

**EXECUTIVE DIRECTOR UPDATE**  
**Week 8 of the 91<sup>st</sup> General Assembly**  
**March 3, 2017**

**Overview of Week 8 of the 91<sup>st</sup> General Assembly**  
**ATRS Package Bills Are Back on the Move**

Week 8 at the General Assembly was another busy week. On Monday, February 27, 2017, ATRS had three (3) bills up for consideration, SB194 (Survivor Benefits), SB203 (Early Separation Incentive), and HB1365 (Settlement Agreements). All three (3) bills received a "DO PASS" out of Committee. All three (3) have now passed the chamber of introduction and are currently on the calendar of the other chamber for final consideration. If all three pass that final vote, then 8 bills of the 20 bill package of ATRS will have completed the legislative process.

ATRS actuaries and the Retirement Committee actuaries continue to diligently work on cost studies for legislation. ATRS continues to negotiate amendments and details on the remaining 12 ATRS package bills that remain in the Joint Retirement Committee. At this time, 5 package bills are law after having completed the legislative process.

Monday, March 6, 2017, ATRS will have four (4) more package bills before the Joint Retirement Committee. SB186 (Multipliers), SB187 (Member Contributions), SB192 (Disability) and HB1287 (Outsourcing). Extensive negotiations occurred on the outsourcing bill, HB1287. ATRS worked hard to address the concerns of all interested parties, including meetings and telephone calls with school officials, members of the General Assembly, ATRS members, and other school advocates. Other bills are also being explained with potential amendments on an "as needed" basis with the time allowed this week.

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 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". 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**. ATRS **is now reviewing** the bill. Any bill that places costs and impacts the investment process on the ATRS managers requires significant review. Unlike other bills affecting ATRS, it is assigned to the State Agencies Committee and not the Joint Retirement Committee.

### **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.