

State of Arkansas
93rd General Assembly
Regular Session, 2021

A Bill

HOUSE BILL 1340

By: Representative Evans

By: Senator L. Eads

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING MEMBER CONTRIBUTIONS, SERVICE CREDIT, CORRECTION OF ERRORS, AND TERMINATION OF MEMBERSHIP UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE LAW CONCERNING MEMBER CONTRIBUTIONS, SERVICE CREDIT, CORRECTION OF ERRORS, AND TERMINATION OF MEMBERSHIP UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; AND TO DECLARE AN EMERGENCY.

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

SECTION 1. Arkansas Code § 24-7-205(b)(1)(C), concerning the correction of errors and the cancellation of contributory service credit when a member owes a balance due to the Arkansas Teacher Retirement System, is amended to read as follows:

(C)(i) ~~Cancel any~~ Convert contributory service credit to noncontributory service credit for the fiscal year for which there is a member contribution balance due to the system, if the member that owes the member contribution balance elects to have the system ~~cancel~~ convert the contributory service credit rather than pay the balance due.

(ii) If contributory service credit is ~~canceled~~ converted to noncontributory service credit under subdivision (b)(1)(C)(i) of



this section, the system shall return any member contributions for the affected portion of that fiscal year without interest.

SECTION 2. Arkansas Code § 24-7-205(c), concerning the correction of errors and the time period in which a correction of errors may be extended under the Arkansas Teacher Retirement System, is amended to read as follows:

(c) A determination, review, administrative action, cause of action, request to enforce, change, or modify an obligation, duty, benefit calculation, designation, refund, contribution, service credit, or other right arising under this subchapter shall not be valid unless commenced within the look-back period unless the system determines that the justification to commence the process is due to intentional nondisclosure, fraud, misrepresentation, criminal act, or an obvious or documented error by an employer or the system that understated the service credit or salary of a member ~~upon which all required contributions have been paid.~~

SECTION 3. Arkansas Code § 24-7-406(c)(1)(B), concerning the failure of an employer to report service and remit contributions to the Arkansas Teacher Retirement System, is amended to read as follows:

(B)(i) ~~Before July 1, 2011, if~~ If the employer fails to report the required service or salary of a member and remit the contributions to the system, the system shall have the right to collect from the ~~employee member~~ and the employer the contributions due, if any, from each, together with interest beginning with the subsequent fiscal year after the contributions are due ~~if the unreported service is within the look-back period under § 24-7-205.~~

~~(ii) If the unreported service is not within the look-back period, the unreported required service shall be considered an optional purchase of service and the actuarial equivalent of the member's benefits due to the system shall be required by the member.~~

~~(iii)~~ (ii) A member shall not be given credit for service rendered until all member contributions and interest on the unreported service ~~is~~ are paid in full or the service is converted to noncontributory service credit under § 24-7-205(b)(1)(C).

SECTION 4. Arkansas Code § 24-7-502(b)(4), concerning termination of

active membership under the Arkansas Teacher Retirement System, is amended to read as follows:

~~(4)(A)(i) Before July 1, 2011, an active member shall receive credit for any previous unreported service after July 1, 1937, by paying the system the employee and employer contributions in effect during the previous service, together with interest from the dates of the service to the date of payment in full.~~

~~(ii) On or after July 1, 2011, previous unreported service rendered after July 1, 1937, may be established by paying the actuarial equivalent of the member's benefits to the system.~~

~~(B) For previous service rendered before July 1, 1971, service credit shall be permitted for service in a fiscal year only if the minimum days of service rendered is sufficient for one (1) year of service credit under § 24-7-601 in a fiscal year.~~

SECTION 5. 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, § 24-7-201 et seq., are in urgent 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 Arkansas Teacher Retirement System and to other citizens of the State of Arkansas; that the Arkansas Teacher Retirement System needs to have the ability to make changes to maintain and improve its actuarial status; that reporting errors have resulted in harm to the members of the system; that the reporting errors caused members to not receive service credit that the members had earned; that the members are not at fault for the harm caused by the reporting errors; that the option of purchasing earned service credit at actuarial cost would be an excessive burden for the members; that this act is necessary to establish a fairer remedy for the harm caused to the members than the current law provides; that a July 1, 2021 effective date is necessary to allow the provisions within this act to begin on the first day of the fiscal year to provide proper administration of the procedures referenced in this act; and that this act is 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 necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2021.

APPROVED: 3/1/21