpose of this bill is to maintain and provide a more flexible mechanism to protect the financial strength of ATRS in order to protect its members. At times ATRS may see the need to adjust the stipend and would be below a 30 year amortization. Plus actuaries are now recommending that public retirement plans have amortization periods of closer to 20 years. This gives the ATRS Board the flexibility needed to be proactive in an economic downturn or to adjust to new actuarial standards.

**ACTION:**

<b>1/26/2017 3:33:09 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs - Joint.</b>
<b>1/26/2017 1:29:00 PM</b>	<b>- House</b>	<b>Filed.</b>

**BILL#**                    **Sponsor: Representative Deffenbaugh**

**HB1374:**                Reverse 2009 compounding of the Cost of Living Adjustment (COLA), if needed.

**Emergency Clause:** Effective Immediately

**Explanation: Reverse the 2009 Compounding of the COLA** - The ATRS Board may already reverse the 2009 compounding of the COLA. This bill would allow the Board to reverse the 2009 compounding of the COLA, if needed in order to maintain actuarial soundness. The reversal may include a chart or proxy formula to be applied for members that have complicated changes in their benefits due to divorce, remarriage, death of the member, or death of a spouse. This bill would also allow the Board to phase in the reversal in order to prevent a retiree from receiving a reduction of benefits at any time.

The purpose of this bill is to maintain and provide a more flexible mechanism to protect the financial strength of ATRS in order to protect its members. At times ATRS may see the need to adjust the payment of the compounding of the COLA in 2009 and would be below a 30 year amortization. Plus actuaries are now recommending that public retirement plans have amortization periods of closer to 20 years.

**ACTION:**

<b>1/26/2017 3:33:22 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs - Joint.</b>
<b>1/26/2017 1:30:00 PM</b>	<b>- House</b>	<b>Filed.</b>

## NON-ATRS PACKAGE BILLS THAT COULD AFFECT ATRS

### IMPACT AND ANALYSIS OF ATRS PACKAGE BILLS AFFECTING ATRS, MEMBERS, AND EMPLOYERS

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**BILL# Sponsor:** Senator Hester

SB11: To Prohibit Certain Transactions by Public Employee Retirement Systems.

**Emergency Clause:** None

**Explanation:** To Prohibit Certain Transactions by Public Employee Retirement Systems – This bill would require ATRS to identify companies that take certain adverse action against Israel, retain a firm to help identify companies, notify adverse companies that ATRS has identified the company as adverse, divest from the companies by working with fund managers unless certain circumstances are met, and provide notice as required.

ATRS is evaluating the costs and impact of this bill on ATRS. No position on this bill has been taken at this time. This bill would have costs that ATRS would incur like contracting with a consultant and perhaps it would have an impact on returns in certain circumstances.

**ACTION:**

<b>1/9/2017 1:23:37 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>11/29/2016 10:20:00 AM</b>	<b>- Senate</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative Tosh  
HB1290:            To require ATRS to correct an error that understates the service credit of a member.

**Emergency Clause:** Immediately

**Explanation:** This bill 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. ATRS was involved in the drafting of the language used in the bill.

**ACTION:**

<b>1/25/2017 4:21:02 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs - Joint.</b>
<b>1/25/2017 3:23:00 PM</b>	<b>- House</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative Tosh  
HB1336:          To provide for the Forfeiture of Benefits under a Public Retirement System by Certain  
                         Persons

**Emergency Clause:** None

**Explanation:** NOTE: Representative Tosh has indicated that he is seeking input from the state retirement systems about this bill and has indicated a willingness to make modifications to this bill. This is a bill that, as drafted, would apply to all service whether rendered before or after the effective date of the bill. The bill would require **forfeiture** of all benefits and benefit rights of a member if a member is convicted of a felony associated with or arising from public employment. Representative Tosh and retirement directors have a meeting scheduled for next week to begin a process of stating concerns for Representative Tosh to consider changing the bill to address those concerns. At the same time, ATRS has questions about justification for forfeiture when criminal laws attempt to fully and appropriately punish criminal wrongdoers.

