

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
89th General Assembly
Regular Session, 2013

As Engrossed: H2/20/13
A Bill

HOUSE BILL 1194

By: Representative Catlett

For An Act To Be Entitled

AN ACT TO ALLOW THE BOARD OF TRUSTEES OF THE ARKANSAS TEACHER RETIREMENT SYSTEM TO ADJUST THE MULTIPLIERS FOR A LIFE ANNUITY IF ACTUARIALLY APPROPRIATE TO MAINTAIN THE FINANCIAL SOUNDNESS OF THE SYSTEM; TO REMOVE OBSOLETE LANGUAGE; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO ALLOW THE BOARD OF TRUSTEES OF THE ARKANSAS TEACHER RETIREMENT SYSTEM TO ADJUST THE MULTIPLIERS FOR A LIFE ANNUITY IF ACTUARIALLY APPROPRIATE; TO REMOVE OBSOLETE LANGUAGE; AND TO DECLARE AN EMERGENCY.

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

SECTION 1. Arkansas Code § 24-7-705 is amended to read as follows:
24-7-705. Life annuity.

(a)(1)(A)(i) For a member who is retired or who is in the Teacher Deferred Retirement Option Plan as of June 30, 2013, the multipliers used at the time of retirement or entry into the Teacher Deferred Retirement Option Plan shall remain the multipliers used to calculate the member's retirement benefits for retirement or the Teacher Deferred Retirement Option Plan.

(ii) After July 1, 1999, upon a member's retirement For all service earned through June 30, 2013, by a member who is active or inactive on June 30, 2013, he or she shall receive a straight life annuity



equal to his or her number of years of credited service for which member contributions were made as provided in § 24-7-406 multiplied by ~~not less than two and sixty five thousandths percent (2.065%) nor more than~~ two and fifteen-hundredths percent (2.15%) of his or her final average salary, or a straight life annuity equal to his or her number of years of credited service rendered after June 30, 1986, for which no member contributions were made as provided in § 24-7-406 multiplied by ~~not less than one and three hundred five thousandths percent (1.305%) nor more than~~ one and thirty-nine hundredths percent (1.39%) of his or her final average salary, or a combination of both.

(B)(i) The percentages in ~~subdivision (a)(1)(A)~~ of this section shall be determined in accordance with rules and regulations of the Board of Trustees of the Arkansas Teacher Retirement System as is actuarially appropriate for the system.

~~(C)(ii) Prior to~~ Before increasing a benefit as provided in this section, the board shall file relevant information concerning the actuarial appropriateness of the action with the Joint Committee on Public Retirement and Social Security Programs.

(2)(A) For a member contributing on only the first seven thousand eight hundred dollars (\$7,800) of each annual salary after June 30, 1969, each annual salary used in computing his or her final average salary shall be limited to a maximum of seven thousand eight hundred dollars (\$7,800).

(B) The limit shall apply to his or her total credited service.

(3) For a member retiring with benefits to be computed on both contributory and noncontributory service under subsection (a) of this section and free military service first credited after July 1, 1986, under § 24-7-602, the amount of military service to be used in the computation of benefits under subsection (a) of this section shall be prorated on the ratio of membership service under each plan to his or her total membership service, notwithstanding the fact that some of the military service shall be credited as noncontributory service before July 1, 1986.

(4) All purchased military service, all out-of-state service credited under § 24-7-603, and all overseas service credited under § 24-7-604 shall be counted as contributory service, and benefits based on this service shall be computed using the contributory percent of final average salary set

forth in this subsection.

~~(b)(1) The minimum straight life annuity for a member retiring after June 30, 1965, but before July 1, 1986, shall be one hundred fifty dollars (\$150) per month, plus the benefits applicable under § 24-7-713.~~

~~(2) For a member retiring July 1, 1986, or later, the minimum straight life annuity shall be:~~

~~(A)(i) One hundred dollars (\$100) per month if the member has no nonecontributory credited service of the type specified in subdivision (a)(1) of this section, plus the benefits applicable under § 24-7-713.~~

~~(ii) Effective July 1, 1998, for members with ten (10) or more years of contributory credited service of the type specified in subdivision (a)(1) of this section, the amount shall be one hundred fifty dollars (\$150) per month, plus the benefits applicable under § 24-7-713;~~

~~(B)(i) Sixty-four dollars (\$64.00) per month if the member has only credited service of the nonecontributory type specified in subdivision (a)(1) of this section, plus the benefits applicable under § 24-7-713.~~

~~(ii) Effective July 1, 1998, for members with ten (10) or more years of nonecontributory credited service of the type specified in subdivision (a)(1) of this section, the amount shall be ninety-four dollars (\$94.00) per month, plus the benefits applicable under § 24-7-713; or~~

~~(C)(i)(a) If the member has a mixture of credited service, the monthly amount shall be prorated between sixty-four dollars (\$64.00) and one hundred dollars (\$100) according to the relationship between his or her nonecontributory credited service and his or her total credited service, plus the benefits applicable under § 24-7-713.~~

~~(b) Effective July 1, 1998, for members with ten (10) or more years of credited service, the amount shall be prorated between ninety-four dollars (\$94.00) and one hundred fifty dollars (\$150) per month, according to the relationship between the member's nonecontributory credited service and total credited service, plus the benefits applicable under § 24-7-713.~~

