

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 S2/17/05

# A Bill

SENATE BILL 154

5 By: Senator Faris  
6  
7

## 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.

## Subtitle

15  
16 AN ACT TO ENSURE PARITY AND ESTABLISH  
17 RULES FOR THE LOCAL POLICE AND FIRE  
18 PENSION AND RELIEF FUNDS; AND TO  
19 ESTABLISH ETHICS AND FISCAL  
20 ACCOUNTABILITY OF LOCAL BOARD PLAN  
21 MEMBERS.  
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24

25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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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 are required to perform security trades on a best  
 4 execution basis 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 § 24-11-209(b), pertaining to the  
 14 Arkansas Fire and Police Pension Guarantee Fund, is amended as follows:

15 (b)(1) Some of the municipal fire and police pension funds established  
 16 under §§ 14-52-106, 24-11-401 - 24-11-403, 24-11-405 - 24-11-413, 24-11-416,  
 17 24-11-417, 24-11-422, 24-11-423, 24-11-425, 24-11-428 - 24-11-430, 24-11-801  
 18 - 24-11-807, 24-11-809, 24-11-810, 24-11-813 - 24-11-815, and 24-11-818 - 24-  
 19 11-821, may run out of funds before all of the promised benefits have been  
 20 paid to their members, retirants, and beneficiaries.

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

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

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

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

33 (ii) Upon receipt of the application, the Arkansas  
 34 Fire and Police Pension Review Board shall notify the board of trustees of  
 35 the fund, in writing, that the fund will receive financial assistance from  
 36 the Arkansas Fire and Police Pension Guarantee Fund if all of the provisions

1 of this subdivision (b)(2)(B) are met;

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

6 (b) If the restrictions imposed by §§ 24-2-610  
 7 - 24-2-619 on investments of state retirement systems are met and the  
 8 municipal fire or police pension funds are professionally managed through an  
 9 investment management and trust arrangement containing independent and  
 10 separately accountable components for investment advisory and reporting,  
 11 investment management and trust, and custodial and administrative services,  
 12 then the provisions of subdivision (b)(2)(B)(iii)(a) of this section shall  
 13 not apply;

14 (iv) Any benefits, including refunds of active  
 15 member contributions to terminating members, due after the date the local  
 16 fund is receiving assistance from the Arkansas Fire and Police Pension  
 17 Guarantee Fund, shall not exceed the minimum amount provided by law;

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

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 25 SECTION 3. Arkansas Code § 24-11-805(d), pertaining to investments, is  
 26 amended as follows:

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

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

34 (3) The total amount of fees paid to investment advisors,  
 35 investment advisory services, investment educational services, trustee  
 36 services, custodial and administrative services, and investment management

1 services where the managers are required to perform security trades on a best  
2 execution basis shall be limited to:

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

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

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

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11 SECTION 4. Arkansas Code § 24-11-405, pertaining to the board of  
12 trustees, is amended to add a new subsection as follows:

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

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

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

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

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

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30 SECTION 5. Arkansas Code § 24-11-801, pertaining to the board of  
31 trustees and members, is amended to add a new subsection as follows:

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

36 (2)(A) Each board member shall attest by written affidavit that

1 the member is in compliance with the requirement of subdivision (j)(1) of  
2 this section on a yearly basis.

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

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

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

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13 /s/ Faris  
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