

ATRS Board's Legislative Package

The ATRS Board of Trustees has unanimously voted to support a seven (7) bill package for this legislative session:

Technical Corrections—Minor clarifications of existing laws.

Private School Service—Allow ATRS to make the determination of eligibility to purchase this service credit.

Disability Retirement—To allow members to retire on disability as they currently do, but require additional requirements for continued eligibility after retirement.

Option C Clarification—To allow members who retirement with a benefit option C, which guarantees 120 payments, to change beneficiaries after retirement if the option beneficiary is a spouse and the marriage ends in divorce or other marriage dissolution.

Lump-Sum Payments of Reserve Value of Small Annuities—repeal the law that allows a reserve payout of benefits of less than \$20 per month.

Non-Spousal Rollover Provisions—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.

Recycling Tax Credits—To extend the transferability of recycling tax credits within equity owners of certain investment projects in Arkansas, to encourage more specialized projects and enhance investment returns.

ATRS closely follows bills that could impact ATRS during the 2015 Legislative Session. ATRS has a 7 bill package. At this time, 4 of the 7 bills have been formally introduced and have a listed sponsor and bill number. The remaining 3 bills should be introduced by end of next week by legislators who have agreed to help sponsor the ATRS package bills. ATRS appreciates the assistance of the legislators who are sponsoring bills in the ATRS Legislative Package.

This summary provides a brief title and explains the potential impact of all 7 bills in the package and any other bills that impact ATRS. (At this time, the only bills affecting ATRS are the four (4) package bills.) Some bills have an emergency clause that would make the bill effective July 1, 2015. 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.

ATRS PACKAGE BILLS FOR THE 2013 SESSION

<u>Bills</u>	<u>Sponsor</u>	<u>Description</u>	<u>Status</u>
SB38	Sen. B. Johnson	<i>Compliance with Law allowing Direct Rollover</i>	Filed
SB48	Sen. Sample	<i>Disability Retirement Benefit</i>	Filed
SB50	Sen. Cheatham	<i>Technical Corrections</i>	Filed
HB1078	Rep. Deffenbaugh	<i>Option C Clarification</i>	Filed
_____	TBA	<i>Recycling Tax Credit Allocations</i>	Drafted
_____	TBA	<i>Member Annuities Paid as Lifetime Benefit</i>	Drafted
_____	TBA	<i>How Private School Service is Recorded</i>	Drafted

BILLS AFFECTING ATRS OUTSIDE OF ATRS PACKAGE FOR THE 2015 SESSION

_____ *None at this time*

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

Bill# **Sponsor:** Senator Blake Johnson
SB38 Maintain compliance with Federal Law by allowing a direct rollover of a portion of an eligible rollover distribution to an eligible retirement plan or designated beneficiary.

Emergency Clause: Effective 07/01/2015

Explanation: 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.

Bill# **Sponsor:** Senator Bill Sample
SB48 Disability Retirement Benefits

Emergency Clause: Effective 07/01/2015

Explanation: 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.

Bill# **Sponsor:** Senator Eddie Cheatham
SB50 Makes technical corrections to the Arkansas Teacher Retirement System Act, to allow for a de minimis amount of money to be set concerning the System's obligations, to amend the law concerning the deadline for the System to provide employers with financial reports and other clarifications.

Emergency Clause: None at this time which makes the bill effective 90 days after session ends. However, an emergency clause is being drafted after further review to ensure needed clarifications are effective immediately.

Explanation: Technical Corrections— This bill makes minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS.

Bill# **Sponsor:** Representative Gary Deffenbaugh
HB1078 Option C Benefit

Emergency Clause: Effective Immediately Upon Passage

Explanation: 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.

Bill# **Sponsor:**
Allocation of Recycling Tax Credit

Emergency Clause: Effective Immediately After Passage

Explanation: 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.

Bill#

Sponsor:

Member Annuities are paid as a lifetime benefit by repealing lump-sum payments of reserve value of small annuities in the Arkansas teacher Retirement System.

Emergency Clause: Effective 07/01/2015

Explanation: 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.

Bill#

Sponsor

How Private School Service is recorded for purpose of retirement benefits.

Emergency Clause: Effective Immediately Upon Passage

Explanation: 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.