

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 87th General Assembly
3 Regular Session, 2009
4

A Bill

SENATE BILL 224

5 By: Senator G. Jeffress
6 By: Representative Wells
7
8

For An Act To Be Entitled

9
10 AN ACT TO AMEND THE LUMP-SUM DEATH BENEFIT UNDER
11 THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO
12 GRANDFATHER RETIREES FROM CERTAIN PROVISIONS OF
13 ACT 296 OF 2007; AND FOR OTHER PURPOSES.
14

Subtitle

15 TO AMEND THE LUMP-SUM DEATH BENEFIT
16 UNDER THE ARKANSAS TEACHER RETIREMENT
17 SYSTEM.
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20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
22

23 SECTION 1. Arkansas Code § 24-7-720 is amended to read as follows:
24 24-7-720. Lump-sum benefit.

25 (a)(1)(A) If prior to July 1, 2007, an active member of the Arkansas
26 Teacher Retirement System with five (5) or more years of actual service,
27 including actual service for the year immediately preceding the member's
28 death, dies in employer service before retirement, then a lump sum of up to
29 ten thousand dollars (\$10,000) shall be paid to such persons as he or she
30 shall have nominated by written designation duly executed and filed with the
31 Board of Trustees of the Arkansas Teacher Retirement System.

32 (B) If on or after July 1, 2007, an active member of the
33 Arkansas Teacher Retirement System with ten (10) or more years of actual
34 service, including actual service for the year immediately preceding the
35 member's death, dies in employer service before retirement, then a lump sum
36 of up to ten thousand dollars (\$10,000) shall be paid to such persons as he



1 or she shall have nominated by written designation duly executed and filed
 2 with the board.

3 (2) If there are no designated persons who survive the member,
 4 the lump sum shall be paid to the member's estate.

5 ~~(C) If there are no designated persons surviving the~~
 6 ~~member, the lump sum shall be paid in the following statutory succession:~~

- 7 ~~(i) Spouse; then~~
- 8 ~~(ii) Children; then~~
- 9 ~~(iii) Parents; then~~
- 10 ~~(iv) Estate.~~

11 ~~(D) Effective for members dying after June 30, 2006, if~~
 12 ~~there are no designated persons surviving the member, the lump sum shall be~~
 13 ~~paid to the member's estate.~~

14 ~~(2) If the member had only noncontributory actual service, then~~
 15 ~~the lump sum shall be up to six thousand six hundred and sixty-seven dollars~~
 16 ~~(\$6,667).~~

17 ~~(3) If upon his or her death the member had a combination of~~
 18 ~~credited service of both contributory and noncontributory, the lump sum will~~
 19 ~~be prorated according to the relationship between the member's~~
 20 ~~noncontributory credited service and his or her total credited service.~~

21 (b)(1) ~~(A) Upon the death of a retirant whose annuity is paid by the~~
 22 ~~system and, effective July 1, 2007, who had ten (10) or more years of actual~~
 23 ~~service, a lump sum of up to ten thousand dollars (\$10,000) shall be paid to~~
 24 ~~such persons as he or she shall have nominated by written designation duly~~
 25 ~~executed and filed with the board.~~

26 ~~(B) If there are no designated persons surviving the retirant,~~
 27 ~~the lump sum shall be paid in the following statutory succession:~~

- 28 ~~(i) Spouse; then~~
- 29 ~~(ii) Children; then~~
- 30 ~~(iii) Parents; then~~
- 31 ~~(iv) Estate.~~

32 ~~(C) Effective for retirants dying after June 30, 2006, if~~
 33 ~~there are no designated persons surviving the retirant, the lump sum shall be~~
 34 ~~paid to the retirant's estate.~~

35 ~~(2) If the retirant had only noncontributory actual service,~~
 36 ~~then the lump sum shall be up to six thousand six hundred sixty-seven dollars~~

1 ~~(\$6,667).~~

2 ~~(3) If upon his or her death the retirant had a combination of~~
 3 ~~credited service of both contributory and noncontributory, the lump sum will~~
 4 ~~be prorated according to the relationship between the member's~~
 5 ~~noncontributory credited service and his or her total credited service. If a~~
 6 ~~retired member of the system dies prior to July 1, 2007, and the retired~~
 7 ~~member accrued five (5) or more years of actual service, including actual~~
 8 ~~service for the year immediately preceding the member's death, then a lump~~
 9 ~~sum of up to ten thousand dollars (\$10,000) shall be paid to such persons as~~
 10 ~~he or she shall have nominated by written designation duly executed and filed~~
 11 ~~with the board.~~

12 (2) If a retired member of the system dies on or after July 1,
 13 2007, and the retired member accrued ten (10) or more years of actual
 14 service, including actual service for the year immediately preceding the
 15 member's death, then a lump sum of up to ten thousand dollars (\$10,000) shall
 16 be paid to such persons as he or she shall have nominated by written
 17 designation duly executed and filed with the board.

18 (3) If there are no designated persons who survive the member,
 19 the lump sum shall be paid to the member's estate.

20 (c) The exact amount of the lump-sum payments under this section shall
 21 be set periodically and not more often than annually by rules ~~and regulations~~
 22 of the board as it determines is actuarially appropriate for the system. ~~The~~
 23 ~~board is authorized by this subsection to set the level of these benefits to~~
 24 ~~the current members and retirants where the ratio between the contributory~~
 25 ~~and noncontributory benefits is maintained at a three to two (3:2) ratio and~~
 26 ~~to a level to match the benefits that the board finds are appropriate for the~~
 27 ~~actuarial soundness of the system.~~

28 (d)(1) For determining eligibility for the lump-sum death benefit
 29 under this section, "actual service" means service rendered in a position
 30 covered by the system.

31 (2) "Actual service" does not include purchased or free credited
 32 service or reciprocal service.

33 (e) No benefit enhancement provided for by this section shall be
 34 implemented if it would cause the publicly supported retirement system's
 35 unfunded actuarial accrued liabilities to exceed a thirty-year amortization.
 36 No benefit enhancement provided for by this section shall be implemented by

1 any publicly supported system that has unfunded actuarial accrued liabilities
 2 being amortized over a period exceeding thirty (30) years until the unfunded
 3 actuarial accrued liability is reduced to a level less than the standards
 4 prescribed by § 24-1-101 et seq.

5 (f)(1) The Pursuant to the board's fiduciary duty, the board shall
 6 implement this benefit provision for lump-sum payments by either making the
 7 lump-sum payments directly from the system or by purchasing a group life
 8 insurance policy for the benefit of system members, whichever is more cost
 9 effective.

10 (2) A lump-sum payment under this subsection is intended to be
 11 exempt from income tax and treated for tax purposes as proceeds from a life
 12 insurance policy.

13 (g) Effective July 1, 2009, a retired member of the system who retired
 14 on or before July 1, 2007, and had five (5) or more years of actual service
 15 credited in his or her account at retirement shall have the lump-sum death
 16 benefit paid upon the retired member's death under subsection (b) of this
 17 section.

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 19 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
 20 General Assembly of the State of Arkansas that certain provisions of the
 21 Arkansas Teacher Retirement System Act are badly in need of revision and
 22 updating to bring them into conformance with sound public pension policy;
 23 that such revision and updating is of great importance to members of the
 24 Arkansas Teacher Retirement System and to other citizens of the State of
 25 Arkansas; and that this act is immediately necessary in order to maintain an
 26 orderly system of benefits for the members of the Arkansas Teacher Retirement
 27 System. Therefore, an emergency is declared to exist and this act being
 28 necessary for the preservation of the public peace, health, and safety shall
 29 become effective on July 1, 2009.