

1 **State of Arkansas**  
2 **80th General Assembly**  
3 **Regular Session, 1995**  
4 **By: Representative Watts**

# A Bill

**ACT 1096 OF 1995**  
**HOUSE BILL 1502**

## For An Act To Be Entitled

"AN ACT TO ESTABLISH THE TEACHER DEFERRED RETIREMENT  
OPTION PLAN (T-DROP) WITHIN THE ARKANSAS TEACHER  
RETIREMENT SYSTEM; AND FOR OTHER PURPOSES."

### Subtitle

"TO ESTABLISH THE TEACHER DEFERRED  
RETIREMENT OPTION PLAN (T-DROP) WITHIN  
THE ARKANSAS TEACHER RETIREMENT SYSTEM."

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

*SECTION 1. Teacher Deferred Retirement Option Plan (T-DROP).*

*(a) In lieu of terminating employment and accepting a service retirement benefit pursuant to Title 24, Chapter 7 of the Arkansas Code of 1987, any person who is a member of the Arkansas Teacher Retirement System and who meets the conditions specified in the next sentence may elect to participate in the Teacher Deferred Retirement Option Plan and to defer the receipt of retirement benefits in accordance with the provisions of this act. The conditions required for participation in the T-DROP are that the member must have at least thirty (30) years of service credit in the Arkansas Teacher Retirement System.*

*(b) When a member of the Arkansas Teacher Retirement System wishes to elect participation in the Teacher DROP, the member shall fill out and cause to be executed such application form or forms as have been determined to be necessary for the reasonable and prudent administration of the DROP plan by the Board of Trustees of the Arkansas Teacher Retirement System. The Board of Trustees shall review the member's application within a reasonable period of time and shall determine whether or not the member meets the eligibility requirements specified in this act. The Board of Trustees shall establish the*

1 member\_s DROP date as the later of (i) the first day of the second month  
2 following the board\_s determination that the member is eligible for T-DROP  
3 participation, and (ii) the date requested by the member on the application.

4 (c) A member who elects participation in the Teacher DROP may elect one  
5 (1) of the annuity options provided in Arkansas Code § 24-7-706. The election  
6 may be made on or before the T-DROP date but not thereafter, and will be  
7 deemed to apply to the member\_s T-DROP benefit as well as to the members  
8 monthly retirement benefit from the Arkansas Teacher Retirement System at the  
9 time it becomes payable.

10 (d) The member\_s T-DROP benefit shall be the monthly benefit to which  
11 the member would have been entitled if the member had actually retired on the  
12 T-DROP date without regard to the provisions of the Arkansas Code § 24-7-708  
13 related to conditions subjecting annuities to limitations, but with regard to  
14 the provisions of the Arkansas Code § 24-7-706 related to annuity options.

15 (e) The member\_s T-DROP account shall be the account in which shall be  
16 accumulated at T-DROP interest the member\_s T-DROP contributions. At the end  
17 of each fiscal year, the Board shall credit each T-DROP participant\_s T-DROP  
18 account with T-DROP interest on the mean balance in the account for the fiscal  
19 year.

20 (f) T-DROP contributions shall be a percentage of the T-DROP benefit.  
21 The percentage is one hundred percent (100%) reduced by the product of one  
22 percent (1.0%) multiplied by the number of years of contributory service  
23 credit and fractions thereof, and further reduced by the product of six-tenths  
24 percent (0.6%) multiplied by the number of years of noncontributory service  
25 credit and fractions thereof.

26 (g) The member\_s participation in the T-DROP plan shall cease at the  
27 time the member separates from service, and is granted a monthly retirement  
28 benefit by the Board of Trustees.

29 (h) When the member\_s participation in the Teacher DROP ceases, the  
30 member may elect to receive the balance in the T-DROP account as a lump sum or  
31 as a monthly benefit paid in the form elected by the member for payment of the  
32 T-DROP benefit. The Board of Trustees shall determine factors to be used for  
33 the conversion of T-DROP balances to monthly amounts.

34 (i) When the member\_s participation in the Teacher DROP ceases, the  
35 Board of Trustees shall cause the member\_s T-DROP benefit to be paid directly

1 to the member in the form of regular monthly amounts in the same amount and  
2 manner as would have been the case if the member had retired on the T-DROP  
3 date, and had made the same election pursuant to Arkansas Code § 24-7-706 that  
4 was made on or before the T-DROP date.

5 (j) In the event that a T-DROP participant dies, the benefits payable  
6 from the Arkansas Teacher Retirement System shall be determined as though the  
7 T-DROP participant had separated from service and been found eligible for  
8 monthly benefits by the Board of Trustees on the day prior to the death, with  
9 death following immediately thereafter.

10 (k) In the event that a T-DROP participant applies for benefits from  
11 the Arkansas Teacher Retirement System pursuant to Arkansas Code § 24-7-704  
12 related to disability retirement, the application shall be treated as an  
13 application for voluntary retirement pursuant to Arkansas Code § 24-7-701 and  
14 no benefits other than those that would be payable without regard to the  
15 disability shall become payable.

16 (l) The election to participate in the Teacher DROP is irrevocable.  
17 Under no circumstances shall a member receive service credit under any state  
18 supported retirement system during a period of T-DROP participation or  
19 following a period of such participation.

20 (m) When a member begins participation in the Teacher DROP, both member  
21 and employer contributions to the Arkansas Teacher Retirement System on behalf  
22 of the member shall cease.

23 (n) For the purpose of Arkansas Code § 24-7-709 related to disposition  
24 of residue, T-DROP contributions shall be considered to be annuity payments.

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26 SECTION 2. The Teacher Deferred Retirement Option Plan of the Arkansas  
27 Teacher Retirement System (T-DROP) is intended to operate in accordance with  
28 Section 415 and other applicable sections of the Internal Revenue Code of the  
29 United States. Any provision of the Teacher DROP that is found to be in  
30 conflict with an applicable provision of the Internal Revenue Code of the  
31 United States is hereby declared null and void.

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33 SECTION 3. All provisions of this act of general and permanent nature  
34 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
35 Revision Commission shall incorporate the same in the Code.

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SECTION 4. If any provisions of this act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provisions or application, and to this end the provisions of this act are declared to be severable.

SECTION 5. All laws and parts of laws in conflict with this act are hereby repealed.

*/s/Rep. Watts*

APPROVED: 4-10-95

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