

State of Arkansas
92nd General Assembly
Regular Session, 2019

A Bill

SENATE BILL 245

By: Senator Hester

For An Act To Be Entitled

AN ACT CONCERNING THE DEFINITION OF "FINAL AVERAGE
COMPENSATION" UNDER THE ARKANSAS PUBLIC EMPLOYEES'
RETIREMENT SYSTEM; AND FOR OTHER PURPOSES.

Subtitle

CONCERNING THE DEFINITION OF "FINAL
AVERAGE COMPENSATION" UNDER THE ARKANSAS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

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

SECTION 1. Arkansas Code § 24-4-101(18), concerning the definition of "final average compensation" and other definitions applicable to the Arkansas Public Employees' Retirement System, is amended to read as follows:

(18)(A)(i) ~~"Final average compensation"~~ For a member who was hired before July 1, 2020, "final average compensation" means the average of the highest annual compensations paid to a member during any period of three (3) years of credited service with a public employer.

(ii) The three-year average shall be the greatest of the following:

(a) One-third (1/3) of the following: The total of the highest compensations paid during the two (2) completed fiscal years when added to the total third highest compensation paid during the completed fiscal year; or

(b) One-third (1/3) of the following: The total of the highest compensations paid during the two (2) completed fiscal years added to the total of the compensation paid for the months of credited



service within the incomplete fiscal year in which the member retires, provided there are some, and the total third highest compensation paid during the completed fiscal year which has been multiplied by the number of months remaining in the fiscal year in which retirement occurs and divided by twelve (12).

(iii) Should the member have less than the minimum three (3) years of credited service, "average compensation" means the annual average compensations to the member during his or her total years of actual service.

(B)(i) For a member who is hired on or after July 1, 2020, "final average compensation" means the average of the highest annual compensations paid to a member during any period of five (5) years of credited service with a public employer.

(ii) The five-year average shall be the greater of the following:

(a) One-fifth (1/5) of the total of the highest compensations paid to the member during the four (4) completed fiscal years added to the total fifth highest compensation paid to the member during the completed fiscal year; or

(b) One-fifth (1/5) of the total of the highest compensations paid during the four (4) completed fiscal years added to the total of the compensation paid for the months of credited service within the incomplete fiscal year in which the member retires, if any, plus the total fifth highest compensation paid during the completed fiscal year which has been multiplied by the number of months remaining in the fiscal year in which the member retires and divided by twelve (12).

(iii) Should a member have less than the minimum five (5) years of credited service, "average compensation" means the annual average compensations to the member during his or her total years of actual service.

(C) Any other provision to the contrary notwithstanding:

(i) If a member's rate of pay is set by Arkansas Constitution, Amendment 70, § 1, then the member's "average compensation" shall not be less than the member's rate of pay at the time of separation from covered employment;

(ii) If a member's rate of pay is set by Arkansas

Constitution, Amendment 70, § 1, then the member's "average compensation" shall not be less than the member's highest rate of such pay; or

(iii) If a member served at any time in an office whose rate of pay is set by Arkansas Constitution, Amendment 70, § 1, and that member was a member of the General Assembly on December 31, 1978, then the member's "average compensation" shall not be less than the rate of pay currently set for the highest legislative office the member held;