

State of Arkansas  
91st General Assembly  
Regular Session, 2017

# A Bill

HOUSE BILL 1365

By: Representative Coleman

## For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING EMPLOYER AND MEMBER CONTRIBUTIONS TO THE ARKANSAS TEACHER RETIREMENT SYSTEM FOR SETTLEMENTS AND JUDGMENTS; TO ALLOW THE PURCHASE OF SALARY OR SERVICE CREDIT USING ACTUARIAL COSTS; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

## Subtitle

TO AMEND THE LAW ON CONTRIBUTIONS MADE TO THE ARKANSAS TEACHER RETIREMENT SYSTEM FOR SETTLEMENTS AND JUDGMENTS; TO ALLOW THE PURCHASE OF SALARY OR SERVICE CREDIT USING ACTUARIAL COSTS; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 24-7-202(32)(A), concerning the definition of salary under the Arkansas Teacher Retirement System Act, is amended to read as follows:

(32)(A) "Salary" means the remuneration paid to a member employed in a position covered by the Arkansas Teacher Retirement System on which the employer is required to withhold federal income tax from wages or on which income tax would be due under the Internal Revenue Code.

SECTION 2. Arkansas Code § 24-7-202(32)(C)(i), concerning the definition of salary under the Arkansas Teacher Retirement System Act, is



amended to read as follows:

(i) All or part of a payment made as a result of a contract buyout agreement, settlement, claim, judgment, arbitration award, decree, or court-ordered payment to a member ~~on which the employer is required to withhold federal income tax from wages unless the amount paid to the member is higher than the wages earned by the member for regular service;~~ and

SECTION 3. Arkansas Code § 24-7-735(b)-(d), concerning the settlement of claims and judgments between covered employees and covered employers of the Arkansas Teacher Retirement System, is amended to read as follows:

~~(b) Employer contributions shall be payable to the system on payments made to the member on which the employer is required to withhold federal income tax as if the payments were made under § 24-7-708 if the member does not continue to work on-site for the employer.~~

~~(e)(1) The employer shall provide a copy of a settlement agreement or court order under this section to the system ~~to~~ so that the system can calculate any contributions due to the system or service credit and salary due to the member prevent the accumulation of service credit for any payments that are not for on-site work for the employer.~~

(2) A member shall not receive service credit or additional salary from the system under a settlement agreement or court order unless permitted under this section.

~~(d)(c)~~ The system shall allow a member or employer to purchase service credit or additional salary for the member for salary that should have been paid under a settlement agreement or court order to resolve a claim of wrongful termination or the underpayment of salary that should have been paid if the service credit is:

(1)(A)(i) Purchased ~~from the date of termination~~ as additional salary by an employer ~~to the date of the settlement agreement, court order, or other resolution of the dispute~~ or member to be added to the final average salary of the member calculated at the time of the purchase.

(ii) The member's official salary record shall include the purchased additional salary years which may be used to compute the final average salary at the time of retirement if the salary in any of the additional purchased salary years qualifies for the final average salary

calculation.

(B) Service credit earned by the member from an employer from the date of termination by an employer to the date of the settlement agreement or court order shall be subtracted from the amount of service credit allowed for purchase under subdivision ~~(d)(1)(A)~~ (c)(1)(A) of this section; and

(2) Paid using the actuarial equivalent, as calculated by the system, of the member's benefits to the system.

(d)(1) The system shall use the same factors as used to determine the cost of the additional salary purchase to calculate an additional monthly benefit in the annuitization of a T-DROP distribution.

(2) The calculation shall be made with the assumption that the member would have immediately retired at the time of the additional salary purchase.

SECTION 4. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the operations of a state public retirement system are complex; that the Arkansas Teacher Retirement System must be able to meet the needs of its members as anticipated by the General Assembly; that certain provisions of the Arkansas Teacher Retirement System Act are imminently in need of revision and updating to bring them into conformance with sound public pension policy and actuarial requirements; that such revision and updating is of great importance to members of the system and to other citizens of the State of Arkansas; that the system needs to have the ability to make immediate changes to maintain and improve its actuarial status; and that this act is immediately necessary in order to maintain an orderly system of benefits for the members of the Arkansas Teacher Retirement System. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto.

**APPROVED: 03/09/2017**