

State of Arkansas

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AS ENGROSSED 2/9/87

HOUSE BILL 1274

By: Representatives B. Wood and McGinnis

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"AN ACT TO AMEND SECTION 9 OF ACT 427 OF 1973, AS AMENDED [ARK. STATS. SECTION 80-1443], TO ESTABLISH A 1.65% MULTIPLIER FOR ACTIVE MEMBERS; TO CREDIT PRO-RATA MILITARY SERVICE; TO INCREASE ALL RETIREES' BENEFITS; AND FOR OTHER PURPOSES."

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

SECTION 1. Subsection 9.03 of Section 9 of Act 427 of 1973, as amended, the same being Arkansas Statutes 80-1443, (9.03) is hereby amended to read as follows:

"9.03. Life. (a) Upon a member's retirement effective July 1, 1987 or later, he shall receive a straight life annuity equal to the total of (1), (2), (3), (4) and (6) next following, subject to the provisions of (5), (7), (8) and (9):

(1) His number of years of credited service rendered before July 1, 1969 multiplied by 1.80 percent of the first \$6,600 of his final average salary, but not less than benefits in accordance with provisions in force before July 1, 1971 modified by using 1.50 percent as the benefit multiplier rather than 1.25% as provided before July 1, 1971;

(2) His number of years of credited service rendered after June 30, 1969 and before July 1, 1971 multiplied by 1.80 percent of his final average salary, but not less than benefits in accordance with provisions in force before July 1, 1971 modified by using 1.50 percent as the benefit multiplier rather than 1.25% as provided before July 1, 1971;

(3) His number of years of credited service rendered after June 30, 1971 and before July 1, 1977 multiplied by 1.80 percent of his final average salary;

(4) 1.59 percent of his final average salary multiplied by his number of

years of credited service rendered after June 30, 1977 for which member contributions were made as provided herein;

(5) For payment periods July 1, 1987 through June 30, 1988, the total of (1), (2), (3), and (4) above shall not be less than his number of years of such credited service multiplied by 1.65 percent of his final average salary for payment periods July 1, 1988 through June 30, 1989, the total of (1), (2), (3) and (4) above shall not be less than his number of years of such credited service multiplied by 1.70 percent of his final average salary; and for payment periods July 1, 1989 and later, the total of (1), (2), (3) and (4) above shall be not less than his number of years of such credited service multiplied by not less than 1.70% nor more than 1.75% of his final average salary, the percentage to be established by the Board at the highest rate that will not require employer contributions to exceed 12.5% nor result in the system having unfunded liabilities in excess of thirty-five years;

(6) For payment periods July 1, 1987 through June 30, 1988 1.0378 percent of his final average salary multiplied by his number of years of credited service rendered after June 30, 1986 and for which no member contributions were made as provided herein for payment periods July 1, 1988 through June 30, 1989, 1.07 percent of his final average salary multiplied by his number of years of credited service rendered after June 30, 1986 and for which no member contributions were made as provided herein; and for payment periods July 1, 1989 and later, not less than 1.07% nor more than 1.10% of his final average salary multiplied by his number of years credited service rendered after June 30, 1986, and for which no member contributions were made as provided herein, the percentage to be established by the Board at the highest rate that will not result in the system having unfunded liabilities in excess of thirty-five years;

(7) For a member contributing on only the first \$7,800 of each annual salary after June 30, 1969, each annual salary used in computing his final average salary shall be limited to a maximum of \$7,800. Such limit shall apply to his total credited service;

(8) For a member retiring with benefits to be computed on both contributory service under subparagraph (a) (5) and non-contributory service under subparagraph (a) (6) of this Subsection, and free military service first credited after July 1, 1986 under Subsection 5 of Act 427 of 1973, as amended the amount of military service to be used in the computation of benefits under

each subparagraph shall be prorated on the ratio of membership service under each plan to his total membership service.

All purchased military service, all out-of-state service credited under Subsection 5.03 and all overseas service credited under Subsection 5.04 of Section 5 shall be counted as contributory service and benefits based on this service shall be computed under subparagraph (a) (5) of this subsection.

(9) In the event a member who was an active member June 30, 1961 submits to the Board evidence, satisfactory to the Board, that at the time of his retirement he has not acquired social security fully insured status, his straight life annuity shall be computed according to the provisions of paragraph (b) of this subsection.

(b) Upon retirement, as provided in the act of a member who has not acquired social security fully insured status, he shall receive a straight life annuity equal to the sum of 2 percent of the first \$3,500 of this final average salary multiplied by the number of years of his credited service rendered prior to July 1, 1957; plus 2 percent of the first \$5,500 of his final average salary multiplied by the number of years of his credited service rendered after June 30, 1957. Any straight life annuity payable for a retirant who has not acquired social security fully insured status as of June 30, 1973 shall be a minimum of \$150 per month beginning with the annuity payable for the month of July, 1973.

(c) The minimum straight life annuity for a member retiring effective after June 30, 1965 but before July 1, 1986 shall be \$150 per month. For a member retiring effective July 1, 1986 or later, the minimum straight life annuity shall be: \$150 per month if the member has no non-contributory credited service of the type specified in paragraph (a) (6) above; or \$94 per month if the member has only credited service of the non-contributory type specified in paragraph (a) (6) above; or, if the member has a mixture of credited service, the monthly amount shall be prorated between \$94 and \$150 according to the relationship between such non-contributory credited service and his total credited service.

