

1 **State of Arkansas**
2 **78th General Assembly**
3 **Regular Session, 1991**

A Bill

HOUSE BILL 1155

4 **By: Representatives Stephens and McGinnis**

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For An Act To Be Entitled

8 "AN ACT TO AMEND TITLE 24, CHAPTER 7 OF THE ARKANSAS CODE
9 OF 1987, TO ESTABLISH A 1.85% MULTIPLIER FOR THE ARKANSAS
10 TEACHER RETIREMENT SYSTEM; AND FOR OTHER PURPOSES."

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

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14 SECTION 1. Subsection (5) of Arkansas Code §24-7-705(a) is hereby
15 amended to read as follows:

16 "(5) Subject to the minimum financial conditions set forth in A.C.A.
17 §24-7-718, and for the retirement dates indicated, the total of subdivisions
18 (1), (2), (3), and (4) of this subsection shall be not less than his number of
19 years of credited service multiplied by the indicated percent of his final
20 average salary:

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Effective Date	Percent of
of Retirement	Final Average Salary

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July 1, 1991 through June 30, 1992	1.85%
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July 1, 1992 through June 30, 1993	1.95%
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July 1, 1993 and later	2.05%"
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25 SECTION 2. Subsection (6) of Arkansas Code §24-7-705(a) is hereby
26 amended to read as follows:

27 "(6) Subject to the minimum financial conditions set forth in A.C.A.
28 §24-7-718, and for the retirement dates indicated, his number of years of
29 credited service rendered after June 30, 1986, and for which no member
30 contributions were made as provided in 24-7-406, multiplied by the indicated
31 percent of his final average salary:

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Effective Date	Percent of
of Retirement	Final Average Salary

July 1, 1991 through June 30, 1992	1.17%
July 1, 1992 through June 30, 1993	1.23%
July 1, 1993 and later	1.29%"

SECTION 3. Arkansas Code §24-7-713 is hereby amended to read as follows:

"24-7-713. Monthly benefits - Redetermination.

(a) (1) Beginning with the July 1 which is at least twelve (12) full months after the effective date of a monthly benefit, the amount of the benefit shall be redetermined effective each July 1 and the redetermined amount shall be payable for the ensuing year.

(2) Subject to the maximum stated in subdivision (3) of this subsection, the redetermined amount shall be the base amount multiplied by the following percent: One hundred percent (100%), plus three percent (3%) for each full year, but excluding any fraction of a year, in the period from the effective date of the base amount to the current July 1.

(3) In no event shall the redetermined amount be less than the base amount nor more than the base amount multiplied by the following fraction: The numerator shall be the average of the consumer price index for the twelve (12) calendar months in the calendar year immediately preceding the July 1, but in no event shall it be an amount less than the denominator, which shall be the average of the consumer price index for the twelve (12) calendar months in the calendar year immediately preceding the effective date of the base amount.

(4) As used in this section:

(A) 'The amount of the benefit otherwise payable' means the monthly amount of the benefit which would be payable disregarding the provisions of this section redetermining benefit amounts after retirement;

(B) 'Consumer Price Index' means the Consumer Price Index for All Urban Consumers, as determined by the United States Department of Labor and in effect January 1, 1986. Should the consumer price index be

1 restructured subsequent to 1985 in a manner materially changing its character,
2 the board, after receiving the advice of its actuary, shall change the
3 application of the consumer price index so that, as far as is practicable, the
4 1985 intent of the use of the consumer price index shall be continued.

5 (C) 'Base amount' means the monthly amount of the benefit
6 upon which benefit redeterminations after retirement are based, as provided in
7 this section. Base amount includes the amount of the benefit otherwise
8 payable plus any one-time increase or increases granted by legislative change.
9 The effective date of the base amount shall be the effective date of the
10 benefit or, if any, the effective date of the last increase in base amount,
11 whichever is later.

12 (b)(1) Subject to the minimum financial conditions set forth in A.C.A.
13 §24-7-1-718, and for the payment periods indicated, a special increase amount
14 shall be calculated and shall be the indicated percent of the indicated month
15 amount:

17 Effective Date		18 Percent	19 Monthly Benefit
20 of Increase	21 Payment Periods	22 Increase	23 In Effect For
24 July 1, 1991	25 July 1, 1991 and later	26 5.7%	27 June 1991
28 July 1, 1992	29 July 1, 1992 and later	30 5.4%	31 June 1992
32 July 1, 1993	33 July 1, 1993 and later	34 5.1%	35 June 1993

25 (2) Any other provisions to the contrary notwithstanding, the
26 special increase amount or amounts shall be added to and become part of the
27 base amount for the purpose of determining benefit amount payable July 1,
28 1991, and later."

30 SECTION 4. Arkansas Code Annotated Title 24, Chapter 7 is amended by
31 adding a new subsection to read as follows:

32 "24-7-718. Minimum financial conditions for benefit increases.

33 For an increase(s) in benefit formulas to be effective, the regular
34 annual actuarial valuation for the calendar year immediately preceding the
35 effective date of the increase(s) shall be based upon an investment rate

1 assumption of no more than eight percent (8%) and shall indicate that up to
2 and including a twelve percent (12%) of pay employer contribution rate is
3 sufficient to amortize all unfunded actuarial accrued liabilities for members
4 over a period of thirty (30) years or less. For any increase to be effective
5 on a scheduled date, all increases scheduled for that date must collectively
6 meet the minimum financial conditions.

7 On any scheduled date the increases do not collectively meet the minimum
8 financial conditions, the Board of Trustees shall have the authority to delay
9 the increase until the minimum financial conditions are met. Such delayed
10 increase shall only be given on a July 1 and shall be the increase set out in
11 Sections 1(5), 1(6) and 2(b)(1)."

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13 SECTION 5. All provisions of this act of a general and permanent nature
14 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
15 Revision Commission shall incorporate the same in the Code.

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17 SECTION 6. If any provision of this act or the application thereof to
18 any person or circumstance is held invalid, such invalidity shall not affect
19 other provisions or applications of the act which can be given effect without
20 the invalid provision or application, and to this end the provisions of this
21 act are declared to be severable.

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23 SECTION 7. All laws and parts of laws in conflict with this act are
24 hereby repealed.

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26 SECTION 8. EMERGENCY. It is hereby found and determined by the General
27 Assembly of the State of Arkansas that annuities now being paid to retired
28 teachers are insufficient to afford an adequate standard of living, that the
29 benefit formula of the Teacher Retirement System is lower than the formulas of
30 other state retirement systems, and that an increase in retirement annuities
31 for teachers is needed at the earliest possible time. Therefore, an emergency
32 is hereby declared to exist and this act being necessary for the immediate
33 preservation of the public peace, health, and safety, shall be in full force
34 and effect on and after July 1, 1991. /s/ B. Stephens & B.

35 McGinnis