

1 State of Arkansas
2 93rd General Assembly
3 Regular Session, 2021
4

As Engrossed: H2/25/21

A Bill

HOUSE BILL 1346

5 By: Representative Warren
6 By: Senator K. Hammer
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING FINAL AVERAGE
10 COMPENSATION UNDER THE ARKANSAS PUBLIC EMPLOYEES'
11 RETIREMENT SYSTEM; AND FOR OTHER PURPOSES.
12
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Subtitle

15 TO AMEND THE LAW CONCERNING FINAL AVERAGE
16 COMPENSATION UNDER THE ARKANSAS PUBLIC
17 EMPLOYEES' RETIREMENT SYSTEM.
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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22 *SECTION 1. Arkansas Code § 24-4-101(18), concerning definitions*
23 *applicable to the Arkansas Public Employees' Retirement System, is amended to*
24 *read as follows:*

25 *(18)(A)(i) "Final average compensation" means the average of the*
26 *highest annual compensations paid a member during any period of three (3)*
27 *years of credited service with a public employer as calculated under § 24-4-*
28 *623.*

29 *~~(ii) The three-year average shall be the greatest of~~*
30 *~~the following:~~*

31 *~~(a) One third (1/3) of the following: The~~*
32 *~~total of the highest compensations paid during the two (2) completed fiscal~~*
33 *~~years when added to the total third highest compensation paid during the~~*
34 *~~completed fiscal year; or~~*

35 *~~(b) One third (1/3) of the following: The~~*
36 *~~total of the highest compensations paid during the two (2) completed fiscal~~*



~~years added to the total of the compensation paid for the months of credited service within the incomplete fiscal year in which the member retires, provided there are some, and the total third highest compensation paid during the completed fiscal year which has been multiplied by the number of months remaining in the fiscal year in which retirement occurs and divided by twelve (12).~~

~~(iii) Should the member have less than the minimum three (3) years of credited service, "average compensation" means the annual average compensations to the member during his or her total years of actual service.~~

~~(B) Any other provision to the contrary notwithstanding:~~

~~(i) If a member's rate of pay is set by Arkansas Constitution, Amendment 70, § 1, then the member's "average compensation" shall not be less than the member's rate of pay at the time of separation from covered employment;~~

~~(ii) If a member's rate of pay is set by Arkansas Constitution, Amendment 70, § 1, then the member's "average compensation" shall not be less than the member's highest rate of such pay; or~~

~~(iii) If a member served at any time in an office whose rate of pay is set by Arkansas Constitution, Amendment 70, § 1, and that member was a member of the General Assembly on December 31, 1978, then the member's "average compensation" shall not be less than the rate of pay currently set for the highest legislative office the member held;~~

SECTION 2. Arkansas Code Title 24, Chapter 4, Subchapter 6, is amended to add an additional section to read as follows:

24-4-623. Final average compensation.

(a)(1) For a member first hired by a system-covered employer on July 1, 2022, or after, the average of the five (5) highest annual compensations paid to the member during a completed fiscal year of credited service with a public employer shall determine the final average compensation that shall be used to determine the member's monthly retirement benefit.

(2) The five-year average shall be the greatest of the following:

(A) One-fifth (1/5) of the following: The total of the highest compensations paid during the four (4) completed fiscal years when

1 added to the total fifth-highest compensation paid during the completed
2 fiscal year; or

3 (B) One-fifth (1/5) of the following: The total of the
4 highest compensations paid during the four (4) completed fiscal years added
5 to the total of the compensation paid for the months of credited service
6 within the incomplete fiscal year in which the member retires, provided there
7 are some, and the total fifth highest compensation paid during the completed
8 fiscal year which has been multiplied by the number of months remaining in
9 the fiscal year in which retirement occurs and divided by twelve (12).

10 (3) Should the member have less than the minimum five (5) years
11 of credited service, "average compensation" means the annual average
12 compensations to the member during his or her total years of actual service.

13 (b)(1) For a member first hired by a system-covered employer before
14 July 1, 2022, the average of the three (3) highest annual compensations paid
15 during a completed fiscal year of credited service with a public employer
16 determines the final average compensation to be used in determining a
17 member's monthly retirement benefit.

18 (2) The three-year average shall be the greatest of the
19 following:

20 (A) One-third (1/3) of the following: The total of the
21 highest compensations paid during the two (2) completed fiscal years when
22 added to the total third highest compensation paid during the completed
23 fiscal year; or

24 (B) One-third (1/3) of the following: The total of the
25 highest compensations paid during the two (2) completed fiscal years added to
26 the total of the compensation paid for the months of credited service within
27 the incomplete fiscal year in which the member retires, provided there are
28 some, and the total third highest compensation paid during the completed
29 fiscal year which has been multiplied by the number of months remaining in
30 the fiscal year in which retirement occurs and divided by twelve (12).

31 (3) Should the member have less than the minimum three (3) years
32 of credited service, "average compensation" means the annual average
33 compensations to the member during his or her total years of actual service.

34 (c)(1) If a member's rate of pay is set by Arkansas Constitution,
35 Amendment 70, § 1, then the member's "average compensation" shall not be less
36 than the member's:

1 (A) Rate of pay at the time of separation from covered
2 employment; and

3 (B) Highest rate of such pay.

4 (2) If a member served at any time in an office whose rate of
5 pay is set by Arkansas Constitution, Amendment 70, § 1, and that member was a
6 member of the General Assembly on December 31, 1978, then the member's
7 "average compensation" shall not be less than the rate of pay currently set
8 for the highest legislative office the member held.

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10 /s/Warren

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13 **APPROVED: 3/15/21**
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