

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 83rd General Assembly
3 Regular Session, 2001
4

As Engrossed: H3/30/01

A Bill

HOUSE BILL 1347

5 By: Representative R. Smith
6
7

For An Act To Be Entitled

9 *AN ACT TO AMEND VARIOUS SECTIONS OF ARKANSAS CODE*
10 *TITLE 24, CHAPTER 11, SUBCHAPTERS 2, 3, AND 8 TO*
11 *CLARIFY THE ALLOCATION OF INSURANCE PREMIUM TAX*
12 *FUNDS TO THE ARKANSAS POLICEMEN'S PENSION*
13 *SUPPLEMENT PROGRAM, TO INCREASE THE SUPPLEMENT*
14 *AMOUNT, AND TO ALLOW DROP MEMBERS TO PARTICIPATE;*
15 *AND FOR OTHER PURPOSES.*

Subtitle

16 *AN ACT TO AMEND THE ARKANSAS POLICEMEN'S*
17 *PENSION SUPPLEMENT PROGRAM TO CLARIFY*
18 *THE ALLOCATION OF INSURANCE PREMIUM TAX*
19 *FUNDS AND INCREASE THE SUPPLEMENT AMOUNT*
20 *AND ALLOW DROP MEMBERS TO PARTICIPATE.*
21
22
23

24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
25

26 SECTION 1. Arkansas Code 24-11-211(d), concerning the benefits under
27 the Arkansas Policemen's Pension Supplement Program, is amended to read as
28 follows:

29 (d) Retired police officers and survivors shall be eligible for the
30 pension supplement under this program as follows:

31 (1) A retired police officer or survivor receiving retirement
32 benefits from a local policemen's pension and relief fund of less than four
33 hundred dollars (\$400) per month shall receive a supplement under the program
34 in an amount equivalent to raise his or her total benefits plus the supplement
35 to four hundred dollars (\$400) per month, or the amount in subdivision (d)(2)
36 of this section, whichever is greater; and

1 (2) A retired police officer or survivor currently receiving
2 retirement benefits from a local policemen's pension and relief fund of four
3 hundred dollars (\$400) or more per month shall receive a supplement under the
4 program of ~~fifteen dollars (\$15.00)~~ fifty dollars (\$50.00) per month.

5
6 SECTION 2. Arkansas Code 24-11-211(a), concerning participation in the
7 Policemen's Pension Supplement Program, is amended to read as follows:

8 (a) There is hereby created the Arkansas Policemen's Pension Supplement
9 Program to be administered by the Arkansas Fire and Police Pension Review
10 Board. Local and municipal police officers provide valuable services to the
11 citizens of this state by risking their lives and health to protect the lives
12 and property of our citizens. Upon their retirement or participation in a DROP
13 plan from active service, these police officers are provided retirement
14 benefits through local police pension funds. These retired police officers and
15 their survivors, if deceased, are expected to pay for all kinds of expenses
16 after their retirement, some which are unexpected and can be extremely
17 expensive. A program by which the state can provide a modest annual supplement
18 to retirement benefits to defray unexpected expenses for retired police
19 officers and their survivors will benefit all local police officers, local
20 governments, and all citizens of the state. As used in this section, the term
21 "retired police officers" shall include police officers who are retired from
22 active service and officers who remain actively employed while participating
23 in the Police Officers' Deferred Option Plan under a policemen's pension and
24 relief fund.

25
26 SECTION 3. Arkansas Code Title 24, Chapter 11, Subchapter 2 is amended
27 to add an additional section to read as follows:

28 24-11-212. Future Supplement Fund.

29 (a) A Future Supplement Fund-Police and Future Supplement Fund-Fire are
30 created for the purpose of providing cost of living assistance and minimum
31 benefit amount assistance to police and fire pension and relief funds.

32 (b) The Future Supplement Funds shall be administered by the Arkansas
33 Fire and Police Pension Review Board.

34 (c) Each year the Future Supplement Funds will receive moneys from:

35 (1) The portion of each location's premium tax allocation based
36 on number of members as of December 31, 2000 who are no longer receiving

1 benefits and these amounts are defined in § 24-11-302(c)(3)(C) and § 24-11-
2 810(a)(5)(C); and

3 (2) The portion of the increase in the amount allocated to
4 general revenues under § 24-11-302 and § 24-11-810 as this amount is defined
5 in those sections.

