

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 84th General Assembly  
3 Regular Session, 2003  
4

As Engrossed: H4/8/03  
**A Bill**

HOUSE BILL 1222

5 By: Representative R. Smith  
6 By: Senator J. Bookout  
7  
8

9 **For An Act To Be Entitled**

10 *AN ACT TO PROVIDE STATUTORY AUTHORITY FOR THE*  
11 *ARKANSAS TEACHER RETIREMENT SYSTEM TO MANAGE ITS*  
12 *ASSETS AND LIABILITIES TO MEET ITS PENSION*  
13 *OBLIGATIONS BY UTILIZING A PORTION OF FUNDS UNDER*  
14 *ITS CONTROL TO PROVIDE THE SOURCE OF PAYMENT AND*  
15 *SECURITY FOR ARKANSAS TEACHER RETIREMENT SYSTEM*  
16 *REVENUE BONDS; AND FOR OTHER PURPOSES.*

17  
18 **Subtitle**

19 TO PROVIDE STATUTORY AUTHORITY FOR THE  
20 TEACHER RETIREMENT SYSTEM TO MEET ITS  
21 PENSION OBLIGATIONS BY USING FUNDS UNDER  
22 ITS CONTROL TO PAY FOR ARKANSAS TEACHER  
23 RETIREMENT SYSTEM REVENUE BONDS.  
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25

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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28 *SECTION 1. Arkansas Code § 24-7-403 is amended to read as follows:*  
29 *24-7-403. Restrictions on use of assets.*

30 *(a) All assets of the Arkansas Teacher Retirement System shall be held*  
31 *for the sole purpose of paying benefits and making disbursements in*  
32 *accordance with the provisions of this act, paying debt service requirements*  
33 *on Arkansas Teacher Retirement System Revenue Bonds, and shall be used for*  
34 *no other purpose whatsoever, unless the assets are used to purchase or*  
35 *construct a building to be used for the permanent offices of the system upon*  
36 *approval of the Board of Trustees of the Arkansas Teacher Retirement System.*



1           (b) Except as to the rights of a member, retirant, or beneficiary, no  
 2 trustee and no officer or employee of the board shall have any interest,  
 3 direct or indirect, in the gains or profits of any investment made by the  
 4 board. Nor shall any of them, directly or indirectly, for himself or as an  
 5 agent, in any manner use the assets of the system except to make such current  
 6 and necessary payments as are authorized by the board; nor shall any of them  
 7 become an endorser or surety or become in any manner an obligor for moneys  
 8 loaned by or borrowed from the board.

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 10           SECTION 2. Arkansas Code § 24-7-405 is amended to read as follows:

11           24-7-405. Retirement fund assets accounts generally.

12           All the assets of the Arkansas Teacher Retirement System shall be  
 13 recorded in ~~five (5)~~ six (6) accounts, namely:

- 14           (1) The members' deposit account;
- 15           (2) The employer accumulation account;
- 16           (3) The retirement reserve account;
- 17           (4) The survivor benefit account; ~~and~~
- 18           (5) The income-expense account; ~~and~~
- 19           (6) The debt service account.

20  
 21           SECTION 3. Arkansas Code § 24-7-406(a)(1), concerning the Arkansas  
 22 Teacher Retirement System accounts and contributions, is amended to read as  
 23 follows:

24           (a)(1) The members' deposit account shall be the account in which  
 25 shall be accumulated at regular interest the members' contributions to the  
 26 Arkansas Teacher Retirement System and from which shall be paid refunds of  
 27 accumulated contributions, ~~and~~ transfers as provided in this act, and any  
 28 debt service requirement on the Arkansas Teacher Retirement System Revenue  
 29 Bonds. However, employer contributions which are paid by an employee instead  
 30 of an employer shall be credited to the members' deposit account. Those  
 31 contributions shall be subject to refund under the same conditions that  
 32 regular member contributions are refundable.

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 34           SECTION 4. Arkansas Code § 24-7-407 is amended to read as follows:

35           24-7-407. Retirement fund assets accounts - Employer accumulation  
 36 account.

1 (a) The employer accumulation account is the account in which shall be  
 2 accumulated the employer's contributions to the Arkansas Teacher Retirement  
 3 System, and from which shall be made transfers for any debt service  
 4 requirement on the Arkansas Teacher Retirement System Revenue Bonds and any  
 5 other transfers as provided in this act.