~~(ii) However, if the member has:~~

~~(a) At least five (5) years of contributory service, regardless of his or her number of years of nonecontributory service, his or her monthly amount shall not be less than one hundred dollars (\$100),~~

~~plus the benefits applicable under § 24-7-713; or~~

~~(b) At least ten (10) years of contributory service, regardless of his or her number of years of noncontributory service, his or her monthly amount shall not be less than one hundred fifty dollars (\$150), plus the benefits applicable under § 24-7-713.~~

~~(c) As of 1986, the member contributory benefit program and the member noncontributory benefit program were related by requiring the same employer contribution rate. It is intended that this relationship be preserved by future changes, if any, in benefit programs. The multiplier on service credit earned shall remain two and fifteen hundredths percent (2.15%) for contributory service and one and thirty-nine hundredths percent (1.39%) for noncontributory service unless the rates are adjusted by the board.~~

(2) The board may adjust the multiplier for contributory service rendered after June 30, 2013, as follows:

(A) The multiplier rate for contributory service set by the board shall remain in effect unless adjusted by the board;

(B) The multiplier rate for contributory service shall not be less than one and seventy-five hundredths percent (1.75%) or higher than two and fifteen hundredths percent (2.15%);

(C) An increase or decrease to a multiplier rate for contributory service shall apply to a complete fiscal year;

(D) The multiplier rate for contributory service may be adjusted by resolution adopted by the board at a board meeting;

(E) Once a multiplier rate for contributory service is earned in a fiscal year, the multiplier rate may be subject to an increase but not a decrease if adopted by the board;

(F) The board may leave the multiplier rate for contributory service earned in previous years in effect even if the multiplier rate for contributory service is increased for future years;

(G) The board may set a special contributory multiplier rate for the first ten (10) years of service credit as follows:

(i) The multiplier rate for contributory service shall not be less than one and seventy-five hundredths percent (1.75%) or higher than two and fifteen hundredths percent (2.15%);

(ii) The multiplier rate for contributory service used for the first ten (10) years of service shall not be higher than the

multiplier rate for subsequent years of service; and

(iii) After a member earns ten (10) years of credited service, the board may increase the multiplier rate earned in the first ten (10) years to the standard multiplier rate for contributory service for all or part of the first ten (10) years of service.

(3) The board may adjust the multiplier rate for noncontributory service for all service rendered after June 30, 2013, as follows:

(A) The multiplier rate for noncontributory service set by the board shall remain in effect unless adjusted by the board;

(B) The multiplier rate for noncontributory service shall not be less than five-tenths of one percent (0.5%) or higher than one and thirty-nine hundredths percent (1.39%);

(C) An increase or decrease to a multiplier rate for noncontributory service shall apply to a complete fiscal year;

(D) The multiplier rate for noncontributory service may be adjusted by resolution adopted by the board at a board meeting;

(E) Once a multiplier rate for noncontributory service is earned in a fiscal year, the multiplier rate may be subject to an increase but not a decrease if adopted by the board;

(F) The board may leave the multiplier rate for noncontributory service earned in previous years in effect even if the multiplier rate for noncontributory service is increased for future years;

(G) The board may set a special noncontributory multiplier rate for the first ten (10) years of service credit as follows:

(i) The multiplier rate for noncontributory service used for the first ten (10) years of service shall not be higher than the multiplier rate for subsequent years of service; and

(ii) After a member earns ten (10) years of credited service, the board may increase the multiplier rate earned in the first ten (10) years to the standard multiplier rate for noncontributory service for all or part of the first ten (10) years of service.

(4) A lower multiplier rate set by the board for contributory service and noncontributory service earned in the first ten (10) years of service shall not be retroactively applied.

(5) The board shall not reduce the multiplier rate for contributory service earned after the first ten (10) years of service unless

the system's actuary certifies to the board that the amortization period exceeds thirty (30) years and that in order to address an amortization period in excess of thirty (30) years to pay the unfunded liabilities of the system, the board determines that the multiplier rate for contributory service should be reduced.

(c) For all service credit earned by a member after June 30, 2013, he or she shall receive a straight life annuity equal to his or her number of years of credited service multiplied by his or her final average salary as follows:

(1) Credited service for which member contributions were made under § 24-7-406 shall be multiplied by the contributory multiplier in effect for each fiscal year;

(2) Credited service rendered after June 30, 1986, for which no member contributions were made under § 24-7-406 shall be multiplied by the noncontributory multiplier in effect for each fiscal year; and

(3) If the member has accrued both contributory service and noncontributory service, the member's service shall be combined after calculating each amount under this subsection.

(d) Upon a member's retirement, as provided in this act, he or she shall have the right to elect an option provided for in § 24-7-706.

(e) A member retiring before July 1, 1987, shall receive an annuity in accordance with provisions of law in force before July 1, 1987.

SECTION 2. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that provisions of the Arkansas Teacher Retirement System Act need revision to maintain the teacher retirement laws in conformance with sound public pension policy; that the multiplier rates for the life annuity may need to be adjusted to keep the system actuarially sound; that the Arkansas Teacher Retirement System operates on a July 1 to June 30 fiscal year; and that this act is necessary to ensure that provisions of this act become effective on the first day of the fiscal year and to maintain an orderly system of benefits for members. 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, 2013.

/s/Catlett