

# ANNUITY OPTIONS AND DISPOSITION OF RESIDUE AFTER RETIREMENT

A.C.A § 24-7-701, § 24-7-706, and § 24-7-709

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## DEFINITIONS

1. **Annuity Options** - The member's election at retirement of the annuity that shall be paid throughout the retiree's life in accordance with A.C.A. § 24-7-706.
2. **Option Beneficiary** - A person(s) nominated by the retiree by written designation duly executed and filed with ATRS at the time of retirement who, if eligible, will receive annuity payments under the annuity option chosen by the retiree after the retiree's death.
3. **Marriage Dissolution** - A final decree of divorce, separate maintenance, or annulment duly executed by a court of competent jurisdiction and filed of record in the Office of the Ex Officio Recorder.
4. **Person** – An individual, corporation, partnership, or other legal entity.
5. **Residue** – The member's accumulated contributions, including regular interest standing in the member's credit at the time of his/her retirement.
6. **Residue Beneficiary** – A person(s) nominated by the member/retiree to receive the residue, if any, at the termination of any option annuities payable on account of the retiree's death under A.C.A. § 24-7-709.

## RULES

Before the date the first payment of an annuity becomes due, a member retiring on age and service or disability may elect to receive an annuity payable as provided in one of the following (Disability retirement option rights are modified as set forth in policy 9-4):

1. **Option 1:** A straight life annuity payable monthly for the life of the retiree. Upon the retiree's death, if the retiree has not received payments equal to the residue amount, the residue remaining, if any, shall be paid to the residue beneficiary. If no residue beneficiaries survive the retiree, the residue will be paid to the retiree's estate.

## **2. Effect of Option 1 Retiree's Death within the First Year of Retirement**

If an Option 1 retiree dies within one year of retirement, and his or her spouse qualifies for Option A benefits, the spouse may elect to cancel the Option 1 annuity in effect and elect Option A (100% survivor annuity) at that time.

The election shall become effective the first day of the month following receipt of the election form by ATRS. If the spouse elects Option A, the residue, if any, will not be paid until the Option A beneficiary's death.

## **3. Persons Eligible as Option A or Option B Beneficiaries at the Time of Retirement**

In order to be nominated as an Option A or B beneficiary, the person must be one of the following:

- A. The retiree's spouse (if the retiree has been married to the spouse for at least one (1) year prior to the first annuity payment being paid to the retiree);
- B. A dependent child (regardless of age) who has been ruled physically or mentally incapacitated by a court of competent jurisdiction.

## **4. Eligibility of a Spouse to Become an Option A or Option B Beneficiary after a Member's Retirement.**

If a member was married to his or her spouse for less than one (1) year upon his or her effective retirement date or the member marries after his or her effective retirement date, then the member may elect to cover the spouse after being married for one (1) year. Upon meeting the one (1) year marriage requirement, the member shall have six (6) months to file an election to cover his or her spouse under either Option A or Option B. The written election must be filed on a form approved by ATRS.

## **5. Emancipation of Incapacitated Child Option Beneficiary.**

If an incapacitated child, who has been adjudged physically or mentally incapacitated by a court of competent jurisdiction, is nominated as an Option A or Option B beneficiary, and a court has determined that the incapacity issue no longer indicates incapacitation, or the incapacitated person is emancipated through marriage or dies, then the member may request ATRS to remove the incapacitated child from the member's account. Proof of the court's decision shall be by a copy of the court order, proof of emancipation shall be by a copy of the child's marriage license, or proof of death shall be by the death certificate.

Once proof is provided, the member may elect to return to Option 1 at that time, or if the member is married, the member shall have six months to designate the member's spouse as the member's option beneficiary. The election shall become effective the first day of the month following receipt of the election form by ATRS.

**6. Limited Election Window for a Pre-July 1, 2011, Retiree to Modify His or Her Option Designation when Marrying after Retirement.**

If a retiree married after retirement and designated his or her spouse as an Option B beneficiary, then the retiree may modify that beneficiary election from an Option B beneficiary election to an Option A beneficiary election, if the election is made on an ATRS form and is submitted to ATRS on or before June 30, 2012. If the retiree submits a form to modify the election to an Option A benefit, the election becomes effective on the first day of the month following receipt of the form by ATRS. The Option A benefit shall be calculated as if the retiree made the Option A election on the same date the Option B election was made; however, the additional reduction in benefits shall only apply after the effective date of the Option A election.

**7. Residue Paid Upon Death of Option Annuitant**

If after a retiree dies, an option annuity becomes payable, but the option beneficiary dies prior to the retiree and the option beneficiary receiving annuity payments equal to the residue amount, the residue, if any, shall be paid to member's residue beneficiary. If no residue beneficiary is nominated or survives upon the death of the option beneficiary, the residue remaining, if any, shall be paid to the last surviving option beneficiary's estate.

**8. Final Benefit Check**

Benefits are payable through the month in which the last option beneficiary's death occurs. If the option beneficiary dies prior to receiving the last check, ATRS will pay the final check in the normal manner paid prior to death. If payment of the final check in the normal course becomes impossible, the final option beneficiary's annuity check will be returned to the System.

**9. Eligible Residue Beneficiaries**

Any "person" as defined in this policy is eligible to be designated by the member to receive the residue, if any, payable upon the member's death including individuals, trusts, estates, corporations, and other legally recognized entities.

**Amended:** June 15, 2004  
February 7, 2006  
April 26, 2007  
July 1, 2011 (Emergency)  
**Adopted:** August 8, 2011  
**Effective:** November 11, 2011  
**Adopted by Board:** February 6, 2012  
**Amended** April 18, 2012  
**Effective:** May 29, 2012