

1 State of Arkansas *As Engrossed: S3/19/13 S3/20/13*

2 89th General Assembly

# A Bill

3 Regular Session, 2013

SENATE BILL 137

4

5 By: Senator B. Sample

6

7

## For An Act To Be Entitled

8 AN ACT TO ADDRESS MEMBER DEPOSIT ACCOUNTS IN THE  
9 ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM; TO  
10 ADDRESS TECHNICAL CHANGES IN THE ARKANSAS LOCAL  
11 POLICE AND FIRE RETIREMENT SYSTEM; TO EXTEND THE  
12 DEFERRED RETIREMENT OPTION PLAN IN THE ARKANSAS LOCAL  
13 POLICE AND FIRE RETIREMENT SYSTEM; TO ADDRESS COST OF  
14 LIVING INCREASES FOR CERTAIN MEMBERS OF THE ARKANSAS  
15 LOCAL POLICE AND FIRE RETIREMENT *SYSTEM; TO DECLARE*  
16 *AN EMERGENCY; AND* FOR OTHER PURPOSES.

17

18

19

## Subtitle

20 TO ADDRESS MEMBER DEPOSIT ACCOUNTS,  
21 TECHNICAL CHANGES, COST OF LIVING  
22 INCREASES, AND THE DEFERRED RETIREMENT  
23 OPTION PLAN IN THE ARKANSAS LOCAL POLICE  
24 AND FIRE RETIREMENT SYSTEM.

25

26

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

28

29 *SECTION 1. Arkansas Code § 24-10-407(d), concerning income-expense*  
30 *accounts, is amended to read as follows:*

31 *(d)(1)(A) At the end of each system fiscal year, the board shall*  
32 *credit each member's individual account in the members' deposit account with*  
33 *regular interest on the average balance in the account for the fiscal year.*

34 *(B) Beginning July 1, 2013, the board shall cease awarding*  
35 *interest to each member's deposit account.*

36 *(2) At the end of each system fiscal year, the board shall*



1 credit to each account in the employer accumulation account regular interest  
 2 on the average balance in the account for the fiscal year and similarly shall  
 3 credit regular interest to the retirement reserve account.

4 (3) The regular interest shall be transferred from the income-  
 5 expense account.

6  
 7 SECTION 2. Arkansas Code § 24-10-506(a)(1), concerning other local  
 8 police and fire service, is amended to read as follows:

9 (a) ~~Any~~ An active member of the Arkansas Local Police and Fire  
 10 Retirement System shall be entitled to purchase credited service in the  
 11 system equivalent to a period not to exceed fifteen (15) years if the member:

12 (1)(A) Has at least five (5) years of actual service with the  
 13 system~~+~~.

14 (B) A member hired on or after July 1, 2013, shall accrue  
 15 ten (10) years of actual service in order to be eligible for purchase under  
 16 this section;

17  
 18 SECTION 3. Arkansas Code § 24-10-508 is amended to read as follows:  
 19 24-10-508. Service credit.

20 (a) ~~Any~~ An active member of the Arkansas Local Police and Fire  
 21 Retirement System who has at least five (5) years of actual service and who  
 22 has service in an Arkansas law enforcement agency or fire department and who  
 23 has been employed as a public safety or law enforcement officer in any agency  
 24 not covered by the system or any other system that is reciprocal to the  
 25 system shall receive credited service for that service.

26 (b) A member hired on or after July 1, 2013, shall accrue ten (10)  
 27 years of actual service in order to be eligible under this section.

