

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 86th General Assembly  
3 Regular Session, 2007  
4

# A Bill

HOUSE BILL 1191

5 By: Representative Harris  
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## For An Act To Be Entitled

8 AN ACT AMENDING THE PROVISIONS OF THE ARKANSAS  
9 TEACHER RETIREMENT DEFERRED RETIREMENT OPTION  
10 PLAN; AND FOR OTHER PURPOSES.  
11  
12

## Subtitle

13 AN ACT AMENDING THE PROVISIONS OF THE  
14 ARKANSAS TEACHER RETIREMENT DEFERRED  
15 RETIREMENT OPTION PLAN.  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. Arkansas Code § 24-7-1302 is amended to read as follows:  
22 24-7-1302. Application - Review.

23 (a) When a member of the Arkansas Teacher Retirement System wishes to  
24 elect participation in the Teacher Deferred Retirement Option Plan, the  
25 member shall fill out and cause to be executed such application form or forms  
26 as have been determined to be necessary for the reasonable and prudent  
27 administration of the plan by the Board of Trustees of the Arkansas Teacher  
28 Retirement System.

29 (b)(1) The member's plan application shall be reviewed within a  
30 reasonable period of time and a determination shall be made whether or not  
31 the member meets the eligibility requirements specified in this subchapter.

32 (2) The member's plan date shall be ~~the later of:~~ July 1 next.

33 ~~(A) The first day of the second month~~ following the  
34 determination that the member is eligible for plan participation; ~~or~~

35 ~~(B) The date requested by the member on the application.~~  
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SECTION 2. Arkansas Code § 24-7-1303 is amended to read as follows:  
 24-7-1303. Contributions to Arkansas Teacher Retirement System.

(a)(1) When a member begins participation in the Teacher Deferred Retirement Option Plan, member contributions to the Arkansas Teacher Retirement System shall cease.

(2) Until and on August 31, 2003, employer contributions on behalf of the members participating in the Teacher Deferred Retirement Option Plan that are due the system may be retained by the school districts for the purposes under subdivision (b)(1) of this section.

(3)(A) Beginning September 1, 2003, for members whose effective date in the Teacher Deferred Retirement Option Plan is before September 1, 2003, the employer contribution rate to the system on behalf of all members in the Teacher Deferred Retirement Option Plan shall recommence at the rate of:

(i) One percent (1%) for the period from July 1, 2003, through June 30, 2005;

(ii) Three percent (3%) for the period from July 1, 2005, through June 30, 2007;

(iii) Six percent (6%) for the period from July 1, 2007, through June 30, 2009;

(iv) Nine percent (9%) for the period from July 1, 2009, through June 30, 2011; ~~and~~

(v) ~~Twelve percent (12%) after July 1, 2011~~ for the period from July 1, 2011, through June 30, 2013; and

(vi) After July 1, 2013, the percentage rate established by the entity having the authority to set the employer contribution rate for the system pursuant to § 24-7-401.

(B) The portion of the employer contribution not required to be paid to the system for members in the Teacher Deferred Retirement Option Plan under subdivision (a)(3) of this section, if any, may be retained by the school districts for the purposes under subdivision (b)(1) of this section.

(4) Beginning September 1, 2003, for members whose effective date in the Teacher Deferred Retirement Option Plan is on or after September 1, 2003, the employer contribution rate on behalf of members in the Teacher Deferred Retirement Option Plan shall continue at the rate established by the

1 entity having the authority to set the employer contribution rates for the  
 2 system.

3 (b)(1) It is the intent of the General Assembly that the portion of the  
 4 employer contribution to the system that has ceased for a participant in the  
 5 Teacher Deferred Retirement Option Plan, if any, will become a part of the  
 6 general operating fund of the school district to be used for any purpose  
 7 including employee salaries.

8 (2) Except for employer contributions to the system, the school  
 9 district shall not make contributions to any tax-qualified retirement plan on  
 10 behalf of any employee participating in the Teacher Deferred Retirement  
 11 Option Plan. However, this prohibition shall not be applicable to the extent  
 12 necessary to comply with contractual obligations incurred by a school  
 13 district prior to February 1, 1999.

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 15 SECTION 3. Arkansas Code § 24-7-1306 is amended to read as follows:  
 16 24-7-1306. Amount of deposits.

17 (a)~~(1)~~ Teacher Deferred Retirement Option Plan deposits shall be a  
 18 percentage of the plan benefit.

19 ~~(2)(A)~~(b)(1) The percentage is one hundred percent (100%) reduced  
 20 by the product of one percent (1%) multiplied by the number of years of  
 21 contributory service credit and fractions thereof, and further reduced by the  
 22 product of six-tenths percent (0.6%) multiplied by the number of years of  
 23 noncontributory service credit and fractions thereof.

24 ~~(B)(i)~~(2)(A) When a participant whose effective date in the  
 25 plan is before September 1, 2003, reaches normal retirement age, the plan  
 26 ~~contributions~~ deposits shall be one hundred percent (100%) with no  
 27 reduction.

