

## EXECUTIVE DIRECTOR UPDATE

### WEEK 5 OF THE 90<sup>TH</sup> GENERAL ASSEMBLY

February 13, 2015

#### Overview of Week 5 of the 90<sup>th</sup> General Assembly ATRS Package Bills Advance and Shell Bill Concern

Week 5 at the General Assembly was a busy week on ATRS legislation. All but one of the ATRS bills are out of Committee and two are on the Governor's desk. The last ATRS bill in committee should be heard on Monday, February 16, 2015 in Joint Retirement Committee and hopefully will be favorably viewed by Committee members. 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 for many legislators this session.

#### Three ATRS Package Bills Advance From Public Retirement

The third Public Retirement Committee meeting was held on February 9, 2015. Three of the six ATRS' package bills in the Public Retirement Committee (PRC) were heard and given a "Do Pass" by the committee. Of the six ATRS bills in the PRC, 2 are on Governor Hutchinson's desk and 3 more have passed the Senate and one is on the PRC's agenda to be heard on Monday.

**SB48** Sponsored by **Senator Bill Sample**, this bill to make revisions to ATRS' **disability** retirement law to require a determination letter from the Social Security administration within 3 years after ATRS' disability is granted to continue eligibility for ATRS disability benefits if a member is under age 60. (Passed Senate)

**SB50** Sponsored by **Senator Eddie Cheatham**, is a **technical corrections** bill that would make minor changes in the wording of existing laws to clarify language and intent of laws affecting ATRS. (Passed Senate)

**SB137** Sponsored by Senator Jason Rapert, is a bill that would pay monthly retirement benefits to all members, regardless of the amount of the benefit. ATRS would no longer pay the reserve value for monthly **benefits of less than \$20 per month**. (Passed Senate)

Thanks to the work by the bill sponsors and the Public Retirement Committee, **all three bills received a vote of "Do Pass"** out of the Public Retirement Committee. In addition, all three bills have now already passed the Senate and have been transmitted to the House to be placed on the House Calendar.

### **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 was heard in the House Committee on Revenue and Taxation on Monday, February 9, 2015:

**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)

Thanks to the work of the bill sponsor and the House Committee on Revenue and Taxation, the recycling tax credit bill was referred to Senate Committee on Revenue and Taxation.

### **One ATRS Package Bill on Agenda for Monday, February 16, 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 16, 2015. Representative Gary Deffenbaugh, the sponsor of HB1078 will 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.

### **Next Steps As The Session Continues**

ATRS will continue to monitor the 7 ATRS package bills, the ATRS appropriation bill, the one bill technical corrections outside of the ATRS package (no impact to ATRS), the shell bills filed on behalf of ATRS, and any remaining shell bill that could be amended to possibly affect ATRS. One of the two remaining shell bills may be activated to clarify military service credit for ATRS members.

ATRS will continue to provide weekly updates on the ATRS package bills and any shell bills that are amended to impact ATRS. 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.

### **SHELL BILL UPDATE**

HB1215 was changed from a shell bill to an active bill last week. ATRS remains concerned about HB1215. ATRS has not additional information, but leaves last week's concern below.

ATRS is still monitoring 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. Reach an agreement with the General Assembly's actuary on the actuarial assumptions to be used by the system. If an agreement is not reached, a third party actuary would have to be hired to set the assumptions.
2. 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).
3. 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).