6 (b) Upon the retirement of a member, the difference between his  
 7 annuity reserve and his accumulated contributions standing to his credit in  
 8 the members' deposit account at that time shall be transferred from the  
 9 employer accumulation account to the retirement reserve account.

10 (c) Upon the death of a member, if survivor benefits become payable on  
 11 account of his death, the difference between the reserve for the survivor  
 12 benefits payable and the member's accumulated contributions standing to his  
 13 credit in the members' deposit account at the time of his death shall be  
 14 transferred from the employer accumulation account to the survivor benefit  
 15 account.

16  
 17 SECTION 5. Arkansas Code Title 24, Chapter 7, Subchapter 4 is amended  
 18 to add additional sections to read as follows:

19 24-7-412. Arkansas Teacher Retirement System Debt Service Account.

20 (a)(1) There is created and established an account, designated as a  
 21 cash fund and held separate and apart from the State Treasury, to be known as  
 22 the "Arkansas Teacher Retirement System Debt Service Account."

23 (2) The account shall be used to pay debt service requirements  
 24 on the Arkansas Teachers Retirement System Revenue Bonds.

25 (3) All moneys deposited into the Arkansas Teacher Retirement  
 26 System Debt Service Account are cash funds under § 19-6-103, restricted in  
 27 their use and to be used solely as provided in this section.

28 (b)(1) Funds shall be transferred from the members' deposit account or  
 29 the employer accumulation account to the Arkansas Teacher Retirement System  
 30 Debt Service Account in amounts necessary to meet the debt service  
 31 requirements of the Arkansas Teachers Retirement System Revenue Bonds as are  
 32 then outstanding.

33 (2) Amounts received in the Arkansas Teacher Retirement System  
 34 Debt Service Account shall be held until needed to make payments on debt  
 35 service requirements.

36 (3) The Board of Trustees of the Arkansas Teacher Retirement

1 System may invest any amounts held in the Arkansas Teacher Retirement System  
2 Debt Service Account in suitable investments maturing not later than when the  
3 moneys are needed to pay debt service requirements, provided that the  
4 investment of the moneys may be limited by the provisions of any trust  
5 indenture under which bonds are issued or any related non-arbitrage  
6 certificate or tax regulatory agreement.

7 (c)(1) Amounts in the Arkansas Teacher Retirement System Debt Service  
8 Account shall be transferred to funds and accounts established and held by  
9 the trustee for the bonds at the time and manner specified in the trust  
10 indenture or funds transfer agreement securing the bonds.

11 (2) If required by the trust indenture or funds transfer  
12 agreement under which the bonds have been issued, amounts deposited to the  
13 Arkansas Teacher Retirement System Debt Service Account may be immediately  
14 deposited into funds or accounts established by the trust indenture and held  
15 by the bond trustee.

16 (3) The board is authorized to execute any funds transfer  
17 agreement, consent, pledge, or other document, reasonably required under a  
18 trust indenture to affirm the pledge of amounts held in the Arkansas Teacher  
19 Retirement System Debt Service Account to secure Arkansas Teach Retirement  
20 System Revenue Bonds.

21 (d)(1) Any amounts held in the Arkansas Teacher Retirement System Debt  
22 Service Account, to the extent those amounts are not needed to pay debt  
23 service requirements shall be transferred in the appropriate pro rata  
24 proportion to either the members' deposit account or the employer  
25 accumulation account.

26 (2) The pro rata distribution is based upon the source of the  
27 funds.

28 (e)(1) If there are no longer any bonds outstanding, and all debt  
29 service requirements and other contractual obligations have been paid in  
30 full, any amounts remaining in the Arkansas Teacher Retirement System Debt  
31 Service Account shall be transferred in the appropriate pro rata proportion  
32 to members' deposit account or the employer accumulation account.

33 (2) The pro rata distribution shall be based upon the source of  
34 the funds.

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36 24-7-413. Authority of the system board of trustees.

1           (a) With respect to the Arkansas Teacher Retirement System Debt  
2 Service Account, the Board of Trustees of Arkansas Teacher Retirement System  
3 is authorized and directed to perform the following duties:

4           (1) Manage and invest the amounts held in the Arkansas Teacher  
5 Retirement System Debt Service Account;

6           (2) Invest and reinvest the moneys in the account;

7           (3) Hold, purchase, sell, assign, transfer, or dispose of any of  
8 the investments and the proceeds of the investments and moneys.

