

1 State of Arkansas  
2 89th General Assembly  
3 Regular Session, 2013  
4

# A Bill

HOUSE BILL 1194

5 By: Representative Catlett  
6

## For An Act To Be Entitled

8 AN ACT TO ALLOW THE BOARD OF TRUSTEES OF THE ARKANSAS  
9 TEACHER RETIREMENT SYSTEM TO ADJUST THE MULTIPLIERS  
10 FOR A LIFE ANNUITY IF ACTUARIALLY APPROPRIATE TO  
11 MAINTAIN THE FINANCIAL SOUNDNESS OF THE SYSTEM; TO  
12 REMOVE OBSOLETE LANGUAGE; TO DECLARE AN EMERGENCY;  
13 AND FOR OTHER PURPOSES.  
14

## Subtitle

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16  
17 TO ALLOW THE BOARD OF TRUSTEES OF THE  
18 ARKANSAS TEACHER RETIREMENT SYSTEM TO  
19 ADJUST THE MULTIPLIERS FOR A LIFE ANNUITY  
20 IF ACTUARIALLY APPROPRIATE; TO REMOVE  
21 OBSOLETE LANGUAGE; AND TO DECLARE AN  
22 EMERGENCY.  
23

24  
25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
26

27 SECTION 1. Arkansas Code § 24-7-705 is amended to read as follows:  
28 24-7-705. Life annuity.

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

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



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

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

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

18 (2)(A) For a member contributing on only the first seven  
19 thousand eight hundred dollars (\$7,800) of each annual salary after June 30,  
20 1969, each annual salary used in computing his or her final average salary  
21 shall be limited to a maximum of seven thousand eight hundred dollars  
22 (\$7,800).

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

25 (3) For a member retiring with benefits to be computed on both  
26 contributory and noncontributory service under subsection (a) of this section  
27 and free military service first credited after July 1, 1986, under § 24-7-  
28 602, the amount of military service to be used in the computation of benefits  
29 under subsection (a) of this section shall be prorated on the ratio of  
30 membership service under each plan to his or her total membership service,  
31 notwithstanding the fact that some of the military service shall be credited  
32 as noncontributory service before July 1, 1986.

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

1 forth in this subsection.

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

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

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

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

14 (B)(i) ~~Sixty-four dollars (\$64.00) per month if the member~~  
 15 ~~has only credited service of the noncontributory type specified in~~  
 16 ~~subdivision (a)(1) of this section, plus the benefits applicable under § 24-~~  
 17 ~~7-713.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 multiplier rate for subsequent years of service; and

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

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

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

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

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

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

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

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

22 (i) The multiplier rate for noncontributory service  
23 shall not be less than five-tenths percent (.5%) or higher than one and  
24 thirty-nine hundredths percent (1.39%);

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

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

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

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

1 the system's actuary recommends a reduction to the board to address an  
2 amortization period in excess of thirty (30) years to pay the unfunded  
3 liabilities of the system.

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

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

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

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

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

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

21  
22 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the  
23 General Assembly of the State of Arkansas that provisions of the Arkansas  
24 Teacher Retirement System Act need revision to maintain the teacher  
25 retirement laws in conformance with sound public pension policy; that the  
26 multiplier rates for the life annuity may need to be adjusted to keep the  
27 system actuarially sound; that the Arkansas Teacher Retirement System  
28 operates on a July 1 to June 30 fiscal year; and that this act is necessary  
29 to ensure that provisions of this act become effective on the first day of  
30 the fiscal year and to maintain an orderly system of benefits for members.  
31 Therefore, an emergency is declared to exist, and this act being necessary  
32 for the preservation of the public peace, health, and safety shall become  
33 effective on July 1, 2013.