6 (d) The General Assembly of the State of Arkansas shall in each regular
7 session decide the method and amount to be distributed from the Future
8 Supplement Funds.

9 (e) At the time that there are no longer any members covered by local
10 police and fire pension and relief funds, any remainder of the Future
11 Supplement Funds would be transferred to the Local Police and Fire Retirement
12 System.

13
14 SECTION 4. Arkansas Code 24-11-302 is amended to read as follows:

15 24-11-302. Cities and towns qualified to participate - Reports.

16 (a) Each city or town having a police officers' pension and relief fund
17 which is organized pursuant to any existing statute of this state and each
18 city or town which covers its police department under the Arkansas Local
19 Police and Fire Retirement System shall be qualified to participate in the
20 distribution of the funds described and appropriated by this subchapter.

21 (b) The allocation of funds to each qualified city or town pursuant to
22 § 24-11-301 shall be subject to the following conditions:

23 (1) Each calendar year the Arkansas Fire and Police Pension
24 Review Board shall review its previous calendar year distribution of funds to
25 each qualified city or town prior to disbursement to each of these qualified
26 areas. This review shall comply with subdivisions (d)(4) and (5) of this
27 section; and

28 (2) The certification of any new city or town to participate in
29 the Firemen's and Police Officers' Pension and Relief Fund shall be considered
30 in the board's assessment each calendar year of the allocation of the
31 disbursement of the funds pursuant to subdivisions (d)(4) and (5) of this
32 section.

33 (c)(1) The revenues collected pursuant to §§ 23-60-102, 24-11-301, 24-
34 11-302, 26-57-601 - 26-57-605, and 26-57-607 and distribution in accordance
35 with this section shall be allocated to each qualified city or town in a
36 proportion determined by evaluation of the following factors:

1 (A) The legal description of the metes and bounds of the
2 city or town. The legal description shall be based on standard visible
3 features of the area. If the legal description cannot be based on standard
4 visible features, a Global Positioning System survey shall be conducted to
5 determine the boundaries; and

6 (B) A census population assessment in the city or town.

7 (2)(A) The mayor or other qualified representative of each city
8 or town shall certify to the board the accuracy of the metes and bounds legal
9 description of the area and the population information.

10 (B) The metes and bounds legal description shall be
11 determined by a surveyor licensed in the State of Arkansas, a preexisting map
12 held by the city, town, or fire protection district or by the Institute for
13 Economic Advancement at the College of Business Administration at the
14 University of Arkansas at Little Rock's Geographic Information Systems Lab.

15 (C) The population of the area shall be determined by the
16 Census State Data Center at the Institute for Economic Advancement at the
17 College of Business Administration at the University of Arkansas at Little
18 Rock's Geographic Information Systems Lab.

19 (3)(A) An actuary certified by the Society of Actuaries shall
20 evaluate the information submitted pursuant to subsection (c) of this section
21 to determine the amount of turnback funds to be directed to an area based on
22 the following formula:

23 (i) The legal description of the metes and bounds
24 shall be considered as forty percent (40%) of the calculation; and

25 (ii) The population of the area shall be considered
26 as sixty percent (60%) of the calculation.

27 (B) The actuarial assessment shall apply the corresponding
28 ratio of these factors in calculating the exact amount of funds that should be
29 allocated to each city, town, or fire protection district.

30 (C) The amount allocated to each location shall be reduced
31 by the amount defined in this subdivision (c)(3)(C) for the Future Supplement
32 Fund-Police under § 24-11-212. The amount allocated to the Future Supplement
33 Fund-Police is the amount allocated to a location in this subsection
34 multiplied by the ratio of the number as determined in subdivision
35 (c)(3)(C)(i) of this section to the number as determined in subdivision
36 (c)(3)(C)(ii) of this section as follows:

1 (i) The number of active, retiree and beneficiary
2 members of the pension and relief fund as of December 31, 2000 minus the
3 number of active, retiree and beneficiary members of the pension and relief
4 fund as of the most recent December 31; and

5 (ii) The number of active, retiree and beneficiary
6 members of the Local Police and Fire Retirement System plus the number of
7 active, retiree and beneficiary members of the pension and relief fund as of
8 December 31, 2000.

9 (iii) In the case of multiple beneficiaries of a
10 single deceased member, those beneficiaries shall be counted as one (1) for
11 the purposes of this subdivision (c)(3)(C).