9           (b) These duties shall be performed in compliance with the prudent  
10 investor and other applicable standards under §§ 24-3-408, 24-3-414, 24-3-  
11 415, and 24-3-417 through 24-3-425, and § 19-3-518.

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13           24-7-414. Issuance of Arkansas Teacher Retirement System Revenue Bonds  
14 by Arkansas Development Finance Authority.

15           (a)(1) If requested by a resolution of the Board of Trustees of  
16 Arkansas Teacher Retirement System, the Arkansas Development Finance  
17 Authority is directed and authorized to issue Arkansas Teacher Retirement  
18 System Revenue Bonds, the proceeds of which are to be used for financing the  
19 pension obligations.

20           (2) These bonds may be issued in series, and shall be special  
21 obligations only of the Arkansas Development Finance Authority, secured  
22 solely by the Arkansas Teachers Retirement System Debt Service Account.

23           (b)(1) Before issuance of any bond series, the Arkansas Development  
24 Finance Authority shall adopt a resolution authorizing the issuance of the  
25 series of bonds.

26           (2) The resolution shall contain the terms, covenants,  
27 conditions, as deemed desirable and consistent with this section together  
28 with provisions of subchapters 1, 2, and 3 of Chapter 5 of Title 15 of the  
29 Arkansas Code Annotated, including without limitation, those pertaining to  
30 the establishment and maintenance of funds and accounts, deposit and  
31 investment of bond proceeds and the rights and obligations of the Arkansas  
32 Development Finance Authority and the registered owners of the bonds.

33           (3) In authorizing, issuing, selling the bonds and in the  
34 investment of all funds held under the resolution or indenture securing the  
35 bonds, the Arkansas Development Finance Authority shall have the powers and  
36 be governed under §§ 15-5-309 and 15-5-310.

1           (c)(1) The bonds shall be special obligations of the Arkansas  
2 Development Finance Authority, secured and payable from deposits in the  
3 Arkansas Teacher Retirement System Debt Service Account.

4           (2) In pledging revenues to secure the bonds, the provisions of  
5 § 15-5-313 shall apply.

6           (d) Each bond shall state plainly on the face that it has been issued  
7 under this section, and subchapters 1, 2, and 3 of Chapter 5 of Title 15 of  
8 the Arkansas Code Annotated, that the bond is an obligation only of the  
9 Arkansas Development Finance Authority secured as specified in this section,  
10 and that, in no event, shall the bonds constitute an indebtedness of the  
11 State of Arkansas or an indebtedness for which the faith and credit of the  
12 State of Arkansas or any of its revenues are pledged or an indebtedness  
13 secured by lien, or security interest in any property of the State.

14           (e)(1) The bonds may be issued in one (1) or more series, as  
15 determined by the Arkansas Development Finance Authority.

16           (2) Additional bonds may be issued in one (1) or more series to  
17 fund additional pension obligations, so long as the Arkansas Development  
18 Finance Authority determines that revenues transferred to the Arkansas  
19 Teacher Retirement System Debt Service Account, in combination with other  
20 revenues available to secure the bonds, are sufficient to meet all debt  
21 service requirements on the additional bonds and any other bonds then  
22 outstanding.

23           (f)(1) Any funds remaining and available to the Arkansas Development  
24 Finance Authority or the trustees under any indenture or resolution after the  
25 retirement of all bonds outstanding under the indenture or resolution, and  
26 the satisfaction of all contractual obligations related thereto and all  
27 current expenses of the Arkansas Development Finance Authority related  
28 thereto, shall be transferred to the members' deposit account or the employer  
29 accumulation account in the appropriate pro rata proportion.

30           (2) The pro rata distribution shall be based upon the source of  
31 the funds.

32           (g) The Arkansas Development Finance Authority may issue bonds for the  
33 purpose of refunding bonds previously issued under section, and in doing so  
34 shall be governed by the provisions of § 15-5-314.

35           (h)(1) Bonds and interest on the bonds are exempt from all taxes of  
36 the state of Arkansas, including income, inheritance, and property taxes.



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