| 1 | State of Arkansas | A D'11 | |
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| 2 | 94th General Assembly | A Bill | |
| 3 | Regular Session, 2023 | | HOUSE BILL 1186 |
| 4 | | | |
| 5 | By: Representative A. Collins | | |
| 6 | By: Senator K. Hammer | | |
| 7 | | | |
| 8 | | For An Act To Be Entitled | |
| 9 | AN ACT TO AMEND AND UPDATE THE LAW CONCERNING ANNUITY | | |
| 10 | OPTIONS UNDER THE ARKANSAS TEACHER RETIREMENT SYSTEM; | | |
| 11 | TO ALLOW A RETIRANT TO DESIGNATE BOTH SURVIVING | | |
| 12 | SPOUSE AND DEF | PENDENT CHILDREN AS OPTION BE | ENEFICIARIES |
| 13 | UNDER THE ARKA | ANSAS TEACHER RETIREMENT SYST | TEM; TO |
| 14 | CLARIFY WHEN A | A SURVIVING SPOUSE OF A DISAR | BILITY |
| 15 | RETIRANT IS EN | TITLED TO BEGIN RECEIVING PA | AYMENTS |
| 16 | UNDER THE ARKA | ANSAS TEACHER RETIREMENT SYST | ΓΕΜ; TO |
| 17 | DECLARE AN EME | RGENCY; AND FOR OTHER PURPOS | SES. |
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| 19 | | | |
| 20 | | Subtitle | |
| 21 | TO AMEND | AND UPDATE THE LAW CONCERNI | NG |
| 22 | ANNUITY | OPTIONS UNDER THE ARKANSAS | |
| 23 | TEACHER 1 | RETIREMENT SYSTEM; AND TO DE | CLARE |
| 24 | AN EMERG | ENCY. | |
| 25 | | | |
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| 27 | BE IT ENACTED BY THE GENER | RAL ASSEMBLY OF THE STATE OF | ARKANSAS: |
| 28 | | | |
| 29 | SECTION 1. Arkansas | s Code § 24-7-706(a)(2), cond | cerning a member's |
| 30 | annuity election and crite | eria that must be met for a m | member's nominated |
| 31 | beneficiary to receive an | annuity in accordance with t | the Option A - 100% |
| 32 | Survivor Annuity option under the Arkansas Teacher Retirement System, is | | tirement System, is |
| 33 | amended to read as follows | :: | |
| 34 | (2) The member | er may nominate <u>designate</u> a l | beneficiary <u>one (1) or</u> |
| 35 | more beneficiaries, in acc | cordance with one (1) of the | following options: |
| 36 | (A) Opt | ion A — 100% Survivor Annuit | ty. |

| 1 | (i) Under Option A, upon the death of a retirant | |
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| 2 | retiree, his or her reduced annuity shall be continued throughout the life of | |
| 3 | and paid to such person in equal shares to each person as he or she shall | |
| 4 | $\frac{1}{2}$ has nominated by written designation executed and filed with the Board | |
| 5 | of Trustees of the Arkansas Teacher Retirement System before the date the | |
| 6 | first payment of his or her annuity becomes due. | |
| 7 | (ii)(a) The \underline{A} person designated as a beneficiary by | |
| 8 | the retirant of a retiree shall be: the spouse or a dependent child of the | |
| 9 | retiree. | |
| 10 | (a)(b) The retirant's spouse for not less than | |
| 11 | one (1) year immediately preceding the first payment due date; or spouse of | |
| 12 | retiree may be designated as the retiree's beneficiary if the retiree has | |
| 13 | been married to the spouse for at least one (1) year immediately preceding | |
| 14 | the first annuity payment due date. | |
| 15 | (b)(c) A dependent child of the retirant who | |
| 16 | has been adjudged physically or mentally incapacitated by a court of | |
| 17 | competent jurisdiction dependent child of a retiree may be designated as the | |
| 18 | beneficiary of the retiree if the dependent child has been: | |
| 19 | (1) Adjudged physically or mentally | |
| 20 | incapacitated by a court of competent jurisdiction; or | |
| 21 | (2) Found by the Social Security | |
| 22 | Administration to be disabled, as shown by a Social Security Administration | |
| 23 | determination letter; | |
| 24 | | |
| 25 | SECTION 2. Arkansas Code § 24-7-706(a)(2)(B), concerning the Option B | |
| 26 | - 50% Survivor Annuity option under the Arkansas Teacher Retirement System, | |
| 27 | is amended to read as follows: | |
| 28 | (B) Option B -50% Survivor Annuity. | |
| 29 | (i) Under Option B, upon the death of a retirant | |
| 30 | retiree, one-half $(\frac{1}{2})$ of his or her reduced annuity shall be continued | |
| 31 | throughout the life of and paid to such person <u>in equal shares to each person</u> | |
| 32 | as he or she has nominated by written designation executed and filed with the | |
| 33 | board before the date the first payment of his or her annuity becomes due. | |
| 34 | (ii) (a) The \underline{A} person designated as a beneficiary by | |
| 35 | the retirant of a retiree shall bet the spouse or a dependent child of the | |
| 36 | retiree. | |

