

Stricken language would be deleted from and underlined language would be added to present law.
Act 171 of the Regular Session

State of Arkansas
94th General Assembly
Regular Session, 2023

As Engrossed: H2/13/23
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 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.

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

~~(b)(1) If a retired member of the system dies prior to July 1, 2007, and the retired member accrued five (5) or more years of actual service, including actual service for the year immediately preceding the member's death, 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.~~

~~(2) If a retired member of the system dies on or after July 1, 2007, and the retired member accrued ten (10) or more years of actual service, including actual service for the year immediately preceding the member's death, 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.~~

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

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

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

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

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

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

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

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

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

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

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

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

~~(j)(1)(A) 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 under this section.~~

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

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

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

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

/s/A. Collins

APPROVED: 3/2/23