12 (iv) In the case of paid service and volunteer
13 service members in one location, one (1) paid service member shall be equal to
14 five (5) volunteer service members for the purposes of this subdivision
15 (c)(3)(C).

16 (d)(1) All cities, towns, or fire protection districts participating in
17 the Arkansas Firemen's and Police Officers' Pension and Relief Fund as of
18 April 15, 1999, shall receive at least seventy-five percent (75%) of its
19 current level of premium tax distributions upon conversion to the distribution
20 method prescribed in subsection (c) of this section. This threshold
21 percentage may be used as a phase-in tool by the board to accommodate the
22 conversion of distribution of a period of five (5) years from April 15, 1999.

23 The distribution of these funds shall be subject to subsection (b) of this
24 section.

25 (2) All cities and towns having police departments organized
26 pursuant to §§ 24-11-101 - 24-11-830 that have provided the information
27 required in subsection (c) of this section to the board shall qualify for
28 participation in the distribution of premium taxes for the Firemen's and
29 Police Officers' Pension and Relief Fund under the board.

30 (3) On or before December 15, 1985, of each calendar year until
31 the year 2000, the board shall certify to the Insurance Commissioner those
32 cities and towns which have organized police departments qualified to
33 participate in the distribution of premium taxes described by §§ 24-11-301 -
34 24-11-830.

35 (4) On or before June 15, 2001, the board shall certify to the
36 Department of Finance and Administration those cities and towns that qualify

1 for distribution of premium taxes collected under §§ 23-60-102, 24-11-301, 24-
2 11-302, 26-57-601 - 26-57-605, and 26-57-607 for the 2000 tax year pursuant to
3 the amended section determining qualification based on metes and bounds and
4 population of the area. Certification shall be provided to the Department of
5 Finance and Administration on all entities participating in the pension plan,
6 including, but not limited to, those entities participating prior to April 15,
7 1999.

8 (5) On or before June 15, 2001, the board shall certify to the
9 Department of Finance and Administration the exact amount of tax revenues each
10 city and town is entitled to receive for the calendar year in which coverage
11 began pursuant to subsection (c) of this section. Such information shall be
12 provided each calendar year thereafter on or before June 15.

13 (6) The eligibility of the cities or towns shall be continuous
14 for a ten-year period without recertification unless otherwise directed by the
15 board. The first year of implementation shall require a nine-year cycle from
16 June 15, 2001. Thereafter each city or town shall resubmit the information
17 required in subsection (c) of this section every ten (10) years beginning on
18 December 15, 2010.

19 (e) The Arkansas Fire and Police Pension Review Board created by § 24-
20 11-203 is directed, and it shall be its duty, to identify those cities and
21 towns to certify them to the Insurance Commissioner on or before December 15
22 of each calendar year until the year 2000, indicating that they are qualified
23 to participate in the distribution of those funds described and appropriated
24 by this subchapter. Subsequent to the year 2000, for each political
25 subdivision which covers a police department under the Arkansas Local Police
26 and Fire Retirement System, the board shall certify eligibility for the tax
27 moneys to the Department of Finance and Administration on or before December
28 15 of the calendar year.

29 ~~(f) Until December 15, 2000, each city and town qualified by either the~~
30 ~~Arkansas Fire and Police Pension Review Board or the Board of Trustees of the~~
31 ~~Arkansas Local Police and Fire Retirement System shall then be entitled to~~
32 ~~receive that portion of the tax, as described and appropriated by this~~
33 ~~subchapter, that is collected during the forthcoming calendar year, arising~~
34 ~~from such insurance as shall be written upon every motor vehicle principally~~
35 ~~garaged in that qualified city or town.~~

36 ~~(g) The Insurance Commissioner shall advise all companies subject to~~

1 ~~the tax of the name of each qualified city or town.~~

2 ~~(h) At the time of filing their respective annual statements, the~~
3 ~~companies shall report to the commissioner those premiums from motor vehicle~~
4 ~~owners for insurance against the perils described in this subchapter and shall~~
5 ~~identify that qualified city or town in which the subject of the insurance is~~
6 ~~principally garaged until the year 2000.~~

7 ~~(i) As of December 15, 2000, the provisions of subsections (f), (g),~~
8 ~~and (h) of this section shall be superseded by the provisions of § 24-11-~~
9 ~~301(a) (d).~~

10 ~~(j)(1)(f)(1)~~ All taxes that are levied on insurers but are not
11 allocated to cities or towns qualified to participate in the distribution of
12 the taxes that are allocated to general revenues under § 24-11-301(a)(3) shall
13 first be allocated to the Arkansas Fire and Police Pension Guarantee Fund and
14 next to the Policemen's Pension Supplement Program Fund as provided for in
15 subdivision ~~(j)(3)(f)(4)~~ of this section and then to general revenues.