| 1 | (a) (b) The retirant's spouse for not less than |
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| 2 | one (1) year immediately preceding the first payment due date; or The spouse |
| 3 | of a retiree may be designated as the retiree's beneficiary if the retiree |
| 4 | has been married to the spouse for at least one (1) year immediately |
| 5 | precediing the first annuity payment due date. |
| 6 | (b)(c) A dependent child of the retirant who |
| 7 | has been adjudged physically or mentally incapacitated by a court of |
| 8 | competent jurisdiction dependent child of a retiree may be designated as the |
| 9 | beneficiary of the retiree if the dependent child has been: |
| 10 | (1) Adjudged physically or mentally |
| 11 | incapacitated by a court of competent jurisdiction; or |
| 12 | (2) Found by the Social Security |
| 13 | Administration to be disabled, as shown by a Social Security Administration |
| 14 | determination letter; or |
| 15 | |
| 16 | SECTION 3. Arkansas Code § 24-7-706(a), concerning annuity options |
| 17 | under the Arkansas Teacher Retirement System, is amended to add a new |
| 18 | subdivision to read as follows: |
| 19 | (4) If both a spouse and dependent child are designated as the |
| 20 | Option A or Option B beneficiaries of a retiree and annuity payments to |
| 21 | either the spouse or dependent child have begun, the following shall apply: |
| 22 | (A) The dependent child's portion of the annuity shall not |
| 23 | revert to the spouse if the dependent child predeceases the spouse or |
| 24 | otherwise becomes ineligible to continue receiving annuity payments; and |
| 25 | (B) The spouse's portion of the annuity shall not revert |
| 26 | to the dependent child if the spouse predeceases the dependent child or |
| 27 | otherwise becomes ineligible to continue receiving annuity payments. |
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| 29 | SECTION 4. Arkansas Code § 24-7-706(d), concerning the ability of a |
| 30 | residue beneficiary under § 24-7-709 to cancel the form of annuity in effect |
| 31 | and elect Option A $-$ 100% Survivor Annuity option under certain conditions, |
| 32 | is amended to add additional subdivisions to read as follows: |
| 33 | (4) A surviving spouse who is eligible to receive an annuity |
| 34 | under this section may elect to receive a lump-sum distribution of the |
| 35 | retiree's residue in lieu of the spousal annuity if: |
| 36 | (A) The retiree did not designate one (1) or more |

| 1 | dependent children as a beneficiary; and |
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| 2 | (B) The surviving spouse files a written waiver of his or |
| 3 | her right to the spousal annuity with the system. |
| 4 | (5) If a residue beneficiary elects the Option A $-$ 100% Survivor |
| 5 | Annuity under this subsection and is the surviving spouse of a disability |
| 6 | retiree, the same procedures used under § 24-7-710 to determine when an |
| 7 | active member's surviving spouse is entitled to begin receiving benefit |
| 8 | payments shall be used to determine when the residue beneficiary is entitled |
| 9 | to begin receiving benefit payments. |
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| 11 | SECTION 5. Arkansas Code § 24-7-706, concerning annuity options, is |
| 12 | amended to add an additional subsection to read as follows: |
| 13 | (g) A retiree's effective retirement date and the date when survivor |
| 14 | benefits under this section are payable shall be determined by the law in |
| 15 | effect at the time of the retiree's death. |
| 16 | |
| 17 | SECTION 6. EMERGENCY CLAUSE. It is found and determined by the |
| 18 | General Assembly of the State of Arkansas that the operations of a state |
| 19 | public retirement system are complex; that the Arkansas Teacher Retirement |
| 20 | System must be able to meet the needs of its members as anticipated by the |
| 21 | General Assembly; that certain provisions of the Arkansas Teacher Retirement |
| 22 | System Act need revision and updating to bring them into conformance with |
| 23 | sound public pension policy and actuarial requirements; that the current |
| 24 | provisions of the Arkansas Teacher Retirement System Act do not allow a |
| 25 | retirant to provide for both his or her surviving spouse and dependent |
| 26 | children in the event of the retirant's death by designating both his or her |
| 27 | surviving spouse and dependent children as option beneficiaries; that the |
| 28 | current provisions of the Arkansas Teacher Retirement System Act do not |
| 29 | clearly address when the surviving spouse of a disability retirant is |
| 30 | entitled to begin receiving benefit payments; that the revisions and updates |
| 31 | are of great importance to members of the Arkansas Teacher Retirement System |
| 32 | and to other citizens of the State of Arkansas; that the Arkansas Teacher |
| 33 | Retirement System operates on a fiscal year of July 1 to June 30; that a July |
| 34 | 1, 2023, effective date is necessary to allow the provisions within this act |
| 35 | to begin on the first day of the fiscal year to provide for the proper |
| 36 | administration of the procedures referenced in this act: that the updates and |

| 1 | revisions to the Arkansas Teacher Retirement System Act are of great |
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| 2 | importance for actuarial purposes and for the improvement and protection of |
| 3 | member benefits under the Arkansas Teacher Retirement System; and that this |
| 4 | act is necessary in order to maintain an orderly system of benefits for the |
| 5 | members of the Arkansas Teacher Retirement System. Therefore, an emergency |
| 6 | is declared to exist, and this act being necessary for the preservation of |
| 7 | the public peace, health, and safety shall become effective on July 1, 2023. |
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