28  
 29 SECTION 4. Arkansas Code § 24-10-510(a), concerning service credit for  
 30 former military personnel, is amended to read as follows:

31 (a) ~~Any~~ An active member of the Arkansas Local Police and Fire  
 32 Retirement System may purchase credited service in the system equivalent to a  
 33 period not to exceed five (5) years for service rendered by the member while  
 34 on active duty in the armed forces of the United States before the member's  
 35 employment covered by the system, if the member:

36 (1) Received an honorable discharge from the armed forces;

1           (2)(A) *Has at least five (5) years of actual service in the*  
2 *system; and.*

3                       *(B) A member hired on or after July 1, 2013, shall accrue*  
4 *ten (10) years of actual service in order to be eligible for purchase under*  
5 *this section; and*

6           (3)(A) *Contributes to the system an amount that is the actuarial*  
7 *equivalent of the value of the credited service to be purchased.*

8                       *(B) The actuarial equivalent is of the time of the*  
9 *purchase of the credited service and shall be determined by the actuary for*  
10 *the system.*

11  
12           SECTION 5. *Arkansas Code § 24-10-604(a), concerning voluntary*  
13 *retirement application, is amended to read as follows:*

14           (a)(1) ~~*Any*~~ *A* *member in covered employment may retire with an annuity*  
15 *provided for in § 24-10-602 upon his or her written application to the Board*  
16 *of Trustees of the Arkansas Local Police and Fire Retirement System setting*  
17 *forth at what time, ~~not less than~~ at least thirty (30) days ~~nor~~ but not more*  
18 *than ninety (90) days subsequent to the execution and filing of his or her*  
19 *application, he or she desires to be retired, but only if, at the time of his*  
20 *or her separation from employment and at the time so specified for his or her*  
21 *retirement, the member shall have attained his or her normal retirement age*  
22 *and have five (5) years of credited service in force.*

23                       *(2) A member hired on or after July 1, 2013, shall accrue ten*  
24 *(10) years of actual service in order to be eligible under this section.*

25  
26           SECTION 6. *Arkansas Code § 24-10-605, concerning compulsory*  
27 *retirement, is amended to add an additional subsection to read as follows:*

28                       *(c) A member hired on or after July 1, 2013, shall accrue ten (10)*  
29 *years of actual credited service in order to be eligible under this section.*

30  
31           SECTION 7. *Arkansas Code § 24-10-607(a), concerning disability*  
32 *retirement, is amended to read as follows:*

33           (a)(1)(A)(i) ~~*Any*~~ *An* *active member with five (5) years of credited*  
34 *service, including credited service for seventy-five percent (75%) of the two*  
35 *(2) years immediately preceding his or her disability, who while an active*  
36 *member becomes totally and permanently physically or mentally incapacitated*

1 for any suitable duty as an employee as a result of a personal injury or  
2 disease may be retired by the Board of Trustees of the Arkansas Local Police  
3 and Fire Retirement System upon written application filed with the board by  
4 or on behalf of the member or former member.

5 (ii) A member hired on or after July 1, 2013, shall  
6 accrue ten (10) years of actual service in order to be eligible for  
7 retirement.

8 (B) The employee shall be retired only if, after a medical  
9 examination of the member or former member made by or under the direction of  
10 a physician or physicians designated by the board, the physician reports to  
11 the ~~plan~~ board in writing that the member or former member is physically or  
12 mentally totally incapacitated for the further performance of any suitable  
13 duty, that the incapacity will probably be permanent, and that the member or  
14 former member should be retired.

15 (2) A written application to the board by the member or former  
16 member or on behalf of the member shall be filed with the board not later  
17 than one (1) year after the termination of active membership.

18 (3) The disability annuity shall be effective the first day of  
19 the calendar month next following the later of:

20 (A) His or her termination of active membership; or

21 (B) Six (6) months before the date the written application  
22 is filed with the board.

23  
24 SECTION 8. Arkansas Code § 24-10-608, concerning death of a member in  
25 paid service, is amended to add an additional subsection to read as follows:

26 (g) A member hired on or after July 1, 2013, shall accrue ten (10)  
27 years of actual credited service in order to be eligible under this section.

28  
29 SECTION 9. Arkansas Code § 24-10-609, concerning the death of a member  
30 in volunteer service, is amended to add an additional subsection to read as  
31 follows:

32 (e) A member hired on or after July 1, 2013, shall accrue ten (10)  
33 years of actual service in order to be eligible for benefits under this  
34 section.

