

ARKANSAS SENATE
85th General Assembly - Regular Session, 2005
Amendment Form

Subtitle of Senate Bill No. 154

"AN ACT TO ENSURE PARITY AND ESTABLISH RULES FOR THE LOCAL POLICE AND
FIRE PENSION AND RELIEF FUNDS; AND TO ESTABLISH ETHICS AND FISCAL
ACCOUNTABILITY OF LOCAL BOARD PLAN MEMBERS."

Amendment No. 1 to Senate Bill No. 154.

Amend Senate Bill No. 154 as originally introduced:

Delete SECTION 1 in its entirety and substitute the following:

"SECTION 1. Arkansas Code § 24-11-410(c), pertaining to investments, is amended as follows:

(c)(1) In those pension and relief funds in which assets exceed ~~five hundred thousand dollars (\$500,000)~~ one hundred thousand dollars (\$100,000), the board of trustees may employ an investment advisor as defined in § 24-10-402(a)(2)(A)(ii) to invest the assets, subject to the terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System, as provided by §§ 24-10-401 - 24-10-411.

(2) Investments shall not be limited to interest-bearing bonds.

(3) The total amount of fees paid to investment advisors, investment advisory services, investment educational services, trustee services, custodial and administrative services, and investment management services where the managers perform security trades on a best execution basis shall be limited to:

(A) An annual maximum of three percent (3%) of the fund amount for funds under five hundred thousand dollars (\$500,000);

(B) An annual maximum of one and one-half percent (1.5%) of the fund amount for funds over five hundred thousand dollars (\$500,000) but less than one million dollars (\$1,000,000); and

(C) An annual maximum fee of one percent (1%) of the fund amount for funds over one million dollars (\$1,000,000).

SECTION 2. Arkansas Code § 24-11-416 is amended as follows:

24-11-416. Proration where fund insufficient.

(a) If Except as provided in subsection (b) of this section, if at any time there should not be sufficient money in the fund to pay each person a full amount to which he or she may be entitled, the beneficiaries shall be paid by prorating the fund available among them.

(b) In cities and towns that have funds professionally managed through an investment advisor as defined in § 24-10-402(a) and pursuant to



the restrictions imposed by §§ 24-2-610 – 24-2-619 on investments of state retirement systems, the provisions of subsection (a) of this section shall not apply.

SECTION 3. Arkansas Code § 24-11-807(b), pertaining to proration upon insufficiency of the fund, is amended as follows:

(b)(1) ~~Should~~ Except as provided in subdivision (b)(2) of this section, should the fund provided for in this subchapter be insufficient to make full payment of the amount of pensions to all persons entitled thereto, then the fund shall be prorated among those entitled by the proper authorities as may be deemed just and equitable.

(2) In cities and towns that have professionally managed funds through an investment advisor as defined in § 24-10-402(a) and pursuant to the restrictions imposed by §§ 24-2-610 – 24-2-619 on investments of state retirement systems, the provisions of subdivision (b)(1) of this section shall not apply.

SECTION 4. Arkansas Code § 24-11-209(b), pertaining to the Arkansas Fire and Police Pension Guarantee Fund, is amended as follows:

(b)(1) Some of the municipal fire and police pension funds established under §§ 14-52-106, 24-11-401 - 24-11-403, 24-11-405 - 24-11-413, 24-11-416, 24-11-417, 24-11-422, 24-11-423, 24-11-425, 24-11-428 - 24-11-430, 24-11-801 - 24-11-807, 24-11-809, 24-11-810, 24-11-813 - 24-11-815, and 24-11-818 - 24-11-821, may run out of funds before all of the promised benefits have been paid to their members, retirants, and beneficiaries.

(2) The Arkansas Fire and Police Pension Guarantee Fund may assist the municipal funds, in accordance with the following:

(A) A municipal fire or police pension fund may receive financial assistance from the Arkansas Fire and Police Pension Guarantee Fund if the assistance is approved by the Arkansas Fire and Police Pension Review Board and if the fund complies with subdivision (b)(2)(B) of this section;

(B) If a municipal fire or police pension fund is to receive financial assistance from the Arkansas Fire and Police Pension Guarantee Fund, then:

(i) The municipal fire or police pension fund must apply in writing for financial assistance to the Arkansas Fire and Police Pension Guarantee Fund;

(ii) Upon receipt of the application, the Arkansas Fire and Police Pension Review Board shall notify the board of trustees of the fund, in writing, that the fund will receive financial assistance from the Arkansas Fire and Police Pension Guarantee Fund if all of the provisions of this subdivision (b)(2)(B) are met;

(iii)(a) ~~In~~ Except as provided in subdivision (b)(2)(B)(iii)(b) of this section, in order to receive any financial assistance from the Arkansas Fire and Police Pension Guarantee Fund, the local fund must be receiving a dedicated millage of one (1) mill~~±~~.