**ACTION:**

<b>1/25/2017 4:21:02 PM</b>	<b>- House</b>	<b>Read first time, rules suspended, read second time, referred to the Committee on Public Retirement and Social Security Programs - Joint.</b>
<b>1/25/2017 3:23:00 PM</b>	<b>- House</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative Shepherd  
HB1355:            To make Technical Corrections to Title 24 of the Arkansas Filed Code concerning Retirement and Pensions

**Emergency Clause:**    None

**Explanation:**    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.

**ACTION:**

<b>2/7/2017 4:12:38 PM</b>	<b>-Senate</b>	<b>Read first time, rules suspended, read second time, referred to Senate Committee on Insurance and Commerce</b>
<b>2/7/2017 4:12:30 PM</b>	<b>-Senate</b>	<b>Received from the House.</b>
<b>2/7/2017 2:05:30 PM</b>	<b>-House</b>	<b>Read the third time and passed and ordered transmitted to the Senate.</b>
<b>2/2/2017 1:25:00 PM</b>	<b>-House</b>	<b>Returned by the Committee Do Pass.</b>
<b>1/26/2017 2:52:10 PM</b>	<b>-House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on JUDICIARY COMMITTEE-HOUSE.</b>
<b>1/26/2017 9:41:00 AM</b>	<b>-House</b>	<b>Filed.</b>



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**BILL#**            **Sponsor:** Senator Irvin  
SB228:            To amend the law concerning the Employment of Retired Member of the Arkansas  
                         Teacher Retirement System.

**Emergency Clause:**    None

**Explanation:**    Senator Irvin has asked to meet with the ATRS executive director to discuss more way to encourage ATRS retirees to work in schools performing critical need jobs. Hopefully that discussion will happen this coming week. ATRS looks forward to meeting with Senator Irvin.

**ACTION:**

<b>1/26/2017 3:39:16 PM</b>	<b>- Senate</b>	<b>Read first time, rules suspended, read second time, referred to Joint Committee on Public Retirement and Social Security Programs.</b>
<b>1/26/2017 12:41:00 PM</b>	<b>- Senate</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative House  
**HB1327:**        To amend the law concerning the Board of Trustees of The Arkansas Teacher Retirement System.

**Emergency Clause:**    None

**Explanation:**    Although this is a still a shell bill, any bill that can change the composition or governance of the ATRS board should be carefully monitored and is of concern. The ATRS Board has obtained top decile investment results over long term periods when compared to other retirement systems in the country. The ATRS Board also has a member driven view while at the same time remaining fiscally conservative. ATRS will alert members and employers to any amendment or bill that would change the ATRS Board makeup or its member driven view.

**ACTION:**

<b>1/25/2017 4:18:33 PM</b>	<b>- House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT.</b>
<b>1/25/2017 3:02:00 PM</b>	<b>- House</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative House  
HB1328:            To amend the law concerning the Investment Practices of the Arkansas Teacher Retirement System.

**Emergency Clause:**    None

**Explanation:**    Still a shell with no impact.

**ACTION:**

<b>1/25/2017 4:18:47 PM</b>	<b>- House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT.</b>
<b>1/25/2017 3:03:00 PM</b>	<b>- House</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative House  
HB1329:            To amend the law concerning Benefit Payments under the Arkansas Teacher Retirement System.

**Emergency Clause:**    None

**Explanation:**    Still a shell with no impact.

**ACTION:**

<b>1/25/2017 4:19:16 PM</b>	<b>- House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT.</b>
<b>1/25/2017 3:05:00 PM</b>	<b>- House</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative House  
HB1330:            To amend the law concerning the Accounting and Auditing Practices of the Arkansas  
                         Teacher Retirement System.

**Emergency Clause:**    None

**Explanation:**    Still a shell with no impact.

**ACTION:**

<b>1/25/2017 4:19:37 PM</b>	<b>- House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT.</b>
<b>1/25/2017 3:07:00 PM</b>	<b>- House</b>	<b>Filed.</b>

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**BILL#**            **Sponsor:** Representative House  
HB1333:            To amend the law concerning the Administration of the Arkansas Teacher Retirement System.

**Emergency Clause:**    None

**Explanation:**    Still a shell with no impact.

**ACTION:**

<b>1/25/2017 4:20:21 PM</b>	<b>- House</b>	<b>Read the first time, rules suspended, read the second time and referred to the Committee on PUBLIC RETIREMENT &amp; SOCIAL SECURITY PROGRAMS-JOINT.</b>
<b>1/25/2017 3:13:00 PM</b>	<b>- House</b>	<b>Filed.</b>