

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: H1/29/03

A Bill

Act 205 of 2003
HOUSE BILL 1147

5 By: Representative R. Smith
6 By: Senators J. Jeffress, Faris
7
8

For An Act To Be Entitled

9
10 AN ACT TO CHANGE THE CALCULATION OF ANNUITY
11 BENEFIT OPTIONS UNDER THE STATE HIGHWAY
12 EMPLOYEES' RETIREMENT SYSTEM TO BE BASED ON AN
13 ACTUARIAL EQUIVALENT; AND FOR OTHER PURPOSES.
14

Subtitle

15
16 TO CHANGE THE CALCULATION OF ANNUITY
17 BENEFIT OPTIONS UNDER THE STATE HIGHWAY
18 EMPLOYEES' RETIREMENT SYSTEM.
19
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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23 SECTION 1. Arkansas Code § 24-5-118 is amended to read as follows:
24 24-5-118. Benefits - Annuity options.

25 (a) Before the date the first payment of an annuity becomes due, but
26 not thereafter, a person about to become a retirant may elect, in lieu of a
27 straight life annuity as set forth in § 24-5-115, to have the annuity reduced
28 and to nominate a beneficiary, as provided by Option A or Option B:

29 (1) Option A.

30 (A)(i) Under Option A, an annuity payable to the retirant
31 shall be reduced ~~to ninety percent (90%) of the annuity otherwise payable and~~
32 ~~shall be paid to the retirant for life or for one hundred twenty (120)~~
33 ~~monthly payments, whichever is longer~~ by an amount calculated to provide an
34 actuarially equivalent benefit to the annuity payable under § 24-5-115.

35 (ii) This subdivision (a)(1)(A) shall apply to all
36 members and retirees.



1 (B) If the retirant dies before having received one
2 hundred twenty (120) monthly payments of the reduced annuity, the reduced
3 annuity to which the retirant would have been entitled, if living, shall be
4 paid for the remainder of the one-hundred-twenty-month period to such person
5 as the deceased retirant shall have nominated by written designation, duly
6 executed and filed with the Board of Trustees of the Arkansas State Highway
7 Employees' Retirement System.

8 (C) If the beneficiary does not survive the retirant, the
9 retirant may name another beneficiary, or failing to name a beneficiary, the
10 annuity reserve for the annuity for the remainder of the one-hundred-twenty-
11 month period shall be paid to the retirant's estate.

12 (D) If the beneficiary survives the retirant but dies
13 before the end of the one-hundred-twenty-month period, the annuity reserve
14 for the annuity for the remainder of the one-hundred-twenty-month period
15 shall be paid to the beneficiary's designated beneficiary.

16 (2) Option B.

17 (A)(i)(a) Under Option B, an annuity payable to the
18 retirant ~~shall be reduced to eighty five percent (85%) of the annuity~~
19 ~~otherwise payable if the retirant's age and his beneficiary's age are the~~
20 ~~same on the first payment due date, and the annuity shall be decreased by~~
21 ~~one half percent (0.5%) for each year, or fraction thereof, that the~~
22 ~~beneficiary's age is less than the retirant's age, or shall be increased by~~
23 ~~one half percent (0.5%), up to a maximum of ninety five percent (95%), for~~
24 ~~each year, or fraction thereof, that the beneficiary's age is more than the~~
25 ~~retirant's age and surviving beneficiary shall be reduced by an amount~~
26 calculated to provide an actuarially equivalent benefit to the annuity
27 payable under § 24-5-115.

28 (b) The reduction factor is calculated as the
29 ratio of the actuarial present value of a joint and a fifty percent (50%)
30 survivor annuity to the actuarial present value of the annuity payable under
31 § 24-5-115.

32 (c) The present values are calculated using
33 standard actuarial formulas, and based on a mortality table and discount
34 interest rate calculated by the plan's actuary.

35 (d) This subdivision (a)(2)(B)(i) shall apply
36 to all members and retirees.

1 (ii) Upon the retirant's death, one-half (1/2) of
2 the reduced annuity to which the retirant would have been entitled, if
3 living, shall be paid to the surviving beneficiary for the remainder of his
4 life, if the beneficiary was either the retirant's spouse for at least two
5 (2) years immediately preceding the first payment due date of the retired
6 member's annuity or another person age forty (40) or older on such first
7 payment due date receiving more than one-half (1/2) of his support from the
8 retirant for at least two (2) years immediately preceding the first payment
9 due date of the retired member's annuity.

10 (iii) If both the retirant and his named beneficiary
11 die before the annuity payments have amounted to the sum of the member's
12 accumulated contributions and interest that is vested at the date of
13 retirement, the difference between the benefits paid and the member's
14 contribution account at the date of retirement shall be paid to the estate of
15 the person to whom the last annuity preceding death was paid.

16 (iv) If no annuities had been paid prior to the
17 member's death, then the balance in the member's account shall be paid to the
18 member's estate.

19 (B)(i) Should the eligible beneficiary of a member
20 retirant who selected Option B predecease the member retirant, or if divorce
21 or other marriage dissolution occurs, or should the beneficiary who is not a
22 spouse cease to be a qualified beneficiary, then the retirant, by written
23 notification to the Arkansas State Highway Employees' Retirement System, may
24 cancel Option B chosen at retirement and return to a straight life annuity,
25 to be effective the month following receipt of the notification by the
26 system.

27 (ii) The straight life annuity so elected shall then
28 be the amount of the Option B annuity at the date of notification, less any
29 increase that is excluded from the base annuity, multiplied by a fraction,
30 the numerator of which is one hundred (100) and the denominator of which is
31 the percentage of the straight life annuity that the retirant received at the
32 date of retirement, plus the nonbase increase that was excluded in the
33 computation. The effect of the foregoing shall be that the retirant's
34 monthly annuity, after cancellation of Option B, shall be the same amount
35 that it would have been had a straight life annuity been selected at the date
36 of retirement.

1 (iii) No further changes in benefit options for
2 retirants shall be permitted except under subsection (e) of this section.

3 (b) If an active member with five (5) or more years of credited
4 service, including credited service for the year immediately preceding his
5 death, dies in employer service before retirement, the applicable benefits
6 provided in this section shall be paid upon written application to the board.
7 It is the intent of this section to include all surviving spouses or
8 beneficiaries, regardless of the time of the death of the member.

9 (c) The effective date of the benefits provided in this section shall
10 in no event be prior to the first day succeeding the member's death.

11 (d) A member's surviving spouse who was married to the member at least
12 the one (1) year immediately preceding his death shall receive an annuity
13 computed in the same manner in all respects as if the member had:

14 (1) Retired the date of his death with entitlement to an annuity
15 provided for in § 24-5-115;

16 (2) Elected the Option A survivor annuity provided for in § 24-
17 5-118(a)(1); and

18 (3) Nominated his spouse as joint beneficiary provided for in §
19 24-5-118(a)(2)(A).

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21 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
22 General Assembly of the State of Arkansas that annuity provisions of the
23 State Highway Employees' Retirement System need revisions to make them more
24 actuarially accurate for present and future retirees in order to not endanger
25 the financial status of the system; that implementation of these revised
26 actuarial adjustments need to be implemented at a precise time and before the
27 normal time for the effectiveness of other laws; and that they need to be
28 effective at the beginning of the fiscal year for state government.
29 Therefore, an emergency is declared to exist and this act being necessary for
30 the preservation of the public peace, health and safety shall become
31 effective on July 1, 2003.

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33 /s/ R. Smith, et al
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APPROVED: 2/21/2003