(b) If the municipal fire or police pension funds are professionally managed through an investment advisor as defined in § 24-10-402(a) and pursuant to the restrictions imposed by §§ 24-2-610 – 24-2-619 on investments of state retirement systems, the provisions of subdivision (b)(2)(B)(iii)(a) of this section shall not apply;

(iv) Any benefits, including refunds of active

member contributions to terminating members, due after the date the local fund is receiving assistance from the Arkansas Fire and Police Pension Guarantee Fund, shall not exceed the minimum amount provided by law;

(v) The Arkansas Fire and Police Pension Review Board may review the medical condition of all persons receiving a disability pension from the local fund. If the Arkansas Fire and Police Pension Review Board finds that a person receiving a disability pension from the local fund is no longer disabled, and as a result is no longer entitled to a disability pension, the person shall no longer receive a benefit from the local fund."

AND

Delete SECTION 2 in its entirety and substitute the following:

"SECTION 5. Arkansas Code § 24-11-805(d), pertaining to investments, is amended as follows:

(d)(1) However, in those pension and relief funds in which assets exceed one hundred thousand dollars (\$100,000), the board of trustees may employ an investment advisor as defined in § 24-10-402(a) to invest the assets, subject to the terms, conditions, limitations, and restrictions imposed by law upon the system, as provided by § 24-10-401 et seq.

(2) Investments shall not be limited to interest-bearing bonds, certificates of deposit, and time deposits.

(3) The total amount of fees paid to investment advisors, investment advisory services, investment educational services, trustee services, custodial and administrative services, and investment management services where the managers perform security trades on a best execution basis shall be limited to:

(A) An annual maximum of three percent (3%) of the fund amount for funds under five hundred thousand dollars (\$500,000);

(B) An annual maximum of one and one-half percent (1.5%) of the fund amount for funds over five hundred thousand dollars (\$500,000) but less than one million dollars (\$1,000,000); and

(C) An annual maximum fee of one percent (1%) of the fund amount for funds over one million dollars (\$1,000,000)."

AND

Delete SECTION 3 in its entirety and substitute the following:

"SECTION 6. Arkansas Code § 24-11-405, pertaining to the board of trustees, is amended to add a new subsection as follows:

(e)(1) Each board member may receive no more than a combined total of fifty dollars (\$50.00) per year in gifts, trips, and meals from current or potential investment advisors or managers of the policemen's pension and relief fund.

(2)(A) Each board member shall attest by written affidavit that the member is in compliance with the requirement of subdivision (e)(1) of this section on a yearly basis.

(B) The affidavit shall be attached to each plan's annual report to the Arkansas Fire and Police Pension Review Board.

(C) The annual report to the Arkansas Fire and Police Pension Review Board will not be deemed complete without the affidavits required in subdivision (e)(2)(A) of this section being attached.

(3) Investment advisors or managers of the policemen's pension and relief fund shall declare in writing to the chair of each local board of trustees with whom he or she does business his or her intent to comply with the requirement of subdivision (e)(1) of this section.

SECTION 7. Arkansas Code § 24-11-801, pertaining to the board of trustees and members, is amended to add a new subsection as follows:

(j)(1) Each board member may receive no more than a combined total of fifty dollars (\$50.00) per year in gifts, trips, and meals from current or potential investment advisors or managers of the firemen's pension and relief fund.

(2)(A) Each board member shall attest by written affidavit that the member is in compliance with the requirement of subdivision (j)(1) of this section on a yearly basis.

(B) The affidavit shall be attached to each plan's annual report to the Arkansas Fire and Police Pension Review Board.

(C) The annual report to the Arkansas Fire and Police Pension Review Board will not be deemed complete without the affidavits required in subdivision (j)(2)(A) of this section being attached.

(3) Investment advisors or managers of the firemen's pension and relief fund shall declare in writing to the chair of each local board of trustees with whom he or she does business his or her intent to comply with the requirement of subdivision (j)(1) of this section."

The Amendment was read the first time, rules suspended and read the second time and _____

By: Senator Faris
MMC/KSW - 02-08-2005 11:53
MMC099

Secretary