

State of Arkansas
94th General Assembly
Regular Session, 2023

A Bill

SENATE BILL 116

By: Senator K. Hammer
By: Representative Warren

For An Act To Be Entitled

AN ACT TO ALLOW THE PURCHASE OF PERMISSIVE SERVICE CREDIT UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO ADD DEFINITIONS APPLICABLE TO THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO ALLOW THE PURCHASE OF PERMISSIVE SERVICE CREDIT 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 § 24-7-202, concerning definitions applicable to the Arkansas Teacher Retirement System Act, is amended to add additional subdivisions to read as follows:

(45) "Gap year" means a period of time:

(A) In which a member:

(i) Was an inactive member; and

(ii) Either:

(a) Was unemployed; or

(b) Did not provide qualified service; and

(B) For which the system may grant the member permissive service credit;

(46) "Permissive service credit" means service:



(A) That is credited under the system for the purpose of calculating a member's benefit;

(B) That has not previously been credited under the system; and

(C) For which a member contributes or pays the amount necessary to fund the benefit attributable to the service as required by the system; and

(47) "Qualified service" means the service described in 26 U.S.C. § 415(n)(3)(C)(i)-(iv), as it existed on January 1, 2023.

SECTION 2. Arkansas Code Title 24, Chapter 7, Subchapter 6, is amended to add a new section to read as follows:

24-7-613. Permissive service credit – Gap year service.

(a) A member of the Arkansas Teacher Retirement System may purchase permissive service credit for one (1) or more gap years if:

(1) The member:

(A) Has five (5) years of actual service in the system;

(B) Has left his or her position as a classroom teacher immediately before each nonconsecutive gap year or the initial gap year of consecutive gap years;

(C) Returns to his or her position as a classroom teacher after one (1) or more gap years;

(D) Accrues at least one-half (1/2) year of service credit after returning to his or her position as a classroom teacher;

(E) Was inactive during the gap year or gap years; and

(F) Is ineligible to receive free service credit for each gap year under another provision of the law applicable to this system; and

(2) Each gap year amounts to an entire fiscal year.

(b)(1) A member may purchase one (1) year of permissive service credit for each one (1) gap year.

(2) A member shall not purchase more than five (5) years of permissive service credit.

(c) Permissive service credit for one (1) or more gap years shall not be purchasable after a member retires from the system.

(d) Permissive service credit shall be credited in accordance with § 24-7-601.

(e)(1) The member shall pay the actuarial equivalent of the member's benefits to the system for each year of permissive service credit purchased.

(2) A year of permissive service credit that is being purchased by a member shall not become credited service under the system until the actuarial equivalent of the member's benefits is paid in full.

(f) At the member's request, a member's payment for permissive service credit under this section shall be refunded if the:

(1) Member ceases to be an active member before the permissive service credit is established as credited service in the system; or

(2) Permissive service credit is not otherwise used to establish the member's eligibility for retirement under the system.

SECTION 3. 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 need revision and updating to bring them into conformance with sound public pension policy and actuarial requirements; that the revisions and updates are of great importance to members of the Arkansas Teacher Retirement System and to other citizens of the State of Arkansas; that as the Arkansas Teacher Retirement System operates on a fiscal year of July 1 to June 30, a July 1, 2023, effective date is necessary in order to allow the provisions within this act to begin on the first day of the fiscal year and to allow for a structured and proper administration of the procedures referenced in this act; that the updates and revisions to the Arkansas Teacher Retirement System Act are of great importance for actuarial purposes and for the improvement and protection of member benefits under the Arkansas Teacher Retirement System; 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, 2023.

APPROVED: 2/21/23