

State of Arkansas
94th General Assembly
Regular Session, 2023

A Bill

HOUSE BILL 1187

By: Representative A. Collins
By: Senator K. Hammer

For An Act To Be Entitled

AN ACT TO AMEND AND UPDATE THE LAW CONCERNING THE
LUMP-SUM DEATH BENEFIT UNDER THE ARKANSAS TEACHER
RETIREMENT SYSTEM; TO CLARIFY THE ADMINISTRATION OF
THE LUMP-SUM DEATH BENEFIT UNDER THE ARKANSAS TEACHER
RETIREMENT SYSTEM; TO CLARIFY THE ELIGIBILITY OF A
RETIRED MEMBER AND A T-DROP PARTICIPANT TO RECEIVE A
LUMP-SUM DEATH BENEFIT UNDER THE ARKANSAS TEACHER
RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR
OTHER PURPOSES.

Subtitle

TO AMEND AND UPDATE THE LAW CONCERNING
THE LUMP-SUM DEATH BENEFIT UNDER THE
ARKANSAS TEACHER RETIREMENT SYSTEM; AND
TO DECLARE AN EMERGENCY.

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

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

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



~~Board of Trustees of the Arkansas Teacher Retirement System~~ If an active member, T-DROP participant, or a retired member with five (5) years of actual service, including actual service for the year immediately preceding the retired member's death, dies before July 1, 2007, then one (1) lump-sum death benefit of up to ten thousand dollars (\$10,000) shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the Arkansas Teacher Retirement System.

~~(B) If on or after July 1, 2007, an active member of the Arkansas Teacher Retirement System with ten (10) or more years of actual service dies in employer service before retirement, then a lump sum of up to ten thousand dollars (\$10,000) shall be paid to the persons he or she has nominated by written designation executed and filed with the board~~ Effective July 1, 2009, if a member who retired or became a T-DROP participant on or before July 1, 2007, with five (5) or more years of actual service dies, then one (1) lump-sum death benefit of up to ten thousand dollars (\$10,000) shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the system.

~~(C) If an active member, T-DROP participant, or a retired member with ten (10) or more years of actual service dies on or after July 1, 2007, then one (1) lump-sum death benefit of up to ten thousand dollars (\$10,000) shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the system.~~

~~(D)(i) If a member accrues a minimum of ten (10) years of actual, contributory service, regardless of noncontributory service accrued in combination with the contributory service, the member shall receive the maximum lump-sum death benefit as determined by the Board of Trustees of the Arkansas Teacher Retirement System under this section.~~

~~(ii) Upon the member's death, the maximum lump-sum death benefit shall be paid in equal shares to each person designated by the member as a beneficiary in the manner required by the system.~~

~~(iii) The board may set a lump-sum death benefit for noncontributory service as the board deems appropriate.~~

~~(2) If there are no designated persons who survive the member, the lump sum shall be paid to the member's estate~~ If a member designates more than one (1) beneficiary, the lump-sum death benefit shall be divided equally amongst each designated beneficiary.

1 (3) If all of the member's designated beneficiaries do not
 2 survive the member, the lump-sum death benefit shall be paid to the member's
 3 estate.

4 ~~(b)(1) If a retired member of the system dies prior to July 1, 2007,~~
 5 ~~and the retired member accrued five (5) or more years of actual service,~~
 6 ~~including actual service for the year immediately preceding the member's~~
 7 ~~death, then a lump sum of up to ten thousand dollars (\$10,000) shall be paid~~
 8 ~~to such persons as he or she shall have nominated by written designation duly~~
 9 ~~executed and filed with the board.~~

10 ~~(2) If a retired member of the system dies on or after July 1,~~
 11 ~~2007, and the retired member accrued ten (10) or more years of actual~~
 12 ~~service, including actual service for the year immediately preceding the~~
 13 ~~member's death, then a lump sum of up to ten thousand dollars (\$10,000) shall~~
 14 ~~be paid to such persons as he or she shall have nominated by written~~
 15 ~~designation duly executed and filed with the board.~~

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

18 ~~(e)(b)~~ The amount of the lump-sum death benefit payments under this
 19 section shall be set periodically and not more often than annually by rules
 20 and resolutions of the board as the board determines is actuarially
 21 appropriate for the system.