16 (2) Funds shall be distributed by the Chief Fiscal Officer of the
17 State to the Arkansas Fire and Police Pension Guarantee Fund upon the
18 recommendation of the Arkansas Fire and Police Pension Review Board in an
19 amount necessary to fund the priority categories defined by § 24-11-
20 209(e)(3)(A) - (D)

21 ~~(2)(3)~~ Funds ~~shall~~ may be distributed by the Chief Fiscal Officer
22 of the State to the Arkansas Fire and Police Pension Guarantee Fund upon the
23 recommendation of the Arkansas Fire and Police Pension Review Board for plans
24 in the priority category defined by § 24-11-209(e)(3)(E).

25 ~~(3)(4)~~ After transfers are made to cover funds distributed under
26 ~~subdivision (j)(2)~~ subdivisions (f)(2) and (f)(3) of this section and the
27 portion of those premium taxes set aside for transfer to the State Police
28 Retirement Fund under § 24-6-209(b), the Director of the Department of Finance
29 and Administration is directed to make ~~monthly~~ annual transfers to the
30 Policemen's Pension Supplement Program Fund on or before July 25, 1999, and
31 each ~~month~~ year thereafter ~~of a portion of those unallocated insurance premium~~
32 ~~taxes enumerated in § 24-11-301(a)~~ as certified by the Arkansas Fire and
33 Police Pension Review Board on July 1 each year as the amount needed to pay
34 the expenses of and to make payments to the eligible retired police officers
35 and survivors under the Policemen's Pension Supplement Program for the coming
36 year of the program.

1 (5) Fifty percent (50%) of the increase in the amount allocated
2 to general revenues under this section, using the dollar amount allocated in
3 fiscal year 1999-2000 as the base amount, shall be transferred to the Future
4 Supplement Fund-Police under § 24-11-212.

5
6 SECTION 5. Arkansas Code 24-11-434(d)(3), concerning the payments into a
7 Police Officers' Deferred Option Plan account, is amended to read as follows:

8 (3) The monthly retirement benefits that would have been payable
9 had the member elected to cease employment and receive a service retirement
10 and pension supplement payments made by the Policemen's Pension Supplement
11 Program shall be paid into the Arkansas Police Officers' Deferred Option Plan
12 account.

13
14 SECTION 6. Arkansas Code 24-11-809(c), concerning the apportionment of
15 insurance premium taxes for fire pension and relief funds, is amended to read
16 as follows:

17 (c)(1)(A) The commissioner is directed, and it shall be his duty, to
18 embody in his annual statement the names of all cities, towns, and fire
19 protection districts entitled to receive the tax paid by the insurance
20 companies.

21 (B) He shall require the companies to report at the time of
22 making his annual statements the amount of premiums received and the amount of
23 taxes paid by the companies during the year ending December 31, upon real and
24 personal property insured against the perils recited, in each and all of the
25 several cities, towns, and fire protection districts named in his report.

26 (2) Thereafter, and by June 30 in each calendar year until the
27 year 2000, the commissioner shall certify to the Auditor of State the names of
28 the towns, cities, and fire protection districts having organized fire
29 departments which qualify for participation in the taxes distributed for
30 firemen's relief and pension funds, and the amount of taxes paid in the
31 preceding year by the companies described in this section upon the premiums
32 described in this section. As of December 15, 2000, the provisions of
33 subdivisions (c)(1) and (c)(2) of this section shall be superseded by the
34 provisions of § 24-11-810(a) and (b).