(d) As of 1986 the member contributory benefit program and the member non-contributory benefit program were related by requiring the same employer contribution rate; it is intended that this relationship be preserved by future changes, if any, in benefit programs.

(e) Upon a member's retirement, as provided in this act, he shall

have the right to elect an option provided for in Subsection 9.04.

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

SECTION 2. Subsection 9.05 of Section 9 of Act 427 of 1973, as amended, the same being Arkansas Statute 80-1443 (9.05), is hereby amended to read as follows:

"9.05. (a) For a monthly benefit becoming effective after July 1, 1986 and beginning with the July first which is at least 12 full months after the effective date of the benefit, the amount of the benefit shall be redetermined effective each July first and such redetermined amount shall be payable for the ensuing year. Subject to the maximum stated in the next sentence, such redetermined amount shall be the amount of the benefit otherwise payable multiplied by the following percent: 100 percent, plus 3 percent for each full year (excluding any fraction of a year) in the period from the effective date of the benefit to the current July first. In no event shall such redetermined amount (i) be less than the amount of the benefit otherwise payable nor (ii) be more than the amount of the benefit otherwise payable multiplied by the following fraction: the numerator shall be the average of the consumer price index for the 12 calendar months in the calendar year immediately preceding such July first (but in no event an amount less than the denominator below) and; the denominators shall be the average of the consumer price index for the 12 calendar months in the calendar year immediately preceding the effective date of the benefit. 'The amount of the benefit otherwise payable' means the monthly amount of the benefit which would be payable disregarding these provisions redetermining benefit amounts after retirement.

(b) As used herein, '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; provided, should such consumer price index be restructured subsequent to 1985 in a manner materially changing its character, the Board, after receiving the advice of the actuary, shall change the application of the consumer price index so that, as far as is practicable, the 1985 intent of the use of the consumer price index shall be continued.

(c) For a monthly benefit effective on or before July 1, 1986 and beginning July 1, 1987 the amount of the benefit shall be redetermined effec-

tive each July first and such redetermined amounts shall be payable for the ensuing year. Subject to the maximum stated in the next sentence, such redetermined amount shall be the amount of the benefit otherwise payable multiplied by the following percent: 100 percent, plus 3 percent for each full year (excluding any fraction of a year) in the period from July 1, 1986 to the current July first. In no event shall such redetermined amount (i) be less than the amount of the benefit otherwise payable nor (ii) be more than the amount of the benefit otherwise payable multiplied by the following fraction: the numerator shall be the average of the consumer price index for the 12 calendar months in the calendar year immediately preceding such July first (but in no event an amount less than the denominator below) and; the denominator shall be the average of the consumer price index for the 12 calendar months in the calendar year 1985. 'The amount of the benefit otherwise payable' means the monthly amount of a benefit which was, or would have been, payable effective July 1, 1986 subject to the increase provided for in paragraph (d).

(d) For a retirement effective from July 1, 1972 through June 30, 1987, a special increase amount shall be calculated, and shall be equal to 3.78% of the actual benefit amount payable for the month of July, 1986 or later. For a retirement effective June 30, 1972 and earlier, a special increase shall be payable in accordance with the following schedule:

Date of Retirement	Percent of Increase
7-1-71 through 6-30-72	5%
7-1-70 through 6-30-71	6%
7-1-69 through 6-30-70	7%
7-1-68 through 6-30-69	8%
7-1-67 through 6-30-68	9%
7-1-66 through 6-30-67	10%
7-1-65 through 6-30-66	11%
7-1-64 through 6-30-65	12%
7-1-63 through 6-30-64	13%
7-1-62 through 6-30-63	14%
7-1-61 through 6-30-62	15%
Before 7-1-61	15%

Any other provisions to the contrary notwithstanding, such special increase amount shall be added into and become part of 'the amount of the benefit

otherwise payable' for the purpose of determining benefit amounts payable July 1, 1987 and later."

(e) Special benefit increases and contribution increases effective July 1, 1988. Persons receiving benefits as of June 30, 1988 shall, for payment periods July 1, 1988 and later, receive an additional benefit increase in the amount of 3.1 percent of their June 1988 actual benefit payment. The employer contribution percent computed by the system for the fiscal year beginning July 1, 1988 shall be increased by 0.50 percent of active member payroll for the purpose of shortening the amortization period for unfunded actuarial accrued liabilities toward thirty-five or fewer years.

(f) Special benefit increases and contribution increases effective July 1, 1989. Persons receiving benefits as of June 30, 1989 shall, for payment periods beginning July 1, 1989 and later, receive an additional benefit increase as in Subsection 9.03(a)(5) in an amount not to exceed 3% of their June 1989 actual benefit payment, providing the percentage to be established by the Board at the highest rate shall not require employer contributions to exceed 12.5% or result in the amortization of unfunded actuarial accrued liabilities in excess of thirty-five (35) years.

SECTION 3. All laws and parts of laws in conflict with this Act are hereby repealed.

SECTION 4. EMERGENCY. It is hereby found and determined by the General Assembly that annuities now being paid to retired teachers are insufficient to afford an adequate standard of living, that the benefit formula of the Teacher Retirement System is lower than the formulas of other state retirement systems, and that an increase in retirement annuities for teachers is needed at the earliest possible time. Therefore, an emergency is hereby declared to exist and this act, being necessary for the immediate preservation of the public peace, health, and safety, shall be in full force and effect on and after July 1, 1987.

/s/ Bobby G. Wood et al