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

25 ~~(2) "Actual service" does not include purchased or free credited~~
 26 ~~service or reciprocal service.~~

27 ~~(e)(1)(c)(1)~~ A benefit enhancement provided for under this section
 28 shall not be implemented if it would cause the system's unfunded actuarial
 29 accrued liabilities to exceed an eighteen-year amortization.

30 (2) If the system's unfunded actuarial accrued liabilities
 31 exceed an eighteen-year amortization, a benefit enhancement provided for
 32 under this section shall not be implemented until the unfunded actuarial
 33 accrued liability is reduced to a level less than the standards prescribed by
 34 § 24-1-101 et seq.

35 ~~(f)(1)(d)~~ Pursuant to the board's fiduciary duty, the board shall
 36 implement this benefit provision for lump-sum death benefit payments by

1 either making the lump-sum death benefit payments directly from the system or
 2 by purchasing a group life insurance policy for the benefit of system
 3 members.

4 ~~(2) A lump-sum payment under this subsection is intended to be~~
 5 ~~exempt from income tax.~~

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

11 ~~(h)(e)~~ A lump-sum death benefit payment under this section is intended
 12 to be exempt from income tax.

13 ~~(i)(f)~~ For eligibility under this section, a member is considered
 14 active for an additional fiscal year following the last fiscal year that the
 15 member renders actual service in a position reported to the system by a
 16 covered employer and the member obtains at least one-fourth ($\frac{1}{4}$) year of
 17 service credit.

18 ~~(j)(1)(A) If a member accrues a minimum of ten (10) years of actual,~~
 19 ~~contributory service, regardless of noncontributory service accrued in~~
 20 ~~combination with the contributory service, the member shall receive the~~
 21 ~~maximum lump-sum death benefit as determined by the board under this section.~~

22 ~~(B) Upon the member's death, the lump-sum death benefit~~
 23 ~~shall be paid to persons the member selects by written designation executed~~
 24 ~~and filed with the board.~~

25 ~~(2) The board may set a lump-sum benefit for noncontributory~~
 26 ~~service as the board deems appropriate.~~

27
 28 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the
 29 General Assembly of the State of Arkansas that the operations of a state
 30 public retirement system are complex; that the Arkansas Teacher Retirement
 31 System must be able to meet the needs of its members as anticipated by the
 32 General Assembly; that certain provisions of the Arkansas Teacher Retirement
 33 System Act need revision and updating to bring them into conformance with
 34 sound public pension policy and actuarial requirements; that the current
 35 provisions of the Arkansas Teacher Retirement System Act create ambiguity as
 36 to the proper administration of the lump-sum death benefit and the

1 eligibility of a retiree and T-DROP participant to receive a lump-sum death
2 benefit; that the revisions and updates are of great importance to members of
3 the Arkansas Teacher Retirement System and to other citizens of the State of
4 Arkansas; that as the Arkansas Teacher Retirement System operates on a fiscal
5 year of July 1 to June 30, a July 1, 2023, effective date is necessary in
6 order to allow the provisions within this act to begin on the first day of
7 the fiscal year and to allow for a structured and proper administration of
8 the procedures referenced in this act; that the updates and revisions to the
9 Arkansas Teacher Retirement System Act are of great importance for actuarial
10 purposes and for the improvement and protection of member benefits under the
11 Arkansas Teacher Retirement System; and that this act is necessary in order
12 to maintain an orderly system of benefits for the members of the Arkansas
13 Teacher Retirement System. Therefore, an emergency is declared to exist, and
14 this act being necessary for the preservation of the public peace, health,
15 and safety shall become effective on July 1, 2023.