

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 85th General Assembly
3 Regular Session, 2005
4

As Engrossed: S2/9/05
A Bill

SENATE BILL 154

5 By: Senator Faris
6
7

8 **For An Act To Be Entitled**

9 AN ACT TO ENSURE PARITY BETWEEN THE LOCAL POLICE
10 AND FIRE PENSION AND RELIEF FUNDS; TO ESTABLISH
11 RULES FOR LOCAL POLICE AND FIRE PENSION AND
12 RELIEF FUNDS; AND TO ESTABLISH ETHICS AND FISCAL
13 ACCOUNTABILITY OF LOCAL BOARD PLAN MEMBERS; AND
14 FOR OTHER PURPOSES.

15
16 **Subtitle**

17 AN ACT TO ENSURE PARITY AND ESTABLISH
18 RULES FOR THE LOCAL POLICE AND FIRE
19 PENSION AND RELIEF FUNDS; AND TO
20 ESTABLISH ETHICS AND FISCAL
21 ACCOUNTABILITY OF LOCAL BOARD PLAN
22 MEMBERS.

23
24
25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
26

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

29 *(c)(1) In those pension and relief funds in which assets exceed ~~five~~*
30 *~~hundred thousand dollars (\$500,000) one hundred thousand dollars (\$100,000),~~*
31 *the board of trustees may employ an investment advisor as defined in § 24-10-*
32 *402(a)(2)(A)(ii) to invest the assets, subject to the terms, conditions,*
33 *limitations, and restrictions imposed by law upon the Arkansas Local Police*
34 *and Fire Retirement System, as provided by §§ 24-10-401 - 24-10-411.*

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

36 *(3) The total amount of fees paid to investment advisors,*



1 investment advisory services, investment educational services, trustee
 2 services, custodial and administrative services, and investment management
 3 services where the managers perform security trades on a best execution basis
 4 shall be limited to:

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

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

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

12
 13 SECTION 2. Arkansas Code § 24-11-416 is amended as follows:

14 24-11-416. Proration where fund insufficient.

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

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

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

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

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

1
2 SECTION 4. Arkansas Code § 24-11-209(b), pertaining to the Arkansas
3 Fire and Police Pension Guarantee Fund, is amended as follows:

4 (b)(1) Some of the municipal fire and police pension funds established
5 under §§ 14-52-106, 24-11-401 - 24-11-403, 24-11-405 - 24-11-413, 24-11-416,
6 24-11-417, 24-11-422, 24-11-423, 24-11-425, 24-11-428 - 24-11-430, 24-11-801
7 - 24-11-807, 24-11-809, 24-11-810, 24-11-813 - 24-11-815, and 24-11-818 - 24-
8 11-821, may run out of funds before all of the promised benefits have been
9 paid to their members, retirants, and beneficiaries.

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

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

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

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

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

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

31 **(b) If the municipal fire or police pension**
32 **funds are professionally managed through an investment advisor as defined in**
33 **§ 24-10-402(a) and pursuant to the restrictions imposed by §§ 24-2-610 - 24-**
34 **2-619 on investments of state retirement systems, the provisions of**
35 **subdivision (b)(2)(B)(iii)(a) of this section shall not apply;**

36 (iv) Any benefits, including refunds of active

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

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

10
 11 SECTION 5. Arkansas Code § 24-11-805(d), pertaining to investments, is
 12 amended as follows:

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

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

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

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

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

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

32
 33 SECTION 6. Arkansas Code § 24-11-405, pertaining to the board of
 34 trustees, is amended to add a new subsection as follows:

35 (e)(1) Each board member may receive no more than a combined total of
 36 fifty dollars (\$50.00) per year in gifts, trips, and meals from current or

1 potential investment advisors or managers of the policemen's pension and
2 relief fund.

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

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

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

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

15
16 SECTION 7. Arkansas Code § 24-11-801, pertaining to the board of
17 trustees and members, is amended to add a new subsection as follows:

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

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

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

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

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

34
35 /s/ Faris
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