

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013

A Bill

SENATE BILL 111

4
5 By: Senator R. Thompson

For An Act To Be Entitled

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7
8 AN ACT TO ENSURE THAT THE STATE RETIREMENT SYSTEMS
9 COMPLY WITH THE PRUDENT INVESTOR RULE IN THE RENEWAL
10 AND REVIEW PROCESS FOR THE INVESTMENT AND MANAGEMENT
11 OF ASSETS OF THE SYSTEM; TO DECLARE AN EMERGENCY; AND
12 FOR OTHER PURPOSES.

Subtitle

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16 TO ENSURE THAT THE STATE RETIREMENT
17 SYSTEMS COMPLY WITH THE PRUDENT INVESTOR
18 RULE IN THE RENEWAL AND REVIEW PROCESS
19 FOR THE INVESTMENT AND MANAGEMENT OF
20 ASSETS OF THE SYSTEM AND TO DECLARE AN
21 EMERGENCY.

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

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26 SECTION 1. Arkansas Code § 24-2-618, concerning the delegation of
27 investment and management functions, is amended to add an additional
28 subsection to read as follows:

29 (g)(1) The length of a contract or other investment agreement and any
30 renewal or extension of the contract or other investment agreement may be
31 agreed upon by a state retirement system and the other party to the contract
32 or other investment agreement and is exempt from the mandatory expiration
33 provisions under Arkansas Procurement Law, § 19-11-201 et seq. if the
34 contract or other investment agreement is procured under the Arkansas
35 Procurement Law and the purpose of the contract or other investment agreement
36 is to:



1 (A) Invest and manage a system's trust assets under § 24-
 2 2-610;

3 (B) Provide actuarial services to determine the
 4 liabilities and financial status of a state retirement plan;

5 (C) Retain custody of a system's trust assets; or

6 (D) Protect and recover trust assets of a system.

7 (2) The board of trustees of a state retirement system shall
 8 determine the duration of the contract or other investment agreement and any
 9 renewal or extension of the contract or other investment agreement by
 10 negotiating with the other party to the contract or other investment
 11 agreement for the most favorable rates and terms for the state retirement
 12 system based on:

13 (A) Market competition;

14 (B) Experience of the other party to the contract or other
 15 investment agreement;

16 (C) Knowledge of the state retirement system's need; and

17 (D) Compliance with the prudent investor rule set forth in
 18 § 24-2-610 et seq.

19 (3) The board of trustees of a state retirement system shall
 20 submit information requested by the Legislative Council concerning a contract
 21 or other investment agreement procured under § 19-11-201 et seq.

22 (4) A partial equity ownership agreement between a state
 23 retirement system and another party shall be reviewed under § 19-11-1301 et
 24 seq.

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 26 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
 27 General Assembly of the State of Arkansas that the boards of trustees of the
 28 state retirement systems are bound to invest and manage trust assets under
 29 the Prudent Investor Rule, exercising reasonable care, skill, and caution
 30 when making investment and management decisions; that each contract to invest
 31 and manage system assets is intensely reviewed for favorable terms and
 32 executed to provide optimal return on the investment, keeping fees and other
 33 expenses to a minimum; that contracts that utilize the highly specialized and
 34 competitive skills of investment advisors in the public, private, and real
 35 estate markets require expertise that is particular to each state retirement
 36 system for which they invest, advise, or manage funds; that contracts are

1 traditionally negotiated for terms that may last for decades for the benefit
2 of the particular state retirement system so that the structure of the
3 investment to receive profit may be fully realized and that this act is
4 immediately necessary to prevent any state retirement system from being
5 unduly burdened and severely financially harmed if it is forced to
6 renegotiate these contracts, exposing the state retirement system to higher
7 fees that total in the millions of dollars. Therefore, an emergency is
8 declared to exist, and this act, being immediately necessary for the
9 preservation of the public peace, health, and safety, shall become effective
10 on:

11 (1) The date of its approval by the Governor;

12 (2) If the bill is neither approved nor vetoed by the Governor,
13 the expiration of the period of time during which the Governor may veto the
14 bill; or

15 (3) If the bill is vetoed by the Governor and the veto is
16 overridden, the date the last house overrides the veto.

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