35  
36 SECTION 10. Arkansas Code § 24-10-611(a)(1), concerning termination of

1 covered employment, is amended to read as follows:

2 (a) A member who terminates covered employment before attaining his or  
3 her normal retirement age, for a reason other than death, early retirement,  
4 or disability retirement, shall be entitled to an annuity computed in  
5 accordance with the provisions of this section, as it provides at the time of  
6 the last termination of covered employment, subject to the member's  
7 satisfying all of the following conditions:

8 (1)(A) The member has five (5) years of credited service.

9 (B) A member hired on or after July 1, 2013, shall accrue  
10 ten (10) years of actual service in order to be eligible for retirement;

11  
12 SECTION 11. Arkansas Code § 24-10-613(a), concerning disposition of  
13 accumulated contributions, is amended to read as follows:

14 (a)(1) ~~If~~ On or after July 1, 2013, if a retirant and his or her  
15 eligible beneficiary, if any, both die before they have received in annuity  
16 payments a total amount equal to the accumulated contributions, ~~including any~~  
17 ~~interest credits~~ standing to the retirant's credit in the Arkansas Local  
18 Police and Fire Retirement System at the time of his or her retirement, the  
19 difference between the accumulated contributions and the total amount of  
20 annuities received by them shall be paid to the persons the retirant  
21 nominated by written designation duly executed and filed with the Board of  
22 Trustees of the Arkansas Local Police and Fire Retirement System.

23 (2) If no designated person survives the retirant and his or her  
24 beneficiary, the difference shall be paid to the estate of the survivor of  
25 the retirant and his or her beneficiary.

26  
27 SECTION 12. Arkansas Code § 24-10-704, concerning the rate of return  
28 on benefits, is amended to add an additional subsection to read as follows:

29 (c)(1) When a member has reached year six (6) of participation in the  
30 Local Police and Fire Deferred Retirement Option Plan under § 24-10-706, the  
31 amount of the benefit calculated at the time of enrollment in the plan shall  
32 be redetermined consistent with § 24-10-602.

33 (2) The redetermined amount shall be the amount of the benefit  
34 as of the immediately preceding July 1 increased by three percent (3%).

35 (3) The redetermined amount shall be payable only when the  
36 member elects to cease employment and receive a service retirement and shall

1 not be added to the plan account.

2  
3 SECTION 13. Arkansas Code § 24-10-706 is amended to read as follows:  
4 24-10-706. Duration.

5 (a) The duration of participation in the Local Police and Fire  
6 Deferred Retirement Option Plan for active paid service police officers and  
7 firefighters shall not exceed ~~five (5)~~ seven (7) years.

8 (b) At the conclusion of a member's participation in the plan, the  
9 member shall terminate employment with the employer and shall start receiving  
10 the member's monthly retirement benefit that would have been received if the  
11 member had retired at the time the member elected to participate in the plan.

12  
13 SECTION 14. Arkansas Code § 24-12-109(c)(1), concerning investments,  
14 is amended to read as follows:

15 (c)(1) In those nonuniformed employees' pension and relief funds in  
16 which assets exceed one hundred thousand dollars (\$100,000), the board of  
17 trustees may employ:

18 (A) An investment advisor ~~as defined in § 24-10-402(a)(2)(A)(ii)~~  
19 to invest the assets, subject to the terms, conditions, limitations, and  
20 restrictions imposed by law upon the Arkansas ~~Local Police and Fire~~  
21 ~~Retirement System, as provided by § 24-10-401 et seq.~~ Public Employees'  
22 Retirement System; and

23 (B) A trustee or custodian to hold the assets.

24 (2) The investments shall not be limited to interest-bearing bonds.

25  
26 SECTION 15. EMERGENCY CLAUSE. It is found and determined by the  
27 General Assembly of the State of Arkansas that the local police and fire  
28 retirement systems provide economic security for eligible citizens of  
29 Arkansas; that the statutes need amending to update and clarify existing law;  
30 and that these changes need to be made immediately. Therefore, an emergency  
31 is declared to exist and this act being immediately necessary for the  
32 preservation of the public peace, health, and safety shall become effective  
33 on July 1, 2013.

34  
35 /s/B. Sample

36 APPROVED: 04/11/2013