

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

A Bill

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 ALLOW A BENEFICIARY UNDER THE ARKANSAS
11 STATE HIGHWAY EMPLOYEES' RETIREMENT SYSTEM TO
12 SELECT A SURVIVIOR ANNUITY OPTION IF THE RETIREE
13 DIES WITHIN ONE (1) YEAR AFTER RETIREMENT; TO
14 CHANGE THE CALCULATION OF ANNUITY BENEFIT OPTIONS
15 TO BE BASED ON AN ACTUARIALLY EQUIVALENT MANNER;
16 AND FOR OTHER PURPOSES.
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Subtitle

18
19 TO ALLOW A BENEFICIARY UNDER THE HIGHWAY
20 EMPLOYEES' RETIREMENT SYSTEM TO SELECT A
21 SURVIVIOR ANNUITY IF THE RETIREE DIES
22 WITHIN 1 YEAR AFTER RETIREMENT AND
23 CHANGE THE CALCULATION OF ANNUITY
24 BENEFIT OPTIONS.
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27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
28

29 SECTION 1. Arkansas Code § 24-5-118 is amended to read as follows:
30 24-5-118. Benefits - Annuity options.

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

35 (1) Option A.

36 (A)(i) Under Option A, an annuity payable to the retirant



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1 shall be reduced to ~~ninety percent (90%) of the annuity otherwise payable and~~
 2 ~~shall be paid to the retirant for life or for one hundred twenty (120)~~
 3 ~~monthly payments, whichever is longer~~ by an amount calculated to provide an
 4 actuarially equivalent benefit to the annuity payable under § 24-5-115.

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

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

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

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

22 (2) Option B.

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

34 (b) The reduction factor is calculated as the
 35 ratio of the actuarial present value of a joint and a fifty percent (50%)
 36 survivor annuity to the actuarial present value of the annuity payable under

1 § 24-5-115.

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

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

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

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

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

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

33 (ii) The straight life annuity so elected shall then
 34 be the amount of the Option B annuity at the date of notification, less any
 35 increase that is excluded from the base annuity, multiplied by a fraction,
 36 the numerator of which is one hundred (100) and the denominator of which is

1 the percentage of the straight life annuity that the retirant received at the
 2 date of retirement, plus the nonbase increase that was excluded in the
 3 computation. The effect of the foregoing shall be that the retirant's
 4 monthly annuity, after cancellation of Option B, shall be the same amount
 5 that it would have been had a straight life annuity been selected at the date
 6 of retirement.

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

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

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

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

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

22 (2) Elected the Option A survivor annuity provided for in § 24-
 23 5-118(a)(1); and

24 (3) Nominated his spouse as joint beneficiary provided for in §
 25 24-5-118(a)(2)(A).

26 (e)(1) Beginning July 1, 2002, notwithstanding any other provision of
 27 this section, the beneficiary may elect to cancel the form of annuity in
 28 effect and elect Option B upon the death of a retirant, if the retirant:

29 (A) Dies within one (1) year following the effective date
 30 of retirement; and

31 (B) Was receiving a straight life annuity.

32 (2) The effective date of retirement is the date the retirant
 33 begins participation in the deferred retirement plan under § 24-5-101 or, if
 34 not in the deferred retirement plan, the date of normal retirement
 35 established under §§ 24-5-112 through 24-5-114.

36 (3) Funds deposited in the retirant's deferred retirement plan

1 account shall be adjusted for the Option B reduction calculation under § 24-
2 5-118(2) recalculated from the date the member entered the deferred
3 retirement plan.

4 (4) If the retirant meets the requirements in subdivision (e)(1)
5 and has terminated employment, the change in the beneficiary's annuity will
6 be effective upon the retirant's date of death.

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

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