28 ~~(ii)~~(B) For any member whose effective date in the  
 29 plan is September 1, 2003, or after, the plan ~~contributions~~ deposits for a  
 30 participant who reaches normal retirement age shall continue as reduced under  
 31 ~~subdivision (a)(2)(A)~~ of this section.

32 ~~(3)(A)~~(c)(1) In the event a member whose effective date in the  
 33 plan is before September 1, 2003, has more than thirty (30) years of service,  
 34 the years of service above thirty (30) years shall be reduced by one-half  
 35 percent (0.5%) for contributory years and three-tenths percent (0.3%) for  
 36 noncontributory years.

1                   ~~(B)(2)~~ For any member whose effective date in the plan is  
2 September 1, 2003, or after and who has more than thirty (30) years of  
3 service, the plan ~~contributions~~ deposits for the years of service above  
4 thirty (30) years shall be reduced under ~~subdivision (a)(2)(A)~~ of this  
5 section.

6                   ~~(4)(d)~~ Furthermore, ~~the~~ The Board of Trustees of the Arkansas  
7 Teacher Retirement System is authorized to make further adjustments on the  
8 plan to make it cost-neutral to the Arkansas Teacher Retirement System.

9                   ~~(5)(e)~~ As used in this section, "effective date" means the date  
10 determined to be the member's plan date under the policies, ~~rules, and~~  
11 ~~regulations and rules~~ and rules of the board.

12                   ~~(b)~~ For the purpose of ~~§ 24-7-709~~ related to disposition of residue,  
13 any amounts received from the Teacher Deferred Retirement Option Plan account  
14 either in the form of lump sum payments or annuity payments shall be  
15 considered to be annuity payments received by the member or his or her  
16 designated beneficiary and shall act to reduce or eliminate the disposition  
17 of residue that, except for the provisions of this subsection, would have  
18 been paid under ~~§ 24-7-709~~.

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20                   SECTION 4. Arkansas Code § 24-7-1308 is amended to read as follows:

21                   24-7-1308. Separation from service - Payment.

22                   (a) The member's participation in the Teacher Deferred Retirement  
23 Option Plan shall cease at the time the member separates from service and/or  
24 is granted a monthly retirement benefit by the Board of Trustees of the  
25 Arkansas Teacher Retirement System, or both.

26                   (b)(1) When the member's participation in the plan ceases, the member  
27 may elect to receive the balance in the plan account as a lump sum or as a  
28 monthly benefit paid ~~in the form~~ under the annuity option selected by the  
29 member under § 24-7-1304 for payment of the plan.

30                   (2) The board shall determine factors to be used for the  
31 conversion of plan balances to monthly amounts.

32                   (c) When the member's participation in the plan ceases, the board shall  
33 cause the member's plan benefit to be paid directly to the member in the form  
34 of regular monthly amounts in the same amount and manner as would have been  
35 the case if the member had retired on the plan date and had made the same  
36 election pursuant to § 24-7-706 that was made on or before the plan date.

SECTION 5. Arkansas Code § 24-7-1310 is amended to read as follows:  
24-7-1310. Death of participant.

(a) In the event that a Teacher Deferred Retirement Option Plan participant dies, the benefits payable from the plan shall be determined according to § 24-7-710.

(b) However, the plan participant's surviving spouse may choose to receive the plan benefit in a lump sum without affecting the monthly retirement benefit payable from the Arkansas Teacher Retirement System.

(c) For the purposes of § 24-7-709, any amounts received from the Teacher Deferred Retirement Option Plan account in the form of lump-sum or annuity payments shall be considered to be annuity payments received by the member or his or her designated beneficiary and shall reduce or eliminate the disposition of residue that, except for the provisions of this subsection, would have been paid under § 24-7-709.

SECTION 6. Arkansas Code § 24-7-1311 is amended to read as follows:  
24-7-1311. Effect and duration of participation - Service credit.

(a)(1) The election to participate in the Teacher Deferred Retirement Option Plan is irrevocable

(2) A member's participation in the plan shall not exceed ten (10) years.

(b) Under no circumstances shall a member receive service credit under any state-supported retirement system during a period of plan participation or following a period of such participation.

SECTION 7. Arkansas Code Title 24, Chapter 7, Subchapter 13 is amended to add an additional section to read as follows:

24-7-1316. Cost neutrality.

As part of its obligation to insure that the Teacher Deferred Retirement Option Plan is cost neutral to the Arkansas Teacher Retirement System, the Board of Trustees of the Arkansas Teacher Retirement System is authorized to make further adjustments to the plan to make it cost-neutral to the Arkansas Teacher Retirement System.

SECTION 8. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the current laws applicable to

the Arkansas Teacher Retirement System regarding the deferred retirement option plan require revision; that revisions are necessary to ensure the effective and efficient operation of the system; and that the most effective time to make changes to the retirement system is at the beginning of the state's fiscal year. Therefore, an emergency is declared to exist and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on July 1, 2007.

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