35 (3)(A) All taxes that are levied on insurers, but are not
36 allocated to cities, towns, and fire protection districts qualified to

1 *participate in the distribution of the taxes, may be allocated to the Fire*
 2 *Protection Premium Tax Fund and the Arkansas Fire and Police Pension Guarantee*
 3 *Fund and then to general revenues.*

4 *(B) For the 1999-2000 state fiscal year, six hundred*
 5 *thousand dollars (\$600,000) of the funds transferred to general revenues under*
 6 *this section and § 24-11-810 shall be transferred to the Fire Protection*
 7 *Premium Tax Fund and in all subsequent years, fifty percent (50%) of the*
 8 *percentage increase in the amount allocated to general revenues under this*
 9 *section and § 24-11-810, using the dollar amount allocated in fiscal year*
 10 *1999-2000 as the base year, shall be transferred to the Fire Protection*
 11 *Premium Tax Fund in addition to the six hundred thousand dollars (\$600,000)*
 12 *per year, until such time that a cap of two million dollars (\$2,000,000)*
 13 *annually is transferred to the Fire Protection Premium Tax Fund. Thereafter,*
 14 *the annual transfer shall be set at two million dollars (\$2,000,000).*

15 *~~(B)~~(C) Funds shall be distributed by the Chief Fiscal*
 16 *Officer of the State to the Arkansas Fire and Police Pension Guarantee Fund*
 17 *upon the recommendation of the Arkansas Fire and Police Pension Review Board*
 18 *in an amount necessary to fund the priority categories defined by subdivisions*
 19 *(e)(3)(A) - (D) in § 24-11-209.*

20 *~~(C)~~(D) Funds may be distributed by the Chief Fiscal Officer*
 21 *of the State to the Arkansas Fire and Police Pension Guarantee Fund upon the*
 22 *recommendation of the Arkansas Fire and Police Pension Review Board for plans*
 23 *in the priority category defined by § 24-11-209(e)(3)(E).*

24 *(4) The payment for the administrative and actuarial expenses of*
 25 *the Arkansas Fire and Police Pension Review Board shall be made prior to the*
 26 *disbursements to the eligible political subdivisions.*

27 *(5) Fifty percent (50%) of the increase in the amount allocated*
 28 *to general revenues under this section, using the dollar amount allocated in*
 29 *state fiscal year 1999-2000 as the base year, shall be transferred to the*
 30 *Future Supplement Fund-Fire under § 24-11-212.*

31
 32 *SECTION 7. Arkansas Code 24-11-810(a)(5), concerning the apportionment*
 33 *of insurance premium taxes for fire pension and relief funds, is amended to*
 34 *add an additional subdivision to read as follows:*

35 *(C) The amount allocated to each location shall be reduced*
 36 *by the amount defined in this subdivision (a)(5)(C) for the Future Supplement*

1 Fund-Fire under § 24-11-212. The amount allocated to the Future Supplement
2 Fund-Fire is the amount allocated to a location in this subsection multiplied
3 by the ratio of the number as determined in subdivision (a)(5)(C)(i) of this
4 section to the number as determined in subdivision (a)(5)(C)(ii) of this
5 section as follows:

6 (i) The number of active, retiree and beneficiary
7 members of the pension and relief fund as of December 31, 2000 minus the
8 number of active, retiree and beneficiary members of the pension and relief
9 fund as of the most recent December 31; and

10 (ii) The number of active, retiree and beneficiary
11 members of the Local Police and Fire Retirement System plus the number of
12 active, retiree and beneficiary members of the pension and relief fund as of
13 December 31, 2000.

14 (iii) In the case of multiple beneficiaries of a
15 single deceased member, those beneficiaries shall be counted as one (1) for
16 the purposes of this subdivision (a)(5)(C).

17 (iv) In the case of paid service and volunteer
18 service members in one location, one (1) paid service member shall be equal to
19 five (5) volunteer service members for the purposes of this subdivision
20 (a)(5)(C).

21
22 SECTION 8. [THE ARKANSAS CODE REVISION COMMISSION IS NOT REQUIRED TO
23 CODIFY THIS SECTION.] No benefit enhancement provided for by this act shall
24 be implemented if it would cause the publicly supported retirement system's
25 unfunded actuarial accrued liabilities to exceed a thirty (30) year
26 amortization. No benefit enhancement provided for by this act shall be
27 implemented by any publicly supported system which has unfunded actuarial
28 accrued liabilities being amortized over a period exceeding thirty (30) years
29 until the unfunded actuarial accrued liability is reduced to a level less than
30 the standards prescribed by Arkansas Code, Title 24.

31 /s/ R. Smith
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