

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

*As Engrossed: S2/5/09*  
**A Bill**

SENATE BILL 224

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

9 **For An Act To Be Entitled**

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

15 **Subtitle**

16 TO AMEND THE LUMP-SUM DEATH BENEFIT  
17 UNDER THE ARKANSAS TEACHER RETIREMENT  
18 SYSTEM.  
19  
20

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

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

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

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30 /s/ G. Jeffress  
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